Insiders and outsiders : structure and consciousness effects of labour market deregulation in Spain, 1984-1997

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Abstract:	Esta obra se presentó como tesis doctoral en la Universidad de Oxford, el 27 de Marzo de 2001. El Tribunal estuvo compuesto por los profesores doctores Anthony Heath y Serge Paugam. Director de la tesis: Duncan Gallie. En 1984, el primer gobierno socialista de la democracia española contemporánea intentó reducir el desempleo mediante la flexibilización de las condiciones para la contratación temporal. La reforma laboral de 1984 constituye un caso paradigmático de lo que se ha llamado políticas de flexibilización en el margen. Es decir, políticas que desregulan las condiciones de empleo para algunos trabajadores pero no para otros. En el caso español, la reforma de 1984 no alteró los altos niveles de seguridad en el empleo de los trabajadores con contratos indefinidos. En la tesis se defienden dos ideas principales: En primer lugar que, en un contexto institucional caracterizado por altos costes de despido y un sistema de negociación colectiva mal preparado para la representación inclusiva de los intereses de los trabajadores, la flexibilización en el margen genera desigualdades horizontales en el mercado de trabajo. Este tipo de desigualdades se definen como patrones persistentes de diferenciación de las oportunidades laborales de trabajadores de similar productividad. Se propone un modelo analítico que entiende que las desigualdad de oportunidades entre trabajadores en el mercado de trabajo depende de las diferentes capacidades que éstos tienen de obtener rentas de empleo. Una forma útil de entender el concepto de rentas de empleo es ver éstas como la diferencia entre el valor que los trabajadores obtienen por su trabajo y el valor que obtendrían en un mercado perfectamente competitivo sin costes de transacción. La flexibilización en el margen genera desigualdades horizontales porque tiene un efecto sobre la cantidad de rentas de empleo generadas en las relaciones de empleo, así como sobre la capacidad de optimización de dichas rentas de trabajadores con diferentes tipos de contrato. En segundo lugar, la tesis defiende que la posición que los individuos ocupan dentro de estas nuevas estructuras de desigualdad en el mercado de trabajo pueden tener efectos sobre las actitudes y comportamientos sociopolíticos. Estos efectos sociopolíticos están, sin embargo, mediados por los mapas ideológicos de los individuos (adquiridos a través de procesos de socialización política). Por efectos sociopolíticos se entienden todos aquellos efectos sobre actitudes, valores y comportamiento de los individuos en los ámbitos sindical y político que tienen consecuencias para las organizaciones, es

decir, consecuencias para sindicatos y partidos. El impacto de las políticas de flexibilización laboral sobre las estructuras del mercado de trabajo, y el impacto de estas estructuras sobre las actitudes y comportamientos sociopolíticos, definen el impacto 'estructurador' de la desregulación en España. La tesis se divide en dos partes: En la Parte Primera se analiza cómo la flexibilización en el margen tuvo un efecto sobre las estrategias de optimización de rentas de empleo de empleadores y empleados, generando a partir de este efecto segmentación por tipo de contrato. En ella se examinan dos tipos de mecanismos causales que actúan a nivel micro: el efecto incentivo y el efecto amortiguación. El primer efecto analiza el impacto de la desregulación laboral sobre la capacidad de optimización de rentas de empleo de los trabajadores temporales, mientras que el segundo se centra en el impacto de la desregulación sobre la capacidad de optimización de rentas de empleo de los trabajadores indefinidos. El análisis estadístico de diferentes encuestas de Población Activa para el periodo 1987-1997, así como de otras encuestas que recogen información sobre salarios, muestra que la desregulación en el margen disminuyó las rentas de empleo de los trabajadores temporales, al tiempo que incrementó las rentas de empleo de los trabajadores con contratos indefinidos, generando desigualdades horizontales entre trabajadores de idéntica productividad. Los efectos incentivo y amortiguación de la contratación temporal se refuerzan mutuamente y el resultado es segmentación por tipo de contrato (desigualdad horizontal) sin reducción significativa de la tasa de desempleo. Una implicación importante de este análisis es que el proceso de segmentación por tipo de contrato generado en España a partir de la reforma de 1984 tiene una lógica propia que no puede subsumirse a la lógica de la desigualdad entre trabajadores defendida por las teorías de clases más comunes. Por eso los esquemas de clase comúnmente utilizados no capturan correctamente las dimensiones de la desigualdad en el mercado de trabajo español. En la Parte Segunda se investigan los efectos sociopolíticos de la segmentación por tipo de contrato en España, mediante el análisis de su impacto sobre las actitudes y el comportamiento individual en los ámbitos sindical y político. Dicho análisis se lleva a cabo combinando técnicas de modelación estadística (sobre diferentes encuestas del Centro de Investigaciones Sociológicas y otras fuentes) con investigación de tipo cualitativo (basada en entrevistas realizadas con grupos de trabajadores manuales en diferentes situaciones laborales y residentes en área metropolitana de Madrid). La evidencia empírica aportada por estos análisis sugiere que la precariedad laboral asociada a la contratación temporal constituye un impedimento objetivo a la participación sindical independientemente de cuestiones ideológicas. Se comprueba, además, la existencia de un significativo distanciamiento ideológico o valorativo de los trabajadores temporales y desempleados con respecto a los dos sindicatos mayoritarios. Este distanciamiento es mayor precisamente entre los trabajadores temporales y desempleados de izquierdas, lo cuál se interpreta como efecto de mecanismos de disonancia (entre el "ideal" sindicalista y la "experiencia real" del sindicalismo).Con respecto al ámbito del comportamiento político, el análisis sugiere que la precariedad laboral asociada a la contratación temporal genera descontento político. En las elecciones generales de 1996, el descontento político entre los trabajadores de izquierdas y antiguos votantes socialistas que se encontraban desempleados debido a la terminación de sus contratos temporales favoreció el voto de castigo en contra del partido gobernante. Este voto de castigo no parece haber sido activado por la experiencia de privación económica asociada a la inestabilidad laboral, sino más bien por las consecuencias no materiales de la inestabilidad misma (inseguridad laboral, incertidumbre, falta de expectativas...). Se confirma, por tanto, que las desigualdades laborales generadas como efecto directo de una reforma institucional pueden tener efectos sociopolíticos. El caso español muestra, así, cómo

políticas de desregulación pueden generar estructuras de desigualdad en los mercados de trabajo y cómo estas nuevas estructuras de desigualdad pueden acabar teniendo efectos sociopolíticos significativos. Este tipo de procesos son especialmente relevantes para el estudio de la relación clásica entre estructura social y acción colectiva en el capitalismo avanzado, un capitalismo que se caracteriza por estar institucionalmente filtrado.

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INSIDERS AND OUTSIDERS: STRUCTURE AND CONSCIOUSNESS EFFECTS OF LABOUR MARKET DEREGULATION IN SPAIN (1984-1997)

MADRID
2 0 0 1

Esta obra se presentó como tesis doctoral en la Universidad de Oxford, el 27 de Marzo de 2001. El Tribunal estuvo compuesto por los profesores doctores Anthony Heath y Serge Paugam.

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CHAPTER ONE

INTRODUCTION

> *"What you have now is a lot of talk, a lot of rhetoric, a lot of politics but the reality is this: that we've been unemployed for a hell of a long time, that we're at an age where it's difficult to find* [work], *that it's impossible to get your own place, and that the little work we get, when we get it, is worse than ten years ago. And that's how it is. That's the reality..."*
>
> *"Besides, now you have another class. Now you have the working class and the unemployed class. I mean, now the unemployed, we're no longer workers. I mean, we've been left... you know? I mean, we've been divided. I mean, even if we were divided before, we are all even more divided now..."*[1]

In 1984, the first Socialist government of the present Spanish democratic regime undertook a major reform of the labour market regulatory framework through the *Reforma del Estatuto de los Trabajadores* (Reform of the Workers' Statute). Fixed-term contracts[2] were introduced in a bid to reduce unemployment,

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[1] Extracts from original group interview with unemployed blue-collar workers previously holding fixed-term contracts. Madrid, 1997-05-24.

[2] In this thesis the terms temporary and fixed-term will be used interchangeably.

which had just risen to over 20 per cent of the active population, by making the labour market more flexible.

The 1984 reform is a paradigmatic example of what Esping-Andersen (1998a;1998b) has recently labelled *two-tier selective labour market policies.* Two-tier selective policies deregulate conditions for some workers, but not for others. In the Spanish case, flexibilisation through fixed-term employment was exclusively applied to new entrants in the labour market, while workers on permanent contracts continued to enjoy the privileges of rigid employment security legislation inherited from the pre-democratic era. In 1997, thirteen years after the two-tier reform, Spain had the highest proportion of temporary work of all OECD countries (one third of the Spanish salaried workforce had a fixed-term contract) and continued to show the highest rate of unemployment (above 20 per cent).

This dissertation will show how the 1984 labour market reform, given the particular regulatory context in which it was implemented, generated significant inequalities in the labour market opportunities of similar-productivity workers. This process whereby the introduction of fixed-term contracts creates structured inequalities in the labour market will be called *type-of-contract segmentation.* Type-of-contract segmentation can, therefore, be considered as an institutionally triggered process that generates 'horizontal' labour market inequalities. These inequalities, it will be further sustained, have, in turn, had empirically observable *consciousness* effects on both workers' subjective identification with industrial and political organisations and on their behaviour in the industrial and political spheres.

The introduction of fixed-term contracts in the Spanish labour market constitutes a fascinating case study because it allows us to analyse the impact of a well-defined institutional reform on the labour market, the mechanisms whereby this particular reform creates new labour market structures, and how the position individuals occupy in these structures can shape their socio-political views and affect their political behaviour. The analysis of the structure and consciousness effects of labour market reform in

Spain, therefore, illustrates how institutional (de)regulation can have a very significant *structuring* impact in advanced capitalist societies. Here lies the sociological relevance of this case of study.

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Already by the early 1990s, it was quite obvious that something had gone wrong with the flexibilisation strategy implemented by the Socialists. Between 1986 and 1991, jobs had been created at an impressive pace, but the unemployment rate failed to fall below the 15 per cent threshold, while the rate of temporary employment had already risen to over 30 per cent in 1991 (see *Chapter Three*). Serious doubts were raised, both among specialists and the general public, as to the 'quality' of the jobs being created. Fixed-term jobs seemed to be precarious jobs leading to unemployment rather than to integration in stable careers. Labour market economists became aware of the segmenting consequences of temporary employment and soon started to provide different analytical models in a bid to understand the processes involved in this form of segmentation. Their models and research have been particularly useful for the writing of this thesis.

Sociologists' contribution to our understanding of the impact of fixed-term employment in Spain has been somewhat more modest. We still know little about the effects of fixed-term employment on social structure, or about its consciousness effects. And this is so despite the fact that, already in the early 1990s, two pieces of evidence suggested that a comprehensive analysis of the segmenting effects of temporary employment could be particularly relevant for the study of social inequality in Spain. On the one hand, Spanish workers on permanent contracts enjoyed job security levels comparable only to those found in South Korea (see *Chapter Two*); on the other, Spain showed the highest rates of unemployment and temporary employment of all OECD countries.

This split between insiders (i.e. workers on permanent contracts) and outsiders (fixed-term and unemployed workers)

constitutes a particularly interesting sociological issue to analyse in detail. What are the mechanisms of segmentation that can account for it? How did it happen? What does the split between insiders and outsiders tell us about social inequality in Spain? Has this split had consequences for workers' attitudes and behaviour regarding the trade unions? And has it had electoral consequences? What are the consciousness effects of being an outsider in the Spanish labour market?

Spanish sociology has offered only partial answers to these questions. The existing empirical research often focuses on tangential issues largely disconnected from a comprehensive analysis of the structure and consciousness effects of two-tier deregulation in Spain. This chapter argues that sociologists' modest contribution to our understanding of the structuring impact of two-tier reform in Spain may to a considerable extent be related to one particular limitation of the sociological theories available for explaining the very significant differences in the contractual conditions of employees. Namely, the fact that these theories are largely institutionally insensitive and, therefore, not the best starting-point for an analysis of inequalities that have an institutional origin.

The chapter is divided into three sections. *Section One* reviews the existing sociological theories that can account for the differentiation of contractual conditions and, in particular, job security, with special attention to the explanations provided for the Spanish case. *Section Two* revises the existing contributions to our understanding of the consciousness effects of job precarity and unemployment in Spain. In this section it is argued that Spanish sociological analyses have only addressed these issues tangentially and that sound empirical evidence is still lacking. The chapter ends with a presentation of the structure of the thesis.

1. Sociological Theories of Labour Market Structures: A Critical Review

The models revised in this section are evaluated according to two different criteria: 1) their internal consistency in explanatory terms, and 2) their usefulness for explaining type-of-contract segmentation in Spain. Explanatory-inconsistent models are always inadequate, yet the opposite is not necessarily true, as some models can be extremely consistent in explanatory terms but ultimately inadequate to explain the case under investigation. Explanatory-consistent models that do not account for the segmenting role of institutional regulation seem inadequate for explaining type-of-contract segmentation in Spain.

Summarising different arguments, which are written with different purposes and concerns, necessarily implies a certain degree of oversimplification. What this section reviews are *types* of explanation.

1.1. Black-box approaches: youth integration and functional-familialistic perspectives

There are two approaches to the problem of unemployment and job insecurity in Spain which have received special attention by Spanish sociologists. Strictly speaking, these are not theories or analyses *of* labour market structures. In fact, what these approaches have in common is that both have treated the labour market as a black box. Yet a review of the existing sociological literature on unemployment and precarious employment in Spain would not be complete without mentioning these sociological analyses. To simplify, these analyses are called *youth-integration* and *functional-familialistic* approaches.

1.1.1. Youth-integration approaches

Youth-integration approaches focus upon the problems inherent in the transition from education to work for young people[3]. Generally linked to the sociology of education, these accounts tend to focus on the determinants of a successful 'integration' into employment with a special emphasis on the role played by the educational system. Attention to the educational system has often been paid at the expense of in-depth analysis and discussion of labour market structures as such. Youth-integration approaches do not account for the specificity of the Spanish case.

One particularly unfortunate consequence of disregarding the labour market is that labour instability often appears in these studies as if it was exclusively a youth specific problem. The possibility that fixed-term contracts in Spain place individuals of *all ages* in unstable labour market trajectories with no guaranteed transition into stable employment is thereby overlooked. It is in this sense illustrative to note how the definition of 'youth' unemployment has been significantly enlarged in Spanish sociological studies over the course of a decade. Before 1987, youth unemployment was usually defined as that type of unemployment affecting individuals between 16 and 24 years of age (see: Tobío 1988,90). Yet, by the second half of the 1990s, the definition already included people in their thirties (and even in their mid thirties) (see, for example: Grup de Recerça Educació i Treball 1995; Leal 1995,191). It is as if, by confounding youth with labour market precarity, youth-integration approaches were condemning Spanish outsiders to be 'forever young'.

Various sociological studies on early labour market trajectories have combined empirical sophistication with a greater

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[3] See, for example: Carabaña (1987;1988;1996); Casal (1996); de Pablo (1994); Fernández Enguita (1990a;1990b); Marhuenda Fluxiá (1994); Roquero (1994); Garrido and Requena (1996); Tobío (1988). See also: Sánchez Molinero (1986); Lamo de Espinosa (1986); Carabaña (1986). And also the contributions in: Monográfico Política y Sociedad (1988); Monográfico Revista de Educación (1994).

interest in the functioning of the labour market. For instance, García Blanco and Gutiérrez (1996) have presented their longitudinal research on early labour market trajectories in Asturias as a strategy to assess the relative explanatory performance of the human capital approach versus the segmentation approach (see also: Grup de Recerça Educació i Treball 1991;1993;1995; Gutiérrez 1998; Ibáñez Pascual 1998;1999; Masjuán, Vivas and Zalzívar 1994). Empirical research of this kind offers interesting insights into the labour market trajectories of the Spanish youth. They present a picture of general instability and precariousness. Yet their commitment to an 'integration' paradigm makes them unsuited to address the larger question of labour market inequalities. The universe of reference of the surveys used by these researchers is individuals leaving education, rather than the Spanish workforce as a whole, which hinders any serious modelling of the functioning of the labour market as such. This seriously limits their usefulness as a tool for understanding the mechanisms behind type-of-contract segmentation in Spain.

In short, sociologists concerned with the labour market trajectories of individuals leaving education have only addressed the problem of labour market structures tangentially. By emphasising the role of the educational system, and by focusing on a restricted universe of reference, these accounts (interesting though they are) cannot offer a proper explanation of the segmenting impact of two-tier reform. Youth integration approaches have treated the labour market as a black box.

1.1.2. Functionalist-familialistic accounts

The labour market has also been treated as a black box by a number of sociological interpretations that could be labelled *functionalist-familialistic*. The epitome of functionalist-familialistic 'explanations' is the thesis of the *revealed preference* or *implicit pact* suggested by authors such as Espina (1986), Gil

Calvo (1986); Garrido (1998) or Garrido and Requena (1996). According to this thesis, type-of-contract segmentation would be the outcome of a social pact whereby "*the adult worker would have sacrificed the employment of his sons and daughters, and to a lesser extent of his spouse, in favour of the growth of his own earnings*" (Translated from Espina 1986,18). This accommodation of unemployment within families is presented by Espina (1986) as a reasonable underlying social option that privileges the less traumatic mechanisms of adjustment and minimises social conflict (see also: Gil Calvo 1986,66-8). As a result, the effects of the 1984 reform on the distribution of opportunities for stable employment across generations (and sexes) is seen in a positive light:

> "*At the risk of seeming too functionalist, I believe it would be ridiculous to affirm that the underlying social option to this process lacks a reasonable basis. Confronted with the alternative of maintaining employment levels and average earnings but giving up wage and productivity increases as well as liberation of free time for a mass of youngsters who needed to prolong their staying in the educational system, the adopted option has some clear positive effects.*" (Translated from Espina 1986,23).

The functionalist view finds a less optimistic version in the earlier work of Garrido (1986). For this author, the co-existence of high levels of youth and female unemployment and temporary employment with high employment security for adult male workers is the result of an uneven distribution of social power among generations combined with the dysfunctional adjustments typical of all complex social systems:

> "*Functional matching is the elaborated outcome of a large number of adjustments, inter-exchanges, pacts and deals, whose parties are neither willing nor probably able to substitute in a fast and effective way.*" (Translated from Garrido 1986,16).

According to Garrido, employment rigidity coupled with youth unemployment growth (which is mainly viewed as having a demographic cause) produce a functional dislocation in the social system, which places young workers in a "*literally hopeless situation*" (1986,10). This dysfunctionality is not likely to be resolved, as a process of political exclusion reinforces it:

> "*This problem does not appear as urgent at the political level because those who are excluded are also dispersed and they neither associate nor mobilise and, therefore, they are not feared because they are not present in the public scene, they do not exist.*" (Translated from Garrido 1986,10).

Functionalist approaches identify 'implicit pacts' and 'functional mismatching' problems as the forces behind labour market segmentation. It is not clear whether these pacts and mismatches are used in a metaphoric or an explanatory fashion. But the fact is that 'actors' and 'mechanisms' are largely absent in these accounts, which tend to be more impressionistic than empirical. Unemployment is seen as a youth-specific problem, the labour market is again treated as a black box and little, in short, is offered in terms of causal explanations.

1.1.3. The importance of families

There is a crucial variable in functionalist approaches: families. In subsequent work, Garrido has explored the relationship between families and the labour market in Spain from a more empirically oriented perspective (see: 1995;1996;1998; and also: Garrido and Requena 1996). His research provides interesting insights into this relationship although it is still nested in functionalism:

> "*In general, it can be affirmed that unemployment is to a great extent one of the unintended effects of the improvements in the quality of life of Spaniards. Hence it could be considered as an indirect cost*

of the mode in which society has incorporated such social and economic improvements. It is possible that citizens' acceptance of the high levels of unemployment in Spain is related to the belief that unemployment is a consequence of changes whose global balance is advantageous for the majority of the population." (Translated from Garrido 1996,236).

This interpretation of unemployment as socially accepted seems to be a rather provocative proposition to make in a society where unemployment (followed by terrorism) constantly appears as the mayor source of citizens' concern and dissatisfaction in opinion surveys[4]. In any case, the point Garrido seems to be making here is one about the importance of families. Note that when the emphasis is placed on families rather than individuals what was previously described by the author as a "*literally hopeless situation*" becomes a socially-accepted, unintended effect of economic development.

Perhaps by "acceptance" Garrido implies the lack of excessive social conflict. In this sense, it can be argued that families mitigate what otherwise would probably be a devastating polarising impact given the intensity of type-of-contract segmentation in Spain (see: Maravall and Fraile 1998;2000 and below). Labour Force Survey data (LFS) for the 1987-1997 period shows that around 70 per cent of fixed-term workers were not the head of their households (calculated by the author). An important proportion of fixed-term and unemployed workers live in households headed by workers on permanent contracts and, therefore, a family perspective on the problem shows a less dramatic picture than a purely individual one (see, for example: Alvira and García 1986,43; Toharia 1993; Ayala, Martínez and Ruíz Huerta 1996; Maravall and Fraile 2000,22).

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[4] As all the surveys of the governmental Centre for Sociological Research (*Centro de Investigaciones Sociológicas*) up to the barometer survey of October 2000 demonstrate. In the latter, terrorism appeared as the main source of concern (followed by unemployment) for the first time.

Maravall and Fraile (1998,2000), for instance, have recently shown that, between 1980 and 1990, unemployment and inequality in household income followed "*paradoxical*" trends in Spain: while the former increased drastically, the latter was actually reduced. The key to this paradox is that unemployment "*seldom led to poverty*" because it "*was mostly suffered by members of the family who were not the main provider*" (Maravall and Fraile 1998,19;2000,21-2).

Recently, Gallie and Paugam (2000a;2000b); Gallie, Jacobs and Paugam (2000) and also Bison and Esping-Andersen (2000) have provided comparative evidence for European countries, which emphasises again the importance of families as welfare providers for the unemployed in South European countries. There is little doubt, therefore, that Spanish families play a fundamental role as a safety net for the unemployed (and the precariously employed). Bison and Esping-Andersen refer to this role as "*derived welfare*" (2000,85). Yet acknowledging this fact cannot serve as an excuse not to analyse in detail the structuring impact that fixed-term reform has had on the labour market. Labour market experiences always concern *individual* actors and labour market structures are always structures for *individual* opportunity. Therefore, in order to understand the processes whereby a particular reform creates labour market structures, we must necessarily adopt an individual-level perspective (see: Hëdstrom and Swedberg 1998,1-13; Goldthorpe 2000a,ch.6 and also *Chapter Two*).

In short, emphasising the role of families as welfare providers has often led Spanish sociologists to assume a familialistic perspective on social inequality and thereby to disregard the important changes that occurred in the Spanish labour market after the introduction of fixed-term contracts. Horizontal individual inequalities are likely to be overlooked by sociological perspectives that stress the functional role of families as conflict-preventing institutions. This familialistic approach also has important implications for the analysis of the consciousness

effects of type-of-contract segmentation, which is dealt with in *Section Two* of this chapter.

1.2. Segmentation theories: dual labour market and neo-Marxists models

It seems, therefore, obvious that in order to understand the characteristics and impact of temporary employment in Spain we have to look at labour market structures. Spanish sociologists have tended to approach the analysis of labour market structures mainly from the perspective of segmentation theories. The Spanish labour market has often been described by sociologists and economists alike as a dual labour market (Bilbao 1993; Prieto 1989; Recio 1991; González 1992; Alba 1991;1996; Amuedo-Dorantes 2000). Workers employed on temporary contracts have been assumed to form the secondary segment, characterised by low-skill, poorly-paid, insecure jobs with no promotion prospects. The adoption of segmentation theories, or at least of their basic terminology, to refer to the combination of high unemployment and a very high rate of precarious temporary work in Spain seems, however, somewhat striking if one takes into consideration that neither dual labour market theories nor neo-Marxist models are particularly sensitive to the importance of institutional regulation. Segmentation theories can offer very little in terms of explaining why the labour market reform of 1984 led to the highest rate of temporary work of all OECD countries without significantly reducing unemployment in the long run. This, however, has not prevented Spanish sociologists from drawing on these segmentation theories, and in particular on the neo-Marxist models of Edwards, Reich and Gordon (see below). Adherence to the segmentation paradigm has led many Spanish scholars to assume that there is a largely unproblematic overlapping between type of contract and occupational 'classes'. This assumption is embedded in segmentation theories.

1.2.1. Dual labour markets

Dual labour market (DLM) theories focus on the relationship between demand structure in product markets, technological requirements and labour market segmentation. In the DLM model the origins of segmentation are, therefore, seen as *exogenous* to labour market exchange. The main thesis of DLM theories is that the strategies firms adopt to minimise uncertainty in their product markets produce segmentation (see: Doeringer and Piore 1971; Piore 1975;1978;1983; Piore and Sabel 1984; Dickens and Lang 1985; Rebitzer and Taylor 1991; Alba 1996).

According to DLM models, demand for commodities has a stable component and a volatile and cyclical one. Stable demand is met, on the supply side, by mass-produced, standardised goods within what has been termed the core of the economy, whereas uncertainty is taken up by small-scale flexible firms operating on the periphery[5]. The core sector is, therefore, formed by "*large scale enterprises with declining average costs curves catering to the predictable and largely stable segment of demand*" whereas the periphery is populated by "*much smaller firms with the traditional U-shaped average cost curves catering to the unpredictable and/or fluctuating portion of demand*" (Berger and Piore 1980,66). Firms have different technological requirements, depending on which of these two components of demand they seek to target. 'Core' firms use a mass of tied-down fixed capital (relative to variable costs) which reduces unit costs but requires high capacity utilisation. They tend to be large firms[6], for the

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[5] The origins for the theory of the division of the economy into two parts can be traced back to Boeke (1953) and Averitt (1968). See also: Galbraith (1969); Bluestone (1970); O'Connor (1973) and Friedman (1977). See Baron (1984,48).

[6] There is abundant empirical evidence showing a link between organisational size, internal labour markets and higher wages (Rebitzer 1986; Choffel and Garnier 1988; Hashimoto 1990; Buechtemann 1993,20; Daniel and Stilgoe 1978; Bessy 1987,44). DLM theory identifies internal markets with large

larger they are, the better use they can make of economies of scale (Phelps Brown 1977,225-6). In contrast, 'peripheral' firms are much less capital intensive. They use a higher proportion of variable costs and their unit costs are higher. Since economies of scale do not apply under these conditions, 'peripheral' firms tend to be small. In the core sector, the argument goes, labour becomes part of the fixed capital of their firms, or what Piore (1978,29) calls a "*quasi-fixed factor of production or quasi-capital*[7]" and this generates internal markets shielded from external competition. In order to respond to the changing and unpredictable demand, though, 'peripheral' firms will base their labour management policies on low labour costs and on the capacity to fire and hire labour easily (i.e. cheaply). Hence in the 'peripheral' sector, labour demand will be met in an 'open' labour market where wages and working conditions are poorer and promotion opportunities are largely absent (see: Doeringer and Piore 1971; Piore 1975).

1.2.2. Monopoly capitalism, control and segmentation

To this basic model neo-Marxist segmentation (NMS) approaches add a special emphasis on the conflictual character of the production process and on the connection between capitalists' strategies to control, divide and rule the labour force and labour market segmentation (see: Gordon 1972; Edwards, Reich and Gordon 1975; Edwards 1979; Gordon, Edwards and Reich 1982; Clark 1981, Storper and Walker 1983). Central to NMS theories is the distinction between what firms can buy in the labour market (labour power) and what constitutes a factor in the productive process ('effective' labour). The social relation of work consists of

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firms. Therefore, size of the firm has often been used in empirical analysis as a proxy for internal markets. For the importance of the firm as an empirical unit of analysis see: Apostle (1985), Buchele (1983,410), Baron and Bielby (1980, 742; 1984,458,471).

[7] See: Oi (1962).

transforming the former into the latter, which is always a conflictual process (Edwards 1979,12; Toharia 1986,213). Thus, the radical segmentation school takes the analysis of the conflict between labour and capital as its central focus. Firms' strategies in the labour market are interpreted as being designed to further the interests of capitalists as a class. Capital is seen to be pursuing a strategy of increasing its control over labour by reducing individuals' scope to use their judgement and skills (Braverman 1974) and by creating "artificial divisions" within the workforce to undermine collective resistance (Gordon 1972; Gordon et al. 1982; Edwards 1979).

Edwards (1975;1979), for instance, distinguishes two distinctive sources of segmentation (see also: Edwards, Reich and Gordon 1975). One is related to the logic of capitalism and, in particular, to the development of monopoly capitalism. According to the author's historical account (of the U.S. case), with the development of monopoly capitalism a new form of organisation of production emerged: bureaucratic control. Bureaucratic control was developed by employers as an efficient form of control of the workforce under the new productive conditions prevailing in the industrial core of big oligopolistic corporations. Under bureaucratic control authority becomes formalised, predictable and impersonal. Status distinctions are introduced and jobs are finely graded in a hierarchical order, which tends to individualise employment relationships. Core firms implementing this form of control generate internal labour markets shielded from external competition. Internal labour markets offer job security, relatively high wages and promotion opportunities along well-defined job ladders. Bureaucratic control, therefore, favours stability, predictability, compliance with the rules and internalisation of the enterprises' goals and values (1975,9-12). In short, through bureaucratic control capitalists ensure a more docile workforce, which is likely to internalise and thereby legitimise capitalists' authority in the workplace. This secures greater profits (1979,14). The bureaucratic system of control at the workplace leads to the formation of the so-called *independent primary segment* of the

labour market characterised by high-skilled jobs, high job security, high wages and high returns to education and age. Only core firms can afford to implement bureaucratic control. Smaller peripheral firms targeting the volatile component of the demand continue to implement simple and direct forms of control and supervision over their workforces. Jobs tend to be low skilled, poorly paid and fundamentally insecure in this sector, which corresponds to *the secondary segment* of the labour market (1979,170). In between the independent primary segment and the secondary segment, Edwards (1979) further distinguishes a *subordinate primary sector*, which enjoys relative security levels, returns to age and experience and some, although quite limited, promotion opportunities. In this sector technical (Fordist) control is the rule (1979,20). This is the sector for the traditional industrial working class and Edwards explicitly links internal markets in this sector to the role of the trade unions (1979,171,181,189 and also: Edwards, Reich and Gordon 1975,xv-xvi; Piore 1975; Gordon, Edwards and Reich 1982,ch.5).

Therefore, it is the coexistence of these three different modes of control in the "contested terrain" of production that leads to the differentiation of the labour market into three different segments. These segments are, however, further fragmented as a result of employers' conscious attempts to divide and rule the working class by drawing on racial and sexual divisions pre-existing in society. By using sexual and racial tensions to their advantage, employers actually institutionalise these differences in the labour market. This is the second source of segmentation (see: Edwards, Reich and Gordon 1975,xiv; Edwards 1979,194-9; Gordon, Edwards and Reich 1982,204-10).

DLM and NMS models have both proved very influential in segmentation analysis. Yet their attempts to explain actual segments in the workforce by reference to dual tendencies at the industry level have mostly been received with criticism (see, for example: Craig et al. 1982;1985; Humphries and Rubery 1984; Rubery 1988; Pollert 1987;1991; Fine 1998; Baron 1984,49; Gallie 1985;1988a). It has been argued that these theories offer

either an unrealistic account of the existing segments, since they assume an over-simplified correspondence between industrial structures and classes of workers (core industries-core workers and periphery industries-peripheral workers)[8], or a purely descriptive one[9] (for an early review see: Kalleberg and Sorensen 1979; Baron 1984). As a result, there is a significant degree of confusion (and debate) among segmentation theorists as to what the relevant unit of analysis is, how many segments actually exist, where the boundaries between these segments lie and what are the relationships between them (Layte et al. 1998).

NMS models have also been criticised for being employer-centred[10]. It has been argued that the theories comprise a crude functionalism (Fine 1998,146) and that the historical empirical evidence provided by these models is weak (Gallie 1985,507). It has also been pointed out that the concrete mechanisms whereby individual employers, following their class interests, create labour market segments remain rather obscure in the theory. The link between employers' everyday business decisions and their acceptance of the dictates of their class interest is taken for granted, rather than explained. In other words, as Rubery (1988) argued, the Marxist segmentation school fails to provide an adequate theory of individual firm behaviour. Increasing market share rather than class interest seems to be the dominant driving principle of firms' behaviour. The radical approach does not provide a satisfactory theory of workers' behaviour either because, in fact, "*neither the actions of capital nor labour could be said to be explicable, solely by the interest of the class as a whole*" (Rubery 1988,255).

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[8] See: Hodson and Kaufman (1982); Baron (1984). For a critique see: Humphries and Rubery (1984,336-7); Craig *et al.* (1982,155,288;1985,268); Kalleberg *et al.* (1981); Wallace and Kalleberg (1981); Zucker and Rosenstein (1981); Jacobs (1983); Baron (1984).

[9] For a critique see: Fine (1998,117-56); Pollert (1987).

[10] Particularly Edwards, Reich and Gordon (1975). Although in Edwards (1979) and, even more so, in Gordon, Edwards, and Reich (1982) a much more important role is assigned to the trade unions.

What seems missing in segmentation analyses is, therefore, an explanation that links segmentation to the economically rational behaviour of individual firms and workers. The bulk of the discussion takes place at the macro-level where rather general historical accounts overshadow in-depth analysis of the actual mechanisms of segmentation. Doubts, therefore, have been raised as to the explanatory adequacy of these models.

But leaving aside internal inconsistencies, the fact is that segmentation models remain largely silent with respect to institutional regulation. What DLM and NMS models have in common, apart from a common origin, is that both stress the role of uncertainty in the product markets[11], technological change and the correspondence between dualistic tendencies at the industrial level and labour market segmentation. Their central focus of attention is, therefore, placed far away from institutional regulatory factors. Taking all these points into consideration, one wonders why Spanish sociologists have been so attracted to segmentation theories. What do DLM and NMS models have to do with temporary contracts in Spain? The answer is by no means obvious.

1.3. Job insecurity and class: from black-box accounts to generative explanations

Despite all these important limitations, segmentation models, or at least their basic terminology, have often been used by Spanish scholars working in the fields of industrial sociology and sociology of work (see, for example: Bilbao 1993; Prieto 1989; Recio 1991). These scholars have offered mostly employer-centred accounts of labour market segmentation which are related to NMS theories. According to these accounts, the introduction of

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[11] Firms' uncertainty will also depend on their relationship to the state and foreign markets, as well as on corporate growth (see: Rosenbaum 1979; Bielby and Baron 1983; Baron 1984).

temporary contracts is seen as having served the interests of capitalists as a class. Yet these accounts have not explained why Spain has the highest rate of unemployment and temporary work of OECD countries (and consequently, according to these models, the largest secondary segment). In other words, they have not explained what makes Spanish employers so successful in dividing their workforces. If the answer is institutional regulation, then it falls outside segmentation models.

None of these issues have, however, been addressed in detail in this literature. Instead, the authors have provided a description of the market segments in Spain that assumes a largely unproblematic overlapping between contractual forms and occupational 'classes'. According to this description, the primary market is identified simultaneously with highly qualified professionals and with permanent contracts, while the secondary sector is viewed as consisting of unskilled workers and fixed-term contracts (see: Recio 1991,99 and also: Miguélez 1995a,ft.1; Rivero Ceballos 1985,34-7). As a result, it would seem as if all professionals were permanent workers and all labourers fixed-term. Yet no evidence has been provided to sustain this claim.

Interestingly enough, this overlapping of contractual forms and occupational classes has been reproduced in González's work on the Spanish class structure (see: González 1992). In González's own words:

> "*This hypothesis assumes a significant connection between the dualist perspective and the class structure, according to which: a) the upper-segment of the primary sector constitutes the theoretical equivalent of the middle class, b) the lower-segment* [of the primary sector] *corresponds to categories of qualified employees; and c) the secondary market corresponds to the categories of unskilled workers and/or workers with limited capacity of control over their job.*" (Translated from González 1992,70-71).

Although presented in a hypothetical form, González has actually assumed this model without testing its validity empirically. It is in this sense illustrative that his proposed class

schema for the analysis of the Spanish class structure does not take account of employees' contractual status (i.e. type of contract) (1992,50). In subsequent research on class voting in Spain, the author adopts the same basic model and defines *outsiders* as young unskilled manual workers (see *Section Two*). In so doing, González seems to disregard his own advice:

> *"It is, however, also possible that temporary contracts become a mechanism leading to the formation of sub-labour markets, whose borders will be progressively defined, and where possibilities for insertion* [into permanent employment] *will be replaced by processes of rotation of clearly segmenting effects. If this is the case, the split of 'proletariats' into two halves would be no more than a sign of the extent of labour market segmentation in Spain, whose impact on class position we should not lose sight of."* (Translated from González 1992,97).

Despite González's advice, sociologists concerned with the general problem of social stratification have not carried out intensive research on the segmenting effects of temporary employment in Spain and, therefore, they have not addressed the crucial relationship between contractual forms and 'classes'. Is fixed-term work a working-class phenomenon, as these analyses seem to imply? Who bear the brunt of fixed-term employment? Do temporary contracts have the same characteristics and the same impact among professionals and working-class labourers? Research on these issues is still lacking. At least to some extent, this could be attributable to the fact that sociologists concerned with stratification have stood on the feet of class theories that are institutionally blind[12].

1.3.1. Goldthorpe's model and the institutionally-insensitive character of class theories

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[12] See, for example, the contributions in Carabaña (1995).

Recently John Goldthorpe (2000a,ch.10) has provided a more elaborated theoretical explanation of the principles for class differentiation of employees in an argument that explicitly connects his sociological theory of class differentiation to Williamson's transaction costs economics (see, for example: Williamson 1985;1996 and *Chapter Two*) as well as to recent developments in organisational and personnel economics (see, for example: Milgrom and Roberts 1992; Lazear 1995).

In Goldthorpe's latest model the main axiom of his class theory, which is that class positions can be understood as positions defined by employment relationships (Erikson and Goldthorpe 1992:35-47), is explained within a new rational action framework that focuses on employers' individual optimisation strategies[13]. In this new framework, the causal mechanism that accounts for the class differentiation of employees –into the service class, working class, and 'mixed' forms of employment relations—is related to: 1) the costs involved in monitoring and measuring the respective classes of work that different employees perform, and 2) the degree to which productive value would be lost if each class of employee left the firm –which is a function of the degree of specificity of the human assets or human capital required to perform each type of work. Depending on these costs, workers will enter a different employment relationship with their employers.

The 'labour' relationship –which applies to the working classes– is that which may be expected to generate the least costs for employers. The absence of serious work monitoring problems implies that workers can be remunerated according to their productivity, while the absence of serious asset specificity problems means that no significant specific productive value is lost if the employee 'leaves' the firm. In labour occupations, the characteristics of the work and the assets required to perform it

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[13] "*I treat employment contracts primarily for the standpoint of employers, with whom the <u>initiative</u> in their design and implementation does at all events lie.*" (Goldthorpe 2000a,210-11; emphasis in the original)

make the employee easily replaceable. Hence, labour contracts can take the form of discrete and short-term exchanges of money for effort and come *"as close as is possible to a simple spot contract –albeit perhaps of a recurrent kind- for the purchase of a quantity of a commodity"* (Kay 1993, ch.4 in Goldthorpe 2000a,214).

Conversely, the 'service' relationship implies the highest monitoring and human asset specificity costs. Service work-tasks are diverse and multifaceted, making them very difficult to monitor. In fact, monitoring these tasks would require as much expertise, specialised knowledge and delegated authority as the expertise, knowledge and authority being monitored. Service tasks also require a highly qualified workforce. With this type of workforce, it is very likely that there will be an advantage to the employer in ensuring that service workers' skills are deepened and further specialised in the organisational context in which they are to be applied. Therefore, in order to gain the organisational commitment of their professional, administrative, and managerial employees, and to ensure further skill specialisation, it is rational for employers to offer a form of contract which: 1) secures the employment relationship on a long-term basis; and 2) offers productivity incentives through a payment system based on a fixed wage –or salary–. 'Service' contracts offer employees the prospect of a steadily rising level of compensation throughout the course of their working lives –including salary increases according to a defined 'scale' and promotion opportunities through a relatively defined career structure. Service contracts also provide incentives for employers to engage in training and for employees to engage in learning. Thus, the rationale of the service relationship favours continuing employment and incentive schemes.

Note, therefore, that the predictions of this model do not differ significantly from those derived from the segmentation literature – or from González (1992). The rationale of Goldthorpe's argument also leads to expect job insecurity and short-term contracts to be predominantly a working-class phenomenon. Yet, in contrast to the previous segmentation arguments, Goldthorpe's latest model offers a parsimonious and highly consistent theory of the

mechanisms of class differentiation of employees[14] which has the virtue of explaining contractual differences, including differences in job security levels, *endogenously*, that is by drawing on individual optimisation strategies (i.e. rational action). Goldthorpe's model, therefore, deals with the micro-foundations of the class differentiation of employees. His is an *explanation* in terms of micro-level causal mechanisms, which makes it far more attractive than the previously reviewed black-box narratives based on macro-level associations. Goldthorpe's model understands causation as a *generative process* (see: Goldthorpe 2000a,ch.7), an approach this dissertation highly sympathises with (see below). Yet, and despite its obvious advantages, Goldthorpe's model seems also an inadequate model for explaining the labour market effects of two-tier deregulation in Spain (and, therefore, the mechanisms behind the unequal distribution of job security among Spanish employees).

Goldthorpe's theory is employer-centred. This is problematic to the extent that employers' maximising strategies, powerful as they are, are not the only principle of contractual differentiation that can be identified endogenously. Workers themselves are also capable of developing maximising strategies to obtain greater job security and higher wages without a basis in asset specificity or productivity-measurement issues. In other words, workers can obtain employment rents through collective (trade union) action (see: Sorensen 2000 and *Chapter Two*). Workers' monopoly power, and hence their capacity of 'counteracting' the optimisation strategies of employers that are so central to Goldthorpe's theory, will depend greatly on the institutional context that governs both bargaining rules and contractual practices. Moreover, the institutional context can generate employment rents for workers without a basis in either asset

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[14] Goldthorpe's latest theoretical contribution can be subjected to the critique that his 'classes' are now more than ever 'economic' or, more precisely, 'labour market' classes rather than 'social classes'.

For an earlier critique on this basis see: Scott (1996a,215-6); Crompton (1998,102). See also: Scott (1996b).

specificity or monopoly power, for instance, by unilaterally imposing high dismissal costs across-the-board (see *Chapter Two*). The degree of employers' initiative in the design and implementation of employment contracts is, therefore, institutionally dependent. Yet Goldthorpe's model assumes a world in which employers have free hands for implementing and designing employment contracts (2000a,210-11). The model is thus institutionally insensitive, a limitation that it shares with all standard class theories.

As Esping-Andersen has convincingly argued (1992;1993), the conceptual apparatus of orthodox class theories, which is dominant in stratification analysis, is "*nested in an institutionally naked world*" (1993,8). The assumption of institutional 'nudity' allows class models to 'travel' across different institutional settings –and with fruitful empirical results indeed (for a review see: Goldthorpe and Marshall 1996; Goldthorpe 1996,202-207). Yet, by the same token, it makes these models ill prepared for the analysis of those structured inequalities that have an institutional origin. Standard class models will tend to subsume all structural differences in the labour market within the logic of class inequalities, which, both in the so-called neo-Weberian and neo-Marxist versions of class theory –as much as in Goldthorpe's latest version–, are assumed to be generated in unregulated markets.

This theoretical inertia built into orthodox class theories is what could have led González (1992) to assume that there is a largely unproblematic matching between contractual forms and occupational class categories in Spain, rather than to investigate whether or not this is indeed the case. Put simply, institutionally-insensitive class theories, no matter how advanced and explanatorily consistent they are, are not the best starting point for analysing the structuring effects of institutional deregulation.

1.4. The flexible firm

Nor can we draw on the literature on the flexible firm, which views the proliferation of non-standard contracts as resulting from managerial strategies to cope with growing uncertainty in the product markets.

In the DLM and NMS models, internal markets are identified with firms. It is the firm that shields its workers from external competition, thereby creating a firm-specific (internal) market. Flexible firm models offer a different picture. Maintaining the emphasis on technological change and uncertainty in the product markets, the literature on the flexible firm stresses the processes whereby firms themselves segment their own workers creating a core of stable and a growing periphery of flexible employees *within* the firm (see e.g.: Atkinson 1984;1985; Atkinson and Meager 1985;1986). According to the flexible firm models, firms segment their own workforces in the pursuit of 'functional', 'numerical' and 'distancing' flexibility as a means of coping with rapid technological change and the growing uncertainty in product markets produced by an increasingly globalised economy. As a result, the size of the core workforces is cut as the firms resort to 'peripheral' employees, which provide numerical flexibility and a flexible reserve of specialist skills. Numerical flexibility refers to the process by which employers match workers to demand fluctuations and, in principle, it can be achieved by varying the number of hours worked by the core force. Overtime work is however a more costly option than the use of part-time or temporary contracts. The proliferation of flexible contractual forms will, therefore, provide firms with a more efficient tool for numerical flexibility, while functional flexibility will be achieved by reducing the size and increasing the training in multiple skills and the in-firm mobility of the core employees and/or by resorting to outside experts for specific tasks.

As Gallie *et al.* (1998) have pointed out, there is a polarization argument implicit in the flexible firm literature. According to this argument, functional flexibility would provide skill polyvalence to

the core workforce, which would benefit from high pay, advantageous employment conditions and, above all, relatively high levels of job security —since core workers are insulated from medium term market fluctuations (Atkinson 1984,29). These privileged employment conditions would contrast with the effects of numerical flexibility on peripheral workers, who would experience poor employment conditions and, above all, very little employment security. Increasing flexibility would imply a widening of the gap between core and peripheral workers (Gallie *et al.* 1998,10-12).

It is interesting to note that, in contrast with DLM and NMS models, the flexible firm argument does not confine job insecurity to the least skilled occupations. Atkinson (1984,29), for instance, argues that "*the new divisions are much less likely to be based on blue or white collar distinctions, but rather on the separation of jobs which are specific to a particular firm from those involving general skills. The firm-specific skills might range from production manager to maintenance occupations, and the non-specific from system-analyst to driver. Both can be found at all levels in the company*".

Yet the flexible firm argument, in common with DLM and NMS models, links the process of employment differentiation to general changes in technology and product markets. The model of the flexible firm is also employer-centred and institutionally insensitive. Following its internal logic, one should expect to find very rapid technical change and very high levels of product-market uncertainty in Spain, as this is the country with the highest levels of temporary contracts in the OECD. These are not reasonable expectations. If Spanish firms are so 'flexible', it is not because product markets are particularly uncertain, the Spanish economy particularly globalised, or the speed of technical change particularly high in Spain. The very high levels of temporary work, and of the job precarity associated with temporary employment in Spain, can only be explained as the result of a particular deregulation policy (two-tier reform) implemented in a particular regulatory context characterised by high dismissal costs

and an uncoordinated non-inclusive collective bargaining system (see *Chapter Two*). Institutions, therefore, matter.

1.5. Institutions matter

Recently, Esping-Andersen has theorised on the labour market effects of institutional regulation[15] (1998a;1998b;1999,ch.7). He maintains that all welfare states show a vast variation of policy-making contexts or regulatory practices. These practices, combined with the particular institutional settings in which they take place, form what the author calls a *regulatory regime*. Each regulatory regime has different segmenting implications.

According to Esping-Andersen (1998a), there are three elements of the regulatory regime which are particularly important for labour market structures. The first element is the *income transfer system*. Income transfer systems can raise the reservation wage and create negative work incentives; they can reduce demand for labour if employer contributions are high (in other words, the tax-wedge problem[16]); and they can affect the wage-

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[15] More precisely, Esping-Andersen focuses on the effects of regulation on the levels and structure of unemployment (1998a;1998b;1999,ch.7)

[16] Many specialists on the Spanish labour market remain rather sceptical about the importance of employer contributions for the overall level of unemployment in Spain. In Spain, the proportion of the labour costs that goes on to financing social benefits is around 25 per cent. This figure is very near the European average (26 per cent) (data for 1996, from OECD in Martín 1997,14. See also: Nickell and Nunziata 2000,18), whilst the unemployment rate is way above. In 1996, Castillo, Duce and Jimeno (1996) undertook a survey among 70 labour market specialist in which respondents were asked to give their opinion on the different causes of unemployment in Spain and the different possible remedies. The survey clearly showed that the specialists were unable to agree as to relative contribution of the tax-wedge problem to the Spanish unemployment rate. Responses on this point were very varied, a result which the authors interpreted as a clear sign that empirical results and opinions on this matter were ambiguous (Castillo, Duce and Jimeno 1996,15). Martín (1997) analysed this issue empirically and from a comparative viewpoint. He concluded that the income transfer system "*does not seem to be one of the major sources of*

setting mechanisms by raising the wage floor. Which of these effects prevails in any given society will depend on other components of the regulatory regime. The second element in regulatory regimes is the *cost of dismissals*. High dismissal costs are likely to reduce demand for labour and to reinforce workers' bargaining position, which will enhance insider-outsider effects (see *Chapter Two*), to an extent that will again depend on the overall context and, in particular, on the collective bargaining system. The *collective bargaining system* is the third and final component of a regulatory regime. Different bargaining systems yield different wage structures and affect the impact of all the other elements. The levels of coordination and synchronisation among bargaining units, the depth and scope of bargaining and the representational characteristics of unions (i.e. whom unions represent) are particularly important factors in collective bargaining systems (see *Chapter Two*). High transfers, high dismissal costs and/or high wage compression will have very different labour market effects if they *"occur in a bargaining structure where insiders have strong bargaining power, or in coordinated economies with interest intermediation between the social partners"* (1998a,3).

It follows from Esping-Andersen's model that in centralised and coordinated collective bargaining systems, unions will have greater opportunities for displaying what we might call *inclusive unionism*[17]*,* that is, broad representational strategies in defence of general interests (class interests) rather than particularistic ones (insider interests). Inclusive representation implies introducing

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institutional rigidities and labour market inefficiencies with particularly severe unemployment consequences" (Martín 1997,13. Translated from the author). According to most specialists on the Spanish labour market, the factors that really seem to matter are the collective bargaining system and dismissal costs (Martín 1997,13-16) (see: Castillo, Duce and Jimeno 1996).

On the unemployment benefit system in Spain, see: Toharia (1997) and Jimeno and Toharia (1994).

[17] This a concept to be found in Iriso Napal (1993). See below and *Chapter Six.*

questions regarding firms' employment policies into the bargaining agenda.

Esping-Andersen's model stresses the interplay between the different elements of a regulatory regime in the formation of labour market structures. The implications for the Spanish case are straightforward. The Spanish regulatory context is characterised by very high dismissal costs and a collective bargaining system particularly ill-suited for inclusive unionism (see *Chapter Two*). If two-tier deregulation is implemented in this context, insider-outsider segmentation will be intensified and horizontal inequalities by type of contract will emerge. In order to understand the process whereby the introduction of fixed-term contracts generates horizontal inequalities in the labour market attention has, therefore, to be drawn on the analysis of the institutional factors that regulate labour market exchanges. These factors are crucial intervening variables in the type-of-contract segmentation process. Hence any explanation of the impact of temporary contracts on labour market structures in Spain will be incomplete unless the input of these crucial intervening regulatory factors on the segmentation process is identified and explained.

1.6. The dynamics of type-of-contract segmentation

A starting point of this thesis is that a comprehensive analysis of the structuring impact of two-tier deregulation in Spain requires an eclectic theoretical approach that combines economic and sociological theories in the search for mechanism-based explanations that can account for the *dynamics* of the segmentation process[18]. Mechanism-based explanations can

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[18] On the usefulness of combining economic and sociological approaches see, for example: Swedberg (1990) and Sorensen (1990,312). In defence of (macro-to-)micro-to-macro mechanism-based explanations see, for example: Boudon (1987); Coleman (1986); Goldthorpe (2000a,19-20 and ch. 5,6) and Hedström and Swedberg (1998). On the dynamic nature of mechanism-based explanations see: Edling (1998,ch. 1).

illuminate the labour market black box by highlighting the micro-level cogs and wheels that relate regulatory change to labour market segmentation in Spain. The next chapter presents an analytical model that relates two-tier deregulation and the particularities of the Spanish labour market regulatory context to labour market structures through the concept of *employment rents*. The employment-rent model, which is based on recent developments in the labour market economics and economic sociology literatures, can help us explain the dynamics of the type-of-contract segmentation process. Based on the employment-rent model, and drawing on the microeconomics literature on unemployment, two hypotheses are proposed. These hypotheses specify the mechanisms that can account for the dynamic logic of type-of-contract segmentation. The first hypotheses argues that, given high dismissal costs, fixed-term contracts can be used as an efficient incentive device with which employers can extract further output from workers irrespective of the asset specificity of the task they perform. The possibility of renewal of fixed-term contracts plays the equivalent role to that of efficiency wages in internal labour markets. The second hypotheses sustains that the introduction of fixed-term contracts in a regulatory context of high dismissal costs and non-inclusive collective bargaining is likely to further enhance permanent workers' bargaining power as a result of the so-called buffer effect. The buffer effect refers to the impact of fixed-term workers' job insecurity on permanent workers' survival probability in employment. Both are positively related. Incentive and buffer mechanisms reinforce each other and the result is type-of-contract segmentation. These hypotheses are tested in *Part One* of this thesis (see *Chapter Three* and *Chapter Four*).

The labour market effects of two-tier reform is only but half of the structuring impact of institutional deregulation in Spain. The other half refers to its impact on socio-political attitudes and behaviour, that is, to its 'consciousness' effects. Of course, the assumption here is that two-tier deregulation is likely to have consciousness effects *because* it creates labour market structures

(i.e. inequalities). Yet the process whereby the position individuals' occupy within labour market structures (i.e. labour market experiences) translate into consciousness effects is by no means obvious. *Part Two* of this thesis deals with the analysis of the consciousness effects of type-of-contract segmentation in Spain.

2. Sociological Evidence on the 'Consciousness' Effects of Type-of-Contract Segmentation in Spain: A Critical Review

All sociological analyses of the consciousness effects of unemployment and precarious employment in Spain have focused on two realms: industrial action and electoral politics. Impressionistic work outweighs robust empirical evidence on these crucial issues.

2.1. Type-of-contract segmentation and the trade unions

Most of the sociological discussion on the 'consciousness' effects of fixed-term contracts have taken place within the industrial relations literature (see: Bilbao 1991;1993; Castillo 1989;1994; Martín Artiles 1988; Martín Valverde 1991; Martínez Lucio 1993; Rojo Torrecilla 1990; Valdés Dal-Ré 1994; Recio 1991). Here the emphasis has been placed on the effects of fixed-term contracts on the relationship between workers and unions.

Given the influence of neo-Marxist (NMS) models in the Spanish field of industrial sociology, it is not surprising that most accounts have stressed the fragmenting effects of type-of-contract segmentation. The fragmentation of the working class is the major concern of NMS models. A central argument in these theories is that labour market segmentation fragments working-class consciousness and thereby prevents the emergence of radical (or revolutionary) working-class action. As it will be argued in greater detail in *Chapter Five*, which presents the analytical framework

for the research on the consciousness effects of type-of-contract segmentation in Spain, workers' lack of revolutionary consciousness is a recurrent preoccupation of Marxist discussions. The research question in these discussions is consequently framed in purely counter-factual terms, as the main issue becomes how to explain the reasons for an event (revolutionary class-consciousness) *not* happening (Lockwood 1992,166). According to NMS theory it is labour market segmentation which 'explains' the fragmentation of working-class consciousness (i.e. the lack of revolutionary consciousness).

There is also a high degree of 'mechanicism' involved in this counter-factual approach of NMS theories, as it is assumed that labour market and work experiences automatically translate into consciousness effects. Yet nothing is said (nor investigated) about the actual mechanisms whereby different experiences provoke different attitudinal outcomes. In fact, NMS theories do not investigate the consciousness effects of labour market segmentation but rather take them for granted. These theoretical problems are reflected in the existing analyses of the relationship between workers and unions in the segmented Spanish labour market.

Yet, it must be noted that lack of specification of the actual mechanisms that produce (or do not produce) consciousness effects is by no means exclusive to NMS models. Nor is it only NMS models that assume a mechanical connection between employment conditions and attitudinal outcomes. In fact, what seems missing in the few sociological analyses of the consciousness effects of unemployment and precarious employment in Spain is precisely a clear account of the causal processes that link labour market (or employment) experiences to attitudinal outcomes. This, together with the scarcity of empirical analyses, is the main limitation of the research on the consciousness effects of type-of-contract segmentation in Spain.

2.1.1. The evidence

There seems to be a general consensus among Spanish industrial sociologists that fixed-term employment separates workers from the trade unions. As Bilbao puts it, "*it is in the core of stable workers where the positions closer to unions are found, while rejection is found in the more distant circles... (T)here is a certain correspondence between labour market marginality and radicalism in the rejection of unions*" (translated from Bilbao 1993,133). Despite the categorical tone of the statement, this claim is based on the opinions expressed in focus groups (the exact number and characteristics of which are not fully revealed by the author). Moreover, Bilbao does not provide any detailed explanation of the subjective mechanisms that link temporary employment to the rejection of unions; he merely states a correlation (see also Bilbao 1991,259-66). Surprisingly, Bilbao's hypothesis has not been tested yet on a representative sample of the Spanish workforce.

Authors from the industrial relations literature also seem to coincide in presenting both fixed-term workers and trade unions as the victims of the segmentation process in Spain (employers being the main beneficiaries). Only Pérez-Díaz (1987;1993;1999) has argued that, under the rhetoric of a critical discourse that opposes the marginalisation of fixed-term and unemployed workers, unions have in fact declined to defend outsiders as part of a union strategy to prevent these segments from articulating any alternative against the interests of their permanently-employed members[19]. Pérez-Díaz's contribution to the discussion has been mainly impressionistic. No convincing evidence has been provided yet.

These rather general and under-specified hypotheses shed, therefore, little light on the impact of two-tier deregulation on the

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[19] Pérez-Díaz is here applying for the Spanish case a general argument developed by authors such as Crouch (1986) and Hall (1987).

dynamics of industrial representation of interests. A more interesting insight into these dynamics has been provided by Iriso Napal (1993). In his case study of four large enterprises in the metalworking sector of the autonomous community of Madrid, Iriso carried out numerous interviews with workers on different contracts. These interviews suggest the existence of a process of interest differentiation by type of contract that can lead to explicit horizontal conflict between permanent and fixed-term workers inside firms. This conflict seems to lie at the heart of fixed-term workers' disaffection with the trade unions. Iriso argues, however, that the more organisational resources unions have, the greater the chances that they display '*inclusive*' representational strategies that ameliorate the conflict between insiders and outsiders and thereby bring the latter closer to the unions' realm.

Iriso's case study suggests interesting hypotheses. Yet four enterprises seem too small a sample to reach general conclusions. Serious doubts, therefore, arise as to whether his findings are representative of the Spanish workforce as a whole. These methodological limitations are shared by other enterprise-based studies that address, directly or indirectly, the relationship between unions and a divided workforce (see: González Calvet 1985, Jodar 1987;1988; Jodar and Lope 1987; Ortiz 1999,ch.5).

In short, empirical research on the effects of type-of-contract segmentation on industrial attitudes and behaviour is still rather scarce and fragmented. The existing evidence is not representative of the workforce as a whole and discussions tend to focus on associations (empirical or hypothetical) rather than proper explanations of the subjective mechanisms that link labour precarity to attitudinal outcomes.

2.2. Type-of-contract segmentation and electoral behaviour

There has also been little empirical research on the electoral consequences of type-of-contract segmentation in Spain. There are, however, interesting exceptions. González (1995;1996;1998)

has investigated the political effects of being an 'outsider' in his analysis of the determinants of Spanish voting behaviour in the 1986-1996 period. Yet, as noted above, González's outsiders are defined as young-employed-unskilled workers (see: 1998,12). Neither type of contract nor employment status (i.e. being employed or unemployed) form part of the definition of the outsider variable. This operationalisation is consistent with the author's assumption that class and contractual forms overlap. González's analyses have inaugurated a promising line of research that has already offered interesting insights into the nature and trends of class voting in Spain. Yet the chosen approach sheds little light on the political effects of type-of-contract segmentation.

Recently, Maravall and Fraile (1998;2000) have undertaken empirical analysis of the political effects of unemployment. Their work constitutes an important contribution to the analysis of the electoral consequences of unemployment in Spain, from which interesting implications follow. Applying multivariate techniques to a survey carried out in 1995, the authors show that unemployed workers were less likely to vote for the incumbent Socialist party (PSOE) than non-unemployed workers (both employed and economically inactive) but that this impact was "*to a considerable extent mitigated by the influence of ideology,* [family] *income levels, evaluations of the general economic conditions and social policies*" (Maravall and Fraile 1998,37). Maravall and Fraile stress, therefore, the safety-net role of family income which, together with ideological variables, is used as a means to explain what they consider to be a "limited" electoral impact of unemployment in Spain. Note that implicit in their argument is the assumption that the main trigger of the electoral effects of unemployment is the experience of economic hardship. Since families (and the welfare system) mitigate this hardship, electoral effects are limited. Here lies the connection between Maravall and Fraile's argument and *familialistic* approaches to segmentation (see above).

It has been argued that the authors' conclusion that the electoral effects of unemployment are largely mitigated by family

income is not sufficiently sustained by the statistical models they present (see: Polavieja 1999;2000 and *Chapter Seven*). Maravall and Fraile could have read too much into these models. As a result, the possibility that the experience of being an outsider in the Spanish labour market provokes significant political effects, even if family income eliminates economic hardship, is not sufficiently explored. To a considerable extent this is due to the fact that the authors are more concerned with the consequences of unemployment for the incumbent party than for the unemployed themselves. This otherwise perfectly legitimate option leaves room for further and more detailed analysis of the subjective mechanisms that link labour market experiences to electoral outcomes (see *Chapter Seven*).

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In short, a comprehensive analysis of the structure and consciousness effects of labour market deregulation in Spain is still lacking. This thesis seeks to fill this gap by inaugurating a line of research that has, above all, a marked empirical character. Data is the first thing we need if we want to engage in a fruitful discussion on institutionally triggered mechanisms of social differentiation in contemporary Spain. This thesis is written with such a goal in mind.

This dissertation is driven by a theoretical concern with institutional mechanisms of labour market differentiation. Its main objective is to contribute to the analysis of the structuring impact of deregulation in institutionally-filtered capitalism by providing evidence on the Spanish case.

3. Structure of the Thesis

The thesis is divided into two parts. *Part One* analyses how two-tier reform in 1984 generated structured inequalities in the Spanish labour market. *Part Two* analyses how individuals'

position in these structures had effects on their industrial and political attitudes and behaviour.

Part One is divided into three chapters:

Chapter Two discusses the analytical model to be used in the research on the segmenting impact of fixed-term employment. The main thrust of this model is that in order to understand the segmenting impact of regulatory change, it is necessary to look at the effects that this change has on the rent-optimisation strategies of employers and employees. Two hypotheses are proposed: 1) that two-tier deregulation has allowed employers to secure a greater share of the composite rents generated in employment relationships (*incentive effect hypothesis*); and 2), that it has allowed permanent workers to obtain greater employment rents (*buffer effect hypothesis*).

Chapter Three presents evidence on the employment effects of the 1984 labour market reform by drawing on original analysis of the *Spanish Labour Force Survey* (LFS) for the 1987-1997 period. It shows how fixed-term workers saw their chances of being locked into unstable labour market trajectories increase over the analysed period, while insiders' survival probability in employment was enhanced. This process took place within all occupational classes.

Chapter Four analyses the impact of two-tier reform on the wage-setting process. Original analysis of the *Spanish Statistical Office's Pilot Survey on Wages* (1991) and of the *Spanish Survey on Class Structure, Class Consciousness and Class Biography* directed by Julio Carabaña (1991) lend support to the predictions of the incentive and the buffer effect hypotheses.

Part Two is divided into three chapters:

Chapter Five presents an analytical model for the study of the consciousness effects of type-of-contract segmentation. The main thrust of the model is that the likelihood that labour market

structures have consciousness effects will depend on *how* the *potential* market interests these structures entail are *filtered* or *mediated* by individuals' ideological maps acquired outside the labour market. The model also defends focusing only on those aspects of individuals' subjectivity and behaviour that have consequences for industrial and political organisations, as well as combining qualitative and quantitative techniques.

Chapter Six tests the hypothesis that labour market segmentation by type of contract has an impact on *union involvement* –i.e. the degree of workers' participation in the different forms of collective action and the intensity of subjective identification with unions. The chapter analyses qualitative data from original focus groups carried out in 1997 and quantitative data provided by the *Centre for Sociological Research Survey on Trade Union Activity* (1994) and the *Spanish Survey on Class Structure, Class Consciousness and Class Biography* (1991). The evidence obtained validates the hypothesis that fixed-term employment reduces trade union involvement. Different mechanisms are offered to explain the observed effects.

Chapter Seven defends two interrelated theses: *First*, that labour market experiences in the flexible segment of the Spanish labour market generate political discontent, and, *second*, that political discontent can have electoral consequences. Original analysis of the *Spanish Survey on Class Structure, Class Consciousness and Class Biography* (1991) and of the *Centre for Sociological Research Survey on Political Culture*[20] (1995) suggests that political discontent among leftwing outsiders could have favoured punishment voting against the incumbent Socialist Party in the general elections of 1996. Original qualitative analysis offers interesting insights into the subjective processes of discontent and punishment.

The thesis ends with a concluding chapter, *Chapter Eight*, in which the main findings and implications of the study are presented and discussed.

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[20] All the surveys used in this thesis are described in detail in *Appendix B*.

PART ONE

CHAPTER TWO

THE EFFECTS OF FIXED-TERM EMPLOY-MENT ON LABOUR MARKET OPPORTUNI-TIES: AN ANALYTICAL FRAMEWORK

"Outside economics textbooks, economies do not exist and function in vacuo but as "embedded" in complex institutional contexts". Goldthorpe 2000b,1575.

Regulation has all too often been viewed as a mere source of rigidity that precludes perfect competition in labour markets[1]. Such a view inspired many of the flexibilisation policies implemented in Europe throughout the 1980s, including the Spanish introduction of fixed-term contracts in 1984[2]. In sharp

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[1] See, for example: OECD (1986;1989;1994); Scarpetta (1996); Siebert (1997). For a critique see, for example: Buechtemann (1993); Esping-Andersen (1999,ch.7).

[2] The assumption was that employment security legislation accounted for much of the share of the persistently high unemployment and slow employment growth in European labour markets —when compared to the United States (Buechtemann 1993,4). This assumption was to a large extent based on the conventional orthodox neo-classical view that social deregulation is always optimal because it allows labour markets to 'function freely' (for a critique see: Boyer 1993).

contrast with this view, regulation is seen here as a precondition for the functioning of labour markets. The labour market is, by definition, a regulated institution, created and maintained by a set of rules legally enforced by the state[3]. All labour market exchanges are, therefore, embedded in a regulatory context[4]. This context can have crucial implications for labour market structures.

The introduction of fixed-term contracts in Spain in 1984 altered the regulatory framework within which the various mechanisms of labour market segmentation that are *endogenous* to labour market exchange operate. As a result, new forms of inequality could have emerged. This chapter presents a basic theoretical model aimed at furthering our understanding of the segmenting consequences of two-tier deregulation in Spain. The model focuses on the probable impact of regulatory change on employment rents, to which individual labour market opportunities are linked. It allows us to propose hypotheses in terms of causal mechanisms. These hypotheses provide a macro-to-micro-to-macro account of the type-of-contract segmentation process. That is, they provide a plausible explanation of how deregulation could have affected individuals' optimisation strategies in the labour market and how these strategies could have generated in turn new structures of labour market inequality. The proposed hypotheses of the type-of-contract segmentation process will guide *Part One* of this study.

The theoretical model developed in this chapter rests on three basic propositions. *First*, that labour market segmentation can be usefully thought of as the process (or processes) that create(s) structured patterns in the distribution of individual labour market opportunities (LMOs) of similar-productivity workers. *Second*, that in order to better identify and understand the mechanisms that produce labour market segments it is useful to consider the

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[3] As Polanyi ([1944]1985) made clear, without regulation there would simply be no labour markets to speak of.

[4] See, for example: Esping-Andersen (1993;1999,ch.2 and 7); Layard, Nickell and Jackman (1991); Nickell and Layard (1998); Buttler *et al.* (1996); Schmid, O'Reilly and Schömann (1996).

employment rents that are generated in employment relationships. And, *third* and finally, that the analysis of the impact of regulatory change on LMOs should focus on the effects that this change has had on both the *amount* of rents generated in employment relationships and on the rent-optimisation *capacity* of employers and employees.

The chapter is organised as follows. First, *Section One* defines the concept of *labour market opportunities* (LMOs), which will be the dependent variable in this research on the segmenting impact of fixed-term employment in Spain. Then, *Section Two* presents the general employment-rent model of the determinants of labour market segmentation in regulated capitalist economies and discuss the institutional features of the Spanish case that are particularly likely to enhance and intensify insider-outsider effects. The model identifies three different sources of employment rents: asset specificity, collective action and direct regulation. Asset specificity is an *endogenous* factor of rent-generation; collective action is seen as having both an endogenous and an exogenous dimension, while regulatory rents are *exogenous* sources of employment-rent generation. The model, therefore, emphasises the interplay between endogenous and exogenous factors in the formation of labour market segments and relates these factors to employment rents. The model is discussed in relation to two particular institutional features of the Spanish case: non-inclusive bargaining and high dismissal costs. Both of these features are particularly favourable to intensify the insider-outsider effects of two-tier deregulation. The discussion of the general model and the description of these institutional features is, therefore, a necessary prior step to articulating the general hypotheses regarding the segmenting impact of the introduction of fixed-term contracts in Spain. *Section Three* introduces these hypotheses after discussing the characteristics of the 1984 reform. These hypotheses will guide the research on the effects of fixed-term employment on labour market opportunities in Spain developed in *Part One* of this dissertation.

1. Segmentation and Labour Market Opportunities: The Output Variable

Inequalities among employees originating *in* the labour market will be understood hereafter as persistent patterns (or structures) in the distribution of individual *labour market opportunities* (*LMOs*). Two types of inequalities can be distinguished: *vertical* and *horizontal* inequalities. *Vertical* inequalities are due to differences in workers' productivity. Vertical inequalities are generated by the very functioning of demand and supply forces in the labour market (i.e. it is the *market mechanism* that generates vertical differentiation of LMOs[5]). Vertical inequalities are not considered as part of the segmentation concept in this model. Segmentation, as defined here, refers only to the process(es) that generate(s) *horizontal* inequalities in the distribution of LMOs, that is, inequalities among workers who have similar productivity. Structured patterns of inequality in the distribution of LMOs of similar-productivity workers can be referred to as *segments* at the aggregate level. *Segmentation* will, therefore, be understood hereafter as the labour market process(es) whereby particular causal mechanisms provoke a persistent differentiation in the LMOs *of similar-productivity workers* (i.e. *horizontal* inequalities).

This research into the segmenting effects of fixed-term contracts in Spain considers two types of labour market opportunities: 1*) employment chances* and, 2) *wages per effort*. Employment chances depend in turn on two kinds of opportunities: a) *opportunities for access to employment* and b) *opportunities for control over the termination of one's employment relationship* (i.e. *job security*). It seems clear that workers will be better off the greater their chances of finding a job

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[5] Structured inequalities in the acquisition of skills and credentials can perpetuate *vertical* inequalities in the distribution of LMOs over time. Crucial as they are, these inequalities in the acquisition of skills and credentials do not concern us here, as they are generated *outside* the labour market.

(if they are unemployed) and the smaller the chances of involuntarily losing it (if they are employed). Also, employees will be better off the greater the wages they can obtain for the same amount of effort. Employment chances and wages (per effort) thus define LMOs, which is the immediate source of personal wealth obtained in the labour market.

The definition of LMOs defended here is, therefore, a minimum definition. The concept of LMOs could be extended to incorporate further aspects, yet these aspects would ultimately be secondary to —and dependent on— the two crucial elements considered here. For instance, job security is a pre-condition for promotion opportunities within firms since firm-promotion usually occurs in the context of long-term employment relationships. Job security also has important career implications in that it enables workers to move to a different job only when better jobs are available, thereby enhancing individuals' ability to take advantage of opportunities over their entire careers (see: Sorensen 1977;1998,19;2000,1551). Job security is also directly linked to the opportunities for skill development. Insecure labour market trajectories can generate a skill deficit and lead to a spiral of deskilling[6] (Gallie 2000a,12). Similarly, employment accessibility and wage levels have a clear impact on working conditions, since poor working conditions may be offset by high wages or simply avoided if jobs that offer better conditions are available[7] (i.e. easily accessible). Hence the two dimensions of this definition of LMOs, employment chances and wages, in fact cover the fundamental aspects of individuals' opportunities in the labour market.

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[6] In the general context of a marked rise in skill requirements for jobs, insecure labour market trajectories can, therefore, contribute to skill polarisation (see: Gallie 1991; Gallie et al. 1998,ch.2).

[7] In perfectly competitive labour markets, poor working conditions and the possible alienating consequences of subordination to authority structures should be compensated for by higher wages. A point that, as Sorensen (2000,1530) reminds us, was already made in Simon's analysis of the employment contract (see: Simon 1957).

This definition of LMOs has the further analytical advantage of providing a direct link between, on the one hand, individual chances in the labour market and, on the other, the crucial processes of quantity and price labour adjustments that can be studied at the aggregate level. It also facilitates the theoretical connection between labour market experiences and attitudinal outcomes under the assumption that all rational individuals will have an interest in improving their LMOs, which is explored in *Part Two* of this dissertation (see *Chapter Five*).

2. The Model: LMOs and Employment Rents in Regulated Markets

The distribution of LMOs does not occur in a societal vacuum, but is the outcome of concrete social relationships established between employers and employees in particular firms. These social relationships are employment relationships: "*explicit or implicit contracts specifying the expected contribution over a period of time and the earnings and other benefits to be received over that period, as compensation for these contributions*" (Sorensen 1994,506).

Employed workers will maximise their LMOs the greater their chances of obtaining employment rents. Rents can be defined as "*advantages provided by assets that produce a payment that exceeds the amount needed to bring the asset into employment*" (Sorensen 1994,509; see Sorensen 1992). An useful way of thinking of employment rents for employees is seeing them as the difference between the actual value employees receive for their labour effort in particular employment relationships and the value they would obtain in a perfectly competitive labour market as the one depicted by the orthodox neo-classical model[8]. In the neo-

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[8] In the orthodox market, labour is assumed to be a commodity like any other, whose attributes are well known and transferable through market exchange (Toharia 1983;1986; Gallie 1988a; Sorensen 1994). The market has a price (wages), which in the absence of obstacles, acts as the basic mechanism of

classical scenario workers are paid according to their productivity[9] and all labour market transactions are completely 'open' (i.e. freely available to anyone bidding for the execution of the same task[10]), so that there is no job security for workers[11]. The neo-classical market functions as an auction market where labour is treated as any other commodity. In this sense it could be argued that in perfectly competitive markets workers would be perfectly *commodified*. In the real world workers are not fully 'commodified' because they have some capacity of obtaining above-market wages and/or some degree of job security. That is, because they can obtain employment rents.

It is useful to distinguish between three different sources of employment-rent generation: 1) *asset specificity*, which creates composite rents between employers and employees, 2) *workers'*

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equilibrium. Wages depend exclusively on workers' productivity according to the marginal-productivity theory. This theory maintains that the labour demand function is equal to the function of marginal productivity of labour, which depends exclusively on technological factors (Toharia 1986,211-2). Firms will hire workers until the increase in revenue obtained equals the wage-rate presented by the market. In the long run, therefore, markets will lead to the equalisation of returns for factors of similar productivity (Rubery 1988,252). Identical-productivity workers will obtain identical wages and markets will always clear.

[9] Human capital theory establishes that workers' productivity is determined by their innate ability and by their investments in education and training at a cost primarily in the form of earnings foregone (Becker 1964).

[10] The identification of the labour market with commodity markets in the orthodox model implies that transactions are seen as exchanges of money for the execution of single tasks. Labour contracts are thus assumed to work as sale contracts and the labour market is conceived of as an auction or a spot market (Sorensen 1994,507;1998;2000; Williamson 1975;1985,245).

[11] Hence the distribution of LMOs in the orthodox neo-classical model is reduced to earning differentials. Earnings will exclusively reflect the distribution of individual resources, as the supply of people at various levels of resources will affect the returns obtained (Sorensen 1977,977). The existing distribution of earnings in a given society might be very uneven, but it will always reflect the distribution of skills and natural endowments. In other words, the labour market itself offers equality of opportunity (Gallie 1988a,17). There is no segmentation (as defined above) in the orthodox model.

collective action, which generate monopoly rents for workers, and 3) *institutional regulation*, which can generate new rents for employees as well as improve their composite rent-optimisation capacity. Each of these sources of rent-generation has implications for the distribution of LMOs and hence for segmentation as defined above. Asset specificity is an *endogenous* source of rent generation, since rents due to asset-specificity are generated 'naturally' as a result of "*unconstrained voluntary exchanges between rationally utility maximising individuals or collective agents*" (Buechtemann 1993,45,ft.47). Asset specificity rents are composite rents, that is, rents for both employers and employees (Sorensen 1994;1998;2000). The division of the mutual advantage provided by these rents is the outcome of haggling and bargaining between the parties (Sorensen 1994,509). Rents on workers' collective action have an *endogenous* component and an *exogenous* one. The endogenous component of collective-action rents reflects employees' unconstrained composite-rent optimisation strategies. Workers' endogenous bargaining would take place even in unregulated contexts (i.e. contexts without trade unions or institutionalised bargaining rules). In regulated markets, however, workers' bargaining power —and therefore their rent-optimisation capacity— is institutionally dependent. The exogenous component of collective-action captures this institutional dimension of collective bargaining. It reflects the institutional features of collective bargaining and, in particular, the crucial organisational dimension of the trade unions. Regulation can also generate direct rents for workers without a basis in either asset specificity or bargaining power. These regulatory rents are completely *exogenous*. Minimum wages, equal work-equal pay laws, regulation on working conditions and, crucially, dismissal costs are examples of exogenous regulation that can generate direct employment rents for workers. The three sources of rent generation are in reality interwoven. Actual employment rents are always the combination of asset specificity, collective action and regulatory factors, although the relative importance of each of these factors might be extremely difficult to assess in practice.

Accounting for the different sources of rent generation is, however, analytically pertinent. Each of the sources of employment-rent generation are now discussed in detail.

2.1. Composite rents due to asset specificity

Employment relationships give rise to *composite rents* between firms and employees. The concept of composite rent, which can be found in Marshall ([1920] 1948), has been developed recently by Sorensen (1994;1998;2000) and is an equivalent to the concept of *asset specificity* that lies at the heart of Williamson's transaction cost economics[12] (Williamson 1975;1985;1990;1994;1996 and below). Composite rents in employment relationships are the product of market frictions due to asset specificity and idiosyncratic exchange (Buechtemann 1993,45). Transactions between workers and firms involve some degree of firm-specific irreversible investments (sunk costs) that generate advantages "*with a value that exceeds the sum of the values of each of its components*", that is economic rents for both parties (Sorensen 1994,509). The destruction of these composite rents created in employment relationships means the loss of the returns on the investments made by both parties. This loss can be thought of as turnover (or transaction) costs. Turnover costs are the unavoidable price of engaging in labour market exchanges.

Specific investments that generate composite rents are made at various stages of the evolving employment relationship. In the early stages, both parties incur in *search*, *screening* and other types of *hiring costs* (Barron and Bishop 1985; Buechtemann 1993,46) as well as in *job-matching costs* due to imperfect information (Buechtemann 1993,46; Osterman 1987,277; Garen 1988; Bellman and Schasse 1988). These costs are unavoidable investments that occur in all hiring processes. Hiring costs will be

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[12] See: Sorensen (1994,509) and Wiliamson (1985,61-3). Here the terms 'asset specificity rents' and 'composite rents' will be used interchangeably.

higher the higher the specificity of skills demanded and supplied, and the higher the costs of equipment for the job (Buechtemann 1993,46). Apart from the costs of hiring and matching that occur in the earlier stages of any employment relationship, firms and workers may incur further irreversible costs if they need to invest in *firm-specific human capital*[13]. Specialised training and learning-by-doing-economics are the most common examples of this type of irreversible investments (Williamson 1985,62). To the extent that the skills acquired through firm-specific investments in human capital are non-transferable to other firms they become the source of a composite rent. As Williamson has put it, once this rent is generated, "(*h)armonising the contractual interface that joins the parties, thereby to effect adaptability and promote continuity, becomes the source of real economic value*" (1985,30).

Therefore, the generation of composite rents creates an incentive for both parties to continue the employment relationship. Composite rents thus favour the appearance of closed employment relationships and internal labour markets. A fundamental property of composite rents is that there is no determinate market solution as to how either the costs of the investments or the returns that they produce should be distributed between employer and employee. The division of the mutual advantage produced by composite rents can only be obtained by haggling and bargaining (Sorensen 1994,509). It is thus an intrinsically conflictual process (Sorensen 1998,18;2000).

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[13] Recognition of the existence of firm-specific investments in human capital provided the basis for the first neo-classical departure from the orthodox model. Authors such as Becker (1964) and Oi (1962) were among the first to argue that firm-specific investment in human capital creates advantages and opportunities for both the employee and the employer and that there is no determinate market solution as to how the costs of, and returns to, these investments should be distributed between the parties (see: Rubery 1988,252). (See: Becker 1964; Hashimoto 1981; Buechtemann 1993,46) (see below).

2.1.1. Employers' strategies to maximise their share of composite rents

Williamson's model of the labour market elaborates on the rational strategies that employers can develop to maximise their returns on firm-specific investments while minimising transaction costs (1975;1985;1990;1994;1996). Transaction costs are defined as costs other than price incurred in all labour market exchanges (Coase 1937 in Williamson 1990,115). The origins of these costs are the idiosyncratic attributes of transactions (Williamson 1985,53), what Williamson calls their *asset specificity*[14] (1985,52-56). According to Williamson, firm-specific investments in human capital are the main source of asset specificity (i.e. composite rents). Except when such investments are transferable to alternative suppliers at low cost, which is rare, the benefits can only be realised as long as the relationship between the employer and the employee is maintained (1985,62). Thus, contrary to orthodox assumptions regarding the nature of labour contracts, Williamson's model explains why it is rational for employers to offer continuous and open-ended contracts to safeguard employment (even in perfectly unregulated markets).

Asset specificity has *"large and systematic organisational ramifications"* (1985,53). Open-ended contracts insure workers against the risk of unemployment[15], reduce turnover costs and permit more efficient use to be made of firm-specific knowledge. However, open-ended contracts may also favour shirking and free-riding. Employers have to design a governance structure that allows them to secure the most of the joint advantage associated with the composite rent by inducing high productivity[16].

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[14] Williamson explicitly links the condition of asset specificity to Marshall's discussion of *quasi-rents* in employment relationships (Williamson 1985,52,ft10; Marshall [1920]1948,626).

[15] The microeconomic development of this point is to be found in the models of implicit contracts. For a review see Rosen (1985).

[16] Williamson (1985,241) writes: "...*governance structures for labour must be matched with the attributes of labour transactions in a discriminating way if*

2.1.2. Governance structures, incentives schemes and composite rents

As Sorensen (1994;1998) argues, employers have two main methods at their disposal to extract the maximum effort from their workers and, therefore, to reduce workers' share of the composite rents: *command structures* and *incentive schemes*. *Command structures* consist of governance schemes that supervise and direct the activities of the worker via the use of the legally-recognised authority that employers have to lead and direct work in capitalist societies. All firms are therefore authority structures[17]. Command structures have costs for employers. These costs depend on the measurability of workers' productivity, the wages paid to the supervisor(s) and the alienating consequences that supervision may have for the productivity of the supervisees (Sorensen 1994,509).

Incentive systems constitute an alternative way of motivating workers to be as productive as possible and to engage in on-the job training activities if required. Incentive systems are efficient if they succeed in eliciting more output than the incentive costs the firm (Sorensen 1994). Sorensen (1994) distinguishes between three types of incentive schemes: *output-dependent* wage systems, *input-dependent* wage systems and *efficiency wages*, to which we could add *seniority wages*. Examples of output-dependent systems are commission systems of pay and piece-rate systems. These systems can only function if output is measurable. Input-dependent wage systems try to create incentives to increase the worker's input to the task. They include merit-pay, bonuses and

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transaction cost economizing is to be accomplished. To use a simple structure to govern a complex transaction will predictably have disruptive consequences— and possibly fracture the relationship—while to use a complex structure to govern a simple transaction is to incur excessive costs".

[17] Sorensen (1998,509) points out that if employment relationships were completely open and thus attachments to firms were purely ephemeral —as depicted by the neo-classical model— authority would be unnecessary.

promotion systems[18]. Input-based systems also assume that input is measurable at some level. When input and output are not easily measurable, employers may find it advantageous to induce workers' effort by other means. For instance, they can try to motivate effort while promoting the continuation of the employment relationship by offering employees future wage rewards linked to tenure (Lazear 1981;1995). Employers will maximise the overall share of the composite rent if they manage to pay younger workers below their actual productivity in exchange for future seniority wages[19]. This strategy will be completely successful if the overall outcome for the employee is one where there is no advantage in terms of lifetime earnings from entering into a closed employment relationship (Sorensen 1998,32). Alternatively, employers may simply induce effort by offering workers a wage above the clearing-market level, that is, by offering efficiency wages[20].

2.1.3. Efficiency wages

Efficiency wage theory constitutes one of the most important developments in the recent microeconomic analysis of unemployment and wage formation (for a review see: Akerlof and Yellen 1986). For efficiency wage theorists, structural

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[18] Promotion systems as means of generating effort have received special attention from both sociologists (see e.g. Frank 1985; Stinchcombe 1974) and economists (see e.g. Lazear and Rosen 1981; Lazear 1995). (See: Sorensen 1998,30-32). The incentive effect of these promotion systems depends on the value of the promotion for the contestant and the probability of success, probability which will increase the more evenly matched the contestants are (Sorensen 1998,30).

[19] Seniority wage systems can, therefore, provide an alternative explanation for age-earnings profiles than the one offered by human capital theory.

[20] Composite rents imply, by definition, above-market wages (Sorensen 1998,28). Efficiency wage theory suggests that these wages are themselves an incentive for effort. The increase in effort will increase workers' productivity and hence the rent share to workers will be accordingly reduced.

unemployment is the result of the wage policies firms implement in internal labour markets (see: Solow 1979; Akerlof 1984,145-174; Malcomson 1981; Shapiro and Stiglizt 1984; Bowles 1985,16-36; Bowles and Gintis 1990;1993; Weiss 1990; Layard, Nickell, and Jackman 1991,22-25,150-71). According to this model of unemployment, firms do not accept the underbidding of involuntary unemployed workers because, in conditions of asymmetric information, wages are used as a screening device for productivity and because (the risk of) unemployment itself can be efficiently used to increase employees' effort (Sollow 1990,279). By using efficiency wages above the market-clearing levels, employers promote productivity and deter shirking and, therefore, compensate for problems of agency, imperfect information and free-riding (Doeringer 1986,48). Employers also minimise the risks of employees leaving the firm (which would increase firm specific investment costs) while the existence of structural unemployment can serve as a productivity-enhancing mechanism[21].

Efficiency wages can thus be seen as one of the incentive methods employers may use to maximise their share of composite rents. Yet employers' actual strategies to secure a greater share of composite rents may consist of different combinations of incentive mechanisms and command structures[22].

2.1.4. Implications

Asset specificity rents can, therefore, explain the formation of internal labour markets endogenously, that is, in relation to employers' optimisation strategies. In those employment

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[21] Hence, contrary to orthodox assumptions, efficiency wages provide an endogenous explanation for both equilibrium unemployment and wage differences among identical workers.

[22] Under specific circumstances, employers may even opt for the destruction of the composite rents, which usually involves changes in technology and/or work organisation (see Sorensen 1998,24).

relationships where asset specificity is high, workers will be likely to enjoy high levels of job security and (above-market) efficiency wages (and other incentive schemes). Conversely, in those instances where asset specificity is low, workers will be more likely to be subjected to command structures, wages will be closer to the competitive value and there would be little economic incentives for continuing the employment relationship. The argument here is very similar to Goldthorpe's (2000a,ch.10) (see *Introductory Chapter*).

Asset specificity rents can explain differences in LMOs among workers of dissimilar productivity —since workers' productivity and asset specificity are linked—. Yet, contrary to orthodox neo-classical models, the asset specificity model implies that high productivity workers will obtain a premium in the form of rents from their productivity if they engage in high asset-specificity tasks. In other words, high productivity workers engaged in high asset specificity tasks will obtain above market wages. Therefore, asset specificity rents also involve the generation of horizontal inequalities in the distribution of LMOs —which is what concerns us here— between those in employment and those unemployed. Asset specificity rents for the employed means by definition lower employment accessibility for the unemployed of identical characteristics, as explained in the efficiency wage models. Asset specificity rents also generate horizontal inequalities (i.e. segmentation) between those employed in high asset-specificity employment relationships and those who, having identical productivity, are nevertheless employed in the performance of tasks where asset specificity is lower. *Ceteris paribus*, the former will obtain higher returns to their labour effort than the latter.

Composite rents due to asset specificity can, therefore, explain important features of labour markets without abandoning the centrality of individual optimisation strategies. Here lies the explanatory power of these models. The composite-rent/transaction cost approach can serve to identify mechanisms of labour market differentiation that are common to all capitalist

societies irrespective of the different institutional context in which they operate[23] (see, for example: Buechtemann 1993).

Yet, crucial as they are, composite rents are not the only type of employment rents. Workers can obtain new employment rents on their collective action without a basis in asset specificity[24]. Moreover, institutional regulation can become a direct source of employment rents for workers, without a basis in either asset specificity or collective action. Rents on collective action and direct regulatory rents also have important consequences for the distribution of LMOs. Considering the segmenting implications of these rents implies bringing institutional considerations to the fore.

2.2. Employment rents on collective action and the segmenting role of bargaining systems

> *"If a more general approach to labour market segmentation is to be developed... workers and workers' organisations must be assigned an active role in the development of labour market structure". Rubery 1978,18*

> *"There are several sources of the rents created in closed employment relationships and closed jobs. Jobs may be closed by collective or union action without a basis in the technological and organisational factors that create composite rents". Sorensen 1998,23*

Over the course of the 1980s, an influential body of literature on segmentation was developed by the Labour Studies Group at Cambridge (see: Rubery 1978;1988; Rubery and Wilkinson 1981; Wilkinson 1981;1983; Humphries and Rubery 1984; Craig et al.

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[23] A parallel argument has been made regarding Goldthorpe's latest model (2000a,ch.10) in the *Introductory Chapter*.

[24] Employment rents obtained from workers' collective action are usually called *monopoly rents* in the economic literature. They could as well be called *union rents* or simply *collective-action* rents. Wright has recently referred to these rents as *solidarity rents* (see: Wright 2000).

1982;1985). The so-called Cambridge school stressed the complexity of segmentation processes and the consequent need for multifaceted explanations. One of the points most strongly defended by the Cambridge school was the need to take account of the role of trade unions in collective bargaining as a fundamental segmenting mechanism (see e.g.: Craig et al 1982,79; Rubery 1978,18; Elbaum and Wilkinson 1979; Nolan and Edwards 1984).

At about the same time as the Cambridge school was insisting that trade unions should be taken seriously in segmentation research, various economists concerned with the problem of structural unemployment were developing a micro model of the labour market that focused on the connection between workers' collective bargaining strategies and involuntary unemployment. This model, known as the *insider-outsider theory of unemployment*, provides an endogenous explanation of labour market segmentation that focuses, not on employers, but on workers' strategies to maximise employment rents in collective bargaining. Insider-outsider models can offer a complementary account of segmentation to that provided by asset-specificity (employer-centred) endogenous factors without abandoning the centrality of individual optimisation mechanisms (i.e. rational action).

2.2.1. The insider-outsider model

The fundamental characteristic of the insider-outsider theory is that, in sharp contrast to efficiency wage models, it assigns some labour market power to workers. For this theory, "*the crucial assumption is that it is costly to exchange a firm's current, full-fledged employees (the insiders) for unemployed workers (the outsiders) and that the rent associated with this turnover cost can be tapped by the insiders in the process of wage negotiation*" (Lindbeck and Snower 1986a,235). Therefore, rather than being seen as a conflict between employers and unemployed workers, involuntary unemployment is seen primarily as "*a conflict of*

interest between the insiders and the outsiders" (Lindbeck and Snower 1986a,235; see also: Lindbeck and Snower 1984a;1984b; 1985a;1985b;1986b;1988; Solow 1985; Layard, Nickell and Jackman 1991,25-29,86-142). Insider-outsider models hence focus directly on *horizontal* segmentation.

The insider-outsider theory is based on the premise that unions and employers bargain mainly about wages, while decisions on employment remain in the hands of employers (Layard, Nickell and Jackman 1991,91-93; Carling and Soskice 1990,392-397). This is the so-called *right-to-manage* model of collective bargaining. The model then describes the wage-bargaining process as one of rent sharing between firms and their insider workers. It is, therefore, central to the insider-outsider argument to assume that unions are more responsive to the interests of their employed members than to those unemployed (Lindbeck and Snower 1986a,238; Layard, Nickell and Jackman 1991,86). The objective of insider workers is to maximise their wages in the bargaining process. How far they are willing to go in their haggling and bargaining will depend on their probability of being employed in the same firm in the next period (i.e. their *survival probability*) and the income they would obtain outside the firm were they to be laid-off. Workers' survival probability in the firm is clearly dependent on wage bargaining. Under these assumptions, the model goes on to explain the different ways in which a union can raise insiders' wages without reducing their survival chances, that is without increasing their risk of being laid-off:

> *"(a) It may amplify the cost of hiring and firing (for example, severance pay, hiring and firing procedures); (b) it could increase the effectiveness and variety of co-operation and harassment activities; (c) it can augment insiders' bargaining power and thereby enable them to capture a greater share of the available rent for their jobs; (d) it can provide insiders with new rent-seeking tools: threats of strike and work-to-rule are the most prominent examples"* (Lindbeck and Snower 1986a,238-9)

2.2.1.1. Implications

Workers' bargaining power is ultimately based on their control over labour supply. It must be noted, however, that the costs for employers of exchanging insiders for unemployed workers will be higher the higher the asset specificity of employment relationships. Hence higher composite rents grant workers greater monopoly power (i.e. monopoly rents and composite rents are positively related[25]). This is, so to speak, the *endogenous* origin of insider power. That is, the source of insiders' bargaining power that does not depend on the actual existence of trade unions nor on the institutional features of collective bargaining. If that was all it was to bargaining power, insider-outsider models would not have much to add to the composite rent approach apart from looking at it from the perspective of workers rather than employers. Yet the importance of collective-action in the context of this discussion is in that it can be seen as a source of employment rents in itself without a basis in the asset specificity factors that create composite rents (Sorensen 1998,23). From this perspective, it is the organisational component of insider bargaining that matters. Trade unions can allow (all types of) insiders to obtain higher wages (or greater job security, since there is a trade-off between the two) at the expense of less employment accessibility for outsiders with identical characteristics. Insider bargaining has, therefore, horizontal segmenting effects in that it produces a particular distribution of LMOs between insiders and outsiders of similar productivity.

2.2.2. Union rents and the collective bargaining system

The insider-outsider approach offers an explanation of the stratifying effects of unions' actions in collective bargaining in a

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[25] "*When workers strike for a wage above the supply price of labour, firms do not sack them. This is mainly because of the human capital embodied in the workforce, which is the main source of insider power*". Layard, Nickell and Jackman (1991,87).

bid "*to rationalize simultaneously the existence of wage norms, involuntary unemployment, and the economic role of labor unions*". (Lindbeck ans Snower 1986a,239). This approach can be seen as the first formalised model of the microeconomic foundations of the labour market that places trade unions at the centre of the explanation.

The insider-outsider approach is, however, a micro-theory of rational action which offers no explanation as to the conditions under which its main assumption regarding union behaviour holds. The insider-outsider proposition assumes that unions represent the employed insiders, rather the unemployed outsiders, in the bargaining process. Yet the extent to which unions actually act as insider organisations significantly depends on the institutional features of collective bargaining (see, for example: Layard, Nickell and Jackman 1991,129-143 and below). Therefore, the *intensity* of the possible segmenting impact of insider-outsider factors on LMOs is dependent on institutional regulatory factors that are *exogenous* to pure labour market exchange.

2.2.2.1. The hump-shaped hypothesis

Sociologists (see, for example: Crouch 1985; Esping-Andersen 1998a;1998b; 1999,ch.7) and economists alike (see, for example: Calmfors and Driffill 1988; Calmfors 1993; Layard, Nickell and Jackman 1991) have stressed the importance of the institutional features of collective bargaining for both the wage formation process and for labour market structures (unemployment in particular). Discussions have tended to focus on the role of centralisation of the wage bargaining system[26]. It has been argued that both very centralised and very decentralised wage bargaining systems are conducive to real-wage moderation and low

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[26] See also: Cameron (1984).

unemployment[27], whereas systems of intermediate centralisation, where bargaining takes place at the industry level, favour insider bargaining and, hence, are likely to result in high real-wages and high unemployment (Calmfors 1993,8; Esping-Andersen 1998a,3; 1999,ch.7). Recent modifications to the hump-shaped hypothesis have shifted the emphasis from the *levels* of unemployment to its *structure* (i.e. who is the victim of unemployment). Yet the argument is fundamentally the same: systems of intermediate centralisation will be *ceteris paribus* likely to enhance insider-outsider segmentation. No matter what the general levels of unemployment are, the bargaining structure could contribute to make some groups (i.e. young workers and women) significantly more likely to suffer from it than others (adult men) (Esping Andersen 1999,ch.7).

The hump-shaped curve effect of bargaining structure has not, however, obtained satisfactory empirical validation in comparative research in either of its versions (see, for example: OECD 1999; Esping-Andersen 1999,135-142). This is perhaps not that surprising if one takes into consideration the crudeness with which collective bargaining indicators are measured in comparative analyses. Yet, apart from measurement problems, the lack of empirical results seems to suggests that focusing only on the levels of centralisation could be misleading, as what needs to be explored is probably a more complex constellation of institutional factors. As Esping-Andersen has put it, "*what the kinds of statistical analyses carried out (...) cannot capture is the interwoven institutional fabric that underpins any political economy (...) We cannot capture such complexity via* [comparative] *quantitative research*" (1999,138).

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[27] Good macroeconomic performance in centralised systems is explained by the degree of co-operation between the bargaining parties, which allows for the internalisation of the externalities of insider bargaining (i.e. wage increases in one part of the economy have pernicious effects in others). In the case of decentralised systems, good macroeconomic performance is explained by the restraint imposed by market forces (Calmfors 1993,7-8).

It seems, therefore, that we need a more in-depth analysis of the bargaining system if we want to advance our understanding of *how* collective bargaining institutions might affect the *intensity* of insider-outsider segmentation. To this end, the characteristics of the Spanish bargaining system that are likely to amplify the segmenting effects of two-tier deregulation are described bellow.

2.2.3. The Spanish bargaining system and insider effects

Insider-outsider segmentation will be tempered by those institutional features that enhance *inclusive unionism*. Following the hump-shaped curve hypothesis, it seems reasonable to expect that strong unions acting in a centralised and co-ordinated bargaining structure will have greater capacity for implementing an inclusive representation of interests. Yet this might not be a sufficient condition, as other institutional factors could also play a crucial role. In particular, it seems reasonable to expect that inclusive unionism will also be favoured by open, direct and fluid channels of communication between workers and their representatives. These channels are unlikely to exist if unions do not have a direct presence in firms. Direct presence increases the 'quality' of representation because it increases unions' accountability and favours the introduction of qualitative issues into the bargaining agenda (for example, issues regarding employment). The kind of communication channels between workers and unions that are required for an inclusive representation of interests are not, however, present in the Spanish system of representation, which is primarily based on workers' votes (rather than on their affiliation). Voter unionism is compatible with a weak presence of unions in firms. Yet weak union presence relegates the bulk of collective bargaining to the industry-level, where concern for wages overshadows questions regarding employment. Weak (and competing) unions bargaining (uncoordinatedly) at the industry-level are, therefore, unlikely to display inclusive representational strategies. This will favour the

segmenting impact of two-tier deregulation. Other institutional factors, such as certain inflationary rules of bargaining, are also likely to further amplify the segmenting impact of two-tier reform. All these institutional features are now reviewed in greater detail.

2.2.3.1. Structure, scope and depth of collective bargaining in Spain

Collective bargaining is a workers' right recognised by the 1980 *Ley del Estatuto de los Trabajadores* (Workers' Statute) and by the 1985 *Ley Orgánica de Libertad Sindical* (Organic Law on Trade Union Freedom). These laws entitle all employees (whether union members or not) of firms employing more than six workers to elect, every four years, their representatives to conduct collective bargaining with employers. This implies that approximately one-third of employees cannot elect their trade union representatives in Spain (Abellán, Felgueroso and Lorences 1997,253). Within the firms that are entitled to hold union elections, the vote of workers in firms with 50 employees or more is institutionally overweighed. This is because, on the one hand, workers in firms with fewer than 50 workers can only elect personnel delegates (*delegados de personal*), who are not entitled to engage in collective bargaining at the firm level. Only workers in firms with 50 or more employees are legally entitled to elect their works councils[28] (*comités de empresa*), which are empowered to reach collective agreements within the company. This size restriction on firm-level bargaining has important consequences in Spain, where the proportion of employees in firms employing fewer than 50 workers is the highest of all the European Union[29] (Martínez Lucio 1993:494-495). As a result,

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[28] Some 90 per cent of the members of the works councils are union members and 80 per cent are affiliated to the UGT or CCOO (Miguélez 1995b; van der Meer 1997).

[29] It is not surprising, therefore, that, according to a recent survey conducted by the official Centre for Sociological Research (see CSRSTUA 1994 in

firm-level bargaining covers only about 15 per cent of all wage earners covered by agreements, that is, only about 12 per cent of all employees (van der Meer 1997,9).

On the other hand, trade unions often lack the resources needed to convoke union elections in many small firms so that, *de facto*, in many small firms union elections are not held. As a result, only around half of the employees in Spain actually vote in union elections[30] [31] (Martínez Lucio 1993,501). More than 70 per cent of the elected workers' representatives belong to the two main trade unions: *Comisiones Obreras* (CCOO) and the *Unión General de Trabajadores* (UGT), which win around 95 per cent of all the votes in union elections[32] (Abellán, Felgueroso and Lorences 1997,252) (see *Chapter Six*).

Contrary to what happens in closed-shop systems, collective agreements are legally enforceable and apply by law to all workers (whether unionised or not). This is guaranteed in Spain by the so-called *erga omnes* principle, or principle of automatic extension of agreements[33]. Hence the centrality of trade union elections in the Spanish collective bargaining system. Spanish trade unionism has

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Appendix B), only forty per cent of the interviewed employees worked in a firm with direct union presence (whether in the form of personnel delegates or works councils) (in van der Meer 1997) (see *Chapter Six*).

[30] Union elections are crucial, since they determine both the composition of the works councils in firms employing 50 workers or more as well as that of the union delegations that engage in bargaining at the industry and national level. Union elections also determine the representation of workers in tripartite bodies such as the National Institute for Social Security (*Instituto Nacional de Seguridad Social*), the National Institute for Employment (*Instituto Nacional de Empleo*) and the Social Economic Council (*Consejo Económico y Social*).

[31] Yet in the companies in which elections do take place, workers' participation is high (around 75 per cent in 1990 according to van der Meer 1997,25).

[32] For the origins and characteristics of these organisations see: Martínez Lucio (1993).

[33] Despite the *erga omnes* principle, around 20 per cent of all Spanish wage earners are not covered by collective agreements (Abellán, Felgueroso and Lorences 1997,252). The proportion of workers not covered rises to about 25 per cent of wage-earners in the private sector (Jimeno and Toharia 1994,81).

thus been defined as *voter unionism* rather than membership unionism[34] (Martín Valverde 1991:24-25; Martínez Lucio 1993:500-501 and *Chapter Six*).

Most Spanish employees are, therefore, covered by collective agreements signed at the industry level (85 per cent of all workers covered and about 70 per cent of all wage earners[35]). Collective agreements signed at industry level are legally binding for all workers in the industry, as guaranteed by the *erga omnes* principle. However, they are mainly limited to the setting of wages and working hours (Jimeno and Toharia 1994,80-86). This is not a legal limitation. In principle, industry-level agreements could have a broader scope. But to some extent the scope of the agreement is a function of the organisational capacity of the parties[36]. Since most of the firms represented at industry level have very weak or no union presence at all, since coordination among these units is very low (see below) and since industry-agreements affect many firms and workers with very different situations, it is logical that negotiations focus on the most essential and common elements which both parties have an interest in bargaining on: wages and working hours.

In short, as Jimeno and Toharia point out, in Spain "*neither the scope or the depth of collective bargaining is particularly impressive*" (1994,81). The legal framework does not allow for negotiation at the firm level for the majority of Spanish firms, which lack direct union presence. This relegates the bulk of collective bargaining to the industry-level, where negotiation is largely confined to bargaining over wages and working hours. The Spanish collective bargaining system is thus characterised by its special concern for wages over employment. Wages are always bargained over, whereas employment is fixed by the employer. As

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[34] The union membership rate in Spain is very low, since only about 15 per cent of the workforce is unionised (see *Chapter Six*).

[35] Data for 1992, see: Jimeno and Toharia (1994,81) and van der Meer (1997,9).

[36] Luis Ortiz, LSE, personal communication. I am grateful to Ortiz for information on this point.

a result, inclusive representational strategies are largely absent. The right-to-manage model fits well in the Spanish case[37].

2.2.3.2. Degree of coordination and synchronisation

Industry-level bargaining is particularly unlikely to provide the bargaining process with the levels of coordination and synchronisation needed to improve the response of wages to the unemployment rate. Collective bargaining takes place throughout the year, that is, synchronisation is low, and there is an excessive number of bargaining units, increasing the chances for poor coordination (Jimeno and Toharia 1994,84-89). Given the prominence of industry-level bargaining, the system lacks the beneficial effects of both micro-economic flexibility typical of very decentralised firm-level bargaining and of national-level concertation typical of centralised systems as argued by the hump-shaped hypothesis (Revenga 1994,139). When the levels of coordination and time synchronisation are low, credible national wage guidelines cannot be put in place and bargaining units are

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[37] This point is best illustrated by some data: Original calculations based on the data published by the Spanish Ministry of Employment and Welfare for 1993 (Ministerio de Trabajo y Seguridad Social 1994) show that only 20 per cent of all workers covered by collective agreements were affected to any degree by qualitative clauses regarding employment. A closer look at the content and coverage of these clauses shows that only 3.8 per cent of all workers covered by collective agreements were indeed covered by clauses which favoured the conversion of fixed-term contracts into permanent ones, only 1.5 per cent were covered by clauses aimed at maintaining employment, and only 3.6 per cent were covered by clauses seeking to promote employment creation through retirement schemes. Similarly, a mere 3 per cent of all workers covered by collective agreements were affected by agreements which sought to eliminate overtime work, only 1.3 per cent of workers were covered by clauses aimed to reducing overtime work with respect to the previous year, and a mere 0.2 per cent were covered by clauses aimed at cutting overtime work with respect to the legal maximum, which is restricted to 80 hours per year, per worker (Jimeno and Toharia 1994,80). The right-to-manage model indeed seems a good description of the content of collective bargaining in Spain.

less likely to internalise the macroeconomic effects of wage increases. All of which reinforces wage rigidities and insider tendencies.

2.2.3.3. The competitive character of unions

Coordination is also threatened by the competitive character of trade union representation in Spain. As many authors have pointed out, coordination between the two main union confederations is problematic, particularly in election years, when unions stress their differences as a means of winning workers' vote (Soskice 1990; Jimeno and Toharia 1994; Maravall and Fraile 1998). Nor does the mobilisational strength of unions seem to be particularly conducive to concertation. Voter unionism implies that the communication channels between workers and unions are not particularly fluid. In order to show their strength, unions have very few options other than calling strikes or stoppages[38]. This type of mobilisational strength is more conducive to conflict than to compromise (see: Cameron 1984; Lange and Garrett 1985; Maravall and Fraile 1998;2000).

2.2.3.4. Waterfall bargaining

Until 1994, bargaining regulation established that each bargaining level would determine the minimum bargained wage possible at the level below. This regulation was known as 'waterfall' bargaining (*negociación en cascada*). Through this regulation, industry-level bargaining imposed the minimum wage floor for firm-level bargaining. Firm-level bargaining could set wages equal or above this minimum, but never below it, so that more profitable firms could pay higher wages to their workers, but

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[38] According to Escobar (1993;1995), workplaces that mobilise when unions call a strike employ nearly two-thirds of workers (Escobar 1995,169-70).

firms in difficulties could not renegotiate wages below the wage floor. Waterfall bargaining encouraged firms experiencing economic difficulties to introduce adjustments of the quantity of labour[39] (rather than of its price) (see: Blanchard and Jimeno 1994,10-11).

2.2.3.5. Implications

In short, all these institutional features make the Spanish collective bargaining system particularly ill suited for an inclusive representation of interests. The structure, scope, depth, content, coordination and synchronisation of the bargaining system, and the characteristics of union competition form a constellation of institutional factors which is highly prone to enhance insider-outsider tendencies in the system[40]. It is, therefore, important to observe that the Spanish bargaining system was very likely to amplify insider-outsider effects *before* two-tier deregulation was implemented in 1984. Institutionally enhanced insider bargaining is thus one of the intervening factors that can help us explain the very intense segmenting impact of the 1984 reform. Two-tier deregulation implemented in a non-inclusive collective bargaining system is likely to intensify insider-outsider segmentation. Even more so if insiders are protected by high dismissal costs.

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[39] The 1994 reform removed this limitation by introducing the so-called pull-away clause (*claúsula de descuelgue salarial*), which enables bargaining units at the firm-level to ignore industry-level wage floors. Yet, as Abellán, Felgueroso and Lorences (1997) argue, the evidence suggests that, in practice, when pull-away agreements have been made, the established conditions are "*generally so restricted that they neutralise the flexibilisation possibilities of these types of clauses*" (translated from the original. 1997,250) (see also: Segura 1996; Consejo Económico y Social 1997).

[40] Note that many of these factors are ultimately related to trade unions' weakness, rather than to their strength (see *Chapter Four*).

2.3. Regulatory rents: rents on dismissal costs

Collective bargaining regulation can, therefore, have a very significant indirect impact on employment rents because it influences workers' bargaining power and the opportunities for inclusive representation of interests between insiders and outsiders. The conclusion is that horizontal segmentation will be intensified in an institutional context that favours insider bargaining. Regulation can also be seen as a *direct* source of employment-rent generation for employees. This is because employment rents can be generated by regulation without a basis in either asset specificity or bargaining power. Regulation on minimum wages, for instance, can generate rents for the less skilled workers irrespective of their capacity for bargaining. Similarly, regulation on working conditions and maximum hours of work, equal work-equal pay rules or health and security legislation can all enhance workers' control of their labour effort and hence increase their employment rents. Regulation can also impose high dismissal costs for all workers irrespectively of their asset specificity or bargaining power. Dismissal costs enhance employees' job security and thereby their employment rents. Regulation on dismissal costs is the most important direct institutional source of employment rents in the Spanish case. The segmenting impact of two-tier deregulation cannot be understood without accounting for the very high levels of employment protection that dismissal costs grant for permanent workers in Spain.

2.3.1. Rents on dismissal costs in Spain

Table 2.1 shows a ranking of OECD countries according to the 'restrictiveness' of their dismissal protection regulation. As the table shows, Spain together with Korea are the two countries with the highest levels of legal protection against dismissals of all the OECD.

It is widely accepted among specialists that the historical origins of these high levels of employment protection lie in the legacy of the Franco dictatorship. Under Franco the labour market was rigidly controlled and free trade union activism was prohibited and heavily repressed. It has been argued that, in order to gain workers' acquiescence, the dictatorship attempted to 'compensate' for the lack of industrial and political rights, and of an adequate system of welfare provision, by offering workers very high levels of employment security[41] (see e.g.: Amsdem 1974; Malo de Molina and Serrano 1979; Espina 1986,19; Brassloff 1994; CAM 1995,80). Dismissal costs were, therefore, unilaterally implemented by the dictatorship. Employment regulation provided a form of social protection by making it very difficult to fire workers and by setting very generous severance pay for dismissals (Fina and Toharia 1987; Dolado and Jimeno 1996). After the transition to democracy, employment security was taken as a hallmark by democratic trade unions. The 1980's Workers' Statute (Ley de Estatuto de los Trabajadores), which was the law that regulated the legal structure of the post-Franco labour market, consolidated workers' employment security against dismissals.

The Workers' Statute distinguishes three types of dismissals. First, *disciplinary dismissals*, which are very rare and provide no rights to indemnities for workers. Second, *objective dismissals*, which are those for authorised reasons, such as lack of adjustment of the worker to the task due to technological changes or recurrent justified absence from the job (Güell-Rotllan and Petrongolo 1998,7). And, finally, *economic dismissals*, which are generally

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[41] For instance, Espina (1986) writes: "*In short, everything leads us to think that (...) the authoritarian regime gave rigidity and labour costs in exchange for freedom, with the intention of alleviating a social conflict that was seen as a direct threat to the political system*". (1986,19. Translated from the author). Brassloff (1994) defends a very similar thesis when he writes: "*the whole job protection system (...) had been one part of the tacit 'social contract' the Franco regime had imposed on Spanish labour: employment security had been granted in compensation for not only the scant human and political rights, but also the imposition of a low-wage high profits economy*" (1994,20).

used for collective redundancies due to unfavourable economic situations. This latter type of dismissals requires prior discussion with workers' representatives and the approval of the authorities. The severance pay under objective and economic dismissals amounts to 20 days wages per year worked with a maximum of one year's wages.

All dismissed workers have the legal right to take employers to the courts if they disagree with the dismissal case. The Workers' Statute stipulates that litigation costs, which can be significant, have to be covered by employers. If the court declares the dismissal 'unfair', workers will receive an indemnity of 45 days' wages per year worked, to a maximum of 42 months. In practice, most dismissals (more than 75 per cent according to Segura 1996) are declared unfair and hence end up costing the firm 45 days per year worked. In order to avoid the costs of onerous litigation, and discounting the likely outcome of an unfavourable sentence, employers often immediately agree to pay workers 45 days' wages severance pay. According to many experts, it is the regulation regarding unfair dismissals that provides Spanish workers with the particularly high levels of employment protection[42] (Bentolila 1996; Malo Ocaña 1998; Güell Rotllan and Petrongolo 1998).

In 1995, a number of Spanish experts were asked to give their opinions on different question regarding the functioning of the

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[42] The 1994 reform timidly attempted to extend the definition of fair dismissal to incorporate 'technical-organisational economic causes' (*causas económicas, técnicas, organizativas*) and 'production causes' (*causas de producción*) as 'objective' reasons for the collective dismissal of workers (causes for fair individual dismissals were not altered). However, according to many judicial rulings issued since their incorporation, those terms seemed to be rather abstract and ambiguous, and the data suggests that, in the face of this ambiguity, most courts, including the Spanish High Court, have continued to apply a pro-worker interpretation of the law. As a result, the 1994 amendments seemed to have had no impact whatsoever on the proportion of collective dismissals declared unfair by the labour courts (Consejo Económico y Social 1997; Jimeno 1996; Segura 1996). As Segura (1996) put it, the measure seemed to be "*an absolute failure*".

Spanish labour market (see: Castillo, Duce and Jimeno 1996). A majority of them (forty one out of seventy) agreed that the high dismissal costs of permanent workers constitute the *main cause* of labour market segmentation between permanent and fixed-term workers, as well as of the very high levels of fixed-term employment in Spain (1996,13).

2.3.2. Implications

Dismissal costs are an important source of employment rents for Spanish workers, the origin of which cannot be attributed to the endogenous economic factors that give rise to composite rents. Nor can we attribute —at least directly— high dismissal costs to workers' collective action, since high dismissal costs were imposed *unilaterally* by a dictatorial regime that heavily repressed free unions.

High dismissal costs, therefore, generate *direct* employment rents for (employed) workers without a basis in either asset specificity or collective action. This implies that only under too unrealistic assumption can direct regulatory rents be made 'endogenous' to economic models. In the real world of institutionally filtered markets, regulation has a clear (direct and indirect) impact on the distribution of LMOs —and hence on segmentation. For the purposes of our research on the segmenting effects of two-tier deregulation in Spain, the implications of this discussion are straightforward: The implementation of two-tier deregulation in an institutional context characterised by insider bargaining and high dismissal costs constitutes an 'explosive' combination. Two-tier deregulation will intensify segmentation. The employment-rent approach can help us explain *how*.

3. The Segmenting Impact of the Introduction of Fixed-Term Contracts in Spain

Two-tier deregulation implies the reduction of employment rents for fixed-term workers and the improvement in the composite-rent optimisation capacity of employers. Moreover, in an institutional context characterised by high-dismissal costs and non-inclusive bargaining, two-tier deregulation can also imply the improvement of permanent workers' rent-optimisation capacity. All these processes will trigger type-of-contract segmentation (i.e. the unequal distribution of LMOs among workers of similar productivity but different types of contract). After describing the basic characteristics of two-tier deregulation, this section presents and discusses in detail the general hypotheses regarding its segmenting impact. These hypotheses can provide an explanation of the dynamics of type-of-contract segmentation in terms of causal mechanisms.

3.1. Characteristics of flexibilisation via fixed-term contracts in Spain

The Workers Statute of 1980 gave priority to permanent contracts and guaranteed a high level of employment protection. The use of fixed-term contracts was restricted by law to those activities of a temporary nature (seasonal activities, particular projects, etc...). Yet the Workers Statute left open the way for the possibility that governments would eventually use fixed-term contracts as a means of promoting employment. It was this possibility which was exploited to the extreme in the 1984 reform.

The 1984 reform sought to introduce flexibility by extending the applicability of temporary contracts to all types of activities regardless of their nature. Hence the reform allowed firms to hire any unemployed worker on a fixed-term contract for any sort of job (temporary or otherwise). Further regulations on the use of fixed-term contracts were introduced in 1992, 1993 and 1994. As

a result of all these regulatory changes, today there are numerous types of fixed-term contracts available. We can distinguish between three main types: *general fixed-term contracts* for employment promotion*, activity-specific contracts*, and *specific contracts for young workers*.

General fixed-term contracts for employment promotion may be signed for very short periods (six months until 1992, one year since then). They can be renewed for a maximum period of three years[43]. When the period of the last possible renewal expires, the firm must either offer the worker a permanent contract or dismiss her. It is not possible to transfer the worker to a different job within the firm without signing a permanent contract. Non-renewal of general fixed-term contracts entails very low termination costs. The severance pay for general fixed-term contracts is only 12 days of wages per year of service. Moreover, workers cannot appeal against the termination of fixed-term contracts in the courts. There are, therefore, no procedural costs involved in the termination of these contracts (Bentolila and Dolado 1994,67).

Activity-specific contracts do not even entail any severance payments in case of non-renewal or dismissal. There are three types: contracts for specific services (*contratos para obra o servicio*), casual contracts (*contratos eventuales*) and contracts for new activities (*contratos para nueva actividad*). Contracts for specific services, introduced in 1984, are not subject to any specific legal minimum duration as they are expected to last as long as the service requires. Casual contracts, also introduced in 1984, do not stipulate any minimum duration either and they incorporate a maximum duration of only six months. New activity contracts were introduced in 1994 and are limited to new firms or to new activities within established firms. They have a minimum duration of six months and can be renewed for up to three years.

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[43] As a special measure in order to mitigate the very high levels of job losses in the 1993 crises, the government approved a royal decree that extended the maximum duration of general fixed-term contracts to four years.

Contracts for young people are specific for unemployed workers aged between 16 and 25. They can be signed for a minimum duration of 3 months. There are two types: training and apprenticeship contracts. Training contracts can be signed for a maximum period of two years and are applicable to youth with lower tertiary education or above, or intermediate or higher vocational education (*formación profesional media o superior*)[44]. Apprenticeship contracts, introduced in 1994, are specifically intended for unskilled youth and are supposed to be complemented by further education outside the firm. They have a maximum duration of three years[45]. Contracts specifically for young people do not entail any severance payment on their termination.

In 1994, the applicability of general fixed-term contracts was restricted to the long-term unemployed (twelve months or more), workers aged over 45, and disabled workers. However, the conditions for activity-specific contracts were not restricted accordingly. As a result, it has been documented that employers that hitherto employed workers on general fixed-term contracts shifted to the use of contracts for specific services and above all to casual contracts, the number of which rose by 80 per cent in less than a month after the 1994 reform (Consejo Económico y Social 1997; Segura 1996). In other words, a flexible alternative to the use of permanent contracts remained fully available after the 1994 reform (Adam and Canziani 1998,15). Moreover, firing costs on all existing fixed-term contracts were further reduced and private employment agencies for temporary employment, characterised by the precarity of the jobs that they offer, were legalised. In sum the 1994 reform did not alter to any significant degree the

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[44] Workers on training contracts are expected to receive wages equal to 60 per cent of the bargained wages for workers of the same occupational characteristics during their first year, and equal to 75 per cent in the second year.

[45] Wages for apprentices can be below the minimum wage.

flexibilisation strategy launched ten years earlier[46] [47] (see: Jimeno 1996).

3.2. Hypotheses regarding the segmenting impact of fixed-term employment in Spain

Given the characteristics of the Spanish bargaining system and the very high dismissal costs applying to workers in the employed core, the introduction of fixed-term contracts was likely to intensify insider-outsider segmentation. This general hypothesis constitutes the starting point for this research on the segmenting impact of fixed-term contracts in Spain. The theoretical model presented in *Section Three* allows to further specify the mechanisms of type-of-contract segmentation. Drawing on recent contributions to the labour economics literature (see: Güell-Rotllan 2000; Bentolila and Dolado 1994) it can be hypothesised that two main mechanisms could have interacted in the Spanish case to produce a particularly intense differentiation of LMOs by type of contract: The *incentive effect* and the *buffer effect*. Incentive and buffer mechanisms can provide the cogs and wheels of the segmentation process.

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[46] Jimeno (1996) analysed the effects of the 1994 labour market reform and found that "*there* [were] *very few indications that the functioning of the Spanish labour market* [had] *changed as a result of the* [1994] *labour market reform*" (1996,17). The author concluded that the 1994 reform "*has not contributed significantly, nor is there a solid basis to expect that it will contribute, to improving the functioning of the Spanish labour market*". (1994,18). (Translated from the author).

[47] In 1997, a new labour market reform was agreed upon between employers, unions and the new conservative government. This new reform introduced a new form of indefinite contract with significantly lower termination costs (30 days' wages per year worked) thus inaugurating a new approach to labour market flexibility. This latter reform and its effects are not treated in this research. The period that goes from the 1984 reform to the 1997 reform thus define a logical time span for our investigation of the labour market and attitudinal effects of the introduction of fixed-term contracts in Spain.

3.2.1. The incentive effect

Two-tier flexibilisation in Spain provided employers with a new composite rent-optimisation tool with which to elicit further output from fixed-term workers, who are compelled to work harder lest they face unemployment.

Fixed-term contracts reduce turnover costs greatly. Hence, in a context of high dismissal costs for permanent workers, it is rational for firms to manage numerical flexibility through fixed-term work. Employers will, therefore, recruit new workers using fixed-term contracts as soon as these contracts are available. Even for tasks that are likely to generate high composite rents and, therefore, where there is in principle a mutual interest in maintaining open-ended employment relationships, employers should benefit from recruiting all their new employees on a fixed-term basis since fixed-term contracts are always optimal as a screening device. This is because fixed-term contracts provide employers with a probationary period in which they can collect information on workers' productivity (thereby reducing job-matching costs). At the end of this period, employers will be better prepared to decide whether to renew, terminate or convert fixed-term contracts into permanent ones. *Thus, fixed-term contracts should become the main form of entry into employment in all employment relationships, irrespective of the composite rents that these relationships are capable of generating.*

Should firms need to shed labour, they will choose the least costly option. Thus, given the distinctive layoff costs by type of contract, fixed-term workers will have, *ceteris paribus*, much higher chances of losing their jobs. Since the future of fixed-term workers in the firm is uncertain, they will be compelled to work harder if they want to see their contracts renewed or converted into permanent ones. Thus, fixed-term workers' low survival probability increases firms' composite rent-optimisation capacity. The prospects of imminent unemployment are likely to favour internal competition among fixed-term workers and hence their

chances for organised action can be reduced accordingly. Employers can therefore use the rate of conversion into permanent contracts in the firm as a powerful incentive mechanism for fixed-term workers[48] (see: Güell-Rotllan 2000). Even in those instances where the asset specificity condition is met, employers might choose to resort to this sort of incentive mechanism rather than investing in long-term employment relationships and their usual incentive schemes. An appropriate rate of conversion into permanent employment might succeed in eliciting greater average output than the incentive costs the firm and as a result be a perfectly efficient incentive mechanism in short-duration employment relationships. Of course, the higher the firm-specific investments in particular workers the less efficient this mechanism will be relative to those provided by closed employment relationships. Hence it follows that the rate of conversion into permanent contracts will be higher the bigger the composite rents. As a result, fixed-term contracts will be significantly more frequent in labour employment relationships, where the composite rents generated are low, than in service employment relationships.

3.2.2. The buffer effect

The introduction of fixed-term work in 1984 could have increased permanent workers' survival probability and hence allowed them to obtain greater employment rents.

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[48] Recently, Güell-Rotllan (2000) has developed a formalised efficient wage model in a two-tier system (i.e. a system with permanent and fixed-term contracts). Güell-Rotllan's efficiency model formalises the micro-foundations of the incentive effect hypothesis. Incentives in Güell-Rotllan's model are provided by a combination of a non-zero renewal rate into permanent employment and a non-zero rent paid in permanent employment. Using this model, the author shows that "*employment* [in a two-tier system] *is not necessarily higher than in a system with only permanent contracts while the labour market becomes segmented*" (2000,21).

Given the different layoff costs by type of contract, fixed-term workers will be likely to bear the brunt of employment adjustments. The greater the difference in layoff costs, the greater the employment insecurity for fixed-term workers. This implies that, in a collective bargaining context that hinders inclusive unionism, an increase in the numbers of fixed-term workers in any given firm could increase the survival probability of their permanently employed counterparts. Fixed-term workers could, therefore, act as a shield for permanent workers of the same characteristics but much higher dismissal costs. This shield is the buffer effect. Since bargaining power is a function, among other things, of the survival probability in employment, the more employment security for insiders (read permanent workers) provided by the fixed-term shield, the greater the employment rents they will be able to secure. In other words, insiders will get higher wages and fixed-term workers will pay the eventual employment consequences[49] (see: Bentolila and Dolado 1994).

3.2.3. Reinforcing mechanisms

Notice that the greater the buffer effect, the higher the 'price' of achieving permanent status will be for fixed-term workers because: 1) the buffer effect increases the insider mark-up; and 2) because it further reduces fixed-term workers' survival probability. Therefore, the buffer effect could increase the efficacy of the incentive effect. Employers could thus use insiders' mark-up to their own advantage, since the higher this mark-up the lower the conversion rate into permanent employment need be in order to extract the same amount of effort from fixed-term workers[50].

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[49] Bentolila and Dolado (1994) studied the effects of fixed-term contracts on wages in Spain using a wage bargaining model. Such model formalises the micro-foundations of the buffer effect hypothesis (see *Chapter Four*).

[50] In the efficient wage model provided by Güell-Rotllan (2000), the renewal rate and the rents paid in permanent contracts are incentive substitutes: the higher the rents paid in permanent employment, the lower the renewal rate

Buffer and incentive effects could thus be mutually reinforcing. Both employers and permanent workers could in this way improve their rent-optimisation capacity at the expense of fixed-term workers. As a result of all these processes, a clear differentiation of labour market opportunities among similar-productivity workers by type of contract should follow.

4. Summary

In this chapter a general analytical model for research into the segmenting consequences of fixed-term work in Spain has been outlined. The model has discussed the connection between institutional factors, employment rents and the differentiation of labour market opportunities among equal-productivity workers. In the light of this discussion, two working hypotheses regarding the possible segmenting consequences of two-tier flexibilisation in a regulatory context characterised by non-inclusive unionism and high dismissal costs have been presented. It has been argued that in such a regulatory context, two-tier reform is likely to produce type-of-contract segmentation as a result of two distinctive mechanisms that are mutually reinforcing: the *buffer effect* and the *incentive effect*. In the following two chapters these two mechanisms will be tested empirically by analysing the effects of the introduction of fixed-term contracts on the ways in which the Spanish labour market adjusts the quantity of labour (*Chapter Three*) and its price (*Chapter Four*). Research on both aspects will allow us to assess the consequences that two-tier flexibilisation in Spain has had on the distribution of individual LMOs.

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needs to be, providing, of course, a non-zero renewal rate and a non-zero rent in permanent employment (2000,11).

CHAPTER THREE

THE EFFECTS OF FIXED-TERM EMPLOY-MENT ON EMPLOYMENT CHANCES

> *"For me at least, if I have a job to be filled, with the expectation of making more money, I do not hesitate to make more money, I do not hesitate to employ a worker. What happens is that I will look for, within current legislation, all the regulations that are most favourable for my business. And, therefore, given the disparity between temporary and permanent contracts, it's obvious that I will always opt for a temporary contract (…) Of course, it's true what the speakers have said this morning. We are getting to a stage where the worker, who is a good worker, and who works perfectly well, given the rigidity of the permanent contract, you cannot convert his contract into a permanent one; there's no other option but to replace him with another temporary worker. But this is not the fault of employers, it's the fault of the* [legal] *framework in which we operate (…) if divorce doesn't exist, logically, everyone thinks twice before getting married"*. Carlos González (employer). CAM (1995,189).

This chapter analyses the effects of two-tier flexibilisation on the mechanisms of quantity-of-labour adjustment. It explores, therefore, the effects of fixed-term work on employment chances, the first dimension of labour market opportunities (LMOs) as defined in *Chapter Two*. The employment consequences of fixed-

term work will be investigated through original analysis of the Spanish Labour Force Survey (LFS) data for the years 1987, 1989, 1991, 1993, 1995 and 1997. Secondary data, as well as data from the Spanish Centre for Sociological Research survey on Attitudes towards Work and Employment (ATWE), which was carried out in 1997, will also be presented and discussed. Given the quantity of statistical data compiled for this chapter, the results of the analysis have been included in a statistical appendix (see *Appendix A*). In the text only the most illustrative findings will be presented in summary tables[1].

The chapter is divided into three sections. *Section One* outlines the basic changes and characteristics of the Spanish labour market over the last 30 years, while focusing on the employment crises of 1977-1985 and 1992-1994. By comparing the different character of these two waves of job destruction, this section provides a general overview of both the main historical legacies and the main changes, both of which help to explain the basic features of the current labour market in Spain.

Section Two consists of a detailed analysis of the general aggregate employment effects of the labour market reform strategy implemented in Spain. It explores the relationship between fixed-term contracts and employment chances by studying entries into employment, exits from employment to unemployment, labour turnover and conversions of fixed-term contracts into permanent ones.

Section Three focuses in particular on the relationship between occupational class and type of contract in a bid to further explore the interplay between endogenous factors of segmentation and two-tier flexibilisation. The predictions made in the previous chapter that fixed-term contracts will be both more frequent and less likely to lead to permanent employment in 'labour' employment relationships (where asset specificity is low) than in 'service' relationships (where asset specificity is high) are

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[1] Tables from *Appendix A* will be referred to in the text as tables 'A' followed by the number in which they appear in the appendix.

confirmed. Yet the data also show that fixed-term work has had segmenting effects *in all class categories*. The chapter ends with a discussion of the implications of these findings.

1. The Main Characteristics of the Spanish Labour Market

In the ten years following the death of Franco, Spain suffered a dramatic employment crisis. Between 1977 and 1985, 1.9 million jobs were lost and the rate of unemployment increased from 5.1 per cent to 21 per cent. Since then, and despite strong economic recovery during the second half of the 1980s (when 1.7 million new jobs were created), the unemployment rate has never fallen below 15 per cent. When Spain suffered a further economic recession in the early 1990s, employment fell dramatically once more (1.17 million jobs were lost between 1992 and 1993) and unemployment soared again, climbing to 24 per cent, or 3.7 million people, in 1994. At the end of 1996, 3.15 million Spaniards, or 21.7 per cent of the economically active population, were unemployed.

This section briefly outlines the factors that might account for this unemployment record and thereby provides an overview of the main characteristics of the Spanish labour market between 1977 and 1997. Special attention will be given to the two periods of large-scale employment destruction. The factors that lie behind the 1977-1985 employment crisis and those accounting for the second wave of job destruction, in 1991-1994, are quite different in nature. In fact, these differences between them reflect the changes that occurred in the Spanish labour market in the intervening period.

1.1. The first employment crisis: 1977-1985

The first and most important employment crisis that shook Spain in the second half of the 1970s can be explained by the

combination of adverse initial economic conditions, stemming from Franco's autarkic model of development, together with the wage explosion in the early 1970s and the first international oil crisis.

The main characteristics of the Spanish model of economic development can be summarised as follows: 1) high share of agriculture (Blanchard and Jimeno 1994; Dolado and Jimeno 1996; Esping-Andersen 2000,25); 2) strong protectionism (Segura 1983; Toharia 1987; Fina 1987); 3) authoritarian labour relations – which could take either a paternalistic or a repressive form (Miguélez and Prieto 1991; Fina and Toharia 1987; Dolado and Jimeno 1996); 4) rigidly controlled labour markets (Dolado and Jimeno 1996 and *Chapter Two*); 5) concentration of manufacturing in energy-intensive sectors (in 1975 Spain was importing 75 per cent of its energy requirements (Bentolila and Blanchard 1990,242)); 6) fragmentation of industry in small and poorly capitalised firms with a limited capacity for technological innovation (Donges 1984; Fina 1987); 7) low qualifications among workers and management (González Olivares 1985; Fina 1987); 8) insufficient public investment in education, infrastructure and technology (Segura 1996); 9) an unbalanced financial structure, characterised by very low levels of entrepreneurial self-financing and the excessive importance of short-term external financial resources (Cuervo 1986); and, 10) an extremely weak, inefficient and regressive fiscal system (both in terms of taxation and expenditure) (Fina and Toharia 1987). These initial economic conditions made the Spanish economy particularly vulnerable to the oil crisis. Two factors are particularly important: the large share of agriculture and the characteristics of the labour market under Franco.

As late as 1960, 42 per cent of the active Spanish population still worked in agriculture. This percentage fell very rapidly (falling to 15 per cent by 1980) (Williams 1984,9; Maravall and Fraile 1997), thus creating a massive surplus of agricultural labour. The exceptional growth of unemployment in Spain occurred because this surplus could not be absorbed by the non-

agricultural sectors. The timing of de-ruralisation in Spain was particularly unfortunate as it coincided with deindustrialisation and demographic pressures. Spain's persistently high unemployment levels are, therefore, related to what Esping-Andersen has called "*the rotten timing of structural change*" (2000,27). But in addition to unfortunate timing, specific institutional characteristics of the Spanish labour market under Franco made it very difficult indeed that job-losses in agriculture could be offset in other sectors –as happened for instance in Portugal and Italy (Blanchard and Jimeno 1994; Dolado and Jimeno 1996; Brassloff 1994).

Under Franco the labour market was rigidly controlled. Trade union activity was prohibited and fiercely repressed. The social security benefits of a modern welfare state were largely absent (Dolado and Jimeno 1996,4). This absence of political and industrial rights, and of an adequate system of welfare provision, was to some extent 'compensated for' by very high employment security. Rigidly defined working conditions provided a form of social protection by making it very difficult to fire workers and by setting generous severance pay for dismissals (see *Chapter Two*). This model of labour security fitted the regime's emphasis on the traditional male-breadwinner family, thus hindering the participation of women in the labour market. High employment security was feasible given, on the one hand, the very high rates of economic growth in the 1960s and, on the other, the authoritarian character of labour relations. The latter provided the repressive context in which labour adjustments at the level of wages could be undertaken without organised opposition on the part of workers. Therefore, the labour market was characterised by very high levels of wage flexibility[2] and very high levels of employment rigidity (see: Malo de Molina and Serrano 1979; Bentolila and Blanchard 1990).

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[2] The wage dispersion in Spain was the highest of all OECD countries. See: Dolado and Malo de Molina (1985); Bentolila and Blanchard (1990).

However, this authoritarian model of labour relations broke down in the final years of the Franco regime. Political and industrial protest intensified with the onset of the political transition, and underground workers' organisations were able to push for a greater share of the fruits of the 'economic miracle' (see: Bentolila and Blanchard 1990,241-45; Brassloff 1994,62). At the beginning of the political transition, the wage-push was further favoured by trade union competition, as the Socialist and Communist-led unions tried to establish their constituencies by pressing for higher wages[3] (see: Fina 1987; García 1990; Bentolila and Blanchard 1990). As a result, between 1970 and 1980 real wages increased by 54 per cent (Espina 1986,19; see also Espina 1990;1991)

This combination of increasing labour costs and high labour rigidity, in a context of economic crisis and political uncertainty, triggered unemployment. The Spanish unemployment rate in the 1960s had averaged 2.5 per cent, a figure similar to the European average for the period (Antolín 1995,55). Yet between 1973 and 1977 the unemployment rate doubled from 2.5 per cent to 5 per cent and subsequently soared dramatically to reach 20 per cent in 1984.

It seems, therefore, that high labour costs prevented the creation of jobs in the non-agricultural sectors so that the surplus agricultural workforce could not be absorbed. Labour rigidity and high fixed-labour costs might also have hindered the capacity of firms to adapt to economic cycles (Maravall and Fraile 1997,6). In the period 1974-1984, firms responded with mass layoffs as soon as conditions started to turn sour, probably because only at the earliest stages of any crises did they feel capable of paying the large costs of dismissals. In a highly fragmented industrial structure such as that found in Spain, high dismissal costs precipitated the closure of small firms, therefore multiplying the

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[3] It has been argued that the first democratic government gave free rein to wage demands as a means of easing the transition to democracy, and that this prolongation of the wage push beyond what was economically reasonable worsened its unemployment effects (see: Dolado and Jimeno 1996,5).

unemployment effects of the crisis. By the same token, when conditions improved, labour rigidity may have made firms reluctant to create new jobs, favouring instead the option of offering extra work to those already employed (Maravall and Fraile 1997,5).

The destruction of employment decelerated from 1981 to 1984, yet the labour supply started to increase as the cohorts born in the 1950s —which had experienced significantly lower rates of infant mortality than previous cohorts— entered the economically active population.

1.2. Labour reform and employment creation: 1984-1991

In 1984, after eight years of crisis in which 1.9 million jobs had been lost, and just as the unemployment rate surpassed the 20 per cent threshold for the first time, the first Socialist government of the new democracy introduced fixed-term contracts in Spain through the *Reforma del Estatuto de los Trabajadores*.

The 1984 reform intended to liberalise the labour market as a means of facilitating job creation. In fact, the introduction of temporary contracts in Spain in 1984, together with world-wide economic recovery and Spain's entry into the European Community in 1986, led to the creation of 1.7 million jobs between 1985 and 1991 at a rate unknown even in the years of high economic growth in the 1960s (Toharia 1994,112).

Yet between 1985 and 1991, the unemployment rate never fell below the 15 per cent threshold. In this case, part of the explanation lies on the labour supply side. The economically active population had already started to grow in the early 1980s. This process accelerated in the 1985-1990 period, as the 1960s baby-boom generation entered the labour market. This process coincided with a progressive increase in female participation rates, which rose by an average of 11 percentage points between 1983 and 1993 (almost six points above the European average for the same period (OECD 1995; Maravall and Fraile 1997,4)). Job creation, therefore, was offset by

an increase in the active population. Yet the supply side demographic explanation does not suffice to explain why the unemployment rate decreased so little despite the very strong recovery in employment. The other part of the explanation has to do with the precarious nature of the employment that was being created.

1.3. Labour reform and the second employment crisis: 1991-1994

Does employment growth between 1984 and 1991 mean that the flexibilisation strategy followed by the Socialist government in 1984 was a successful strategy to create employment on a long-term basis? Unfortunately, not. There is little doubt that the growing flexibility of the labour market increased the sensitivity of employment to the economic cycle and facilitated the creation of employment in the growth years. Yet, by the same token, higher employment sensitivity implied that when the effects of the world-wide economic recession of the early l990s hit the Spanish economy in 1992, levels of employment fell dramatically once more (480,000 job losses in 1992 and 635,210 in 1993) (Antolín 1995) and unemployment rose to the record level of 24 per cent of the active population in early 1994. In fact, unemployment could have easily surpassed the 24 per cent threshold had it not been offset this time by a deceleration in the growth of the economically active population (Jimeno and Toharia 1994).

The 1991-1995 employment crisis was very different in character to the 1977-1981 crisis. This reflected the particular characteristics of the labour market reform, a reform which aimed to create employment by legalising flexible forms of employment for new entrants, *without endangering the employment security of those already employed.* The very low redundancy costs attached to fixed-term workers' contracts explain why the brunt of labour adjustment was concentrated among this type of workers. Meanwhile, permanently employed workers remained largely unaffected by the institutional changes and continued to enjoy basically the same legal protection as in the past.

What has emerged in the years following the introduction of temporary contracts is a constant process of *dualisation* of employment, whereby the effects of the variability of the economic cycle have been concentrated among temporary workers. By 1997, Spain not only still had the highest unemployment rate of all OECD countries (21 per cent) but also the highest level of temporary work —33.4 per cent of the salaried workforce (3.185 million out of 9.455 million) had a fixed-term contract in 1997[4]—.

2. General Employment Effects of the 1984 Labour Market Reform

Since the 1984 reform, the Spanish labour market has undergone an intense and constant process of dualisation of employment. The result is the separation of the workforce into two groups: insiders, with permanent contracts, and a new group of temporary employees with low firing costs who bear the brunt of employment adjustments. In the following sections of this chapter, evidence will be provided for this dualisation process. Given the lack of longitudinal data, the best source of empirical analysis is the Spanish Labour Force Survey (LFS)[5].

2.1. *The labour force survey data*

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[4] Data from the Ministry of Labour's National Institute of Employment (INEM) published in *El País*, 13 April 1997.

[5] Only in 1997 did the Spanish Institute of Statistics release the matched files of the panel version of the LFS (i.e. the so-called "chained" LFS). Access to these files has, however, not been possible. Yet a few researchers have recently had access to this version (see: Alba 1997; Güell-Rotllan and Petrongolo 1998; Amuedo-Dorantes 2000). Their research, therefore, constitutes a very interesting source to which I will refer in this chapter.

The LFS is carried out every quarter by the Spanish National Institute of Statistics (INE) among a sample of approximately 60,000 households. The sample is designed to be representative of the working-age Spanish population (see *Appendix B*). Although fixed-term contracts were introduced in 1984, it was not until 1987 that the LFS included information regarding the type of contract of respondents. Therefore, 1987 must be the first year of the sequence. 1989, 1991, 1993, 1995 and 1997 surveys will complete the empirical basis for the statistical analysis of the Spanish labour force in this chapter.

Some caution is, however, recommended in two instances when interpreting the LFS data results, since two different methodological breaks occurred within the period covered by this research. The first relates to the operationalisation of the occupational categories used in the following two sections. A change in the coding system of occupations took place in 1994. This change alters the construction of the class categories and prevents completely reliable comparison between the data gathered before and after this date. Series are hence only fully homogeneous regarding the class variable until 1993 (see: Polavieja 1998). The second methodological break concerns the sampling procedures of the LFS, which changed between 1995 and 1997. From the first quarter of 1995 to the second quarter of 1996, the sampling sections (*secciones muestrales*) (i.e. clusters of households to which random sampling is applied) of the LFS were renewed. In 1997, the Spanish Economic and Social Council warned the public of the consequences of this methodological change, which could have affected the temporal comparability of the results (Consejo Económico y Social 1997,168-71; see also: Consejo Económico y Social 1994,ch.2). In particular, the Council insisted that "*the exact quantification of the employment created* [after 1995] *according to the LFS should be questioned because the process of renewal of its sampling sections implies that part of that increase has a purely statistical origin*" (1997,168). It also warned that "*it is not possible to estimate the effects of the sampling renewal on ... variables of great interest such as the*

professional situation of those in employment, the temporality [rates] *of wage earners, or the duration of unemployment*" (1997,171). Since sampling renewal might affect all the aggregate figures from 1995 onwards, small variations in the general trends for the 1995 and 1997 data should not be over-interpreted.

Notwithstanding these changes, the LFS continues to be the best source of analysis on the employment effects of two-tier flexibilisation in Spain. Let us now review the basic research hypotheses before presenting the main results of this analysis.

2.2. Hypotheses

In *Chapter One* it has been argued that the 1984 reform is a paradigmatic example of two-tier flexibilisation. Economists have referred to the same phenomenon as *flexibilisation at the margin* (Bentolila and Dolado 1994). It has been hypothesised that, given the regulatory context in Spain, the most likely outcome of such a strategy is type-of-contract segmentation. At the level of employment, type-of-contract segmentation should be reflected in what we could term *dualisation* of employment: the labour market increasingly splits into, on the one hand, the core of permanent workers and, on the other, an expanding periphery of the insecurely employed. While the former enjoy stable employment trajectories, the labour market histories of those in the latter group are likely to consist of a combination of recurrent unemployment and short-term work. *Thus employment dualisation implies the unequal distribution of job security by type of contract.* According to the argument presented in *Chapter Two*, these are the main expected employment effects of two-tier flexibilisation:

1) Given the high dismissal costs of regular employment, fixed-term contracts should become the principal means of entry into employment. This would automatically lead to an increase in the rate of fixed-term work.

2) Given the institutional characteristics of fixed-term and permanent contracts, fixed-term workers will bear the brunt of employment adjustments. Hence fixed-term contracts will also become the principal means of exit from employment into unemployment.

3) With the increase in fixed-term work, workers on permanent contracts should increase their survival probability (i.e. job security) as a result of the *buffer effect.*

4) An increase in the survival probability of insiders should lead to a further decrease in fixed-term workers' survival probability in the firm. It also follows from the discussion of the mutually reinforcing character of the buffer and the incentive effects of fixed-term employment (see *Chapter Two*) that the higher the gain provided by the buffer effect (i.e. the insider mark-up), the lower the conversion rate into permanent employment needs to be in order to extract the same amount of effort from fixed-term workers. Hence we should expect a decrease over time in the rate of conversion of fixed-term contracts into permanent ones.

The empirical confirmation of all these effects would point to a process of dualisation of employment. Such process can be studied at the aggregate level by looking at: 1) entries into employment, 2) exits from employment into unemployment, 3) indirect indicators of labour turnover and 4) transition rates into permanent employment.

2.3. Entries into employment

The empirical analysis of the LFS shows that the proportion of new entrants[6] into employment holding a fixed-term contract rose from 59 per cent in 1987 to 84 per cent in 1991, and further to 88

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[6] New entrants into employment are those who were not in employment a year before the survey was carried out.

per cent in 1997 (second quarters). This meant a spectacular increase in the total proportion of the Spanish workforce on fixed-term contracts. Between 1987 and 1991, the rate of fixed-term work in Spain doubled from 15 per cent to 32 per cent[7]. Thereafter, the rate of fixed-term work further increased to surpass 34 per cent by 1995 (see *Table 3.1* and tables A1 and A2 of the statistical appendix). The sheer scale of fixed-term work in Spain is unparalleled anywhere else in Western Europe[8] (Jimeno and Toharia 1994,96 and Table A.3)

Hence the vast majority of jobs created since the 1984 reform have been fixed-term[9]. From this a clear gender and cohort pattern follows (see tables A.4 and A.5). With respect to the former, the evidence shows that the proportion of fixed-term contracts is consistently higher among women during the 1987-1995 period. This is consistent with our expectations, given the distinctive work-life histories of women, who are much more likely than men to re-enter the labour market after periods of inactivity. Similarly, the proportion of young people on fixed-term contracts is also consistently higher than the proportion of older workers. It should, however, be noted that the proportion of fixed-term contracts increases significantly within all age groups and that the relative weight of the 30-39 year olds within fixed-term workers increases over time.

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[7] See also: Bentolila, Segura and Toharia (1991,237-8); Jimeno and Toharia (1994,ch.1 and 4).

[8] In 1992, the proportion of the working population in Spain on temporary contracts (32%) was nearly four times the EC average of 9% (Martínez Lucio and Blyton 1995,351). See also Table A.3.

[9] When compared to registered employment data from the Ministry of Labour's National Institute of Employment (INEM), LFS data seems to underestimate the numbers of fixed-term workers among the newly employed. According to the INEM, by 1995 around 98 per cent of new contracts created were fixed-term. This underestimation in the LFS data might be related to the fact that the LFS extracts the information of all the individuals in sampled households. This implies that often information on absent members is obtained indirectly by asking members who are present in the household at the time the interview is carried out (See: CAM 1995,77-8; and also EIRR 1997).

In short, the analysis of the LFS suggests that the general trend towards the widespread use of temporary contracts has become an entrenched feature of the Spanish labour market. This type of contract acts as the normal means of entry into employment, from which a clear age and sex pattern follows (see tables A.1 to A.5).

2.4. Exits from employment into unemployment: the buffer effect

Fixed-term contracts have also become the principal means of exit from employment into unemployment. Already in 1987, 61 per cent of newly unemployed wage earners were without work due to the termination of their fixed-term contracts. This proportion increased to reach the 83 per cent level in 1993, where it remained thereafter. In other words, despite the massive destruction of employment that took place between 1992 and 1994, only 17 per cent of those who became unemployed in 1993 came from permanent employment (see *Table 3.1* and Table A.6).

These data cannot, however, be automatically interpreted as confirming the existence of a buffer effect. The observed decrease in the proportion of wage earners on permanent contracts that become unemployed every year could simply reflect the decrease in the proportion of permanent contracts among the employed population, without necessarily implying an increase in their job security relative to fixed-term workers. In order to test for the existence of a buffer effect at the aggregate level, we need an indicator that accounts for the relative weights of each type of contract among the employed population. LFS data allow us to construct such an indicator. This indicator (which will be represented by the symbol Ω_a) is a measure of permanent workers' job security vis-à-vis fixed-term workers and it is obtained applying this simple formula:

$$\Omega_a = (1 - (^{\% \, NUPC \, \text{in} \, t} / _{\% \, PC \, \text{in} \, t\text{-}1})) \, \text{x} 100$$

,where *NUPC* in t is the proportion of newly unemployed workers observed in year t that come from permanent employment and *PC* is the proportion of employed workers on permanent contracts in the previous year[10] (t-1). We are only considering wage earners and hence there are only two types of contracts. Therefore, *NUPC* equals one minus the proportion of newly unemployed workers observed in year t that come from fixed-term employment and *PC* equals one minus the proportion of fixed-term workers on permanent contracts the previous year. Thus Ω_a reflects the relative chances of becoming unemployed that insiders (permanent workers) have compared to outsiders (fixed-term workers). It can, therefore, be taken as *an indicator of the gap between the job security levels of workers on different contracts.* Ω_a represents this distance in percentage points. A value of 0 per cent would indicate no differences in unemployment risks by type of contract (i.e. both types of workers will be equally represented in employment and in unemployment), whereas a value of 100 per cent would indicate maximum contractual differences in unemployment risks (i.e. not a single permanent worker would

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[10] To some extent, using the proportion of permanent workers the previous year is arbitrary since many of the job losses among the newly unemployed could have actually occurred within the year the survey was carried out. Results are, however, consistent either way. For simplicity, when calculating the Ω_a indicators for different classes (see below) I used the NUPC and PC rates of the same years, that is, I used the formula: $\Omega_a = (1 - (\%\ NUPC\ in\ t / \%\ PC\ in\ t)) \times 100$ for each class

become unemployed)[11]. Hence Ω_a indicates how much more job security permanent workers enjoy relative to fixed-term workers[12].

The evolution of Ω_a over the period under investigation has been calculated using LFS data (see Table A.7 and also *Table 3.1*). Notice that the values of the indicator increased steadily and significantly from 54 per cent in 1987 to 74 per cent 1993 and remained basically constant thereafter. This could be interpreted as indicating that in the period of maximum growth of fixed-term employment, between 1987 and 1991, the chances that permanent workers had of becoming unemployed decreased constantly and significantly. Once the fixed-term rate started to stabilise, so did the values of Ω_a. The employment crises of 1992-1994 did not alter these values. Despite the massive destruction of employment between 1992 and 1994, by 1993 permanent workers had significantly smaller chances of becoming unemployed (relative to fixed-term workers) than in 1987. Fixed-term workers acted as a buffer.

In short, the evolution of the Ω_a indicator suggests the existence of a non-monotonic buffer effect. The difference in insiders' job security vis-à-vis that of outsiders increases sharply

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[11] In other words, if the proportion of newly unemployed permanent workers observed in any given year equalled the proportion of employed permanent workers observed the previous year, permanent workers would not be underrepresented in unemployment and hence Ω_a would be 0% (i.e. minimum relative job security for insiders). If, on the contrary, all entries into unemployment in any given year were made from fixed-term contracts and, therefore, the NUPC equalled 0, then the Ω_a would be 100% (i.e. maximum relative job security for insiders).

[12] Two other Ω indicators have been calculated. The first one, Ω_b, is the result of applying the following formula: $\Omega_b = (1 - (\frac{\%PCUR \text{ in } t}{\%TUR \text{ in } t-1})) \times 100$, where PCUR is the unemployment rate of permanent workers and TUR is the total unemployment rate. The second one, Ω_c, is calculated as follows:

$\Omega_c = (1 - (\frac{\% EPC \text{ in } t}{\% PC \text{ in } t-1})) \times 100$, where EPC is the proportion of total exits from employment (both into unemployment and into inactivity) and PC is the proportion of permanent contracts in employment.

Calculations based on these two indicators are presented in Table A.7b. Results are equivalent regardless of the chosen indicator.

until 1991 and then stabilises, following the same trend as the evolution of the rate of temporary employment. This suggests that some sort of equilibrium was reached around 1991-1993, a point after which no further enhancement of insiders' survival probability is observed. As we shall see, this evolution is consistent with the non-monotonic decrease in conversion rates also observed in the period under consideration (see below).

2.5. Labour flexibility and the increase in worker turnover

Following García Serrano (1998), we can define worker turnover as the formation and dissolution of employee-employer job-matches, thus consisting of the total number of hirings and separations that occur within a given unit of time. Worker turnover can be divided into two components: *job reallocation* and *job rotation*. Job reallocation refers to those hirings and/or separations that occur as a result of firms creating and/or destroying job positions, whereas rotation occurs as a result of workers moving between existing job positions (1998,710-11). The labour insecurity associated with fixed-term contracts produced an increase in worker turnover (via an increase in job rotation) during the period studied. With the expansion of flexibilisation at the margin, growing numbers of fixed-term workers move back and forth between unemployment and temporary work. This has led to the emergence of a new type of unstable labour market trajectory marked by recurrent periods of unemployment and temporary employment. In this epigraph both secondary and original evidence of this process is presented and discussed.

The lack of direct information on the gross flows into and out of employment in the cross-sectional version of the LFS makes it necessary to use other statistical sources or to draw on indirect indicators in the LFS to measure worker turnover. One possible statistical source of information on turnover is the inflow of job demands registered at the Ministry of Labour's National Institute

of Employment (INEM) offices. Drawing on this type of data for the period 1972-1992, Bentolila and Dolado (1993,117-8) found that the ratio of the inflow of registered job demands at employment offices to employment increased with the level of unemployment until 1985. But from 1985 onwards, job demands continued to grow despite the decrease in the unemployment rate. This divergence in the evolution of both indicators reflects the increase in job rotation[13] (see also Bentolila and Dolado 1994).

Job flows can also be analysed directly using the Survey of Economic Situation (*Encuesta de Coyuntura Laboral, ECL*), which is carried out quarterly by the Spanish Ministry of Labour and Social Affairs (*Ministerio de Trabajo y Seguridad Social*) since the second quarter of 1990. Using ECL data for the period 1993-1994 on establishments having more than 500 employees, García Serrano (1998) found very striking differences in worker turnover by type of contract. His analysis showed that at least 75 per cent of total worker turnover in Spain reflects external rotations on positions that are neither created nor destroyed. It also showed that, in an average quarter, only 3 per cent of permanent workers were involved in job moves or flows (i.e. worker turnover), whereas the same proportion accounted for almost 58 per cent of fixed-term workers. Moreover, while 60 per cent of these job flows among permanent workers reflected job reallocation (mainly job destruction[14]), 80 per cent of the flows among fixed-term workers were due to rotation between existing positions. Worker turnover for fixed-term workers was 23 times

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[13] The ratio of the inflow of registered job demands at employment offices to employment rose from 3.4 in 1980 to 6.5 in 1991-1992 (both being periods of recession). In 1992, 4.7 million contracts were signed, while in net terms 425,000 employees lost their jobs (Bentolila and Dolado 1994,69).

[14] According to García Serrano's calculations, 75 per cent of job reallocations among permanent workers are due to job destruction. Yet it must be noted that this destruction is mainly due to voluntary terminations. Using data from the Balance Sheets of the Bank of Spain on 2,356 manufacturing firms between 1982 and 1993, Aguirregabiria and Alonso-Borrego (1999) showed that almost 50 per cent of the destruction of permanent jobs between 1986 and 1990 was due to retirements (1999,15).

the turnover for permanent workers, a difference which was mainly due to the "*enormous number of rotation flows for temporary workers*" (1998,721). The author concluded that in Spain "*permanent contracts are linked to creation and destruction of employment positions...* [while] *fixed-term contracts are mainly used for rotation purposes, i.e. to vacate or refill existing posts*", which seems a reflection of employment dualisation (1998,721). From the perspective of workers, this evidence on worker turnover suggests that fixed-term contracts in Spain are indeed linked to unstable employment trajectories.

2.5.1. Indirect indicators of unstable trajectories using the LFS

Further indirect evidence on rotation and unstable employment trajectories can be obtained by focusing on a variety of indicators from the LFS. Each of these indicators in itself does not provide us with a definitive picture of the dynamic evolution of rotation in the Spanish labour market, it is rather the combination of all —in the light of the data presented above— which is revealing. Therefore, some effort at interpretation may be required, as the different pieces of snap-shot-like information must be fitted into a single dynamic sequence.

Insecure labour market trajectories consist of a succession of short spells in employment. The LFS includes information both on current job tenure and on the duration of the last employment experience of the unemployed. Both the evolution of the current job tenure of employed respondents and the evolution of the last job tenure of those who were unemployed have been calculated using LFS data (see Table A.8 and *Table 3.1* below). The average current job tenure for the period under investigation is 146 months (twelve years) for permanent workers and only 11 months for fixed-term workers. Similarly, the average last-job tenure for the period for the unemployed coming from permanent work is 99 months (nine years) whereas it is only 13 months in the case of unemployed workers coming from fixed-term work. Despite the fact that the maximum legal period of duration for general fixed-term contracts was three years[15], the average duration of fixed-term contracts has consistently been less than half the legal maximum. This is a clear indicator of job insecurity[16].

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[15] In 1993 it was exceptionally extended to four years in a bid to mitigate job destruction.

[16] My results on the average duration of fixed-term contracts can be compared to other sources. In 1987, based on their own data files, the Ministry of Labour's National Institute of Employment (INEM) calculated that the average duration of temporary contracts to promote employment was 17 months (Bentolila, Segura and Toharia 1991,237-8). My own estimations using the LFS

A further finding of the empirical analysis is that the duration of permanent contracts steadily increased between 1987 and 1997 (current tenure increased by 18 months and last-job tenure by 48 months), which can be interpreted as evidence that entering into the permanent core became increasingly difficult over time (permanent workers grew older and were not replenished). This data could also be consistent with an increase in job security among permanent workers, just as we would expect due to the buffer effect (see below).

Indicators other than the duration of temporary work also suggest an increase in insecure labour trajectories among fixed-term workers. Such indicators can be obtained from the information regarding the labour market situation of respondents one year before the LFS survey is carried out, which is obtained retrospectively. The information on the evolution of the proportion of fixed-term workers who were employed in a different job one year earlier is particularly interesting for the analysis of worker turnover. An increase in worker turnover should be reflected in an increase in this figure since it is reasonable to expect that a short spell in unemployment (or inactivity) might have been experienced between the previous job and the job held at the time of the LFS[17]. Indeed, the findings are consistent with this hypothesis. In 1987, 20 per cent of temporary workers had been employed in a different job a year earlier. This proportion more

refer to all fixed-term contracts and are not too dissimilar (19 months for current tenure and 12 months for last-job tenure). See Table A.8.

[17] An increase in the proportion of fixed-term workers stating that they had been employed in a different job one year earlier does not *necessarily* imply that they have experienced unemployment or inactivity, as workers can look for jobs whilst employed and hence voluntarily move from one job to another. Yet as Alba (1991,5) has argued, one of the advantages of the very short duration of contracts is that the chances that workers leave the firm are largely minimised. In other words, very short contracts combined with a possibility, no matter how remote, of conversion into permanent employment, and in a context of high unemployment rates, means that it is unlikely that fixed-term workers will leave their jobs voluntarily. Therefore, my interpretation of the figure would appear to be the most realistic one.

than doubled over the course of the period studied, rising to 50 per cent by 1995. Meanwhile, the same figure for permanent workers remained more or less constant, fluctuating between 3 and 4 per cent (see Table A.9).

The proportion of fixed-term workers who had been employed in the same job a year earlier, after increasing from 30 to 36 per cent between 1987 and 1991 —the years of economic growth— dropped to 25 per cent in 1993, and further still to just 12 per cent in 1997. This is also a clear indicator of job insecurity. Yet for permanent workers, the proportion of those who had been employed in the same job a year earlier remained above the 90 per cent level throughout the period. The contrast between the two figures is striking and gives a clear sense of the unequal distribution of job security between each type of worker (see Table A.9).

While the proportion of fixed-term workers who had been employed in a different job a year earlier increased steadily over the period, the proportion of fixed-term workers who were unemployed a year earlier decreased between 1987 and 1993 —from 36 per cent to 21 per cent—, and then went up again to 28 per cent in 1995. The evolution of this rate seems perfectly compatible with the two-tier flexibilisation argument. An increase in insecure labour trajectories should multiply the recurrence of spells of unemployment (and perhaps reduce their duration) as well as the recurrence of short periods of employment. The indicator analysed here should also be affected by the business cycle, which has an obvious impact on employment accessibility. As a result, no clear patterns in the discussed proportion should be expected from the employment dualisation process[18]. Notice that

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[18] This interpretation is consistent with a reduction in the total levels of long-term unemployment, given a more or less constant economic cycle, and an increase over the period in the proportion of the unemployed with prior job experience. In fact, this is precisely what we find. Long-term unemployment fell by 6 per cent points between 1985 and 1991, a decrease attributable to the increase in worker turnover (see: Bentolila and Dolado 1994,69), whilst the proportion of the unemployed with previous work experience increased from

given the increasing proportion of fixed-term workers among the newly employed, it is not surprising that the proportion of permanent workers who declare that they had been unemployed the previous year steadily decreases over the analysed period, dropping from 4 per cent in 1987 to only 1 per cent in 1997 (see Table A.9)[19]. This declining trend also reflects the increasing difficulty workers experienced in entering into permanent employment from unemployment. Unless transitions from fixed-term work into permanent employment indicate otherwise, the data analysed so far suggest that from 1987 to 1997 the core of insiders became increasingly isolated from the periphery of the unemployed and fixed-term outsiders.

2.6. Transitions from fixed-term into permanent contracts

The analysis of the transition rates from fixed-term contracts into permanent employment is, therefore, crucial for any understanding of the employment consequences of two-tier flexibilisation. So far, all the evidence suggests that fixed-term workers became increasingly trapped in insecure employment

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62.4 per cent in 1987 to 76.7 per cent in 1997 —after a peak of 80.8 per cent in 1993 (see Table A.10).

[19] Table A.9 also shows useful information on the relative weight of insiders and outsiders within each of its rows. It tells us, for example, that the weight of fixed–term workers relative to all the workers who had been unemployed a year earlier increased very significantly and constantly over the period. In 1987, 61.1 per cent of all workers who had been unemployed a year earlier were temporary. This proportion increased consistently over the period, so that by 1997 it had risen to 90.1 per cent. The table also shows that the relative proportion of fixed-term workers among those who had held a different job one year earlier also rose constantly, from 49.8 per cent in 1987 to 87 per cent in 1997. And, finally, the table shows that, conversely, the relative weight of permanent workers both among the group of workers who had been unemployed one year earlier, and among those who had been employed in a different job, decreased rapidly and constantly over the period. The former proportion went down from 38.9 per cent in 1987 to only 9.99 per cent in 1997, and the latter from 50.2 per cent to 13 per cent.

trajectories while the permanent core became more of a fortress isolated from outsiders (and from the business cycle). This picture could, however, be qualified if high or increasing transition flows from fixed-term work into permanent employment were found. The validation of the employment dualisation hypothesis explicitly requires low and decreasing conversion rates. Only the panel version of the LFS can provide evidence on this issue.

The panel version of the LFS allows for two different methodological approaches to the analysis of transition rates. First, conversion rates can be analysed with second-quarter matched files by looking at those fixed-term workers in any given year that hold a permanent contract one year later. Logit models can then be applied to analyse the determinants of the probability of receiving a permanent contract, conditional on being hired on a fixed-term contract a year earlier. This is the approach undertaken by Toharia (1996), Alba (1997) and, very recently, also by Amuedo-Dorantes (2000). It should be noted, however, that, strictly speaking, this approach does not account for direct conversions from fixed-term into permanent employment, since transitions into other different labour market situations might in principle have occurred between the two observed second quarters. A more accurate approach would, therefore, be modelling directly the duration pattern of the rate at which firms convert fixed-term into permanent contracts. This pattern can be analysed using duration models for fixed-term employment with flexible duration dependence for the exit into permanent employment. This latter approach has been undertaken by Güell-Rotllan and Petrongolo (1998) using the matched files of the LFS.

Irrespectively of the methodological approach adopted, all the existing contributions to the analysis of transition rates from fixed-term employment into permanent employment using the LFS panel version show that the conversion rate from fixed-term work into permanent employment has always been very low in the Spanish case. According to Güell-Rotllan and Petrongolo (1998), the average annual rate of conversion into permanent employment

for the 1987-1995 period is only around 11 per cent[20] [21] (i.e. only around 11 per cent of the fixed-term contracts are converted into permanent contracts each year) (see also: Toharia 1996,51; Alba 1997,15; Adam and Canziani 1998).

Moreover, all the existing contributions on the evolution of transition rates into permanent employment have also shown that this rate decreased sharply in the 1987-1993 period, and then flattened out to remain basically constant thereafter[22]. According to these analyses, the transition rate between 1987 and 1988, the highest ever recorded in Spain, was around 20 per cent. This rate declined constantly thereafter so that between 1992 and 1993 it was only around 9 per cent. Then, the decrease came to a halt as the conversion rate stabilised around the 9 per cent level for the rest of the period analysed here. The data, therefore, suggest a non-monotonic decline in conversion rates (see Table A.11) (see:

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[20] Other secondary data further reinforce these findings on the low rate of conversions into permanent employment. Drawing on a survey of 600 large firms (employing more than 200 workers) carried out by the Spanish Ministry of Economy and Finance in 1991, Alba (1996) found that, by the end of 1990, 70 per cent of the 54,829 fixed-term contracts that had been signed in 1987 had expired and the workers separated from their jobs, whereas only 28 per cent had been converted into permanent contracts. Alba's findings are even more significant if we take into consideration that between 1987 and 1990 Spain was in the mist of an economic boom and that the data analysed by Alba referred to large firms, where opportunities for internal labour markets should be greater. On the importance of size see: Milner et al. (1995); Adam and Canziani (1998,7).

[21] Notice that the same figure for the British case is approximately 45 per cent (Gallie 2000b,301), while for the U.S. is more than 50 per cent (Segal and Sullivan 1995; Amuedo-Dorantes 2000,315).

[22] The figures provided by Güell-Rotllan and Petrongolo (1998) are slightly lower than those calculated by Toharia (1996) and Alba (1997) but follow exactly the same downward trend. The differences between both sources are due to the fact that Güell-Rotllan and Petrongolo's calculations refer to direct transitions from fixed-term into permanent employment between subsequent interviews, whereas both Toharia and Alba compute instead the proportion of permanent workers that held a fixed-term contract one year earlier. As Güell-Rotllan and Petrongolo (1998,13) argue, their approach is more accurate since the yearly renewal rates computed by the other two authors could actually conceal additional unobserved labour market transitions.

Toharia 1996,51; Alba 1997,13-9; Güell-Rotllan and Petrongolo 1998,13).

This observed decline in the conversion rates of fixed-term contracts into permanent ones cannot be attributed to either personal characteristics, household characteristics, firm characteristics nor to changes in the business-cycle since the downward trend is confirmed after controlling for all these factors (see: Güell-Rotllan and Petrongolo 1998, and below). In short, there can be little doubt that entering into the permanent core has become increasingly difficult since 1987 (see tables A.11 and A.12).

2.6.1. Interpretations of the observed decline in conversion rates and of its non-monotonic character

The decreasing rate of conversion of fixed-term contracts into permanent employment could be interpreted as being the result of the mutual reinforcement of the buffer and the incentive effects, as was hypothesised in *Chapter Two*. The buffer effect guarantees higher levels of employment security for permanent workers and hence provides insiders with higher rent-optimisation capacity. Since the incentive mechanism provided by the rate of conversion is a function of the rents than can be obtained in permanent employment (i.e. of the 'price' of obtaining a permanent contract), it follows that higher levels of job security for insiders will allow employers to obtain the same levels of effort on the part of fixed-term workers with a lower conversion rate. In other words, the higher the job security in permanent contracts provided by the buffer effect, the lower the rate of conversion needs to be in order to obtain the same levels of effort on the part of fixed-term workers (i.e. the more efficient the incentive mechanism). Since, as suggested by the evolution of the Ω_a indicator, the increase in insiders' survival probability came to a halt between 1991 and 1993, it is not surprising that the conversion rate also stabilised around that time.

Employers would not even need to be particularly aware of these causal connections for the process to work. Growing concern

with insiders' greater rent-optimisation capacity could make employers increasingly reluctant to convert fixed-term workers into permanent workers without necessarily having to consider buffer, incentive nor reinforcement mechanisms. The reinforcement hypothesis simply suggests that such behaviour on the part of employers, which could simply reflect their 'fear' of insiders' job security, might actually be optimal because higher security, and therefore higher rents, in the permanent core (and higher precariousness on the fixed-term periphery) will make fixed-term workers more likely to work harder in order to achieve a permanent contract[23].

2.6.2. The trap

A declining rate of conversion fits well with the previous results that suggest that, parallel to the increase in the rate of temporary work, there has been a concomitant increase in worker turnover associated with fixed-term employment and an increase in insiders' job security (as measured by the Ω_a indicator and suggested by the evolution of tenure and other indirect indicators). Outsiders on fixed-term contracts have found it increasingly difficult to enter into the permanent core and hence have become increasingly locked into their insecure employment situation. As

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[23] This interpretation makes it possible to suggest a plausible and more detailed micro-level explanation for the observed non-monotonic decline in (macro-level) conversion rates. If conversion rates decrease to a point that makes fixed-term workers perceive that they have no prospect of renewal, the incentive effect disappears. There might, therefore, be a minimum conversion rate, below which employers would find it difficult to employ fixed-term workers willing to play the game. This floor-rate thus determines the optimal conversion rate for employers (i.e. the rate that guarantees maximum incentive effects). If this explanation is correct, the evolution of data would suggest that this floor-rate could have been reached around 1991-1993. Note, however, that this is a *micro-level* argument, which cannot be reasonably sustained on the *macro-level* evidence presented in this section. It is nevertheless a plausible explanation suggested by the evidence.

Amuedo-Dorantes (2000,324) puts it, the empirical evidence suggests that "*temporary work is more likely to become a trap than a bridge to permanent employment*".

This relationship between fixed-term contracts and employment instability has a clear impact on workers' awareness of their own survival probability in employment. According to the survey on *Attitudes towards Employment and Work* (ATEW) carried out in 1997 by the Spanish Centre for Sociological Research (*Centro de Investigaciones Sociológicas*) of a representative sample of 2,500 respondents, 47 per cent of employed respondents on fixed-term contracts considered it possible or very possible that they would become unemployed within twelve months after the date of the interview. Only 6 per cent of permanent workers expressed the same fear (authors' calculations) (I return to this point below).

Given the precarious character of fixed-term employment in Spain, it is not surprising that as many as 91 per cent of the fixed-term workers surveyed by the LFS in 1997 declared that they were holding a temporary contract due to their inability to find a permanent one, while only 0.4 per cent claimed to be temporally employed on a voluntary basis[24]. Temporary employment has, therefore, an involuntary character. Almost no one in Spain wants to be precariously employed.

3. Class, Type of Contract and Job Insecurity: the Interplay of Asset-Specificity and Regulatory Factors in the Distribution of Employment Chances

Section Two has examined the general trends in employment adjustments since the introduction of fixed-term contracts in 1984. It has been shown how fixed-term contracts have become the main

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[24] This can be compared to 28 per cent of fixed-term workers in Britain, 38 per cent in Denmark, 68 per cent in Portugal and 77 per cent in Greece that declared that they were holding a fixed-term contract due to their inability to find a permanent one (OECD 1993; Bentolila and Dolado 1994, 61).

means of entry into employment, but also the main means of exit from employment into unemployment. This has led to the emergence and extension of a new type of insecure labour trajectory in which temporary employment and recurrent unemployment are combined. The evidence also suggests that the increase in the numbers of fixed-term workers have provided workers on permanent contracts with a protective shield against unemployment, so that the larger the periphery on fixed-term contracts the more securely employed the permanent core are. Finally, it has been shown how it has become increasingly difficult for fixed-term workers to enter into the permanent core. All this evidence points to what it has been termed the dualisation of employment. Dualisation is, therefore, the observed employment effect of two-tier flexibilisation. Does this general process take place irrespectively of the particular characteristics of jobs?

Chapter Two identified employers' strategies to maximise rents in employment relationships as a powerful *endogenous* mechanism that can explain the formation of class segments in the labour market. According to this argument, the different levels of job security of employees will vary with the different asset specificity and productivity measurement characteristics of the tasks they are employed to perform. In those instances where the rents generated in employment relationships are low or insignificant, employers will tend to offer short-term contracts and hence jobs will be insecure. Conversely, in cases where asset specificity and productivity measurement costs give rise to high composite rents, employers will tend to offer long-term contracts and hence jobs will be 'closed' (i.e. secure). Therefore, we should expect to find higher rates of fixed-term employment and unemployment in 'labour' employment relationships and higher rates of permanent employment (and lower rates of unemployment) in 'service' relationships (see also Goldthorpe 1997;2000,ch.10).

Yet the analytical framework presented in *Chapter Two* also stresses that the segmentation logic of two-tier flexibilisation is

independent of the logic that gives rise to labour market classes and, hence, that the mechanisms of type-of-contract segmentation should be analytically differentiated from those that can explain the formation of class segments. In other words, it is possible that that two-tier segmentation has produced employment dualisation within all classes. The analysis of the relationship between occupational class and fixed-term employment is thus crucial in order to understand the segmenting implications of two-tier flexibilisation. This section focuses on this relationship.

3.1. The class variable

In order to examine the relationship between occupational class and fixed-term employment in the Spanish labour market, an attempt to compute an extended version of the EGP class schema using LFS data (see: Erikson, Goldthorpe and Portocarrero 1979) has been undertaken. Unfortunately, the LFS data does not allow for an exact replication of the EGP for all the years under investigation. This is because, on the one hand, occupation is coded in two digits, which hinders a very detailed differentiation of occupations, and, on the other hand, because in 1994 the Spanish National Coding of Occupations (CNO) —which is based on the ISCO—changed, which introduces problems in the comparability of the series under investigation. These two methodological caveats generate two main operational problems: Firstly, the impossibility of differentiating between higher and lower-level managers and professionals (classes I and II of the EGP schema) in any of the years of our series and, secondly, the impossibility of differentiating between skilled and unskilled manual workers (classes VI and VIIa of the EGP) before the coding changes were introduced in 1994. In other to minimise these problems, two proxy class schemas have been computed. In what follows, they will be referred to as the *LFSCS1* (labour force survey class schema 1) and the *LFSCS2* (labour force survey class schema 2).

The LFSCS1 is the less detailed schema but the only one that allows for comparisons across the analysed years. It includes the following class categories: *professionals* (comparable to Goldthorpe's classes I and II); *white-collar workers* (comparable to class IIIa); *low technicians and supervisors of manual work* (comparable to category V of the EGP), *service proletariats* (which includes non blue-collar unskilled occupations that would be classified by the EGP either as class IIIb or class VIIa) and, finally, *agricultural labourers* (comparable to class VIIb of the EGP). It must be, however, noted that comparisons regarding trends after 1993 should generally be treated with caution and, in the case of low technicians and supervisors of manual work (category V of the LFSCS1) avoided, as this is the category most profoundly affected by the coding changes that occurred in 1994 (comparing data on category V of the LFSCS1 before and after 1993 is not reliable). Notwithstanding these limitations, there is evidence that the LFSCS1 schema is a fairly good proxy of the original EGP (see: Polavieja 1998).

The new Spanish National Coding of Occupations (CNO) introduced in 1994 allows us to compute a more detailed class schema, the LFSCS2. The main virtues of this schema are that it differentiates between unskilled and skilled manual workers and that the category regarding low technicians and supervisors of manual work increases its validity. The LFSCS2 is thus a more detailed occupational schema and a better proxy for the original EGP, yet it can only be computed for 1995 and 1997 data of our analysed series. The LFSCS2 will be used at the end of this section using data for 1997.

Let us now start by presenting the findings regarding the evolution over time of the indicators analysed in the previous section for different classes (using the LFSCS1). What we want to test is whether the general trends described in *Section Two* can also be observed *within* all occupational class categories, and hence to explore whether fixed-term employment has the same segmenting characteristics in all classes.

3.2. Structure and evolution over time of fixed-term employment: the class pattern of fixed term employment

The distribution of contracts across occupational classes and its evolution over the period 1987-1997 have been calculated (using the LFSCS1). Two main conclusions can be drawn from the analysis: 1) that *the distribution of fixed-term contracts follows a class pattern* and 2) that *the levels of fixed-term employment have experienced a similar and very significant increase over time in all classes* (see Table A.13).

3.2.1. The class structure of fixed-term work

Fixed-term contracts are significantly more frequent in 'labour' classes and significantly underrepresented among professionals in the 'service' class, while the intermediate categories show medium levels of fixed-term employment. For instance, in 1997, the rate of temporary employment of service class professionals was almost 20 per cent, the rate of temporary employment of white-collar employees of the intermediate class was 28 per cent and the rate of temporary employment of blue-collar workers was 45 per cent (according to the LFSCS1). This pattern is consistent over time (see Table A.13).

To provide further evidence that fixed-term work is heavily and significantly concentrated in 'labour' occupations, logistic regressions on the probability of holding a fixed-term contract relative to holding a permanent one have been modelled for each of the analysed years (results are shown in Table A.14). Multivariate analysis shows that occupational class has a significant effect on the chances of holding a fixed-term contract even after controlling for socio-demographic[25], firm-level[26] and

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[25] Analysis of the evolution over time of the relative effect of age on the odds of holding a fixed-term contract shows both the entry character of this type of contract and the expansion of this type of work among older age groups, as suggested by the time-evolution of the odds ratios and significance levels (see

past labour experience factors. Multivariate modelling dissolves the distinctions between professionals and white collars observed in bivariate comparisons[27]. Yet the demarcation line between professionals and white-collar employees, on the one hand, and blue collar, service proletariats and agricultural labourers, on the other, remains clearly significant after controlling for the other variables in the models. There is little doubt, therefore, that employees in 'labour' employment relationships are more likely to hold fixed-term contracts than those in 'service' and 'mixed' forms of employment relationships (see a summary in *Table 3.2* below).

3.2.2. *Levels of fixed-term employment have increased significantly in all classes*

The second conclusion to be drawn from the empirical analysis is that the levels of fixed-term employment have grown impressively *in all classes,* particularly between 1987 and 1991, following the general trends analysed in *Section Two*. As a result, by 1997 the rate of temporary employment doubled the figures for 1987 in all classes, with the sole exception of unskilled agricultural labour (the rate of temporary employment in this class

Table A.14). Table A.14 also shows that women are consistently more likely to hold fixed-term contracts than men, a finding I attribute to the fact that women have higher chances of being new-entrants into the labour market.

[26] The role of organisational size should also be noticed. Workers employed in firms with 50 or more employees have, according to my 1993, 1995 and 1997 models (I lack information on the size of the firm prior to 1995) fewer chances of having a firm-term contract (see Table A.14). Yet the rest of the firm-level factors do not perform too well. This could be a reflection of interaction effects among the variables, which have, however, not been tested.

[27] Multivariate analysis suggests that a large part of the differences in the levels of fixed-term employment between professionals and intermediate classes observed in the bivariate comparison could actually be due to socio-demographic differences not controlled for and, in particular, to the different gender composition of the compared classes.

was already 40 per cent in 1987 and increased to reach 60 per cent by 1997). With that exception, it can be noticed that the rate of fixed-term employment increased in all the other classes at practically the same pace in the analysed period (see Table A.13).

This growth is attributable to the parallel growth observed in the proportion of new entrants into employment on fixed-term contracts over the period. Again, this growth is very significant in all classes. For instance, in 1987, 58 per cent of new entrants in the professional class held a fixed-term contract, by 1997 the proportion had risen to 82 per cent. Similarly, in the case of blue-collar workers the proportion of new entrants on fixed-term contracts rose from 60 per cent in 1987 to 93 per cent in 1997 (see Table A.15).

The pattern of growth of fixed-term contracts among new entrants is, therefore, very similar in all classes over the period. The main difference is the rates of temporary employment among blue-collar new entrants, which tend to be marginally higher (around 7 points) every year than in the other class categories. Multivariate analysis on the chances of new entrants into employment holding a permanent contract rather than a fixed-term contract further minimise differences by class. In fact, the logistic regression models, presented in Table A.16, fail to reveal any clear socio-demographic pattern in the data. Neither gender, age[28] nor class seem particularly good predictors of the chances of holding a permanent contract among the newly employed. Nor do firm-level factors such as size of the firm (data on size is only available from 1993 onwards), industry or ownership perform well as predictors. In short, multivariate analysis suggests that fixed-term work is such a generalised means of entry into employment that it is not possible to detect any relevant socio-demographic, nor firm-level, difference among the newly employed[29]. The flows into fixed-

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[28] More precisely, age does not show a consistent effect over time although data seem to suggest that younger new entrants could have fewer chances of holding a permanent contact (see Table A.16).

[29] In fact, only two factors show a significant and clearly consistent effect on the response variable: tenure and labour market situation one year earlier. My

term employment from non-employment, therefore, seem to be largely patternless.

3.3. The insecurity of fixed-term work and the buffer effect by class

Fixed-term contracts have also become the main means of exit into unemployment in all classes. As early as in 1987, 66 per cent of all job losses among professionals and 58 per cent of the job-losses among manual workers corresponded to the termination of fixed-term contracts. Ten years later, the figures were 78 per cent for professionals and 85 per cent for manual workers (see Table A.17). As discussed in the previous section, this in itself does not prove the existence of a buffer effect. To test this effect, the indicator Ω_a has been calculated for different classes. The results of these calculations, which are presented in Table A.18, clearly suggest that permanent workers' survival probability (relative to fixed-term workers) increased over the period among all the analysed classes (this is clearly so until 1993, before the methodological break in the coding of occupations took place). The evidence, therefore, points in the direction of an increasing

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logistic regression models show that the chances of holding a permanent contract for new entrants in employment increase with workers' tenure. These findings allow for two different interpretations: on the one hand, if workers are directly employed on permanent contracts their tenure will be higher when compared to fixed-term workers even if only a 12-month period is considered. Hence the significance of tenure will be a reflection of higher layoff rates among newly employed fixed-term workers. On the other hand, my findings could also reflect the fact that the chances of achieving a permanent contract increase with tenure, so they could be explained by higher conversion rates among higher tenure workers (this latter interpretation can be found in Alba (1997)). Both explanations seem plausible. With respect to employment situation one year earlier, my analysis shows that the chances of holding a permanent contract are consistently and significantly higher among those newly employed workers who were not in the labour market the previous year (when compared to those who were unemployed). See Table A.16.

buffer effect within both "service" and "labour" class categories[30]. Data also suggest that this increase in the buffer effect could have been more pronounced in labour occupations than in service ones (see Table A.18).

Analysis of current and last-job tenure by class and type of contract also suggests that the general trends analysed in *Section Two* did also take place both within "service" and within "labour" occupational categories. Both current and last-job tenure showed an increasing trend over time for professionals, white collars, blue-collars and unskilled non- manual workers on permanent contracts, while, among their fixed-term counterparts, current tenure showed a decreasing trend and last-job tenure remained more or less constant[31]. The results are shown in Table A.19 (see also *Table 3.2*).

The relationship between labour market situation one year earlier and fixed-term employment, which we have interpreted as an indirect indicator of worker turn-over in the previous section, have also been explored for each of the analysed classes and each of the years. The results are given in Table A.20. Again trends within classes follow a similar pattern to the general trends described in *Section Two*. For instance, the proportion of fixed-term workers who declare that they were employed in a different job one year earlier increased significantly over the analysed period in all classes. In 1987, this proportion was 18 per cent among fixed-term workers in the professional class and 23 per cent among fixed-term workers in the manual class, by 1993, it had already reached 40 per cent of the former and 46 per cent of

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[30] Table A.18b shows the calculations of the buffer effect using the Ω_b indicator, which accounts for all exists from employment (both into unemployment and inactivity). Notice that results are also consistent using this indicator.

[31] No clear trends in the analysed indicators are found for supervisors (V) and agricultural labourers (VIIb). This, however, does not alter the main findings, particularly if we take into consideration the lack of reliability of category V of the LCSFCS1 and the marginal (and very peculiar) character of category VIIb.

the latter. Meanwhile, the same proportions for permanent workers of both classes remained more or less constant around the 3 per cent level. Notice that trends of the rest of the indicators of the table also follow the general observed patterns discussed in the previous section (see Table A.20). These data suggest that the increase in labour market rotation among fixed-term workers observed at the general level could have also taken place within all classes.

This interpretation is further confirmed by multivariate analysis. The logistic regression models on the chances of holding a fixed-term contract relative to a permanent one, which have been commented on above, also show that having being unemployed or employed in a different job a year earlier both increase the chances of holding a fixed-term contract and that these effects tend to increase over time (see the evolution of odds ratio and significant levels in Table A.14). This can be interpreted as an indication that fixed-term workers of all characteristics have seen their chances of being locked into insecure employment trajectories increase in the period in question.

Parametric analysis of the determinants of the transition rates of fixed-term workers undertaken by Alba (1997) further supports this interpretation. Alba's multinomial modelling of transition rates, calculated as the proportion of temporary workers that are observed in different employment situations a year forward, shows that fixed-term respondents who declare that they had been jobless a year before the survey origin year (who account for 40 per cent of the sample) are significantly less likely to move into permanent employment and more likely to move into unemployment than workers who do not report a recent history of non-employment. Alba interprets this finding as an indication that working instability could tend to perpetuate itself[32] and that, therefore, "*there is the risk that* [fixed-term workers] *become increasingly*

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[32] The finding that past unemployment increases the chances of experiencing unemployment in the future has been corroborated in comparative research (see, for example: Layte *et al.* 2000).

trapped in temporary work" (1997,20). Alba's model controls for socio-demographic characteristics, including respondents' educational levels. To the extent that asset specificity and productivity measurement problems are likely to increase with human capital (see *Chapter Two*), Alba's model can be interpreted as an indication that this observed phenomenon could take place in all classes (see below).

3.4. The structure of conversion rates from fixed-term into permanent employment

Two main conclusions can be drawn from the existing evidence on the determinants of transitions from fixed-term employment into permanent employment. First, that conversion rates are most probably higher in service employment relationships than in labour ones. Second that, as mentioned earlier, conversion rates have declined in all classes over the analysed period.

3.4.1. Human capital, class and transition rates

The existing multivariate analyses of transitions from fixed-term employment into other labour market situations do not control for occupational class[33]. This is not surprising since labour economists do not share sociologists' preoccupation with the class variable. But even if they did, the fact is that the coding changes in occupations introduced into the LFS have particularly pernicious consequences in the case of longitudinal analysis, which may imply that the class variable is not very recommendable for the analysis of transition rates.

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[33] Amuedo-Dorantes' analysis (2000) actually controls for occupational groups but her categories seem rather heterogeneous reflecting sector differences rather than different asset-specificity requirements.

Existing multivariate analyses of conversion rates do, however, control for respondents' education. Both the studies by Alba (1997) and Güell-Rotllan and Petrongolo (1998) show that higher levels of education are associated with higher transition rates into permanent employment. Given the relationship between education and asset specificity measurement problems (see *Chapter Two*), such evidence can be taken as an indication that conversion rates are probably higher in service employment relationships than in labour relationships.

This interpretation is consistent with original multivariate analysis of the stock of and flows into fixed-term work, presented in tables A.14 and A.16 respectively. Multivariate analysis shows that class has a strong impact on the chances of holding a fixed-term contract among the entire employed population (Table A.14), but that this impact is very marginal, practically non-existent, among the newly employed (Table A.16) (i.e. those who were in non-employment a year before the LFS was carried out). If flows into employment from non-employment do not show a clear class pattern and yet the distribution of fixed-term employment among the employed population does, then it follows that transitions rates from fixed-term employment into permanent employment must be class-dependent.

In order to quantify the educational differences in transition rates, the annual rates of transitions into different employment situations of fixed-term workers belonging to different educational levels have been calculated using the data presented by Güell-Rotllan and Petrongolo (1998). The results are presented in Table A.21. Differences between those with university education and the other qualification levels are significant although not too spectacular. As an average for the 1987-1995 period, the annual conversion rate into permanent contracts was 14 per cent for those workers holding a university degree, 10 per cent for those with secondary education; 12 per cent for those with primary education and 9 per cent for those with no education. The transition rates into unemployment were 27 per cent for those with university education, 32 per cent for workers with secondary education, 36

per cent for those with primary education and 47 per cent for those with no educational credentials[34]. In short, every year, the better educated show higher transitions into permanent employment and lower transitions into unemployment than their less-educated counterparts. Put in a dynamic sequence, these not-too-large differences could nevertheless result in significant differences in the overall levels of fixed-term employment by education (i.e. the stock of fixed-term work). Particularly if, as the parametric analyses of Alba (1997) and Güell-Rotllan and Petrongolo (1998) suggest, longer tenures are linked to higher conversion rates[35].

3.4.2. Human capital, class and the decline of conversion rates

It has already been mentioned that the multivariate models of Alba (1997) and Güell-Rotllan and Petrongolo (1998) show that transition rates declined non-monotonically between 1987 and 1995, after controlling for individual characteristics. If the interpretation that asset specificity and productivity measurement problems are likely to increase with human capital is correct, it follows that education can be, to some extent, taken as a proxy, albeit a crude one, for the class of employment relationship workers are most likely to be engaged in. Therefore, we should conclude that the existing evidence provided by Alba (1997) and Güell-Rotllan and Petrongolo (1998) also suggests that the

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[34] I have also calculated the transition rates into a different fixed-term contract. Yet it should be noticed that the LFS data does not allow us to establish whether these transitions occur within the same firm or not. Transitions from fixed-term employment into fixed-term employment were: 33 per cent for workers holding a university degree, 36 per cent for workers with secondary education; 32 per cent for those with primary education and 26 per cent for those with no education. That is, the rates were not too dissimilar.

[35] Güell-Rotllan and Petrongolo's analysis show that the permanent renewal hazard has a spike towards the completion of the legal maximum duration of fixed-term employment (i.e. three years) (see 1998,17-8), whilst Alba shows that the chances of moving into permanent employment increase with tenure (see 1997,17).

observed decline might have taken place in all classes, even in those where composite rents are high[36] (see Güell-Rotllan duration model in Table A.22).

3.5. Class, type of contract and the distribution of unemployment risks in the Spanish labour market: a challenge for employer-centred class models

As a result of the processes analysed it can be concluded that the differentiation between insider and outsider workforces occurs within the ranks of all occupational classes. That is, we can identify both very insecurely employed fixed-term workers among highly qualified service class professionals, and very securely employed permanent workers among blue-collar, service proletariat and agricultural labourers. In Spain, workers on permanent contracts in 'labour' occupations seem to enjoy levels of employment security typical of a 'service' employment relationship; conversely, service class workers on fixed-term contracts show levels of vulnerability to unemployment which one would expect to find in 'labour' rather than in 'service' employment relationships. This clearly poses a problem for

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[36] Multivariate analysis of the determinants of conversion into permanent contracts undertaken by Alba (1997) and Güell-Rotllan and Petrongolo (1998) also reveal other interesting findings. Women are less likely to move into permanent employment than men of the same characteristics, and ageing has a strong effect on the probability of moving into permanent employment, although the impact of age decreases over time. Moreover, the chances of moving into permanent employment are highest in the public sector and in finance and lowest in construction and farming and fishing industries. Güell-Rotllan and Petrongolo's multivariate duration model also shows that on-the-job training only marginally affects the probability of permanent renewals. One possible interpretation of this finding, which is consistent with my incentive effect argument, is that *"firms know ex-ante that renewal prospects are low and therefore decide not to invest too much on a temporary factor of production"* (1998,17). Finally, Güell-Rotllan and Petrongolo's duration model also shows that the observed declining trend in the conversion rate does not seem to be affected at all by the business cycle, nor by the 1994 reform (1998,17).

employer-centred models of segmentation that do not account for the regulatory context.

To illustrate this problem, *Table 3.3* summarises information on the unemployment rate, current job tenure, last-job tenure (as reported by unemployed respondents) and subjective feelings of employment insecurity by class and type of contract for the year 1997. The three first indicators are obtained from a random sub-sample of the 1997 LFS, while the indicator regarding feelings of job insecurity is obtained from the 1997 survey on *Attitudes towards Employment and Work* (ATEW) commented on above (see also *Appendix B*). The class variable used in this case is the LFSCS2 for LFS data (first 4 columns) and the EGP for the ATEW (last column). The LFSCS2 is used in this analysis because it is the closest operationalisation of the EGP and because it allows us to differentiate between skilled and non-skilled manual workers. Subjective employment insecurity is calculated as the proportion of respondents who consider it possible or very possible that they become unemployed involuntarily within twelve months after the date of the interview.

The results of cross-tabulating class and type of contract for all the analysed indicators show, on the one hand, that, as we have seen above, the incidence of temporary employment is class dependent. The rate of fixed-term work among professionals is "only" 20 per cent, whereas for skilled manual workers it is almost 40 per cent and for unskilled manual workers, 65 per cent. Mostly as a result of this unequal distribution of fixed-term employment, differences in the unemployment rates by class are significant, ranging from 14 per cent among professionals to 39 per cent among unskilled labourers. Yet *Table 3.3* also shows very clearly that type-of-contract segmentation occurs with similar intensity within all class categories.

For instance, the unemployment rate among professionals of the service class is around 7 per cent. Yet, if we distinguish by type of contract, we find that the unemployment rate of fixed-term workers in the professional class reaches 27 per cent. This rate is more than ten times the rate of permanent workers in the same

class (2 per cent), but also more than four times higher than the rate of permanent workers in the skilled manual class (6 per cent) and almost twice the rate of permanent workers in the unskilled manual working class (14 per cent[37]). If we look at the current and last-job tenure figures, we find that similarly striking differences by type of contract occur within all class categories. The class distribution of average current tenure among permanent workers is 159 months for professionals, 142 months for white collars, 164 months for skilled blue collars and 139 months for unskilled manual workers. That is, between 11 and 14 years. The same figures for fixed-term workers are 11 months for professionals, 6 months for white collars, 6 months for skilled blue collars and 4 months for unskilled manual workers (see figures for last-job tenure in *Table 3.3*). The tenure differences by type of contract and the very long duration of permanent contracts in all classes are indeed remarkable.

All the "objective" indicators of job security thus show very notable differences by type of contract within each of the analysed class categories. It is, therefore, not very surprising that we also find very significant differences in workers' feelings of job insecurity by type of contract within all classes (using the EGP). Only 4 per cent of professionals holding permanent contracts considered it likely or very likely that they would become unemployed within the twelve months after the date of the ATEW interview. Yet among professionals holding fixed-term contracts, the same figure accounted for 33 per cent of the interviewed respondents. Note that the proportion of both skilled and unskilled manual workers on permanent contracts who fear losing their jobs within a twelve-month period is lower than 10 per cent. That is, in Spain the feelings of employment insecurity are three times higher among professionals on fixed-term contracts than among both

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[37] Multivariate analysis of unemployment risks is presented in *Appendix A* (see tables A.24 and A.25). The results of this analysis are fully consistent with the evidence commented on in this section. Results are not discussed in the text because *Table 3.3* seems to summarise the empirical problem in a simpler and more illustrative form (see tables A.24 and A.25 in *Appendix A*).

skilled and unskilled manual workers on permanent contracts (and more than six times higher than among white-collars on permanent contracts).

If employers' endogenous strategies to maximise rents were the only, or even the most important, mechanism of job-security differentiation in the Spanish labour market, we would not find these striking differences within what are usually taken to be "homogenous" class categories. This is why the evidence presented in this chapter poses a serious problem for employer-centred class models that do not account for the importance of the regulatory context.

In short, all the evidence presented in this section supports the hypothesis that the logic of segmentation introduced by the two-tier reform implemented in Spain is analytically different from the logic that gives rise to class segments in the labour market. It has been shown that fixed-term employment is associated with low tenure and high turnover rates in all classes. Moreover, the data suggest that this association gets stronger over time. It has also been shown that although entering into the core of permanent employment is significantly easier for fixed-term qualified professionals than for their unskilled counterparts, entrance has become increasingly difficult over time for all types of workers, particularly between 1987-1993. As a result, the risk of remaining trapped in the flexible segment of the labour market has increased for all workers. This suggests that the buffer effect mechanism functions in all classes. Employer-centred class models would indeed find it difficult to explain the very striking differences in job security levels that we have found within workers employed in the same occupational classes.

4. Summary

In this chapter, the employment effects of two-tier flexibilisation have been analysed in detail by drawing on original usage of LFS data for every other year between 1987 and 1997, on

the Centre for Sociological Research Survey on Attitudes towards Employment and Work (1997) and on various secondary sources.

After locating the 1984 reform in the broader context of the characteristics of the labour market in the late Franco period in *Section One*, *Section Two* focused on the analysis of the general dualising effects of the introduction of fixed-term contracts. Evidence was provided for the relationship between fixed-term contracts and labour insecurity by analysing different indicators of the LFS for the years 1987, 1989, 1991, 1993, 1995 and 1997, as well as by drawing on secondary longitudinal data on transition rates from fixed-term employment into permanent employment. The data indicated the existence of a buffer effect whereby outsiders on fixed-term contracts found it increasingly difficult to enter the permanent core, whilst insiders in this core saw their employment survival probability increased over time. This process was particularly intense between 1987 and 1991, which is when the rate of fixed-term employment soared in Spain. The buffer effect implies that fixed-term workers increased their risks of becoming locked into their insecure employment trajectories.

Finally, *Section Three* tested whether this dualisation process had a distinctive logic to class segmentation by investigating the impact of two-tier reform within each of the labour market occupational classes. Evidence shows that both temporary employment and unemployment are disproportionally concentrated in 'labour' occupations. Yet the data also show that all the dualising effects observed at the general level can also be observed within each of the class categories. In fact, the analysis suggests that two-tier flexibilisation has produced a very significant differentiation of employment experiences within the ranks of what hitherto were thought to be homogenous classes.

The evidence obtained from the Spanish labour market questions the accuracy of employer-centred models of segmentation that do not account for the regulatory context. Such models would find it difficult to explain the trends described in this chapter. The evidence provided in this chapter can, however, be explained as the result of buffer and incentive mechanisms that

are set in motion when a particular reform is implemented in a particular regulatory context.

By focusing in this chapter on employment adjustments, only one side of the process has been explained. The next chapter deals with the other side of the story: the effects of two-tier flexibilisation on the mechanisms of price-adjustment.

CHAPTER FOUR

THE EFFECTS OF FIXED-TERM EMPLOY-MENT ON WAGES

> *"As long as there are unemployed, there's power to squeeze when making the contract, which is what we've been talking about all morning. If you have 3 million unemployed behind you, why are you going to pay 100 thousand when you can pay 80 thousand? (…) So they* [employers] *have a real interest in having a mountain of people putting pressure, and who come behind asking for work, so that they are able to contract you at the lowest level possible and push wages down through the floor".*
>
> *"...the works council itself, the workers' representatives, said that they were going to make a deal to lower the wages of the people with temporary contracts, those on contracts, while the permanent workers were going to keep all the rights that they originally had in the contract (…) What is going on in my works council? Why don't those of us on temporary contracts have the same rights as the permanent workers?"* [1]

In *Chapter Three*, statistical evidence has been provided for the dualised manner in which the Spanish labour market adjusts employment. It has been shown how two-tier flexibilisation set in

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[1] Extracts from original group interview with unemployed blue-collar workers previously holding fixed-term contracts. Madrid, 1997-05-24.

motion an intense process whereby fixed-term workers bear the brunt of employment adjustments while permanent workers increase their survival probability over the analysed period (particularly between 1987 and 1991). This process has led to the formation of two distinguishable types of workers within every occupational class: insiders, on permanent contracts and high levels of security and outsiders, on fixed-term contracts and with very high chances of becoming unemployed. In dynamic terms, type-of-contract segmentation can be understood as the emergence of a new type of insecure labour trajectory in which fixed-term work and unemployment recurrently combine. This outsider *mode of being* in the labour market sharply contrasts with the prolonged and secure insider labour market trajectories which permanent workers enjoy in Spain.

This chapter advances our understanding of type-of-contract segmentation by analysing the effects of fixed-term employment on the wage-setting process. The analysis of the wage effects of fixed-term contracts is highly relevant for testing of the analytical model presented in *Chapter Two*. Since it is both quantity and price that define the labour factor, the segmentation process cannot be fully understood without investigating the effects of fixed-term contracts on wages. The picture of the process of type-of-contract segmentation will only be complete once the wage effects of two-tier reform have been analysed.

The chapter is divided into three sections. *Section One* presents the two hypotheses regarding the effects of two-tier deregulation on wages that are derived from our analytical model and tested in this chapter: 1) the possibility of wage discrimination against fixed-term workers resulting from the incentive effect and 2) the possibility of an insiders' wage mark-up resulting from the buffer effect. *Section One* also discusses the data and the methodology used to test these hypotheses empirically.

In *Section Two,* the wage discrimination hypothesis is tested by drawing on both secondary and original data on earnings. After reviewing the existing evidence on the subject, *Section Two*

presents original wage equations estimated from both the LFPSE (1990) and the CSCCCB (1991).

In *Section Three*, the insider mark-up hypothesis is tested by drawing on different secondary sources as well as on original analysis of the CSCCCB. The section concludes with an analysis of the evolution of the wage drift and of the sensitivity of wages to inflation. The chapter ends with a discussion of the main findings.

1. Hypotheses, Data and Methodology

The incentive and the buffer effect hypotheses have two immediate implications for the wage-setting process: the possibility of wage discrimination against fixed-term workers (H1) and the possibility of an insiders' wage mark-up resulting from the buffer effect (H2).

1.1. Hypothesis one: wage discrimination against fixed-term workers

According to the incentive hypothesis, employers will be able to extract higher output from fixed-term workers because they can use the immediacy of unemployment as an effective effort-enhancing device. Such an incentive mechanism bears few costs for the firm, as the 1984 reform guarantees very low termination costs for fixed-term employment. Two-tier reform thus allows employers to use the possibility of conversion into permanent employment as an effort-eliciting alternative to efficiency wages. Fixed-term workers will be compelled to work hard in order to have their contracts renewed or transformed into permanent ones. The possibility of conversion into a permanent contract in a context of high job insecurity can, therefore, act as a much cheaper equivalent to efficiency wages. The same amount of output can now be extracted from workers at a lower cost for the firm. Hence

employers will pay less to fixed-term workers than to permanent employees of similar characteristics.

Wage discrimination is, however, illegal in Spain as the Workers' Statute (*Estatuto de los Trabajadores*) establishes the principle of equal work for equal pay. Yet it should be remembered that it is not possible to appeal against the termination of fixed-term contracts in labour courts. The combination of high job insecurity and scant legal protection reduces the capacity of fixed-term workers to resist arbitrary measures on the part of employers. Therefore, we can expect to find fixed-term workers receiving lower wages than their permanent employed counterparts. In this way, wage discrimination is the first expected wage effect of two-tier reform as predicted by the incentive mechanism hypothesis.

1.2. Hypothesis two: insiders' wage mark-up as a result of the buffer effect

Collective bargaining is the main determinant of wages in Spain. If fixed-term workers, given their unstable attachment to the firm, do not participate in collective bargaining on an equal footing with permanent employees, the bargaining process will tend to reflect permanent workers' interests. *Chapter Two* described the Spanish collective bargaining system as one in which conditions for *inclusive* unionism are largely absent. Neither the structure, scope and depth of bargaining, the co-ordination and synchronisation of the bargaining units, nor the characteristics of trade unionism make the Spanish bargaining system particularly sensitive to the interests of outsiders. The over-representation of insiders' interests is thus institutionally enhanced in Spain. It is in this type of regulatory context that two-tier reform is likely to produce insider wage effects. The concentration of labour insecurity among workers with temporary contracts could lead to an increase in insider's bargaining position vis-à-vis employers. The buffer effect enhances insiders' survival

probability and hence allows insiders to push for higher wages, the possible adverse employment consequences of which will be borne by outsiders. The buffer effect could, therefore, result in a mark-up of permanent workers' wages. Insiders in firms with a higher proportion of fixed-term workers will be *caeteris paribus* likely to obtain higher wages than insiders in firms of similar characteristics but a lower fixed-term 'buffer'. Moreover, insiders will have seen their mark-up increase over time with the increase in the buffer effect. This mark-up effect is the second expected wage consequence of two-tier flexibilisation as predicted by the buffer mechanism hypothesis.

1.3. Data and methodology

The wage implications of two-tier reform are, however, particularly difficult to investigate due to the lack of data. The scarcity of statistical sources that allow for multivariate modelling implies, in particular, the impossibility of carrying out a direct multivariate analysis of trends in the wage effects of fixed-term work. Trends, therefore, can only be deduced indirectly or by drawing on secondary data. This is probably the main deficiency of this research into the labour market effects of two-tier reform. Data availability constraints thus force us to adopt a necessary cross-sectional approach to the problem in question. The wage effects of two-tier segmentation will be analysed by using two different data files. The first source of data analysis is provided by what it is so far the only data including income information in the LFS. In the second quarter of 1990, information on earnings was compiled for a sample of 1,357 households, out of the 60,000 that comprise the quarterly LFS. The Spanish Statistical Office (*Instituto Nacional de Estadística*, INE) refers to this sample as the (Labour Force) Pilot Survey on Earnings (*Encuesta Piloto sobre Ganacias*). The *Labour Force Pilot Survey on Earnings* (LFPSE) includes valid information on earnings and other relevant variables for 1,209 wage-earners.

In order to further investigate the wage-effects of fixed-term work, this chapter draws on a second statistical source that includes reliable information on respondents' wages. This is the *Spanish Survey on Class Structure, Class Consciousness, and Class Biography* (CSCCCB) directed by Julio Carabaña. The CSCCCB was applied in 1991 to a representative sample of 6,600 respondents (see Carabaña *et al.* 1993). The CSCCCB includes valid information on wages for 2,251 employed wage-earners.

Original wage equations have thus been modelled using only these two sources of data[2]. The scarcity of statistical sources for original analysis will, however, be compensated for through an extensive discussion of secondary research. Notwithstanding the fact that conclusive multivariate evidence on trends is impossible to find in the Spanish case for the period, the analysis in this chapter provides sound evidence in favour of the existence of wage discrimination against fixed-term workers in 1990 and 1991. This evidence will be discussed in the light of previous research undertaken by labour economists. Moreover, secondary data will be presented that shows, at least for the late 1980s and early 1990s, the existence of an insiders' mark-up. This evidence will be discussed and further explored through original investigation of the buffer effect on wages using the CSCCCB. Taken together, the findings in this chapter contribute to complete the picture of the labour market effects of two-tier reform.

2. Fixed-term Employment and Wage Discrimination

Wage discrimination by type of contract is illegal in Spain (Jimeno and Toharia 1992,21;1994). However, workers employed under fixed-term contracts have less legal protection than permanent workers do since dismissals of fixed-term workers cannot be appealed against in labour courts. Given the low-termination costs of temporary contracts and their relative lack of

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[2] See *Appendix B* for further information on these surveys.

legal protection, fixed-term workers might find themselves in a rather precarious situation vis-à-vis the employer (Fernández, Garrido and Toharia 1991). It is, therefore, possible that fixed-term workers have no other option but to accept lower wages or face unemployment. This section explores this possibility by drawing on both secondary and original analysis.

2.1. Bivariate analysis to test wage discrimination by type of contract

Probably the main statistical source for the analysis of the distribution of earnings in Spain is the *Survey on Wages* (SW), produced by the Spanish Statistical Office (*Instituto Nacional de Estadística, INE*). The SW, however, suffers from a number of limitations, the most important of which is that alleged reasons of confidentiality put forward by the INE deny researchers access to the original data files. This forces us to work only with the INE's own published analysis, which is not very sophisticated, in terms of both the techniques applied and the operationalisation of occupational groups. In fact, INE's available publications consist only of bivariate analysis. Moreover, all of the reviewed published statistics based on the SW refer exclusively to the year 1988. Notwithstanding these important limitations, it might nevertheless be useful to present SW data on wage differentials by gender, occupational category and type of contract. These data will be taken as a starting point for the analysis.

Taken together, tables 4.1, 4.2, and 4.3 show that fixed-term workers earn less than their permanently employed counterparts, and that this is so for different occupational categories. At first sight, the results are surprisingly favourable to the wage discrimination hypothesis. In fact, if we were to take these figures at face value, we should conclude that the total wage differential between both types of contract is 42 per cent (see tables 4.1 and 4.2). Given that the difference between earnings of manual and non manual occupation is 44 per cent (see *Table 4.1*), —that

is only 2 points higher than the contractual gap—, it could be concluded that type of contract has a wage effect comparable to the class effect on wages (which actually seems highly unlikely). Moreover, *Table 4.2* shows that this discrimination effect is apparently higher for professional and white collar occupations and lower for manual workers; and *Table 4.3* shows that the wage differentials among the different occupational categories are higher for permanent workers than for fixed-term workers.

Yet extreme caution is needed when interpreting these data. The 42 per cent wage gap between temporary and permanent workers, rather than confirming the discrimination hypothesis, casts serious doubt on the statistical method used by the INE. In fact, these results suggest that this huge difference could be a pure artefact of measurement problems and bivariate comparison. This is so for the following reasons:

First, the wage variable used in the INE's analysis constitutes a rather problematic measure of wages. All the calculations presented in tables 4.1, 4.2 and 4.3 are based on the annual wage figures provided by the SW. These figures are themselves computed by multiplying SW respondents' gross monthly earnings by twelve. This means, on the one hand, that the annual figures are not really annual in any sense. Fixed-term workers' average annual earnings are surely lower than the SW figures, given the insecure trajectories associated with their contractual status[3]. On the other hand, even if we take these figures for what

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[3] The Survey on Wages and Pensions (SWP), conducted by the Institute of Fiscal Studies, in fact shows that the INE's Survey on Wages consistently underestimates the actual number of wage earners within a year and that it overestimates the average annual wage (see: Melis 1996). The SWP is, in fact, a census of both all the Spanish employers' (be it private or public) annual tax returns on their workforces, and of all individual wage earners belonging to the so called Common Fiscal Territory (*Terrirtorio Fiscal Común*), which comprises all Spanish territorial units with the exception of the Basque Country and Navarra. According to the SWP, the annual average wage for 1992 was 1.87 million pesetas. This figure refers to the entire natural year (see: Melis 1996,173). In contrast, the average annual wage estimated by the SW for 1992 (obtained by multiplying the monthly figure by twelve), was 2.05 million

they really are (i.e. monthly earnings multiplied by twelve) the fact is that there is no control for hours actually worked, which might also be an important source of error.

Secondly, we know that fixed-term workers are significantly over-represented in the private sector. Since, as numerous studies have confirmed, public sector employees earn more than private sector employees, bivariate analysis is confounding the sector effect with the contractual effect (see: Alba and San Segundo 1995; Álvarez, Jareño and Sebastián 1993; San Segundo 1993; Ugidos 1992; Albert and Moreno 1996; Ulibarri 1996; Albert, Jimeno and Moreno 1997).

We also know that young and low-tenure workers are over-represented among fixed-term workers. Bivariate analysis cannot take into account either age or job experience and, therefore, the effect of these variables on wages also appears as an effect of type of contract. This is particularly relevant with respect to the apparent interaction between contract and occupational category, which appears in tables 4.2 and 4.3. It is well documented than the age-earnings curves of different occupational categories differ (see, for example: Phelps Brown 1977,263-9; Goldthorpe 2000a,173,228-9). While the age difference of earnings for manual workers is smaller and disappears very early in the worker's career, the age-wage gap for professional employees is very marked and favourable to older workers. This is itself an effect of the distinctive career dimensions of the different employment relations ('service' versus 'labour'). This class-age interaction effect could be behind the different fixed-term/permanent ratios of the occupational groups, which appear in *Table 4.3*. In other words, the apparently higher wage discrimination against temporary workers, which appear in the higher occupational groups, could be entirely attributable to the

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pesetas, with an estimated number of wage earners 7.3% smaller than the figure provided by the SWP. The differences between the SWP and the SW figures reflect the high levels of employment/unemployment rotation associated with fixed-term contracts (see: Melis 1996 and Melis and Díaz 1993).

age-earnings differentials associated with class, not to type of contract.

Similarly, as the study of the effects of minimum bargained wages on earnings of Dolado, Felgueroso and Jimeno (1997) has shown, the effects of bargained wages on the reduction of wage dispersion differs by occupational categories, and is higher among manual workers (less wage dispersion) and lower among professionals and clerical workers (more wage dispersion). Therefore, the distinctive fixed-term/permanent wage ratios given in *Table 4.2* could also be an artefact of the different levels of wage dispersion in each occupational category. All of this casts serious doubt on the existence of different degrees of wage discrimination by type of contract in each of the occupational categories (see multivariate analysis below).

Finally, bivariate analysis cannot control for other important variables such as regional differences in average earnings, industry or firm-size differences. To the extent that there is a statistically significant concentration of temporary workers in small firms, in tourism-related activities, construction and agriculture, and in the less economically advanced regions of Spain (see, for example: Segura *et al.* 1991) the figures in tables 4.1 to 4.3 could also be computing industry, regional and size effects as type of contract effects.

For all these reasons, the analysis based on the INE's survey on wages cannot be interpreted as confirmation of the discrimination hypothesis. Nevertheless, it does suggest that wage discrimination by type of contract might be taking place in Spain —and in that sense is an interesting approximation— but, given its bivariate character, this cannot be satisfactorily proved. We need multivariate analysis if we are to reach any conclusions regarding wage discrimination in Spain.

2.2. Multivariate analysis to test wage discrimination by type of contract

The most widely cited analysis on wage discrimination by type of contract undertaken in Spain is perhaps Jimeno and

Toharia's work on the wage and productivity effects of fixed-term contracts (1992). In their research, Jimeno and Toharia investigated the hypothesis that fixed-term workers earn lower wages by analysing the above mentioned *Labour Force Pilot Survey on Earnings* (LFPSE) carried out by the Spanish Statistical Office as part of the 1990 LFS (see: Instituto Nacional de Estadística, INE 1991). The Labour Force Pilot Survey on Wages (LFPSE) analysed by Jimeno and Toharia includes information on 1,209 wage earners. The period of reference is the second quarter of 1990 and the number of fixed-term workers in the sample is 358.

Regressing the (natural logarithm of) gross wage per hour worked on some individual and job characteristics (age, gender, tenure, occupation, levels of study, activity of the firm, institutional sector and region of residence), the authors were able to isolate and quantify the effect of the type of contract on earnings. The results of the OLS multiple regression applied by Toharia and Jimeno showed that, on average, Spanish fixed-term workers earn about 11 per cent less per hour worked than permanent workers of the same characteristics (see: Jimeno and Toharia 1992,27-28).

Unfortunately, Jimeno and Toharia never showed the coefficient of important variables of their wage equation model, nor did they reveal their operationalisation. Nor did they investigate possible interactions between the explanatory variables. All these problems point to the need to replicate their work.

Eventually access to the LFPSE original data files was secured, which made possible the replication of Jimeno and Toharias' widely cited analysis. The same types of variables used in Jimeno and Toharia's analysis have been included in the models, but with one exception. The dataset provided by the INE does not include information on respondents' region of residence[4].

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[4] Jimeno and Toharia's equation controls for region of residence. This implies that, either they had access to a complete data file, or they used some

Also it should be noted that the models presented here control for the LFS occupational class schema (LFSCS1), whereas Jimeno and Toharia's used a different occupational variable. Yet, their variable could not have been replicated —even if one had chosen to do so— since the authors themselves did not reveal the details of its operationalisation. In any case, to the extent that the LFSCS1 is the closest approximation to the EGP schema that can be obtained using the LFSPSE coding system, it probably constitutes a sounder explanatory variable than any other competing grouping of occupational categories[5].

Table 4.4 presents three nested heteroskedasticity-robust linear regressions on the (logged) gross wages per hour worked based on the LFPSE. Model 1 shows that wages depend on age, gender, occupation, firms' ownership, tenure, industry and education (which is considered to capture human capital). *Ceteris paribus*, women receive lower wages than men, older workers earn higher wages than younger ones and the more educated more than the least educated. Model 1 also shows that wages increase with tenure and that professionals earn higher wages than intermediate, blue-collar workers and service proletariats[6] (and much higher than unskilled agricultural workers). At first sight, these occupational differences may not seem very spectacular, but it should be noted that the model is already controlling for education, which is taken as a proxy for productivity. Hence these occupational differences are interpreted here as actually reflecting

method of inferring such information. The data files provided by the INE do not include respondents' identification number. Without such identification numbers, it has not been possible to infer respondents' residence.

[5] This, however, does not mean that the LFSCS1 does not have problems, particularly regarding category V, technicians and supervisors of manual work (see *Chapter Three*).

[6] According to this model, category V employees earn wages which are not significantly different from the wages earned by service class employees. Yet this finding should be treated with caution since, as it has been discussed in *Chapter Three*, this category is the most difficult to compute in the LFS and hence it is not fully reliable. Also lack of significance could simply be due to the fact that this is the category with the least number of observations.

only the different rent-optimisation opportunities that different tasks imply (see *Chapter Two*). Finally, model 1 also shows that, as expected, workers employed in the public sector do receive higher wages than private sector workers and that workers in particular industries (such as heavy manufacturing and energy) earn higher wages. These two latter findings most probably reflect exogenous product-market factors[7].

Model 2 is the result of adding type of contract to the equation represented in model 1. Model 2 hence replicates Jimeno and Toharias' equation. It shows that fixed-term workers earn between 9 and 23 per cent less per hour worked than permanent workers of the same characteristics[8]. The coefficient figure for contract discrimination in model 2 (-0.16) is somewhat higher than the one obtained by Jimeno and Toharia (-0.11). Yet as has already been mentioned, the data used in this analysis does not enable us to control for region of residence. Moreover, the models control for a continuous rather than a discrete tenure variable and the occupational class variable is also certainly different from the one used by Jimeno and Toharia, all of which could contribute to explain this difference.

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[7] Firms that have greater control over their product markets will also have a greater capacity to offer internal labour markets and incentive schemes to their workforces. An oligopolistic position in the product-markets increases profitability and hence firms' ability to pay. Equally, greater certainty in product-markets allows higher wages to be absorbed in product pricing. Certainty will depend on business cycle factors, but also on which of the components of the demand for product markets firms seek to target, as the dual labour market models argue (see *Chapter One* and also: Galbraith [1967]1985; Bluestone 1970; O'Connor 1973; Friedman 1977; Baron 1984,48). Certainty will also depend on firms' relationship to the state and foreign markets and on corporate growth (Rosenbaum 1979; Bielby and Baron 1983; Baron 1984). All of which could explain the observed effects of industry and sector of activity.

[8] In all the statistical analyses, fixed-term workers on training and apprenticeship contracts (which account for approximately 4 per cent of all fixed-term workers) have been removed from the type of contract variable since, as discussed in *Chapter Two,* these contracts stipulate lower wages for their bearers. Observed effects cannot, therefore, be due to the influence of this particular type of fixed-term contracts.

Model 3 incorporates a qualification to model 2 consisting of introducing an age-quadratic term. This seems to be a more accurate account of earning distributions since it captures the well-known age-earnings relationship (see Lazear 1981;1995 in *Chapter Two*). The decrease in the coefficient of the fixed-term variable produced when accounting for a non-monotonic effect of ageing on earnings suggests that part of what model 2 attributed to type of contract could in fact be due to different age-earnings profiles[9]. Model 3 is a better description of the data structure than previous models. According to this model, fixed-term workers earn 11 per cent less than their permanently employed counterparts.

Notice that the models assume that contract discrimination occurs with equal intensity within all the explanatory variables. However, one could hypothesise that the effect of type of contract on wages may not be homogenous in some variables. Possible interaction effects between type of contract and age, gender, class, sector and industry have been tested. In all cases the interaction hypothesis has been rejected. Wage discrimination against fixed-term workers seems to occur with equal intensity across the different values of age, gender, class, sector and industry.

From this statistical analysis it can thus be concluded that fixed-term workers earn lower wages than permanent workers of similar characteristics. This finding is interpreted as evidence in favour of the existence of wage discrimination against fixed-term workers in Spain.

It should be noticed, however, that the wage equations using LFSPE data have three important limitations. On the one hand, the data refer to gross, rather than to net earnings. Secondly, and as commented on above, there is no control for respondents' region of residence. This can introduce noise in the models because

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[9] In fact, this interpretation is corroborated by Alba's study of different age-earning profiles by type of contract. Analysing the LFPSE Alba (1996,11) found that "*the age-earnings profile of permanent workers has the typical concave shape, whereas the age-earnings profile of fixed-term workers is almost flat for those aged 20 and over*".

regional differences in wages are notable in Spain. And thirdly, LFSPE data does not control for size of the firm. This latter limitation is particularly important as there is abundant empirical evidence showing that big firms pay (and promote) more than small firms[10]. Different explanations have been put forward as to why this might be so. According to neo-classical approaches, size matters because it allows for the functioning of economies of scale. These, in turn, increase workers' productivity, to which wages are tied, and hence higher wages can be found in larger firms (Phelps Brown 1977:225-26; Baron 1984,42). Dual labour market and neo-Marxist approaches stress instead the relationship between size and industrial structure. For segmentation models internal labour markets and higher wages are related to large firms targeting the stable component of demand in the industrial core[11] (as discussed in *Chapter One*). Neo-Marxist approaches also stress the fact that big firms are more vulnerable to workers' collective action, and hence pay higher rewards in a bid to reduce conflict (Baron 1984,42). It must be also remembered that in Spain there is a legally established relationship between size and unionisation, which obviously increases workers' bargaining power in large firms[12]. For all these reasons controlling for size seems particularly important for testing the wage discrimination hypothesis.

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[10] See, for example: Rebitzer (1986); Choffel and Garnier (1988); Hashimoto (1990); Buechtemann (1993,20); Daniel and Stilgoe (1978); Bessy (1987,44).

[11] Note also that effort incentive mechanisms such as promotion systems can be expected to be more effective in big firms, since the bigger the size, the more complex the organisational structures and hence the greater the promotion opportunities that can be offered in exchange for workers' effort (see: Baron 1984; Baron and Bielby 1980;1984).

[12] Size and bargaining power could also be related because, *ceteris paribus,* the greater the number of workers in a firm, the greater the survival probability of each single worker will be. Large numbers could thus isolate individual workers from the employment effects of demand fluctuations, therefore increasing workers' bargaining position in an insider-outsider model.

The *Survey on Class Structure Class Consciousness and Class Biography* (CSCCCB) (1991) can overcome the LFPSE limitations since, on the one hand, it includes all the LFPSE pertinent variables plus size of firm and region of residence, and, on the other, it allows us to compute net wages[13]. A further advantage of the CSCCCB is that occupations are coded in three digits. This makes it possible to compute a better class schema. The LFSCS1 has, therefore, been replicated in the CSCCCB survey, but this time more accurately as now more detailed information on respondents' occupation is available[14].

The CSCCCB sample (N=6,600) includes 2,933 employed wage-earners, 775 of whom are fixed-term workers. The contract discrimination hypothesis has been tested using CSCCCB data. The results of the statistical modelling of the (natural logarithm of) net earnings per hour usually worked using CSCCCB data are shown in *Table 4.5*. The wage equations calculated for CSCCCB data also provide sound support for the wage discrimination hypothesis.

Models 1, 2 and 3 in *Table 4.5* are the equivalent to the equations calculated in the previous table. This time, however, the equations refer to net wage differentials. The models based on CSCCCB tend to confirm all the main effects described in the previous table, albeit with some minor differences. For instance, it should be noted that model 2 now rejects the notion of a linear

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[13] The CSCCCB gives employed respondents the option of reporting their earnings in either net or gross figures. 75 per cent of all respondents give net figures. Responses in gross figures have been translated into net figures using the method applied by Carabaña *et al.* (1993). The rate of non-response among employed wage-earners to the question on earnings in the CSCCCB survey is 23 per cent.

[14] The extended version of the Goldthorpe's EGP schema has been computed using three-digit information on the respondents' occupation. The categories of the EGP schema have then been regrouped according to the LFS class schema (LFSCS1). The increase in the reliability of the LFSCS1 when three-digit information is used can be seen in the increase in the class coefficients that can be observed on *Table 4.4* (that is, via an increase in its construct validity).

relationship between age and wages, although the following models clearly confirm the existence of a curvilinear one. Similarly, gender differences seem to be rather higher in the

CSCCCB models. As expected, the data show that workers in large firms earn higher wages than workers in small firms. This could reflect the greater possibilities for internal labour markets that are linked to size or, alternatively, the greater bargaining capacity of workers in big firms. Probably due to the fact that size is now being controlled for, the effect of firms' ownership is weaker in the CSCCCB data than in the LFPSE. This effect, however, is still notable. Workers employed in the public sector earn higher wages than workers in the private sector. Moreover, the models based on the CSCCCB survey show that the class wage differentials are indeed greater when the occupational variable is improved, and that, as expected, category V employees (lower technicians and supervisors of manual work) do in fact earn lower wages than professionals of the same characteristics. Above all, the models confirm that fixed-term workers' net wages per hour usually worked are lower than the wages received by permanent workers of the same characteristics. The wage differential stands to around 16 percentage points, according to model 2, and 12 per cent points, according to model 3. These findings are further evidence in favour of the wage discrimination hypothesis.

Interaction effects between gender, sector, size, industry and class have been tested and rejected. This suggests that the discrimination effect is largely homogeneous by all these variables. Particularly noticeable is the finding regarding the lack of interaction with size. This suggests that discrimination might be occurring with equal intensity in organisations of all sizes.

Given that Spanish law forbids wage discrimination by type of contract, these results suggest that fixed-term workers find themselves in precarious employment situations that force them to accept lower wages. The constant threat of unemployment, reinforced by the fact that dismissals of fixed-term contracts cannot be appealed against in court, might greatly reduce temporary workers' capacity to resist arbitrary measures on the part of their employers. Wage discrimination against fixed-term contracts seems, therefore, a logical outcome of the unequal distribution of layoff costs and legal protection entailed in the two-

tier flexibilisation strategy introduced through the 1984 labour market reform. It can now be concluded with confidence that two-tier reform has also had at least one observable effect on wages (i.e. wage discrimination).

3. Testing an Insider Outsider Model of Wage Determination in Spain

Wage discrimination against fixed-term workers might not be the only wage effect of two-tier flexibilisation. In this section an insider-outsider model of wage determination is presented and empirical evidence is provided to test it. On the basis of this empirical evidence it can be concluded that two-tier flexibilisation, by enhancing the employment security of permanent workers, has also increased their bargaining power and, therefore, their wages.

3.1. The model

The insider-outsider model of wage determination takes as its starting point a view of the labour market which stresses the role of workers and firms in the wage-setting process. According to this view, both workers and firms have some degree of monopoly power and, consequently, some scope to set wages and prices respectively (see: Layard and Nickell 1987; Layard, Nickell and Jackman 1991,ch.8; Lindbeck and Snower 1988; Nickell and Wadhwani 1990; Jimeno and Toharia 1994). Wages are, therefore, the outcome of a bargaining process whereby firms and workers share the economic rents obtained by the firms in product markets (Bentolila and Dolado 1994,72). Hence collective bargaining becomes the key factor for the determination of wages in monopolistically competitive economies (see *Chapter Two*).

Standard bargaining models, based on this understanding of the labour market as a monopolistically competitive market, show that the outcomes of the wage-determination process depend on

the trade-off between wages and the workers' 'survival probability' at each wage level (Layard, Nickell and Jackman 1991,ch.2). *Chapter Three* has shown how the introduction and extension of fixed-term contracts has increased the employment security of permanent workers since, given the distinctive layoff costs of each type of contract, it is fixed-term workers who bear the brunt of employment adjustments. In other words, two-tier reform has increased the 'survival probability' of permanent workers (insiders). The greater the number of temporary workers in any given firm, the greater the buffer effect for insiders, since fixed-term workers will be the first to be fired.

If fixed-term (and unemployed) workers are disregarded in the collective bargaining process —which, as discussed in *Chapter Two*, is a fairly reasonable assumption to make in the Spanish case—, this buffer effect will increase the monopoly power of insiders (i.e. their bargaining position). Therefore, insiders will be able to push for higher wages, the adverse employment consequences of which will be paid for by fixed-term workers. The buffer effect thus would allow insiders to obtain higher employment rents. There is empirical evidence to suggest that this mechanism has been operating in the wage determination process in Spain as a result of the introduction of fixed-term work. This evidence is now reviewed.

3.2. Secondary empirical evidence on insider effects in the Spanish wage-setting process

There are only a few empirical studies on the determinants of bargained wage differences in Spain. The most widely cited is the analysis by Bentolila and Dolado (1992;1994).

3.2.1. Bentolila and Dolado's model

In accordance with the insider-outsider literature, Bentolila and Dolado (1992;1994) describe the wage bargaining process as one of rent sharing between firms and their insider workers, given the assumption that outsiders' interests are disregarded by workers' representatives. This description can be represented by the mark-up of permanent workers' wages over outsiders' wages[15]. According to the authors, this mark-up will depend on the following three factors: 1) the firms' market power, since the greater the firm's market power, the greater the overall rent to be shared; 2) union power, which determines workers' rent seeking capacity; and 3) insiders' survival probability, which is defined by the ratio of the union's employment target to permanent employment (Bentolila and Dolado 1994,72-75). When the proportion of fixed-term employment to total employment rises, the survival probability of insiders rises accordingly, and unions, as insiders' representatives, demand higher wages. This is the mark-up effect of fixed-term workers' buffer (Bentolila and Dolado 1994,72-5). The mark-up hypothesis implies, therefore, that the proportion of fixed term workers in total employment is one of the firm factors that determine insider wages[16].

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[15] Insiders wages can be expressed in the following equation:

Insiders wages= c1 + λ(Inside factors) + (1-λ)(Outside factors) + c2(Firm's market power) + c3(workers' bargaining power)

, where the parameter λ is the insider weight.

[16] The size of the effect of the proportion of fixed-term employment to total employment (ϕ) on bargained wages is measured by the insider weight, λ. Notice that the buffer effect hypothesis depends on the empirical confirmation that unions do not give the same weight to permanent and temporary workers when setting their employment targets. The null hypothesis that temporary workers are considered in the unions' employment target on an equal footing with permanent workers can be expressed as $\tau=1$, where τ is the weight with which unions consider fixed-term relative to permanent workers in such employment targets. Therefore, $\tau=1$ would imply full equivalence between both type of workers (solidaristic, encompassing unions and no buffer effect) and, conversely, $\tau=0$ would imply the opposite extreme of a total disregard for temporary workers by the union. A non-zero τ implies that the lagged proportion

3.2.1.1. Two qualifications

Bentolila and Dolado's model fits the general analytical framework presented in *Chapter Two* well. Yet two qualifications could be made. The first one refers to the role of union power in the segmentation process. It has been stressed in *Chapter Two* that strong centralised unions in coordinated bargaining could actually display inclusive strategies that bridge the representational gap between insiders and outsiders. Similarly, it has been argued by Iriso Napal (1993) that union presence in firms could augment the chances for inclusive unionism (see *Chapter One* and also *Chapter Six*). Iriso's evidence to support such view is rather flimsy but the argument seems plausible. If that were the case, then we should observe a greater buffer effect precisely in those firms that engage in industry-level bargaining and, contrary to the insider-outsider model defended by Bentolila and Dolado (1994,76), a smaller buffer effect in big firms, where possibilities for inclusive unionism are greater. In Spain only firms employing more than 50 workers can engage in firm-level bargaining.

The second qualification to the model relates to the alleged linearity of the buffer effect as implied in the standard insider-outsider argument. Contrary to the assumption of a linear buffer, it seems more reasonable to expect that the buffer effect is actually non-monotonic so that at a certain threshold a further increase in the proportion of temporary workers in firms debilitates rather than strengthens the trade unions —and hence insiders. This latter qualification implies that insider unionism might not be a sustainable representational strategy in the long run as the very process of type-of-contract segmentation that it helps to reinforce will eventually undermine unions' power. This is a possibility

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of temporary employment (ϕt-1), should enter as a significant determinant of wages, with a negative sign. From this variable's coefficient, it is possible to estimate the weight of temporary employees in the union's employment target, and, therefore, to test empirically the buffer effect hypothesis. An estimate for τ lower than the unity would imply the presence of the buffer effect (see: Bentolila and Dolado 1994,72-75).

generally overlooked by the existing insider-outsider models applied to the Spanish case.

3.2.2. The existing evidence on the insiders' mark-up in Spain

Bentolila and Dolado (1994) formalised and tested the insider-outsider model of wage determination drawing on data from the balance sheet records kept at the Bank of Spain (the Spanish central bank). Their sample provided information on 1,167 manufacturing, non-energy, mainly large, private firms over the period 1983-1988, which represented 13.5 per cent of total manufacturing employment in Spain in that period. The data included the number of temporary and permanent workers employed in each firm over the period, as well as indicators of firms' profits and productivity, of the type of manufacturing activity firms were involved in and of the skill-composition of their workforces[17]. Applying panel data techniques for dynamic models to this sample[18], Bentolila and Dolado showed that an increase (over time) in the proportion of fixed-term workers employed in any given firm did indeed increase the wages received by permanent workers. Their wage equation estimates that this buffer effect has a value of 0.36, which implies that an increase of one percentage point in the proportion of fixed-term workers, raises the growth rate of permanent workers' wages by about one-third of a percentage point. Therefore, Bentolila and Dolado's analysis provides empirical evidence confirming a full buffer effect in the Spanish manufacturing sector.

The specific characteristics of Bentolila and Dolado's sample raises doubts, however, as to whether their evidence is representative of the Spanish economy as a whole. As the authors themselves put it "*the results of this sample should not be*

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[17] The skill-composition of the firms' workers is calculated indirectly through a skill-index (see: Bentolila and Dolado 1994,96).

[18] Their equation was estimated using the generalised methods of moments, a panel data technique developed by Arellano and Bond (1988;1991).

mechanically extrapolated to the behaviour of small firms, which are the vast majority in Spain, or to firms in sectors, like construction or service, where the proportion of temporary employment is larger (so that the non-representation of temporary employees is less likely)" (Bentolila and Dolado 1994,76).

Using a sample of 67 large firms, which represented 68 per cent of all the firms that negotiated their own collective agreements in Asturias in the period 1990-1994, Rodríguez Gutiérrez (1996) applied Bentolila and Dolado's model to the analysis of actual bargained wage rates (as they appear in the texts of each collective agreement[19]). Although his sample was smaller and referred only to one of the seventeen Spanish Autonomous Communities, it had the virtue of including actual negotiated wages for both manufacture and service firms. The results of Rodríguez Gutiérrez's analysis confirm the existence of important insider factors in the wage determination process at the firm level in Asturias in both service and manufacture activities. In both sectors of activity, permanent workers' wages seemed to grow over the analysed period as a result of the increase in the proportion of fixed-term workers employed in their firms. In fact, his own estimations suggest a somewhat greater insider mark-up effect than the one calculated by Bentolila and Dolado. Rodríguez Gutiérrez attributes this difference to the fact that his sample only includes firm-level agreements, whereas Bentolila and Dolado's included both firm-level and industry-level wage negotiations. Rodríguez Gutiérrez develops a standard insider-outsider interpretation of these differences, in that he assumes that insider factors could be greater in firms with direct bargaining because the unions' power is greater in such firms. However, if the first

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[19] Bentolila and Dolado's dataset does not provide information on the actual level of negotiated wages within each firm but on the average labour costs by firm characteristics, which is not exactly the same. However, Rodríguez Gutiérrez's own analysis of the wage setting process in Asturias shows that the buffer effect is confirmed, irrespective of whether the dependent variable is measured as average labour costs or as actual negotiated wages (see: Rodríguez Gutiérrez 1996).

qualification to the insider-outsider model suggested above is correct —that is, if firm-level bargaining actually facilitates inclusive unionism—, the observed differences between the two studies should not be explained in the way Rodríguez Guitiérrez suggests. Differences between both studies could actually respond to unobserved characteristics or simply due to the fact that the authors are working with different samples, which make the comparability of coefficients unreliable as a means of establishing any sound conclusions on this point.

In any event, Rodríguez Gutiérrez's analysis suggests that Bentolila and Dolado's findings could at least be extrapolated to the service sector (at least in the case of firm-level agreements). Both studies, therefore, constitute convincing evidence in favour of the existence of an insider mark-up as a result of the buffer effect. Yet, given the sectorial character of these analyses, doubts as to whether the observed insider's mark-up is representative of the Spanish economy as a whole might still be harboured. There is, however, further evidence which dissipates these doubts.

In their study on the productivity and wage effects of fixed-term employment, Jimeno and Toharia (1992) explored the buffer effect hypothesis by drawing on a combination of data from the Labour Force Survey and from the Ministry of Employment Statistical Office[20]. Their sample included information on collective agreements at all levels (firm and industry) and for 44 different industrial activities during the period 1987-1991. Jimeno and Toharia's sample is, therefore, representative of the Spanish economy as a whole.

Jimeno and Toharia analysed their sample and found a positive correlation between wage rate increases agreed in collective bargaining and the percentage of fixed-term workers employed in the bargaining unit in the previous year. For any given year, wage increases were larger, the larger the number of fixed-term workers employed the previous year (with the possible exception of 1989)

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[20] The Ministry of Employment Statistical Office is in charge of producing collective bargaining statistics in Spain.

(see *Table 4.6*). This correlation was observed both at the firm, and at the industry level. The correlation was further explored through multivariate techniques. The authors ran pooled regressions on bargained wages both for all agreements and for firm-level agreements, and found that the proportion of fixed-term workers yielded positive and significant coefficients in both cases (see *Table 4.7*).

In fact their regressions show that a 10 percent increase in the rate of temporary contracts produces a wage inflation of .21 points. Since there is strong evidence of wage discrimination against fixed-term workers (see previous section), these results can only be interpreted as a confirmation of the insider-outsider hypothesis: if, on the one hand, fixed-term contracts receive lower wages and, on the other, they contribute to the increase in wage rates, it is obvious that such an increase has to be concentrated among permanent workers.

Note that the relationship between negotiated wages and the proportion of fixed-term workers in the firm is practically identical in the regression for firm-level agreements and the regression for total agreements. This could be interpreted as an indication that, contrary to Rodríguez Gutiérrez's interpretation (and to the assumptions of the standard insider-outsider models), the wage consequences of the buffer effect might not be greater in firms that bargain their wages directly. This finding thus could give some support to the view that the buffer effect is more a consequence of industry-level bargaining than of direct bargaining at the firm level. The direct presence of unions in large firms does not necessarily have to increase insiders' bargaining power *at the expense of* outsiders. Fixed-term workers could also benefit from a closer contact with the trade unions. In fact, it could be argued that disregarding fixed-term workers might be more costly for the trade unions when they bargain at the firm level than when they engage in the more 'distant' industry-level bargaining. Yet standard insider-outsider models seem to over-

overlook this possibility that firm-level bargaining actually increases the chances for an inclusive representation of interests.

3.3. Original multivariate analysis of the buffer effect with individual data

In order to further investigate the existence and the characteristics of the buffer effect in Spanish wage bargaining, individual-level analysis has been carried out using the CSCCCB (1991). This analysis is based on the premise that, if the buffer exists, permanent workers employed in firms with a higher proportion of fixed-term employees (denoted ϕ) should *ceteris paribus* earn higher wages than permanent workers who do not benefit from this buffer. Hence the individual-level modelling substitutes the expectation that, with the increase in the buffer effect, individual insiders might obtain a mark-up over time, with the expectation that identical insiders employed in similar firms with different proportions of fixed-term workers (i.e. different buffer) should differ in their earnings. It is on this premise that the exercise makes methodological sense. Yet it should be noticed that this premise implies that unobserved differences in what are considered to be 'identical' insiders could introduce statistical noise —and even yield spurious results.

To this a second and actually quite important limitation is added, as the rate of non-response to the survey question on the exact number of fixed-term workers employed in respondents' firm is very high, rising to 56 per cent among wage earners in the CSCCCB. Only 1,238 wage earners out of a sample of 2,933 knew exactly (or at least told interviewers) how many fixed-term workers were employed in their firms at the time the CSCCCB survey took place. This limitation advises us to be very cautious in the interpretation of the results. In order to maximise the number of observations, it has been assumed an average presence of fixed-term workers in non-respondents' firms as given by the overall

rate of fixed-term work. It is under this assumption that the buffer indicator presented in *Table 4.8* has been computed[21].

Table 4.8 shows the results of three wage equations on the (log) net wages per hour usually worked calculated for workers on permanent contracts using the CSCCCB (1991). Model 1 tests the hypothesis that wage differentials depend on gender, (non-monotonically) on age, occupation, tenure, education, firms' ownership, firms' size, firms' industry and region of residence (the latter not shown in the table due to lack of space). Model 2 tests the hypothesis that, apart from all these factors, a further determinant of insiders' wages could be the proportion of fixed-term workers employed in the respondents' firm (as rather crudely measured through the indicator ϕ). Model 2 suggests the existence of an impact of the fixed-term buffer on insiders' wages. According to the coefficient, a 10 per cent increase in the fixed-term buffer (ϕ) will lead to an increase of insiders wages of 1.6 percentage points. This impact is however, strictly speaking, non-significant at a 95 per cent level of confidence. Model 3 further tests the possibility of a non-monotonic effect of ϕ on insiders' wages. This is in fact what we should expect if the buffer effect had a ceiling beyond which a further increase in the proportion of outsiders debilitated rather then strengthened insiders' bargaining position —and hence reduce their wages—. This non-monotonic relationship is suggested by model 3 as the quadratic term of ϕ yields a negative and significant result.

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[21] The models have also been fitted without imputing responses to the missing values on the question regarding the proportion of fixed-term workers employed in the insider respondents' firms (i.e. using the actual respondents to that question). This reduces the number of observations significantly but it must be reported that the results obtained using this method are consistent with those presented in *Table 4.8*, which increases the reliability of our findings in this section (results available on request).

Model 3 seems to suggests that the ceiling effect would operate at around the 50 per cent threshold (as calculated by dividing the coefficient of ϕ by twice the coefficient of ϕ^2, see: Agresti and Finlay 1997,547) . This seems a reasonable figure although the very high levels of non-responses regarding ϕ mean that it is should be taken with caution.

Interactions between the non-monotonic effect of the ϕ indicators and firms' ownership and industry have been tested and rejected. An interaction between firms' size and a non-monotonic buffer effect has also been tested. This interaction is presented in model 4. The results of this interaction seem highly relevant to the argument defended here as they suggest that all the buffer effect could actually be taking place in firms with fewer than 50 workers, which are the majority of firms in Spain, and in which unions are not present[22]. This would seem to support our first qualification to the insider-outsider model. In fact, it would seem too supportive a finding, as it suggests that there are no buffer effects at the firm level. We know, however, that there are buffer effects at the firm level, as shown by the studies of Bentolila and Dolado and Rodríguez Gutiérrez. This apparent contradiction must, however, be observed in the light of the methodological caveats of the CSCCCB data. Results are, therefore, not fully conclusive regarding this point, as these methodological limitations advice us to be very cautious in the interpretation of the findings.

Conclusions drawn from *Table 4.8* must, therefore, be regarded as tentative. Yet it must be noted that the findings are highly consistent with the analytical model presented in *Chapter Two. First*, the data suggests a non-monotonic buffer effect. A non-monotonic buffer could suggest that, just as an excessively low conversion rate into permanent employment can destroy the

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[22] Model 4 also suggests that the buffer effect in small firms could reach its maximum at a value of ϕ equal to 40 per cent. That is, when the proportion of fixed-term workers surpasses the 40 per cent threshold in small firms, a further increase in ϕ would reduce rather than increase insiders' wages.

incentive effect of fixed-term contracts, an excessively high proportion of fixed-term workers in the firm could weaken insiders bargaining' power. This could contribute to explaining the observed equilibrium in the segmentation process that the Spanish labour market seems to have reached between 1991 and 1993 (see previous chapter). A non-monotonic buffer also has implications for the trade unions as it suggests that insider unionism is not a sustainable strategy when fixed-term workers account for large numbers of the workforce. *Secondly*, the interaction effect between size and the proportion of fixed-term workers suggested by model 4 poses an interesting possibility, which passes largely unnoticed in standard insider-outsider models: namely, that the buffer effect is not so much the outcome of union power in firms, but actually the reflection of institutional constraints that hinder inclusive unionism at the industry level. In firms where unions have an institutionally enhanced direct presence, the possibilities for inclusive unionism increase. This seems a reasonable interpretation. The buffer effect shown by all the secondary data reviewed in this section could, therefore, reflect the deficiencies of an uncoordinated bargaining structure where the right to manage model prevails and where conditions for inclusive unionism are unfavourable. In other words, instead of being a result of unions' power, the observed mark-up could reflect unions' weakness (i.e. their inability to develop an inclusive representational strategy).

Taken together, all the findings presented in this section constitute rather sound support for the existence of an insider mark-up provided by outsiders' buffer. The evidence suggests that, not only fixed-term workers are discriminated against in the wage setting process, but also that permanent workers might have benefited economically from the buffer effect provided by outsiders. The 'buffer effect' has enhanced insiders' bargaining position vis-à-vis the employer, as a result of which insiders might have obtained wage gains (i.e. rents), which do not correspond with the employment situation of the Spanish labour market. These effects seem better interpreted as the outcome of the

particular institutional setting of the Spanish collective bargaining system and of unions' weaknesses rather than of their strength.

3.4. The wage drift and the sensitivity of inflation to unemployment: dynamics

The wage-discrimination and insider mark-up hypotheses discussed above are perfectly consistent with the evolution of two important indicators of the Spanish economy: the wage drift –that is the difference between the rate of growth of wage rates agreed in collective bargaining and actual increase in average earnings— and the sensitivity (or rather the lack of it) of wages to inflation and unemployment in Spain.

With respect to the former, many economists have attributed the rather peculiar behaviour of the wage drift in the 1980s and early 1990s to a combination of wage discrimination and insider bargaining (see: Albarracín and Artola 1990; Jimeno and Meixiede 1991; Jimeno and Toharia 1992;1994; Bentolila and Dolado 1992;1994; Revenga 1994; Blanchard and Jimeno 1994; Antolín 1995). In the 1980s, before the introduction of fixed-term contracts, the wage drift used to be around 2 percentage points; however, after 1987 it became abnormally low, even negative. Yet, from 1990 onwards, it started to rise again, as bargained wage rates increased in real terms. Economists have argued that this evolution of the wage drift reflects, first of all, wage discrimination of fixed-term workers. Given that fixed-term workers receive lower wages, when their proportion increased rapidly (from 1986 to 1990 approximately) average wages increased by less than usual and so the drift shrank. Yet, when the proportion of fixed-term employment stabilised (around 1991-1993) average wages tended to rise again as a result of insiders' wage push and so did the drift. This latter behaviour is particularly remarkable since it took place in the context of a severe economic recession. Thus, from 1992 to 1993, despite the fact that, as a result of half a million job losses, the unemployment rate had risen

from 18 per cent to 21 per cent, average wages increased at a rate of 7.5 per cent (with an inflation rate of 4.6 per cent) (Antolín 1995,6-7). These figures exemplify the degree of isolation of insiders' wage pressures from the employment situation of the labour market, which, as it has been shown, is the result of the buffer effect. All of which helps explain why wages have not been sensitive to unemployment (Revenga 1994,139-40).

Nor have wages been particularly sensitive to inflation, which is also a consequence of type-of-contract segmentation. From 1989 till 1994, nominal wages grew systematically between one and two percentage points above inflation (Revenga 1994,139-40). It is not surprising, therefore, that real wage rigidity in Spain, measured as the ratio between the elasticity of nominal wages with respect to the rate of inflation and unemployment, is among the highest in the OECD countries (see Dolado and Malo de Molina 1985; Grubb et al. 1983; Jimeno and Toharia 1994,78-9).

All these economic indicators are the reflection of a highly segmented labour market. They show the wage effects of a two-tier system of employment relations, whereby workers on permanent contracts (insiders) are highly protected from unemployment and can consequently push for higher wages while outsiders, when they work, are likely to suffer wage discrimination.

4. Summary

In this chapter, empirical evidence has been provided which shows that fixed-term workers receive lower wages than their permanently employed counterparts. This evidence has been linked to the unequal distribution of job security that was institutionalised through the introduction of fixed-term contracts. It has been argued that fixed-term workers find themselves in a particularly weak position vis-à-vis employers, who can force them to accept lower wages. Hence two-tier reform seems to have provided employers with a new effort-eliciting tool. The

disciplinary effect of job insecurity seems to be an effective effort-extraction mechanism.

Moreover, an insider-outsider model of wage setting has been proposed under the hypothesis that insiders could have benefited from the concentration of employment insecurity among fixed-term contracts by pressing for higher wages without having to face the employment consequences. This model finds empirical support in the secondary evidence presented in this chapter. The wage-setting process in Spain reflects insiders' interests: an increase in fixed-term employment results in an increase in insiders bargaining power and, therefore, in an increase in their wages. This has pernicious employment consequences, which further segment the market.

Further original modelling of the CSCCCB has been carried out to test possible qualifications to the assumption that the observed insider effects are monotonic and that they are linked to unions' strength in large firms. Evidence based on this modelling must be regarded as tentative due to measurement problems, yet it suggests interesting interpretations to the observed insider mark-up. Namely, that the buffer effect might not be monotonic and that it can be interpreted as a sign of trade unions' week representational capacity in the uncoordinated Spanish bargaining system. Unions' responsibility for the segmentation process would, in this latter interpretation, be a reflection of their weakness rather than of their strength.

Finally, the evolution of the wage drift and the lack of sensitivity of unemployment to inflation have been interpreted as further dynamic evidence of the existence of both wage discrimination and insider wage bargaining.

All the evidence presented in this chapter helps us to better understand the segmentation process set in motion by the 1984 reform. Together with the employment consequences analysed in the previous chapter, wage discrimination and the insider mark-up allow us to complete the segmentation picture.

PART TWO

CHAPTER FIVE

CONSCIOUSNESS EFFECTS OF TYPE-OF-CONTRACT SEGMENTATION: AN ANALYTICAL FRAMEWORK

Part One has provided evidence that shows *how* two-tier flexibilisation has generated labour market segmentation in Spain. This process has been explained as resulting from two different mechanisms: the *incentive effect* and the *buffer effect*.

The incentive mechanism allows firms to secure a greater share of the rents generated in employment relationships because the renewal rate of fixed-term contracts can be used as an efficient effort-incentive mechanism alternative to efficiency wages. Fixed-term workers are compelled to work harder if they want to see their contracts renewed and this implies that employers can now increase their returns on labour by reducing the wage they pay fixed-term workers per unit of effort. Despite the fact that wage-discrimination is illegal in Spain, evidence shows that employers have succeeded in keeping fixed-term workers' wages lower. It should also be noted that, although the empirical analysis carried out in *Part One* has been restricted to job security and wages, the incentive-effect implies a greater capacity for employers of imposing harsher working conditions on their fixed-term workers (see: Fundación Argentaria 1995,115-6; Castaño Collado 1993; Rojo Torrecilla 1990; Recio 1991).

The incentive effect in itself could, therefore, explain why equal-productivity workers performing the same tasks nevertheless face very different employment opportunities depending on their type of contract. To put it succinctly, two-tier reform greatly reduced fixed-term workers' capacity of obtaining the employment rents that high dismissal costs grant for their permanent counterparts. This reduction, of course, was to the advantage of employers.

Moreover, evidence has been provided that two-tier reform was also to the advantage of permanent workers (insiders) because the buffer effect increased their rent-optimisation capacity vis-à-vis employers. In a collective bargaining context that hinders inclusive unionism, fixed-term workers' job insecurity provides permanent workers of the same characteristics but with much higher dismissal costs with a shield against unemployment. This, in turn, enhances insiders' bargaining power, which further segments the market. Evidence in favour of the buffer effect, therefore, shows that there is also a causal connection between insiders' advantages and outsiders' disadvantages in the labour market. Two-tier flexibilisation has generated potentially antagonistic employment interests among otherwise identical workers (see below).

In short, *Part One* has shown how two-tier de-regulation has had a profound impact on labour market structures, acting as a mechanism of labour market differentiation that affects both individuals' opportunities for stable employment and wages. As a result, similar workers in Spain face very different labour market experiences depending on whether they are part of the permanent core (insiders) or of the flexible periphery (outsiders). Segmentation by type of contract has generated horizontal inequalities in the Spanish labour market. *Have these new structures of labour market inequality had attitudinal consequences in Spain? And, if so, what are the mechanisms whereby labour market experiences affect workers' consciousness*?

Analysing the attitudinal consequences of type-of-contract segmentation in Spain will allow us to better assess the *structuring* impact of institutionally generated inequalities by looking at the extent to which these inequalities are capable of eroding old political cleavages and (perhaps) replacing them by new ones.

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Research on the consciousness effects of type-of-contract segmentation has a necessarily exploratory character. To a large extent, this is due to the fact that a general theory of action is (still) lacking in sociological analysis (see: Mullins 1991; Crompton 1998,91). Without this theory, it seems indeed difficult to propose detailed hypotheses regarding the attitudinal and behavioural consequences of segmentation. In fact, proposing very detailed hypotheses, which cannot be grounded in a sound theory of action, could actually hinder rather than illuminate our understanding of the consciousness effects of type-of-contract segmentation in Spain. It seems, therefore, more reasonable to opt for a more inductive approach at this stage.

Inductive empirical analysis of the kind advocated here would, however, become unmanageable without a heuristic model that specifies the nature and delimits the scope of the dependent variable (i.e. what type of 'consciousness' effects should be analysed and why). This model should also specify the level at which the analysis should take place and, ideally, propose a plausible analytical mechanism that helps us explain the observed effects (see: Hedström and Swedberg 1998; Hernes 1998).

This chapter provides the analytical model that will guide the research on the 'consciousness' effects of type-of contract segmentation in Spain and discusses briefly some theoretical and methodological aspects that follow from it. It is divided into three sections. *Section One* discusses the level of analysis and operationalisation of the dependent variable (i.e. 'consciousness' effects) that seems most appropriate for the research on the attitudinal and behavioural consequences of type-of-contract

segmentation in Spain. After delimiting the scope and level of analysis, *Section Two* presents a basic analytical model based on the assumption that general ideological maps acquired in processes of political socialisation mediate between labour market experiences and their possible attitudinal and behavioural outcomes. *Section Three* introduces the methodological strategy adopted in this research on the attitudinal and behavioural effects of two-tier reform in Spain. The chapter ends with a summary of the main arguments.

1. On the Appropriate Level of Analysis and the Scope of the Dependent Variable

Sociological research has consistently shown that industrial and political organisations have played a fundamental role in the shaping of workers' consciousness by supplying collective identities, values and goals (see, for example: Lockwood 1989,13; Parkin 1971,98; Marshall *et al.* 1988,188,193. See also: Gallie 1978; Pizzorno 1978; Korpi 1983; Esping-Andersen 1985; Heath *et al.* 1991,ch.5; Goldthorpe and Marshall 1996,102). In fact, it has been argued that, by instilling a sense of common belonging, common fate, and common interest, unions and parties have *made* working-class consciousness[1] (Thompson 1966;1978; Bourdieu

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[1] As Lockwood (1989,13) put it, referring to his study of the class consciousness of clerical workers in Britain, "[the study of class consciousness] *should aim at an understanding of the relationship of the... worker to the trade union movement, the main vehicle of working class consciousness*". And in Parkin's words, "*...it seems plausible to suggest that if socialist parties ceased to present a radical, class-oriented meaning-system to their supporters, then such an outlook would not persist of its own accord among the subordinate class*" (1971,98). In this sense, as Marshall *et al* (1988) point out, "*class consciousness is more a question of how classes are <u>organized</u> in pursuit of class objectives, than on the extent to which individuals are made <u>subjectively</u> <u>aware</u> of class structures and their importance*" (Marshall *et al* 1988,188; emphasis in original. See also: Marshall *et al* 1988,193). This does not mean, though, that organisations alone are "*a sufficient condition for the development of class*

1987). The importance of the role played by organisations in the formation and maintenance of social and political consciousness has been emphasised to the extent of defining consciousness as an attribute of organisations rather than individuals[2] (see: Elster 1985).

Note, however, that if consciousness is defined *exclusively* at the organisational level we run the serious risk of remaining clueless as to what are the mechanisms that link particular structures to organisational outcomes. Industrial and political organisations, crucial as they are, always depend on the members they (claim to) represent and, therefore, the individual dimension of consciousness cannot be disregarded. What seems, therefore, crucial for any analysis of consciousness is the study of those aspects of individuals' subjectivity and individuals' behaviour that have organisational consequences. Therefore, the research on the consciousness effects of type-of-contract segmentation carried out in *Part Two* of this dissertation will focus on individuals' attitudes towards (and behaviour regarding) industrial and political organisations because these attitudes (and behaviour) provide the link between individual subjectivity at the micro-level and organisational outcomes at the macro-level.

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consciousness" (Marshall *et al* 1988,193). As the authors notice*, "there must be a latent feeling of class which such parties can mobilize for such purposes*" (Marshall *et al* 1988,193).

To recognise this point "*is simply to reiterate Marx's observations about the importance of parties and unions in the formation of 'the proletariat into a class*" (Marshall *et al* 1988,193. See also: Marx and Engels 1970,46; Marshall *et al* 1998,193,ft29).

[2] Elster (1985,347) has conceptualised class-consciousness as the ability of class organisations to pursue class objectives by controlling intra-class fragmentation, thus solving the free-rider problem.

1.1. Operationalising consciousness: in favour of disaggregation of the concept

Much of the sociological analyses of consciousness operate in a counterfactual fashion by comparing actual variation in different sets of attitudes to an ideal-typical form of consciousness (usually working-class consciousness) defined *ex-ante* by the researcher. Ideal-typical consciousness provides a particular form of ideological coherence (i.e. a guide as to which attitudes should go together as part of the same *package*), which is used as a yardstick to which actual attitudes can be compared. The *distance* between the observed attitudes and the ideal type of consciousness is then measured and that yields a particular *level* of consciousness.

This approach is usually linked to the Marxist theory of consciousness. But also non-Marxist scholars have somehow assumed the premises of the ideal-typical model only to realise that the attitudes that are actually measured are *ambivalent* or *incoherent*. To a very large extent, however, the problem of *ambivalence* or *incoherence* in people's opinions is actually inbuilt in the ideal-typical approach. It is, therefore, largely an artificial one, since opinions appear as *incoherent* only with respect to the ideal type. But why should surveyed respondents share sociologists' '*theoretical framework*' as to which opinions should go with which? And why, therefore, should it be ambivalent or incoherent not to behave as the ideal-type predicts?

The more that different attitudes towards different subjects are aggregated in single measures of 'consciousness', the higher the risk is that we actually obscure the analysis because the limitations of our approach will have the appearance of individuals' own ideological inconsistencies. Therefore, until we have a clear and non-counterfactual theory as to why opinions on different subjects should be considered together as manifestations of the same ideological phenomenon, it will always be analytically more useful (and theoretically more cautious) to treat different attitudes separately.

Therefore, the term 'consciousness' will be used in this research to refer to those attitudinal and behavioural aspects of the individual that relate him or her to the industrial and the political realms and, in particular, to trade unions and political parties. These attitudinal and behavioural aspects will not be added up in a sort of consciousness *thermometer* that measures how far actual opinions are from an externally imputed ideal-type[3]. Instead, 'consciousness' will be broken down into different sets of attitudes without assuming a priori that they form part of the same *ideological package*. This seems to be the most reasonable strategy as there are no reasons to suppose that the effects of labour market structures on each of these sets of attitudes should be the same.

In practice, disaggregation of the concept of consciousness means that attitudes of individuals as workers should be analysed separately from attitudes of individuals as political citizens. For even though it is likely that there is a good deal of correspondence between both types of attitudes, the effects of labour market structures on each of these realms could be different in nature and degree. Disaggregation can only improve the analysis.

Disaggregation also implies that attitudinal and behavioural elements should be clearly distinguished. Labour market experiences could themselves affect the chances of taking part in different forms of collective action, without necessarily

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[3] Some of the most influential sociological studies on the relation between structure and political and social consciousness portrayed consciousness as a continuous scale of levels leading to conscious action (see: Lukács 1971,52; Touraine 1966,17; Giddens 1979,125-128; see IOTA scheme in Mann 1973). According to this *incrementalist* view, consciousness is ordered in four different stages: *identity*, *opposition*, *totality* and *action*. These stages or levels of consciousness are seen as additive so that individuals will not develop conscious *opposition* (to other classes) unless they posses a sense of *identity* (with their own class), nor will they be consciously aware of *totality* (i.e. the recognition of both the pre-eminence of class conflict in society and of the necessity of collective action to achieve class interests) without having gone through the previous stages; and, thus, collective *action,* the model goes*,* will only occur after conscious identity, opposition, and totality have been acquired.

transforming individuals' attitudes. Conversely, one could think of possible situations in which actors do not change their actions but interpret them under a new ideological light. Therefore, actions and attitudes will be treated separately.

These considerations allow us to break down the dependent variable ('consciousness') into four different realms that will be treated separately: 1) industrial attitudes (attitudes towards the trade unions); 2) industrial action (union membership, union vote and participation in strikes or stoppages); 3) political attitudes (political interests, attitudes regarding the efficacy of the political system, attitudes regarding the legitimacy of the socio-economic system); and 4) electoral behaviour. Relationships between the attitudinal and the behavioural dimensions will be explored rather than a priori assumed (see *Table 5.1*).

Table 5.1. The Four Realms of the Dependent Variable in the Research on the 'Consciousness' Effects of Two-Tier Segmentation

	Industrial Sphere	*Political Sphere*
Attitudinal dimension	Identification with, and evaluation of, the trade unions.	Political interest, external efficacy, attitudes towards the economic system.
Behavioural Dimension	Participation in different forms of industrial action, behaviour in union elections and affiliation.	Voting behaviour

The first column of *Table 5.1*, therefore, refers to all the attitudinal and behavioural aspects of individuals as workers. *Chapter Six* will analyse the effects of type-of-contract

segmentation on these aspects pertaining to the industrial realm. The second column of *Table 5.1* refers to the attitudinal and behavioural aspects of individuals as political citizens. The effects of type-of-contract segmentation on the political attitudes and voting behaviour of Spanish workers will be analysed in *Chapter Seven*.

2. The Analytical Model

Having made these considerations regarding the appropriate level of analysis and the nature and scope of the dependent variable, this section now presents a simple analytical model that will be used as a heuristic device for the analysis of the consciousness effects of type-of-contract segmentation in Spain. The model is based on the following assumption:

The likelihood that labour market structures have consciousness effects will depend on the *interaction*[4] between, on the one hand, the *potential labour market interests* these structures entail and, on the other, individuals' *ideological maps* or orientations acquired through political-socialisation processes that take place outside the labour market.

2.1. Potential labour market interests

Positions within labour market structures define interests which, in turn, may affect social and political attitudes and behaviour. These labour market interests can be theoretically

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[4] This is a conceptual statement, not a statistical one. The interaction between ideological maps and labour market interests can have different empirical manifestations, some of which can be better modelled statistically using interaction terms. This, however, does not imply that the ideological mediation of labour market experiences will always nor necessarily have to take the form of statistical interactions.

identified on the assumption of individual maximising rationality. All individuals in the labour market will have a rational interests in improving their options regarding the trade-off between work, leisure and consumption[5] (i.e. their wealth) by maximising the returns on their labour-market assets (see: Coleman 1990; Sorensen 2000). This implies, in concrete terms, that it will be in the rational interest of workers to maximise the returns on their labour as a means to maximise their wealth.

Returns on labour will be greater, the greater is the difference between the actual value obtained by the worker for his or her labour and the competitive value of labour (i.e. the value s/he would obtain in a perfectly competitive labour market without transaction costs). The difference between each type of value is an employment rent (see: Sorensen 2000 and *Chapter Two*). Hence, all employed workers have a rational interest in increasing both the size of, and their control over, employment rents (see: Sorensen 2000; Coleman 1990; Sorensen 1998,8).

It may be useful to think of the competitive value as that particular value workers would obtain for their labour if employers had perfect control over workers' effort. In this light, the 'competitive' value would imply a minimum capacity of effort-control on the part of workers, that is, a maximum degree of 'commodification' of labour. Employment rents can then be seen as rents that allow workers to 'resist' employers' attempts at matching wages to actual effort (see: Wright 2000,1569 and

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[5] Here, I am following Wright's definition of interest (see: Wright 1989,280-88;1995,24), which is based on Roemer's (see: Roemer 1982a;1982b. See also: Van Parijs 1987;1992).

Rational interests could also be defined, following Przeworski (1980), as those "*needs that can be satisfied by consuming or using commodities and for which the barriers to satisfaction are (in a particular society) external to the needs of a particular individual. If I cannot consume more cake and wine because I want to be beautiful, that is, if the only barrier to satisfying a need consists of my other needs, then this need is not a referent of interests. Hence, needs that can be satisfied by objectifications turn into interests under conditions of scarcity*" (Przeworski 1980,127). Here Przeworski is following Heller's definition of interest (see: Heller 1974).

Chapter Two). This basic conflict between employers and employees over effort-control defines what we could term '*vertical*' interests.

From our discussion in *Chapter Two* it follows that employment rents have an *endogenous* component due to asset specificity. This component can explain why employment rents would emerge even in unregulated markets. It has also been shown in *Part One* of this dissertation how the regulatory context constitutes a further and powerful *exogenous* source of rent-generation. Permanent workers in Spain enjoy high employment rents irrespective of the asset-specificity of the tasks they perform. High dismissal costs are the immediate origin of these rents.

By removing dismissal costs for fixed-term contracts, two-tier flexibilisation reduced the size of the rents available for fixed-term workers, so that the actual value fixed-term workers obtain for their labour is much closer to the competitive value than the value obtained by their permanently employed counterparts. There is little doubt, therefore, that fixed-term workers would be better off if they could obtain the rents that high dismissal costs grant for permanent workers (insiders). Fixed-term workers have a rational interest in becoming permanent workers.

Note that the removal (or significant reduction) of dismissal costs brings fixed-term workers' labour value closer to the competitive value. This places fixed-term workers in a weaker position vis-à-vis employers. Two-tier reform, therefore, intensifies *vertical* antagonism between fixed-term workers and employers.

Two-tier flexibilisation also creates a *horizontal* differentiation of interests between insiders and outsiders. In a collective bargaining context that hinders inclusive unionism, the buffer effect provides insiders with a rent that would be eliminated if all fixed-term workers gained permanent status. Conversely, the removal of dismissal costs for permanent workers would benefit outsiders in the *short run*. This is because the elimination of the regulatory rents that insiders enjoy in Spain would increase both unemployed outsiders' opportunities for gaining access to

employment and fixed-term employed outsiders' survival probability in the firm. This is the source of antagonistic interests between insiders and outsiders.

Note, however, that as long as the renewal rate into permanent employment and the job accessibility rate are both greater than zero, outsiders can hope to become insiders in the future and, therefore, their interests in the short run could collide with their interests in the long run. In other words, the rent gains that a particular outsider would obtain from the removal of dismissal costs for insiders would be smaller than the rents s/he would obtain from becoming a permanent worker. Long-run interests, therefore, provide the rational basis for empathy and thereby for the attenuation of horizontal conflicts. Which source of interest prevails (i.e. what is the workers' time framework) is largely an empirical question. Yet it must be noted that in order for workers to be aware of long-run interests, the possibility of gaining access to the permanent core must be a credible one for them.

Therefore, if outsiders were purely and exclusively rational rent-optimisers, the likelihood that they were more sensitive to their prospective long-run interests than to their immediate ones, and hence their degree of empathy, would be a function of the conversion rate into permanent employment. Empathy, however, can also have a purely ideological origin. It is possible that the more that outsiders share solidaristic values, the less likely they are to perceive the immediate connection between their own disadvantage and insiders' advantage in the labour market. This qualification provides the basis for what follows.

2.2. Interests are only potential and actors are also ideologically motivated

In *Chapter Two* the mechanisms that account for structured inequalities in the labour market, have been explained as being triggered by the optimisation strategies of individuals (both employers and workers) operating in an institutionally regulated

context (see *Chapter Two*). Hence it does not seem particularly difficult to identify individuals' rational interests in this model because labour market structures have themselves been explained by drawing on individual optimisation strategies. In any case, what is crucial to stress at this point is that rational labour market interests can only be derived *theoretically*.

In other words, labour market interests are only *potential* interests (see: Goldthorpe and Marshall 1996,101-2). This implies that, in contrast to other models of consciousness formation, here it is not assumed that individual experiences in labour markets have any pre-eminence in shaping social and political attitudes. Even if labour market interests become ideologically relevant, there is simply no reason to assume that they will count as the main influence for social and political views. Social and political consciousness *may* vary according to labour market interests, but it may also vary according to other influential factors. The most important of these factors is individuals' ideological maps.

Hence, the model defended here sees individuals as being more than mere wealth optimisers. They are also ideologically motivated actors. This seems to be a more realistic assumption about the nature of actors' behaviour. This is why labour market interests are only *potential* interests in this analytical model.

2.2.1. Ideological maps

Ideological orientations are long-term psychological attachments that help actors to simplify the complexity of social reality by providing simple guides of evaluation (and action) based on a few basic general principles. These simplifying principles, which have a strong normative component, allow individuals to form an opinion on very different matters on which information is scarce or costly to obtain. The actual form ideological maps take in different countries is historically contingent. In Spain, ideological orientations take the form of general leftwing-rightwing worldviews, which have the

particularity of having a weak party identification component. The leftwing-rightwing dimension seems, however, strongly felt among Spaniards (see: Lancaster and Lewis-Beck 1986; Sani and Montero 1986). For almost any contentious political matter there will be a leftwing and a rightwing stand and hence individuals will know where to place themselves according to their own ideological identification. This greatly facilitates actors' political decisions.

Ideological maps are acquired through processes of political socialisation that take place at early stages in life. They are remarkably enduring (see: Lancaster and Lewis-Beck 1986,660; Converse 1964;1969; Inglehart and Klingemann 1976; Maravall 1978; Percheron and Jennings 1981; Sani and Montero 1986; Percheron and Muxel 1993; Hinich and Munger 1994). Hence, it is assumed that ideological maps are stable psychological attachments that precede labour market experiences.

Ideological maps can inform individuals' political and social opinions to a larger extent than their own labour market experiences. General ideological orientations could filter the ways in which individual experiences in the labour market affect attitudes and behaviour on different political issues. These maps can predispose the individual to be more or less sensitive to her own employment situation, therefore, determining the importance that the individual gives to her labour market interests as a factor informing her general social and political views. Identical labour market experiences (i.e. identical potential interests) can thus have very different attitudinal and behavioural outcomes depending on individuals' ideological maps.

In short, it is assumed here that ideological maps *mediate* the relationship between labour market experiences and consciousness. The particular nature and characteristics of ideological mediation need to be explored empirically as they cannot be assumed a priori. Note, however, that there is no reason to assume that different factors influencing socio-political attitudes should necessarily act in an additive manner. Statistical modelling should, therefore, test for the possibility of interaction effects

between general ideological maps and labour market structures on workers' attitudes and behaviour in the industrial and the political realms (see: Polavieja 2000).

2.3. Theoretical implications of the approach

By explaining attitudinal variation through the concept of interest, the approach adopted here moves away from *culturalist* definitions of consciousness[6] in favour of a view that sees consciousness primarily as an individual-level ideological phenomenon (see: Wright 1985,245). The concept of labour market interests also moves away from *hegemonist* accounts of consciousness[7]. *Hegemonist* approaches are in the end based on a counterfactual research question (i.e. why do workers not have radical/revolutionary consciousness?), for which an answer that is ultimately impossible to falsify on empirical grounds is provided (i.e. because they are subjected to 'dominant' ideologies) (see: Marshall 1983). On the other hand, by explicitly rejecting the pre-eminence of labour market interest in the formation of consciousness and by accounting for ideological mediation, this approach also moves away from *materialist* theories of consciousness that assume that economic interests are the *main* source of consciousness formation[8]. By opting for the disaggregation of the concept of consciousness, the analytical perspective chosen here also distances itself from ideal-typical models that are based on very questionable (and ultimately also

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[6] See, for example: Thompson (1966;1978); Bourdieu (1987;1990;1991); Katznelson (1986,18-19); Calhoun (1982,232-33); Fantasia (1995).

[7] See, for example: Parkin (1971;1979); Aronowitz (1992); Bourdieu (1987;1990;1991); Grignon and Passeron (1992); Comaroff and Comaroff (1991), Fantasia (1988;1995). For a review see: Marshall (1983).

[8] For a critique of simplistic, mechanical and materialists explanations of consciousness see: Richards (1996,3-12). See also: Blackburn and Mann (1975), Calhoun (1982), Fantasia (1988), Gaventa (1980), Hall (1981), Katznelson (1986), Mann (1973;1995), Marshall (1983), Stark (1980), Thompson (1966;1978), Westergaard (1975), Wilentz (1984), Willis (1979).

counterfactual) assumptions regarding what 'coherent' ideological packages should look like[9]. Finally, by focusing on those aspects of individuals' consciousness that have organisational consequences, this approach recognises both the organisational dimension of consciousness and the importance of its individual dimension.

3. Methodological Notes

In this research on the attitudinal effects of type-of-contract segmentation in Spain, quantitative and qualitative analysis will be combined. This methodological approach seems the most appropriate, given the necessarily exploratory character of this research and the emphasis given on explaining through individual-level mechanisms. As it is explained in detail in *Chapter Six* (see *Section Three*), the approach adopted here can be labelled a *qualitatively-informed-quantitative approach*. This methodological strategy uses qualitative evidence to provide further meaning to quantitative analysis and as a means of generating hypotheses regarding subjective mechanisms. This strategy seems to be particularly apt for avoiding the trade-off between two methodological problems: the problem of meaning-indeterminacy of quantitative analysis (i.e. interpreting the *meaning* of abstract coefficients), and, 2) the problem of inference-indeterminacy of qualitative analysis (i.e. assessing how representative qualitative discourses are).

In *Chapter Six* and *Chapter Seven* the three different surveys that provide the quantitative basis for the analysis of the consciousness effects of type-of-contract segmentation are described in detail (see also *Appendix B*). The main characteristics of the focus groups carried out as part of the qualitative research are now discussed.

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[9] On coherence and ambivalence see: Marshall (1983), Marshall *et al*. (1988,ch.7). See also: Evans (1992a) for a critique of Marshall *et al*. (1988).

3.1. On the focus groups

Qualitative analysis for the investigation of attitudinal effects of labour market dualisation in Spain was based on two methodological decisions: First, it was decided to undertake focus groups rather than individual interviews. The premise was that general views or discourses would be better analysed if they emerged in a more unmediated social context. Despite their unavoidable artificiality, focus groups are closer to spontaneous primary-group interactions than individual interviews. Endogenously generated discourses around which consensus is reached in the groups represent world-views and social images which are much more likely to be generally shared by the categories represented in them than individual responses to researchers' questions in a one-to-one interview.

The hypothesis behind the selection of the groups was that the acute process of segmentation of the Spanish labour market analysed in *Part One* should have attitudinal consequences. Therefore, it was decided to isolate labour market situation from other pertinent variables. Gender, occupation and residence were kept constant and, therefore, only male, blue-collar workers employed (or formerly employed) in the metropolitan area of Madrid were selected for the group interviews. Participants were then placed in different groups according to their labour market status and their age. The following six groups were carried out:

- Male blue-collar workers employed on permanent contracts (ages between 30-55). This group interview was carried out on February the 1st, 1997. It will be referred to as *FG1*.
- Male blue-collar workers employed on fixed-term contracts (ages between 20-35). This group interview was carried out on February 15th, 1997. It will be referred to as *FG2*.
- Long-term unemployed male blue-collar workers coming from permanent contracts (ages between 45-55). This group

interview was carried out on April 26th, 1997. It will be referred to as *FG3.*

    - Unemployed male blue-collar workers coming both from permanent and fixed-term contracts (ages between 30-45). This group interview was carried out on May 10th, 1997. It will be referred to as *FG4.*

    - Unemployed male blue-collar workers coming from fixed-term contracts (ages between 20-30). This group interview was carried out on May 25th, 1997. It will be referred to as *FG5.*

    - Unemployed male blue-collar workers coming both from permanent and fixed-term contracts.[10] (ages between 30-45). This group interview was carried out on July 12th, 1997. It will be referred to as *FG6.*

    Each group included no less than six and no more than ten participants and lasted for approximately one hour and forty-five minutes. A total of 54 participants were interviewed. Group interviews were carried out between February and July 1997. All the material, which amounts to over 10 hours of group-discussions, was recorded and transcribed. This material is available on request.

    The second methodological decision made when designing qualitative research was that these focus groups should be as undirected as possible. Workers were asked to elaborate on a very general and undefined theme, which was always framed around different wordings of the same question: "*Judging from your own experiences, how do you see the general situation in Spain nowadays*?". The aim was to let topics appear endogenously (i.e. 'naturally') so that the importance assigned by workers themselves to the different issues that emerged in the interviews could be evaluated.

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[10] This was a replication of FG4 since FG4 included by accident respondents belonging to category IIIb of Goldthorpe class schema. FG6 only includes blue-collar workers categories (VI and VIIa).

Workers' collective reflections upon their labour market experiences and their own political and social views have been an invaluable source of information for the writing of the following chapters. These reflections have provided interesting insights into the subjective mechanisms that link labour market structures to their attitudinal and behavioural effects by suggesting hypotheses that otherwise would have neither been anticipated nor tested. Last but not least, they have reminded us about the myriad of human experiences that always hide behind sociologists' 'number-crunching'.

4. Summary

It is reasonable to expect that type-of-contract segmentation has consciousness effects. In order to analyse these effects, however, the scope, nature and level of analysis of consciousness must be delimited or otherwise the concept becomes unmanageable. This chapter has argued in favour of defining consciousness as those attitudinal and behavioural aspects of individuals that have organisational consequences. Focusing solely on these aspects provides the link between individual subjectivity at the micro-level and organisational outcomes at the macro-level. It has been further argued in favour of analysing attitudinal and behavioural aspects separately, and distinguishing two different realms of individuals' consciousness: that pertaining to attitudes and actions of actors as workers, and that of individuals as political citizens.

Subsequently, a simple heuristic model for the analysis of the consciousness effects of type-of-contract segmentation in Spain has been presented. According to this model, type-of-contract segmentation intensifies 'vertical' antagonism between fixed-term workers and employers and creates a 'horizontal' differentiation of interest between insiders and outsiders, yet these interests are seen as only *potentially* capable of having consciousness effects. Individuals are more than mere utility optimisers; they are also

ideologically influenced actors. The likelihood that labour market structures have consciousness effects will depend on *how* the *potential labour market interests* these structures entail are *mediated* by individuals' *ideological maps* or orientations acquired through political-socialisation processes that take place outside the labour market. The model of actor defended here could thus be defined as an ideologically-embedded rational actor.

CHAPTER SIX

LABOUR MARKET SEGMENTATION AND TRADE UNION INVOLVEMENT IN SPAIN

The process of labour market segmentation by type of contract analysed in *Part One* is affected by —and depends on— the policies of representation adopted by trade unions. In theoretical terms at least, a union can adopt an inclusive strategy, attempting to represent the interests of all workers, both insiders and outsiders. Alternatively, unions can follow policies that tend to privilege insiders (who are within or near their sphere of influence[1]) to the detriment of outsiders, who in this way are abandoned to the ongoing process of type-of-contract segmentation[2].

Judging by the results, it can be concluded that in the 1984-1997 period Spanish trade unions did not effectively carry out the inclusive representation of interests. The analysis of the effects of fixed-term employment on wages undertaken in *Part One* has shown that collective bargaining, which is the main determinant of

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[1] See, for instance: Bilbao (1993); Taboadela (1993); Rojo Torrecilla (1990).

[2] For an examination of these issues through a detailed study of four large enterprises in the metalworking sector in the Autonomous Community of Madrid, see Iriso Napal (1993).

wages in Spain, has mainly represented the interests of insiders[3]. Neither the content of collective agreements (see *Chapter Two)* nor the dynamics of the wage-setting process (see *Chapter Four)* have been particularly favourable to the interests of fixed-term workers. Moreover, evidence has shown that as a result of the *buffer effect* provided by fixed-term workers, insiders have seen their bargaining position strengthened. The buffer effect has enabled insiders to push for higher wages, the negative employment consequences of which have been largely paid for by fixed-term workers. The empirical confirmation of the existence of an insider mark-up in the wage determination process shown in *Chapter Four* in itself provides sufficient evidence for the insider character of collective bargaining in Spain. Spanish unions have *de facto* acted as insider organisations in collective bargaining.

Yet it should be also noted that over the course of the last decade the two main Spanish trade unions (CCOO and UGT) constantly insisted on the need to broaden collective bargaining agendas, reduce fixed-term contracts, establish a national employment programme, and secure a general shift in social policy, particularly with regard to welfare spending on unemployment protection (see: Comisiones Obreras and UGT 1989;1991;1993;1994; van der Meer 1997). Since 1984 at least, employment creation has always been at the top of the list of the unions' public demands. These demands for more, and for more secure, employment were at the centre of the discourses that accompanied the three successful one-day general strikes called by the trade unions in 1988, 1992 and 1994. Spanish unionism has, therefore, displayed two rather distinct, if not contradictory, representational faces: on the one hand, unions have acted as insider organisations in collective bargaining while, on the other, they have condemned the employment effects of labour market dualisation.

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[3] See also: Fernández, Garrido and Toharia (1991,74); Toharia and Muro (1988); Albarracín (1990); Recio (1991,109).

The coexistence of these two rather distinctive representational faces has led scholars to draw rather different conclusions as to the 'true' nature of Spanish trade unionism. Some scholars have stressed the insider non-solidaristic side of the trade unions (see, for example: Pérez Díaz 1987;1993;1999; Boix 1998,134-7), whereas others have emphasised unions' 'genuine' preoccupation with outsider workers (see for example: Astudillo 1999,339-45,353-62; Recio 1991,104-5). The debate is by no means settled.

The apparently paradoxical behaviour of Spanish trade unions (i.e. defending insiders' interests in collective bargaining while voicing outsiders' demands in public discourses) could be interpreted as a simple example of political hypocrisy on their part. This interpretation seems, however, too simplistic. An alternative interpretation of the unions' representational 'schizophrenia' would stress the fact that the unions' role in collective bargaining may not respond to their own representational strategy, but rather to their inability to implement inclusive policies, which is, in turn, a function of their organisational power. *Chapter Four* argued that the insider character of Spanish collective bargaining could be better interpreted as a sign of trade union weakness rather than of their strength. Weak and competing unions, acting in a decentralised and uncoordinated institutional context that favours inflationary tendencies and hinders inclusive bargaining, are not in the best position to defend the interests of fixed-term and unemployed workers (see also *Chapter Two*). Under this light, therefore, the question is not so much *whom* unions care about as *what* unions can actually do for those they (claim to) care about.

What unions can actually do for workers itself depends on the unions' organisational resources. One of these resources, and a fundamental one, is the level of workers' *involvement* with the trade unions. Unions will not effectively represent the interest of particular categories of workers (i.e. fixed-term workers) if these workers do not respond to the unions' mobilisational strategies, either because they do not feel identified with the unions or because, despite their subjective identification, objective factors

impede their participation in union-related activities. This chapter analyses the impact of type-of-contract segmentation on workers' involvement with the trade unions in Spain.

The main hypothesis defended in this chapter is that segmentation by type of contract has an impact on workers' *involvement* with trade unions (measured as the degree of workers' participation in the different forms of collective action and the intensity of their subjective identification with unions). Given their precarious market situation, fixed-term workers are expected to show lower levels of union involvement than their securely employed counterparts. In order to test this hypothesis, the chapter studies: 1) the extent to which having a fixed-term contract reduces the levels of participation in different forms of union-related activities (union membership, union voting, and participation in strikes and stoppages) even after controlling for workers' subjective identification with unions and workers' ideology; and 2) the extent to which, and the mechanisms whereby, labour market precarity linked to fixed-term employment reduces the degree of subjective identification with the trade unions.

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The chapter is divided into four sections. In *Section One*, the basic hypotheses, as well as the data and methodology used to test them, are presented. In *Section Two*, the effects of fixed-term employment on union membership, union vote, and participation in strikes and stoppages, are tested through statistical analysis of the CSRSTUA. *Section Three* presents qualitative evidence on the attitudinal effects of labour precarity in a dualised labour market obtained from our focus groups. Finally, *Section Four* tests the general hypothesis that type-of-contract segmentation reduces subjective identification with trade unions, and then goes on to explore two further questions raised by the qualitative evidence: 1) whether estrangement from the unions responds to a subjective mechanism of *dissonance* between normative ideals of trade

unionism and the experiences of the really existing unions; and 2) whether the view that there is a zero-sum game between unions' defence of outsiders and unions' defence of insiders is dominant among Spanish outsiders. These hypotheses are tested through original analysis of both CSCCCB and CSRSTUA data. The chapter ends with a discussion of the main findings.

1. Type-of-Contract Segmentation and Workers' Involvement with the Trade Unions in Contemporary Spain: Hypotheses, Data and Methodology

The effects of type-of-contract segmentation on trade union support have tended to be studied solely in terms of union affiliation rates. From this perspective, it has been argued that the principal effect of labour market dualisation, within the realm of trade unionism, has been to provoke a growing division of labour in advanced capitalist societies between a core of stable workers (insiders), with generally high levels of affiliation, and a periphery of unstable workers (outsiders), with low or non-existent levels of union affiliation (see e.g. Green 1992; Hyman 1992; Fulcher 1991; Coggins et al 1989; Salvatore 1992; Kern and Sabel 1991; Richards 1995; in Richards and Polavieja 1997; Polavieja and Richards 2000). However, this perspective poses serious problems in the case of Spain, where, given that trade unionism is one more of 'voters' rather than 'membership' (see: Martin Valverde 1991,24-25; Martinez Lucio 1993,500-501 and *Chapter Two*), the level of union affiliation is not a completely reliable measure of union support. Thus, while it appears clear that the vast majority of outsiders are not union members, and that the vast majority of union members are insiders, in Spain —with a level of affiliation of approximately 12 to 15 per cent— the vast majority of insiders are, in fact, not affiliated to unions (see below). In consequence, it seems more appropriate to extend the scope of the dependent variable, and to analyse the effects of type-of-contract

segmentation on union support, measured through a broader indicator such as workers' level of *trade union involvement*[4].

1.1. Defining trade union involvement

Union involvement, as used here, refers to that set of attitudes, evaluations and activities which indicate that a worker feels identified with the union (that is, feels represented by it) and is therefore personally interested in union activity. The ideal-typical *involved* worker, therefore, will not just display pro-union sentiments and attitudes, but will act accordingly. The involved worker will vote in union elections when they are convoked in the workplace, will be personally interested in the activities and functioning of the works councils in the workplace, and will take part, if it occurs, in industrial action. In some cases, the involved Spanish worker will join the union. This conception of union

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[4] By this, I have no wish to underestimate the importance of levels of union membership per se. Indeed, in terms of total union membership and net union density rate (including the unemployed), Spanish unions have staged something of a recovery in the 1990s. Total union membership (that is, the number of workers belonging to the UGT, CCOO, USO, CNT/CGT and all other confederations) rose from 1.697 million in 1990 to 2.166 million in 1993 (before slipping back to 2.127 million in 1994). The net union density rate in Spain rose from 13.32% in 1990 to 16.38% in 1993 (before falling to 15.82% in 1994). These data have been used, quite reasonably, by Jordana (1996) to challenge the overall thesis of "union decline" in the Spanish context. However, this trend does not contradict - and may even reinforce - the central thesis of this chapter that trade unionism in Spain is increasingly based on, and identified with, the core permanent workforce. Indeed, Jordana himself notes that the recovery in union membership in the early 1990s is based partly on the phenomenon of permanent workers who were previously non-members sympathetic to the unions actually joining. In contrast, union affiliation rates among temporary workers have remained low –in 1992, for example, when 34% of Spanish workers were temporary, only 18% of CCOO's membership were temporary workers (Jordana 1996, 215-20). As such, fluctuations in union membership levels do not disguise an enduring insider-outsider division in the *composition* of union membership (see below). (See: Richards and Polavieja 1997).

involvement, therefore, includes both an attitudinal-subjective component, and a dimension based on active behaviour. These are, however, two different dimensions.

It is obvious that pro-union behaviour should be accompanied by pro-union attitudes[5]. Moreover, however, pro-union behaviour requires an appropriate environment. The subjectively involved worker, for example, cannot vote in union elections if no such elections are held in her workplace. Nor can she take interest in the affairs of the site committees if the company in which she works employs fewer than 49 people (the legal minimum for the establishment of works councils in Spain). Nor can the involved worker participate in strikes if none are called. Involved, or pro-union, behaviour, therefore, requires the institutional and organisational conditions which make possible the direct presence —and thereby mobilisational capacity— of the unions.

Many of these contextual conditions are directly related to the size of the company. The more employees there are in the workplace, the greater the legal and strategic possibilities for effective union organisation. Within the European Union, Spain has the lowest proportion of employees in firms employing more than 500 workers (only 19 per cent of salaried workers in 1989), and the highest proportion of employees in firms employing less than 50 workers[6] (53 per cent of salaried workers in 1989) (see:

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[5] Yet pro-union behaviour without pro-union subjective attitudes is in principle possible as a result of group pressure. I do not consider this possibility here, however.

[6] Martinez Lucio (1993,494-495) writes: "*The predominance of smaller firms has been increasing: in 1961, 38 per cent of employees worked in firms of fewer than 50 workers; in 1989, the figure was 53 per cent, while only 19 per cent worked in firms of over 500 employees. Using a different basis of calculation (percentages of total workforce rather than of wage earners), Sisson et al (1991,97) show that Spain had the highest proportion of any EC country of workers (41 per cent) working in firms with under ten workers, and the lowest proportion by far (8 per cent) in companies with over 500 workers (...) (I)t would appear that conservatism and paternalistic employment relations remain the dominant characteristics of small-scale capital in Spain. The rise in the proportion of small firms probably reflects the elimination of large production*

Martinez Lucio 1993,494-495 and *Chapter Two*). Hence, it is hardly surprising that, according to the CSRSTUA, only 39.7 per cent of Spanish workers claimed to have union committees in their firms, that just 38.4 per cent were covered by firm-specific collective agreements, and that only 38.9 per cent had had union elections in their workplaces. Thus, given the institutional framework of industrial relations in Spain, the average size of the firms is of fundamental importance in explaining the weak and unequal distribution of trade union presence in Spain (see *Chapter Two*). The Spanish system of industrial relations does not favour union involvement.

1.2. Hypotheses

Even in large companies with a strong union presence, however, the likelihood of a worker participating in union-organised collective action may depend on other objective factors. Here it is argued that having a fixed-term contract, and therefore occupying a precarious position in the firm, has a decisive, 'objective' impact on pro-union behaviour independently of any evaluative questions.

In *Part One* of this dissertation it has been argued that the introduction of fixed-term contracts provided employers with a new (composite) rent-optimisation tool that allowed them to elicit further output from fixed-term workers, who are compelled to work harder if they want to see their contracts renewed. In this context, it is rather obvious that what has been termed the *incentive effect* includes a *disciplining* component. Fixed-term workers' involvement in union-related activities can be sanctioned

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units in the course of restructuring of traditional industries. Union membership and organization tend to be much weaker in small firms. Work forces are generally dependent on union bodies external to the workplace, even where elected union representatives exist, and the extensive network of local union officers of the 1970s has been substantially reduced, in great part as a result of financial difficulties and low membership".

by employers in a way that permanent workers' involvement cannot. Participation in union-related activities thus involves significantly higher *discipline costs* (i.e. the costs of being sanctioned by employers) for fixed-term workers[7].

Furthermore, job insecurity attached to fixed-term work may also affect the cost-benefit calculations of workers even in those union-related activities where there is no risk of employers' reprisals, as in the case of voting in union elections. In such cases, insecurity can still hinder participation, even among subjectively involved workers, if these workers feel that they will not be in the firm long enough to benefit from the outcome of the elections. Uncertainty regarding the returns on collective action can therefore act as a second disincentive mechanism for fixed-term workers.

In sum, *discipline costs* and *uncertainty as to the returns* can act as 'objective' impediments to participation in union-related activities. Fixed-term workers' weak position inside the firm can thus limit their possibilities of taking part in collective action, regardless of their personal attitudes towards, and evaluation of, trade unions. As such, it can be hypothesised that labour market precarity can have a *direct* effect on pro-union behaviour which is independent of evaluative questions. A precarious position in the labour market may mean that it is unlikely that even workers who are subjectively involved with the unions will turn this involvement into concrete action.

Moreover, an unstable working situation can also affect attitudes towards, and evaluations of, the unions in and of themselves —producing feelings of detachment, estrangement, lack of confidence, disaffection or even outright rejection. Trajectories in working life that include temporary work, (long)

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[7] In his study of four large metalworking companies in the Autonomous Community of Madrid, Iriso Napal (1993,427) presents qualitative evidence that fixed-term worker, given their weak position within the firm, considered participation in union action to be too risky in the light of employers' possible reaction. In *Section Two* I try to generalise from his findings to the whole of the Spanish workforce.

periods of unemployment, or alternating temporary work and unemployment, can undermine the feeling that the unions represent and defend the common interests of all workers. In a precarious working situation, identification with the unions may be replaced by the feeling that the worker stands alone in the face of the employer, or alone in the face of unemployment, and that no one is defending her interests. Therefore a precarious working situation could also diminish subjective involvement with the unions.

In short, the overall hypothesis is that having a fixed-term contract reduces union involvement because: 1) it seriously impedes collective action (*sub-hypothesis 1*), and 2) it reduces subjective identification with the unions (*sub-hypothesis 2*). There would, therefore, be two distinctive dimensions of union disaffection: an *objective* one, exclusively linked to the insecurity of fixed-term employment, and a *subjective* or *ideological* one, which affects workers' attitudes towards the trade unions. *Section Two* below deals with the former, while *Section Three* explores the latter.

1.3. Data and methodology

This research on the effects of type-of-contract segmentation on union involvement is primarily based on original usage of the Centre for Sociological Research (*Centro de Investigaciones Sociológicas*) Survey on Trade Union Activity (CSRSTUA), carried out in 1994 (N=6,000), and of the Spanish Survey on Class Structure, Class Consciousness and Class Biography (CSCCCB), carried out in 1991 (N=6,600) (see *Appendix B*).

This statistical analysis is complemented with qualitative information obtained from six focus groups carried out in 1997 with insider and outsider male, blue-collar workers employed in

the Autonomous Community of Madrid[8] (see *Chapter Five* for details on the focus groups). Relevant quotations from these groups are presented in this chapter in various boxes.

Qualitative information provides meaningful interpretations to the evidence obtained through statistical techniques. This information is particularly relevant when it comes to analysing the attitudinal-subjective effects of labour market precarity associated with fixed-term employment. Workers' own words suggest important hypotheses regarding the *subjective mechanisms* that link the experience of labour precarity to the process of subjective disaffection. These hypotheses regarding mechanisms can be further validated through statistical analysis. Hence, qualitative data is used here as a complementary tool to statistical modelling that helps us interpret the meaning of our statistical findings. Complementing quantitative evidence with qualitative information seems a particularly fruitful strategy given the complexity of the subject under investigation (see *Section Three* below).

2. Testing Sub-Hypothesis 1: Labour Market Precarity Diminishes Pro-Union Activity (irrespectively of subjective attitudes towards unions)

In order to test the hypothesis that the labour precarity associated with fixed-term contracts hinders pro-union activity, the effects of type of contract on union membership, union voting, and participation in strikes or stoppages in the firm have been

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[8] The reader will recall that the groups were the following: (*FG1*) Male manual workers on permanent contracts (ages between 30-55); (*FG2*) Male manual workers on fixed-term contracts (ages between 20-35); (*FG3*) Male long-term unemployed manual workers from permanent contracts (between 45-55); (*FG4*) male unemployed manual and lower intermediate workers from permanent and fixed-term contracts (30-45); (*FG5*) Male unemployed manual workers from fixed-term contracts (20-30); male unemployed manual workers from permanent and fixed-term contracts (*FG6*) (30-45).

Boxes in this chapter only quote some illustrative material.

analysed. The statistical source used for this analysis is a sub-sample of the employed workforce from the *Spanish Survey on Trade Union Activity* (CSRSTUA), conducted in 1994, to which logistic regression techniques have been applied. This sample includes 1,062 employed salaried workers, 570 of whom have fixed-term contracts. Before presenting the results of the analysis, a methodological note of caution is required.

2.1. Methodological caveats

The CSRSTUA constitutes one of the most recent surveys on union-related issues in Spain. It poses, however, a significant methodological problem for the analysis: the wording of both the question on voting in union elections and the question on industrial action is ambiguous, casting some doubt as to the reliability of these two indicators. To be precise, in the case of voting behaviour, respondents were asked to indicate the last year in which elections were held for union committees in their firms. Those who actually knew the date were then asked to say whether they had voted or not in these elections (and also which union they had voted for). This seems to be a standard set of questions for researching union elections in Spain. Probably the assumption that survey designers made was that if workers know the date of the last elections it is because they were employed in the firm at the time, so their reply to the second question can be taken as an indicator of whether or not they participated. It is possible (although perhaps unlikely), however, that workers know the date of the last elections held in their firms even if they were not employed in the firm at the time. If that is the case, the wording of the question could magnify abstention among fixed-term workers (who are by definition short-tenure workers). Since our models control for age (tenure as such is not measured in the survey), this problem should be attenuated but there is no guarantee that it has been fully eliminated. This casts some doubt on the reliability of the voting indicator. The problem is more serious in the case of

participation in strikes and stoppages in the firm, since the survey does not ask whether workers have taken part or not in convened strikes or stoppages, but whether they have *ever* participated in strikes or stoppages in their firms. It is obvious that this wording (which is also a standard in Spanish surveys) will tend to magnify contractual differences in participation rates that are in fact linked to workers' tenure and to differences in the incidence of industrial action by firm, rather than by type of contract per se. Again it is hoped that workers' age and industry-level variables in multivariate analysis take account of these factors. It is, however, impossible to be entirely sure that this is indeed the case. In short, the results of both the voting and industrial action models should therefore be interpreted with some caution, as they are based on the premise that our indicators are reliable when strictly speaking they are not fully so.

2.2. Fixed-term employment and trade union membership

Probably because collective agreements in Spain apply by law to unionised and non-unionised workers alike, and because unions have a weak presence and, therefore, rather limited recruitment capacity in most Spanish firms (which are small), the union membership rate is very low. According to the CSRSTUA, the affiliation rate in Spain is 15 per cent. If we distinguish by type of contract, though, we see that the membership rate for workers on permanent contracts is 19.2 per cent and that 80 per cent of all union members have a permanent contract, while the rate for fixed-term workers is only 8 per cent, and only 20 per cent of all union members are fixed-term workers. However, is this highly significant difference in fact attributable to type of contract or is it the consequence of other possible explanatory variables hidden in the bivariate comparison? In order to answer this question, a logistic regression analysis on the probability of being a union member in Spain has been carried out. The results of this analysis are presented in the first column of *Table 6.1* (see below).

In the regression model, firm-level factors, individual-level subjective factors, and individual-level 'objective' factors have been introduced as explanatory variables of union membership. With respect to firm-level factors, the model shows that both the size of the company (measured as number of workers) and the type of ownership (public or private) have an impact on the chances of being a union member. Working in the public sector and in large firms increase the chances of affiliation[9].

Membership also depends on ideological factors. The models distinguish between two such factors: general ideological maps and subjective identification with unions. As explained in *Chapter Five*, the ideological scale in these models seeks to capture general cognitive maps acquired through processes of political socialisation. In all the models in this section, ideology has been measured using a ten-point scale of left-right self-placement. Subjective identification with unions has been measured using a dichotomous indicator, computed from one of the questions in the CSRSTUA in which respondents were asked to name the union they sympathised with, or they considered to be closest to their own ideas. Among all the possibilities, workers were allowed to choose '*none*'. Workers who responded "*none*", did not know or did not answer the question are considered to be not subjectively identified with unions, whereas workers who responded to the question, regardless of the union they chose, are considered to be subjectively identified or involved. The indicator, therefore, constitutes a minimum and rather crude operationalisation of the concept of subjective involvement. Its main limitation, which is inevitable given the nature of the data, is that it does not reflect 'levels' or 'intensities' of subjective identification (I will return to this point in *Section Three*).

As expected, the model shows that the more left-wing a worker is, the more likely it is that s/he is a union member. Not surprisingly, the model also shows that the chances of being a

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[9] The model also controls for industry and autonomous community of residence, which are not presented in the table due the lack of space.

union member increase very sharply if the respondent is classified as subjectively involved with the trade unions (see *Table 6.1*).

Finally, the model shows that union membership also depends on individual-level 'objective' factors. In a previous model —not presented here— in which type of contract was not introduced, two of these factors were age and gender. The average age of union members in Spain is 41 years, and the proportion of women is 24.3 per cent. However, when controlling for type of contract, both the effect of age and the effect of gender disappear. Type of contract, together with class, are the individual-level 'objective' factors that really matter. Indeed, being a manual worker, rather than a service class professional, significantly increases the chances of becoming a union member. Crucially for the validation of our hypothesis, having a fixed-term contract also significantly reduces the chances of becoming a trade union member (see predicted probabilities in *Table 6.2* below). Thus, even after controlling for firm-level, ideological, and individual subjective and objective factors, having a fixed-term contract hinders union affiliation in Spain.

Box 6.1. *Union Membership and the Discipline Mechanism*

- You can't say anything now, not even.... and well, if you are in a big company, if they find out that maybe you're a member of a union or anything like that..., you're... that's it, you've blown it, you'll be out on your arse... (FG5).

-... But me, however hard I've tried to set up a works council in my company.... And they've said "look mate, you can do what you like but all of us here have got temporary contracts, and if you get a council going... we'll all vote for you, but if any of us are sacked, then there'll be trouble". Its obvious, isn't it? If I get the works council going and start stirring it up, all my mates, one after the other, when their contracts are up, are going to get the boot (HE CLICKS HIS FINGERS). Me, I am going to stay, but what good is it .... to have tried to get better conditions, if all my mates have been sacked, are on the dole? (FG2).

-I've seen workmates of mine given the sack for being members of

> **Comisiones Obreras.**
> **- Yes, yes.**
> **-Or of the UGT (FG4).**

Source: Extracts from original focus-group interviews carried out with fixed-term manual workers (FG2), with unemployed manual workers coming from fixed-term work (FG5) and with unemployed workers coming from both fixed-term and permanent work (FG4). Madrid (1997).

2.3. Fixed-term employment and union vote

However, in a context in which 85 per cent of the workforce is not unionised, the relevance of the analysis of the effects of type-of-contract segmentation on affiliation can be rightly questioned. In voter unionism of the type existing in Spain, it is voting behaviour rather than affiliation which matters (see: Martin Valverde 1991,24-25; Martinez Lucio 1993,500-501). According to the CSRSTUA, the percentage of workers who voted in the last union elections held in their workplaces was 76.8 per cent. This figure rose to 79.6 per cent in the case of workers on permanent contracts, but drops to 61.3 per cent among fixed-term workers. In other words, almost 40 per cent of fixed-term workers did not vote in the last union elections held in their firms. Again, logistic regression techniques have been used to investigate this figure further.

The second column of *Table 6.1* presents the results of a logistic regression model of the probability of voting in union elections. It can be seen that this time firm-level factors are not significant. Although firm-level factors are of fundamental importance in determining whether elections are held or not, once elections take place, such factors do not seem to affect voting behaviour. Therefore, only individual factors play a role in explaining the decision to vote or abstain in union elections.

These individual factors are age, class, ideology, subjective identification and type of contract. The older an individual is, the more leftwing he or she is, if he or she is identified with the unions, if he or she is a white-collar or a manual worker and, critically, if he or she has a permanent contract, the more likely it

is that s/he will vote in a union election when such elections take place.

Thus the model clearly shows that after controlling for other explanatory variables, including subjective identification with unions, having a fixed-term contract also reduces the chances of voting in trade union elections (interaction effects between the ideological variables and type of contract have been tested and rejected).

It should be noted that if the *discipline mechanism* hypothesised above was the only objective impediment to collective action resulting from having a fixed-term contract, we should not find significant type-of-contract effects on voting behaviour once ideological variables are controlled for. Unlike joining a union or participating in strikes or stoppages in the firm, voting does not seem to imply any risk of reprisals for workers. Yet the contract effect appears as clearly significant (see *Table 6.2* for predicted probabilities). This finding could be interpreted as a sign that fixed-term workers might consider their chances of remaining in the firm low, which surely acts as a disincentive to vote. *Uncertainty as to the returns* on voting thus seems to be the more plausible mechanism explaining the observed effects[10].

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[10] Both the methodological caveats regarding the dependent variable commented on above and the crudeness of our subjective identification indicator, suggest that these findings should be interpreted with some caution. More accurate indicators would probably reduce the type-of-contract effect. Yet I do not think that they would cause it to disappear. All other possible evaluative indicators relating to unions found in the CSRSTUA have been used as control variables in the voting model, yet the contract effect remains significant (results are not shown due to lack of space but are available on request). The possibility of disincentives not linked to the risk of reprisals (nor to subjective disaffection) was also explicitly referred to in the focus groups carried out with fixed-term workers. Quite expressively, one participant summed up the idea that insecurity means that is is not worth participating by resorting to a rather scatological Spanish saying (with no real English translation): "*Para lo que me queda en este convento, me cago dentro*" ("*given the little time left in here, I might as well shit inside the teat*") (FG2).

Table 6.1. Logistic Regressions on Different forms of Collective Action: Employed Population

MODELS Explanatory variables	PROBABILITY OF BEING A TRADE UNION MEMBER		PROBABILITY OF VOTING IN UNION ELECTIONS (IF HELD)		PROBABILITY OF TAKING PART IN AN ORGANISED STRIKE OR STOPPAGE	
	Odds Ratio	Sig.	Odds Ratio	Sig.	Odds Ratio	Sig.
Age	1.01	n.s.	1.05	***	1.01	n.s.
Female	.88	n.s.	1.37	n.s.	.60	****
Class →(Service)						
Intermediate	1.35	n.s.	3.10	***	.73	n.s.
Skilled Manual	2.89	****	3.25	**	.83	n.s.
Unskilled	2.62	****	2.14	* (.07)	.50	****
Public Sector	2.72	****	1.45	n.s.	1.89	****
Size of firm →(Less 50)						
From 50 to 500 workers	2.07	****	1.69	n.s.	1.30	n.s.
More than 500 workers	2.67	****	1.47	n.s.	1.65	***
Ideology (L-R scale)	.83	****	.80	**	.81	****
Union ID →(Disaffected)	5.04	****	2.25	***	2.06	****
Type of Contract →(PC)						
Fixed-Term	.56	***	.42	**	.73	**
Number of observations→	1214		368		1207	
LR Chi² →	(36)278.03		(34)40.45		(36)252.07	
Prob> Chi²→	0.0000		0.0010		0.0000	
Pseudo R²→	0.2277		0.1628		0.1507	
Log likelihood→	-471.51227		-167.51561		-710.47393	
Cut-off Point →	.2		.75		.5	
Sensitivity→	75.92%		68.79%		67.39%	
Specificity→	72.86%		65.12%		67.65%	
Correctly Classified→	73.48%		67.93%		67.52%	
Goodness of Fit Test						
Prob> Chi²→	0.4691		0.2198		0.2297	

[1]The model on union vote is derived from a previous model that did not pass the goodness of fit test. Analysis of residuals was undertaken and two problematic residuals of values smaller than –4 were detected and deleted. Once these two cases are deleted the model achieves a satisfactory fit. Deletion of these cases does not cause any significant changes in the parameters nor in the significance levels.

Note: All models are controlling for Industry and Autonomous Community of residence.

****significance ≤ 0.001 ***significance ≤ 0.01 **significance ≤ 0.05 *significance ≤ 0.10 (significance level in brackets). *Source:* CSRSTUA (1994). Sub-sample of employed population. (Calculated by the author)

2.4. Fixed-term employment and participation in strikes and stoppages in the workplace

The CSRSTUA includes a question on whether respondents have ever taken part in organised strikes or stoppages in their workplaces. Some 45 per cent of all active respondents report that they have participated in such forms of collective action. This rate increases to 53 per cent in the case of workers on permanent contracts, and decreases to 35 per cent in the case of fixed-term workers. Again, logistic regression techniques have been applied to further investigate this difference. The results of this logistic regression model are presented in the final column of *Table 6.1.*

The logistic model shows that the probability of having taken part in organised strikes or stoppages again depends on firm-level, ideological, and individual-level "objective" factors. With respect to firm-level factors, the size and the sector of activity of the firm seem to enhance the chances of participation in strikes and stoppages. Workers in the public sector are clearly more likely to declare that they have participated in strikes and stoppages in their workplaces than those employed in the private-sector. Equally, workers in large firms (more than 500 workers) are more likely to having taken part in strikes and stoppages in their firms than workers in medium and small firms. Ideological variables also play a key role in explaining why some individuals participate and others do not. The more leftwing an individual is, the more likely it is that s/he has taken part in organised strikes and stoppages in the workplace. Also, respondents who are identified with unions show higher levels of participation in industrial action than their disaffected counterparts. Finally, three individual objective factors also explain participation in organised collective action in the workplace: gender, class and, once again, type of contract. Indeed, the model shows that women, unskilled manual workers and workers on fixed-term contracts are significantly less likely to report participation in organised strikes or stoppages.

Since the model controls for firm-level factors (which might affect the incidence of strikes convoked at the workplace), age (which affects the chances of having been exposed to calls for industrial action) and ideological variables (which affect the chances of wanting to take part in strikes or stoppages), it could be concluded that the findings point in the direction of the *discipline costs* hypothesis. Since fixed-term workers are cheaply replaceable, personal involvement in any form of industrial action can easily be sanctioned through the termination of the contract or its non-renewal. This mechanism could explain why fixed-term workers, even those subjectively identified with unions, can be seen to be less likely to take part in strikes or stoppages (interaction effects between the ideological variables and type of contract have been tested and rejected). Of course, the discipline mechanism could co-exist with the disincentive one (i.e. uncertainty as to the returns), yet in this case the former seems more plausible than the latter. The methodological caveats commented on above also recommend treating this interpretation of the strike and stoppages model with caution. Qualitative data can however be weighted against methodological scepticism.

Focus groups with blue-collar workers clearly point in the direction of the *discipline cost hypothesis*. Fixed-term (blue-collar) workers interviewed in the focus groups openly recognised that they feared employers' reactions to their engagement in collective action (see *Box 6.2)*. The risk of employers' reprisals thus seems to act as an objective impediment that hinders fixed-term workers' involvement in union-related activities.

It is noticeable that insider workers generally understood fixed-term workers' fears, yet some insiders considered it to be a sign of weakness or of a lack of commitment to their (permanent) workmates. It is, therefore, possible that different involvement costs by type of contract could be a potential source of tension among insiders and outsiders in the firm (*see Box 6.3)*.

Box 6.2. *Strikes and Stoppages and the Discipline Mechanism*

- ...You go somewhere, do a job, and however much they're taking the piss, fucking you over, that the work is killing you... you just have to keep moo, because you can't close that door, you never know when you're going to have work, know what I mean? (FG2)

- And, what do you do?...
- Keep you mouth shut, otherwise...
    ...keep your mouth shut, because still.... still they say "You, get your things and out". (FG2)

- But the thing is, you don't take a stand! Take a stand and everybody will be out! (FG2)

- And they say to you: "you do this", and they want you to work doing that, not to come and say "according to the collective agreement, I have got to do so many hours, and make so much, because the law says...". When they come and say: "well, look at the smart arse... Out!". You've got to keep your mouth shut and, bang, get down to it. (FG5)

-(...) They give you the boot whenever they feel like it. You've been there three years and well, "now we are going to get rid of you because otherwise we have to make you permanent and all that .... we're going to lay you off", and they tell you without batting an eyelid...
-Yeh, that's right...
    ...And then you don't go on strike, because if there is a general strike one day and you join in, you're out on your arse... and they'll find a way of sacking you soon enough, or something like that... (FG5)

- That's exploitation. [TO WORK] that, fifteen hours, fourteen, sixteen, twelve, to take home just four, five thousand pesetas ... and you can't open your mouth (...), they say "look (BANGS THE TABLE) there are two hundred thousand more unemployed out there, do you want it? ... There's one hundred, three hundred waiting, as many as you like".
- That's it (FG5).

Source: Extracts from original focus-group interviews carried out with fixed-term manual workers (FG2) and with unemployed manual workers coming from fixed-term work (FG5). Madrid (1997).

Box 6.3. *Insiders' Views on the Discipline Mechanism*

> **-...Instead of having everything together....they split companies up... and they set them up like contracts. So, its divide and rule. Why? Because that is what we are saying: young people don't seem to give a shit. It is not just because we say "let's put the pressure on for the agreement, we're coming out for two hours, for example, to put the pressure on so that the company will finally fucking sit down and talk", something that the longer they can put it off the better, you know? Well a lot of young people say: "I haven't been here long, they could probably give me the boot". They're not going to do anything about you! Forget it because they're not going to take it out on you!... Because it is one thing to fight for an agreement, for whatever, but quite another to also fight for your job. They are not going to sack anybody for going on strike for two hours, or three hours...**
> **-No, not for that, no for that... but it has an effect....it has an effect.**
> **...to put on the pressure so that the company sits down to talk.**
> **-But scared, people are scared. (FG1)**

Source: Extracts from original focus-group interview carried out with manual workers on permanent contracts (FG1). Madrid (1997).

2.5. Class-type interactions and predicted probabilities in the models

In order to test whether the experience of temporary work has a differentiated impact on the analysed indicators by occupational class, interaction effects between type of contract and class have been tested for all the models presented in this section. Yet in none of the three models interactions were significant. Hence, the experience of temporary work seems to have the same type of consequences on the analysed indicators for workers in all occupational classes. The models presented in *Table 6.1* thus seem to be the best representation of the data drawn from the CSRSTUA. Using the logistic equations provided by these models, the different predicted probabilities by class and type of contract have been calculated for respondents with a moderate ideology (i.e. those placed between 4 and 6 in the left –right

scale) employed in the private sector in firms with fewer than 50 employees. The results of these calculations are shown in *Table 6.2.*

In short, all the regression models presented in *Table 6.1* tend to substantiate the thesis defended in this section. Having a fixed-term contract not only significantly reduces the chances of belonging to a union, it also seems to reduce the chances of voting in union elections or of taking part in organised strikes or workplace stoppages. As expected, the models suggest that a precarious work situation —even for workers sympathetic to the unions— hinders pro-union activity. The *discipline* costs and *uncertainty* regarding the returns on engagement in collective action could explain these findings. This interpretation also seems to be supported by qualitative evidence.

3. Testing Sub-Hypothesis 2: A Precarious Working Situation Diminishes Subjective Involvement with the Trade Unions. Qualitative Evidence

Do workers believe in the inclusive and solidaristic face of trade unions as expressed in union proposals and in the discourses which accompanied the successful one-day general strikes in 1988, 1992 and 1994? The main hypothesis defended in this section is that the answer to this question will largely depend on the labour market situation of the workers concerned. Labour market precarity could reduce subjective involvement in and of itself, eroding workers' sentiments of collective identity with respect to the unions, and generating instead the perception that unions do not represent the interests of outsiders. Workers in the flexible segment of the labour market would thus become increasingly frustrated at the existing trade unions.

3.1. Methodological approach

Testing attitudinal effects through survey techniques is generally problematic. Individuals' attitudes cannot be directly 'measured'. What (sometimes) can be measured are the effects of these attitudes on individuals' actual responses to particular survey questions. It is in this transition from *non-measurable* attitudes to *measurable* responses that potential measurement error is generated. The more complex the attitudinal phenomenon to analyse, the more likely it is that measurement error, intrinsic variation, and operationalisation problems will occur, and hence the less statistically powerful the models will be.

Subjective identification with the trade unions is indeed a difficult concept to operationalise. It seems, therefore, clear that, in order to test the hypothesis regarding subjective effects, we need more than the dichotomous indicator that appears in the CSRSTUA and which was used in the previous section as a control variable. In *Section Four* sub-hypothesis 2 is tested using interval indicators found in both the CSCCCB (1991) and the CSRSTUA (1994).

It should be noted, however, that significant effects on continuous indexes are also extremely difficult to interpret, since they tell us nothing about the subjective mechanisms involved in the process. In other words, the statistical approach appears to lack meaning: *what is the exact meaning of a significant difference in the average score of a ten-point scale of identification with the trade unions*? The translation of a complex attitudinal concept into an operational indicator raises criterion validity questions which cannot simply be solved through reliability tests. A statistically reliable indicator is not necessarily a valid one.

In an attempt to overcome these methodological limitations, this section draws on qualitative material obtained from original focus groups. The information provided by these groups proves to be extremely illuminating, and in some senses significantly more meaningful that the coefficients and significance levels of the statistical models. Yet qualitative material provides the benefits of

meaning at the cost of inference-indeterminacy: *are the discourses that can be distinguished in the focus groups representative of the Spanish workforce as a whole*?

In other words, there seems to be a methodological trade-off between representative but meaning-undetermined statistical evidence and meaningful but inference-undetermined qualitative information. The approach adopted here seeks to optimise this analysis by combining the benefits of both methodologies in the hope that the weaknesses of one can be compensated for by the strengths of the other. It can, therefore, be described as a qualitatively-informed quantitative approach.

This section summarises outsiders' views on trade unions as recorded in the focus groups. This (necessarily brief) summary provides an outline of the basic features of outsiders' estrangement from the unions. The main finding is that negative evaluations of the trade unions (which are completely dominant among interviewed outsiders) are articulated through a discourse that denounces the gap that separates the existing trade unions from a normative ideal. It is the *dissonance* that this gap provokes which seems to lie at the heart of outsiders' disaffection. This interpretation will be further tested statistically in the next section.

3.2. The heart of disaffection: a summary of qualitative evidence obtained from focus groups

As noted in the previous chapter, in designing the qualitative research into the attitudinal effects of labour market dualisation in Spain, it was decided that the focus groups should be as loosely conducted by the researcher as possible. Interviewed workers were, therefore, just asked to elaborate on a very general and not-too-well defined theme[11]. The aim was to let topics appear

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[11] Respondents in all the focus groups were asked to elaborate on the following question: "*Judging from your own experiences, how do you see the general situation in Spain nowadays?*".

endogenously (i.e. 'naturally') so that it would be possible to evaluate the importance workers themselves give to different issues. All the groups carried out with different categories of outsiders focused immediately on the problem of work and never abandoned it during the approximately hundred minutes that the group-interviews lasted. Views on the trade unions in these groups emerged endogenously. They were in all instances emotional and extremely negative. Outsider participants agreed on the idea that unions do not represent workers (see below). In sharp contrast, in the focus group carried out with insider workers, participants often moved away from work-related issues. In a number of occasions the focus group with insiders had to be directed towards the topics of interest to the researcher. Insiders' opinions on the trade unions were unemotional and varied (both positive and negative), and no consensus was reached around them.

3.2.1. Outsiders' views on the unions in their own words

A single discourse regarding the trade unions emerges from the five focus groups carried out with male blue-collar outsiders. This is a discourse of frustration. Outsider workers feel defenceless. There is a commonly shared view that the unions have abandoned outsiders' to the dictates of the labour market and the abuses of their employers. Unions are seen as no longer representing their interests (see *Box 6.4* and *Box 6.5*).

Box 6.4. *Defencelessness (I)*

-...**INTERVIEWER: These days, who defends the unemployed and the people with temporary contracts?**
- **Nobody.**
- **Nobody.**
- **Come off it! There's nobody.**
- **Nobody.**
- **Ha, ha (LAUGHS SARCASTICALLY)... Nobody, the unemployed, well, you're defended by your workmates or...workmates... and the people who are in the same situation as you... And they don't defend you because when...**
- **... Nobody!**
- **... No, no, don't get any silly ideas that anybody defends you. You defend yourself. You've got to try and look after yourself, your bread, and your means of survival.**
    ... That's for sure, mate.
    ... But [YOUR WORKMATES] they, they're in the same situation, but they're not going to fight for you, they're going to fight for themselves.
- **Of course.**
- **Of course.**
- **That's the job that the unions should do.**
- **Of course, but what you've got to do is fight for that temporary contract...**
- **Of course, that's it!**
 - **You fight for your job! ... so that you can carry on working ... For yourself! ....**
    ... But you're not going to fight, nor do anything because they rob the bloke next to you. If they rob the bloke next to you there is a chance that they won't rob you...
    ... That's it... What you're going to do is what you need to do for you ...
    ... So that your contract doesn't run out ....
    ... That's it. And if the other bloke doesn't see it, well...
    ... "look after yourself, do you hear me! It's your problem, and your life!" And nobody fights for...
- **Nobody (IN UNISON)**
    ... Nobody for nobody. Nobody. (FG4).

Source: Extracts from original group interviews carried out with unemployed manual workers coming both from fixed-term and permanent work (FG4). Madrid (1997).

***Box 6.5.** Defencelessness (II)*

- ... No one stands up for the workers. (FG2)

-The unions are not bothered about the workers, no chance ... and that's the end of it!
- That's the main problem! (FG2)

- Sure, but you just have to accept it because you don't get any kind of support.
   ... Sure
   ... Besides, you can't defend yourself! Think about it, what can I do? Who am I going to take my demands to?
   ... You're defenceless, to cap it all you're defenceless.
   ... Sure
   ... That's the last straw: the fact that we are completely defenceless. The union doesn't defend you and the employers just take the piss. And you can't afford to pay a lawyer...
   ... Who are you going to go and complain to, Camacho[1]**?   Can you imagine me going to complain to Camacho?!, eh?! (FG3)**

---

[1]Marcelino Camacho is one of the founders and former, historic leader of CCOO.
Source: Extracts from original group interviews carried out with fixed-term manual workers (FG2) and with unemployed manual workers coming from permanent contracts (FG3). Madrid (1997).

Three sub-sets of interrelated discourses as to what sort of interests unions therefore represent can then be distinguished. On the one hand, there is the view that unions are self-interested organisations seeking to maintain their own privileges (see *Box 6.6*). This view appeared in all groups and seemed to go rather uncontested. In two focus groups this discourse overlapped with the view that unions only defend the interest of insiders. In this case, unions as self-interested organisations and unions as insider organisation formed one single discourse as union members were seen as insiders themselves (see *Box 6.7*).

Box 6.6. *Unions Defend their own Interests*

-INTERVIEWER: Whose interests do unions defend?
- Their own interests.
- Their own interests.
- The workers' not at all.
   ...Not at all.
- And those of their families!
- "and company[1]" (SOMEONE LAUGHS) (FG2)

-INTERVIEWER: Whom do unions defend?
- .... Themselves!... Themselves! Themselves, so as not ... so as not to lose ground. That is the main thing for them. For them the main thing is not to lose ground! So, what happens, they make a deal with the company, they make a deal with the devil, just to hold on to what they've got! It's their jobs I am talking about!
- The union itself ... They've... they've got their salary and they defend their salary as well!.... Look, they always know something, but no, but when it comes down to it, they give in and do what the company tells them. That is, it's the company that's in charge here, because they've got their wages, and I bet they get more than someone else who does the same job, I bet they have more perks than them... I just bet you!
- With the difference, with the difference that... that in the event of ... in the event of a case of temporary closure, dismissal or of a crisis, or of a company closing down, it's like the captain of the ship, he is the last to leave the ship! The director or the manager of the company leaves, and only then the union reps!
-...And the reps leave last...
-That's what I'm saying! They just look after themselves!
-Of course they do! There's the proof! (FG3)

-INTERVIEWER: Whom do unions defend?
- Themselves.
- Themselves.
- Their plate of beans.... their plate of beans.
- Their reason for being, now, is to survive. How do they survive? Well, negotiating because if that comes to an end they would have to go and work like any another nobody in a company.
- Yes, and they wouldn't be anybody any more, and at any time they could be told: (HE CLICKS HIS FINGERS) "You're out!". (FG6)

[1] Originally in English. *Source:* Extracts from original group interviews carried out with fixed-term manual workers (FG2), with unemployed manual workers coming from permanent contracts

(FG3) and with unemployed manual workers coming both from fixed-term and permanent work (FG6). Madrid (1997).

***Box 6.7.** Unions Defend Insiders' Interests*

-... It is strange where I work, because we all made the same money (...) So, to stop any trouble, the works council itself, the workers' representatives, said that they were going to make a deal to lower the wages of the people with temporary contracts, those on contracts, while the permanent workers were going to keep all the rights that they originally had in the contract. That way, there would be no revolution or anything. So, the works council, instead of sticking up for the people on a contract, if you are a unionist you should support them like the others, what it goes and does... and what it goes and does is say "shit, if ... if those of us who are permanent are fine, we are not going to look for problems, and the contracted workers, who are going to be here four months, five months or so, well, we'll take all those people on a contract and take away their rights, just like that, straight up. (...) And of course, if a rep has any idea of what it means to be a unionist, or knows about it, all... all that wouldn't have been allowed to happen... (FG2)

-(...) The last people taken on in the Underground are the sons and daughters of the union reps, the mothers-in-law of reps. Every single one of them from the reps! The same goes on in Comisiones Obreras and UGT, the same as in the works councils. What is going on in my works council? Why don't those of us on temporary contracts have the same rights as the permanent workers? Why are their sister-in-laws, their daughters, their daughters-in-law, working here? And they've all got permanent contracts. And they "all my family are sorted out, and the four poor beggars working here on temporary contracts, well I don't give a shit, as long as I am all right!". But that means you are not a unionist! It depends on your consciousness. Unionism is utopian. (FG2)

-To begin with... to begin with, you can't go back to the past and the unions, nowadays, are almost... corporative for those with jobs, they stand up for the interests of the few people in work. (FG4)

- Look, it is normal that they defend people who are in work and not the unemployed (...) It's normal they are not bothered! I'd be pretty surprised if they were bothered about the unemployed! Think about it, why should they be? Because then, if they were bothered about the unemployed, well that goes against the workers, because, for God's sake, you have to work a little less and make a little less to give someone else a chance to work and make the same, and, look, then the union here would find that it would more or less be biting the hand of the dog that feeds it, wouldn't it? (FG4)

Source: Extracts from original group interviews carried out with fixed-term manual workers (FG2) and with unemployed manual workers coming from both fixed-term and permanent work (FG4). Madrid (1997).

Workers' view that unions only defend insiders suggests the existence of horizontal tension between fixed-term and permanently employed workers. Yet it is important to stress that this view of unions as insider organisations only appeared endogenously in two out of the five groups carried out with outsider workers (FG2 and FG4). Thus, although it is noticeable that when it appeared in the groups it went uncontested, the view of unions as insiders' organisations was not the *dominant* explanation for unions' abandonment of outsiders given in the focus groups. The CSRSTUA actually allows us to further validate this interpretation (see *Section Four* below).

The third set of views regarding unions' failure to represent outsiders' interests that emerges in the focus groups elaborates on the idea that the trade unions ultimately benefit employers. This view is also linked to the idea that unions are self-interested organisations. In order not to lose their privileges, unions are seen as willing to pact with employers (and with the government) behind workers' backs and against workers' interests. This discourse, which sees unions as the failing authorities and employers as the main offenders, seems to be much more widely shared than the one stressing the insider character of unions (see *Box 6.8*).

What begins to emerge clearly from the articulation of these different views is one single discourse, around which a consensus was reached by the groups. This discourse elaborates on the idea that unions have betrayed outsiders because they have broken the promise to defend workers against the abuses of employers and the down turns in the labour market (*see Box 6.9* and *Box 6.10*).

Box 6.8. *Unions Ultimately Benefit Employers*

-INTERVIEWER: Whose interests do unions defend?
-The employers' interests.... (FG2)

- But.., right, but in the long term we can see that unions do what the employers want. They never come to the worker ... to defend the workers, those of us who are here, with conditions like the ones we have, no one comes here! But .... they always end up siding with them.!...
-...That's what I'm saying, that they do what.... they do what they're told by Cuevas[1]! What Cuevas tells them! What Cuevas tells them, that's what they do! (FG3)

- I don't know anybody whose ever been defended by a union. Why? Because they're... held down by... whatever, by ...by finance. And now capitalism is..., under Franco capitalism was in control and capitalism is in control now and there is nothing else! And that's all there is to it! ... (...) As for the unions, you can see what they're up to now! They don't defend the workers, they don't defend the worker. The only thing they do is ruin it for the workers! (FG3)

-They're just for employers now.
-That's the trouble with the unions. (FG4)

-And, it's ridiculous, because I see that nowadays the unions are the closest allies of the employers' policies... The unions, almost, almost you tell an employer that you're in the union and he gives you less hassle. For an employer who has got any sense: "what?, you're in the union? Well, that's all right, mate, since we've been getting on bloody marvellous with the unions for... for fifteen years, for ten years we've been getting on fine with the unions".
-Yes, yes… The unions have been killed by money. (FG4)

- The unions are dead now.
-The unions in Spain, it's as if they didn't exist! Because the employers do exactly what they want! They do what they want in the way they want! (FG4)

-The representatives, rather than talking with management, have often run to the management and dropped their trousers. And that has [HAPPENED] generally in Spanish trade unionism.
- They're people who are corrupt. (FG6)

[1] José María Cuevas is the president of the CEOE (Spanish Confederation of Employers' Associations), the main Spanish employers' organisation. *Source*: Extracts from original group interviews carried out with fixed-term manual workers (FG2), with unemployed

manual workers coming from permanent contracts (FG3) and with unemployed manual workers coming from both fixed-term and permanent work (FG4, FG6). Madrid (1997).

Box 6.9. *Betrayed Workers (I)*

> **- They should never have allowed temporary jobs.**
> **- The unions should never have even thought about letting it happen!**
> **- The ETTs[(1)], how can they have allowed those ETTs? It's a disgrace! That! It all is! What I mean is I don't trust anybody, come off it.... (FG5)**
>
> **-And the money they make for doing nothing! And on top of that they've sold us up the river, because, people have left them with all the power and they have used it to look after themselves, not to, not to look after the rest of us.**
> **-The thing is they haven't got any ideology, the thing is that they are just out to defend privileges of one group, and they have forgotten about the rest of us. Here they are all the same, they've all done deals with the employers and they've all signed something which I think that none of us here today would have ever signed. I think no unemployed person, come off it, no one would have signed a reform which makes it free to sack someone and which doesn't guarantee that there will be permanent contracts, because, whatever they say, there is no guarantee that it is going to be like that.... (FG5)**
>
> **- And.... "Now for stable employment[(2)]". Stable employment! But those of us here, those of us here today haven't seen stable employment, not for years! What is all this about stable employment? So, the unions have no... no prestige or credibility! Look mate, they don't represent anybody. (FG5)**

[(1)]*ETTS, Empresas de Trabajo Temporal:* Private agencies for temporal employment legalised in 1994. [(2)]*"Ahora con el Empleo Estable"* was the slogan used by the unions in the 1997 May Day celebrations, which was used as a platform to present the 1997 labour market reform (see *Chapter Eight*). *Source*: Extracts from original group interviews carried out with unemployed manual workers coming from fixed-term work (FG5). Madrid (1997).

The existing unions "*do not work*" (FG2*) "are completely useless*" (FG6) or, as one worker put it, "*are dead now*" (FG4) because they are far from the normative ideal of an encompassing and solidaristic organisation involved in the defence of collective goals rather than particularistic ones. Such unions, it is argued,

would never have allowed the government to implement labour market reforms that only benefit employers. Nor would such unions have ever abandoned fixed-term and unemployed workers to their own devices. It is, therefore, in this contrast between the ideologically-inspired normative ideal of what a union *should be like* and the actual experience of unions *as they are like* (or perceived to be like) that subjective dissonance is generated. This dissonance seems to lie at the heart of subjective frustration with the trade unions (*see Box 6.9* and *Box 6.10*).

Box 6.10. *Betrayed Workers (II)*

> **-Them, who are supposed to be our representatives, the representatives of the workers (…) They've sold us right down the river. (FG5)**
>
> **-Look at what happened, for example, what happened with those garbage contracts[1]. What happened here, in Spain? Well, they took a poll, the PSOE, I think it was like that, wasn't it? They took a poll, they let it be known what they were going to do. The chicken-shit unions just kept their fucking mouths shut. Then there wasn't a single fucking demonstration, excuse my French, but it really pisses me off. There weren't any demonstrations, the unions kept quiet, they didn't appear in any of the media, and in the end they accepted it! (BANGS THE TABLE) (FG6)**
>
> **-What I mean is that the unions now, really, in my opinion they are useless, that is.. they are nothing. And you may disagree, but I...**
> **-No, nowadays, I swear that they're useless (FORMER UGT MILITANT). Anyway, it's a very particular situation. To be involved in a union is to work for the people and for workers...**
> **-It should be, it should be.**
> **....the thing is they have sucked up to such an extent that now they are nothing.**
> **-Nowadays, they are everything except unions, except unionists. (FG4)**

[1]*Contratos basura* is the colloquial name for fixed-term contracts.
Source: Extracts from original group interviews carried out with unemployed manual workers coming from fixed-term work (FG5) and with unemployed manual workers coming from both fixed-term and permanent work (FG4, FG6). Madrid (1997).

The discourse of betrayal points towards the existence of a *subjective mechanism of dissonance*. Outsiders' experiences in the flexible segment of the Spanish labour market could expose workers to a reality that contrasts with the normative ideal of trade unionism (i.e. the contrast between known union reps and expected unionists). The normative ideal of trade unionism, formed by historically inherited symbols and values transmitted through different processes of political socialisation, is constantly being used by the trade unions as a source of legitimisation. What the focus groups reveal, however, is that the existing unions are perceived as not conforming to that normative ideal. Unions "*haven't got any ideology*" (FG5). Therefore union attempts to legitimise themselves by drawing on the old banners of solidarity are likely to be received with disbelieve and could even augment outsiders' frustration with, and estrangement from, the trade unions.

Box 6.11. *Outsiders' conclusion*

> **- I think we've all reached agreement here.**
> **(PARTICIPANTS LAUGH)**
> **- That unions don't work in Spain! (FG2)**

Source: Extracts from original group interviews carried out with fixed-term manual workers (FG2). Madrid (1997).

In short, judging by the data provided by the focus groups, one should conclude that outsider workers do not believe in the solidaristic face displayed by the existing unions. Moreover, it is possible that trade unions' appeals to the normative symbols of unionism could augment outsiders' frustration at the existing trade unions as a result of a mechanism of *cognitive dissonance*. How representative are these discourses obtained from the focus groups?

4. Testing Sub-Hypothesis 2: A Precarious Working Situation Diminishes Subjective Involvement with the Trade Unions. Statistical Evidence from the CSCCCB and the CSRSTUA

One testable implication follows from this interpretation of the dissonance mechanism based on qualitative evidence: Dissonance should be greater for those workers socialised in the symbols of normative unionism and lower for those workers who have not been particularly exposed to or do not share such ideals. This testable hypothesis is one that predicts interaction effects between labour market experiences and pro-working class (or leftwing) views. In this section such a hypothesis is tested with statistical data provided by the CSCCCB survey (1991) and the CSRSTUA (1994). The accuracy of the interpretation that the view of unions as insiders' organisations could be one source of estrangement from the trade unions but probably not the dominant one among outsiders is also tested using CSRSTUA data.

4.1. Labour market situation and identification with trade unions using CSCCCB data

The *Spanish Survey on Class Structure, Class Consciousness, and Class Biography* (CSCCCB) asked respondents to place themselves on a 10-point scale according to their degree of identification with trade unions. The identification scale ranges from 0 ("nothing at all") to 10 ("very much"). In order to test the hypothesis that labour precarity reduces subjective identification with trade unions, two nested robust regressions on this scale have been fitted to the CSCCCB data. The results are shown in *Table 6.3*. The universe of reference of these models is the economically active Spanish population (N=3,341). Both models show that, after controlling for class, gender, age, subjective identification with political parties, and class consciousness, being an outsider in the Spanish labour market (i.e. being unemployed or employed on

fixed-term contract) significantly decreases the level of identification with the trade unions.

In the regression models presented in *Table 6.3* it has been considered that union identification depends on two structural variables –occupational class and labour market status—and two ideological variables –subjective identification with political parties and pro-worker attitudes (or class consciousness). Gender and age have also been introduced in the model mainly as control variables. Class has been coded according to the same condensed version of Goldthorpe's class schema used in the previous analyses. The labour-market-situation variable has been coded with 4 different values. If respondents are employed on permanent contracts, they are coded as value 0, which is the reference category in the model; if they are employed on fixed-term contracts, they are coded as value 1; if they are unemployed due to the termination of their fixed-term contracts, they are coded 2; and if they are unemployed due to the termination of (ex)-permanent contracts, they are assigned value 3. Therefore, value 0 corresponds to insiders in the Spanish labour market, and values 1, 2 and 3 correspond to different forms of being an outsider. The political identification scale is a one-to-ten scale of self-assessed degree of identification with political parties. In placing themselves in this scale, respondents do not have to reveal their party preferences, they only have to state how much they identify with *a* political party. The scale, thus, measures identification with parties as political institutions. It has been included in the model under the assumption that both identification with unions and identification with parties could form part of a general process of political involvement (see next chapter). Finally, the models also include Erik Olin Wright's index of class consciousness. Wright's index aggregates those items with the most direct class implications in a fairly simple 16-point interval scale[12] (see:

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[12] The index includes the following Likert-type questions:
  1. Corporations benefit owners at the expense of workers and consumers.
  2. During a strike, management should be prohibited by law from hiring workers to take the place of strikers.

Wright 1985,146-7,253). Wright's index shows a Cronbach's Alpha of .72[13].

Model A of the regression analysis shows that identification with unions is related to class, gender, age and ideological factors. Manual workers and men are more likely to show a greater identification with unions than service class professionals and women. Also, the younger the worker, the more s/he identifies with political parties, and the more pro-working class attitudes s/he holds, the higher his/her identification with unions will be. Finally, and crucially for the validation of our hypothesis, model A shows that being in the flexible segment of the Spanish labour market reduces identification with unions. Both employed fixed-term workers, unemployed workers coming from fixed-term employment, and unemployed workers coming from (ex)-permanent contracts, show lower identification with unions than

---

3. Workers on a strike are generally justified in physically preventing strikebreakers from entering the place of work.

4. Big corporations have considerable power in Spanish society today.

5. One of the main reasons for poverty is that the economy is based on private property and profit-seeking.

6. Given the chance, non-management employees at my workplace could run things efficiently without bosses.

7. It is possible for a modern society to run effectively without the profit motive.

An eighth item was also added:

8. Workers are on a strike over working conditions and wages. Which of the following outcomes would you like to occur: 1) workers win their most important demands; 2) workers win some of their demand and make some concessions; 3) workers win only a few of their demands and make major concessions; 4) workers go back to work without wining any of their demands.

Each of these items is coded +1, if the respondent took the working-class position, -1 if she took the pro-capitalist position, and 0 if she said that she did not know or did not answer or, in the case of item 8, if they preferred outcome 2 to occur. The result index is a scale that ranges from –8 (maximally pro-capitalist) to +8 (maximally pro-worker).

[13] It is difficult to establish a standard for judging values of Alpha. However, values below .70 are usually considered insufficient. Wright's scale, therefore, shows modest although sufficient reliability (see, for example: Nunnally and Berstein 1994,265; Stata Corp. 1999,22).

their permanently employed counterparts. Of the three outsider categories, it is unemployed workers coming from fixed-term employment that show the lowest levels of identification with trade unions.

Model A, therefore, provides empirical support for our hypothesis that labour precarity has subjective consequences for the levels of identification with Spanish trade unions. Yet it does not tell us very much about the actual functioning of these subjective processes of estrangement from the trade unions. The preliminary findings based on qualitative analysis encourage us to go further in the statistical modelling and test the prediction regarding the dissonance mechanism. Multivariate analysis can still be further exploited as a tool to test for this mechanism on a representative sample. Model B in *Table 6.3* has been tested with this goal in mind.

4.1.1. Interaction effects: testing the dissonance hypothesis using CSCCCB data

It should be noted that model A assumes that the impact of labour market position on the identification scale is the same for workers holding pro-working-class attitudes and for those who do not hold such views. However, according to the dissonance hypothesis, one should expect that ideological aspects in fact mediate the attitudinal effects of labour market experiences. If an outsider worker holds pro-working-class views, she should experience much greater disappointment with the existing unions precisely because these unions are likely to be compared to the exigent benchmark of the class-conscious normative ideal. The higher the expectations harboured, the greater the disillusion with the existing unions should be. The dissonance mechanism could, in this sense, also be described as an *expectation-disillusion* mechanism. Model B tests this hypothesis by looking at the interaction effects between E. O. Wright's index of class consciousness and our labour market position variable. The

findings suggest that this type of mechanism might indeed be operating among both employed and unemployed fixed-term workers, yet apparently it does not seem to be present in the case of the unemployed coming from permanent contracts.

4.1.1.1. Interpreting the interaction effect tested by model B

The interaction effect tested by model B is represented by three different terms*:* the *effect of class consciousness for insiders*, the *interaction effect* between labour market situation and class consciousness and the *effect of labour market situation* (for a particular value of class-consciousness). The statistical interpretation of these terms depends on the way the variables involved are coded.

In model B, the *effect of class consciousness for insiders* should be interpreted as the effect that increasing one unit of class consciousness in the E. O. Wright index has on the reference labour market category (i.e. employed workers on permanent contracts). As model B shows, the effect is positive and significant, which means that the more class-conscious insiders are, the more identified with the unions they will tend to be.

The interaction effect between labour market situation and working-class consciousness tells us how different the impact of class consciousness on the dependent variable is for the different categories of outsiders when compared to insiders. A negative coefficient with an absolute value of *n* in one particular labour market category should therefore be interpreted as an indication that, for that category, class consciousness has an impact that is *n* units (in the consciousness index) lower than for insiders. Hence the exact coefficient of the class-consciousness effect for that particular labour market category would be the result of subtracting *n* to the coefficient of the *effect of class consciousness for insiders*. Model B suggests that the impact of working-class consciousness on union identification is significantly lower in the case of employed fixed-term workers, and even more so in the

case of unemployed workers coming from fixed-term work. The coefficient of class consciousness for fixed-term workers is .08 (.15-.07=.08), and for unemployed workers coming from fixed-term employment .04 (.15-.11=.04). This suggests that class consciousness counts significantly less for these two categories of outsiders than what it does for insiders. Model B does not find any differential impact of class consciousness on union identification for unemployed workers coming from permanent contracts (I return to this point below).

In model B, the *effect of labour market situation* is represented by the coefficients and significance levels of the three labour market position variables. Each of these variables should be interpreted as the effect on the dependent variable (union identification) of being in that particular outsider position instead of being an insider, which is the reference category, when Wright's index has a value of 0. In order to better understand the data, Wright's index has been re-coded in three different forms. In the first coding of the index, 0 has been assigned to the lowest value of the scale; in the second version 0 corresponds to the medium value, and, finally, in the third version of the scale, 0 corresponds to the highest value of class consciousness. By using these three different versions of the scale it is possible to understand the precise meaning of this effect. In *Table 6.3*, the main effect of model B is, therefore, presented in three different forms, according to which coding of the Wright scale is used. The first presentation is obtained using the first version, that is placing 0 at the lowest value of the class consciousness scale. Each term of the main effect should therefore be interpreted as the result of being in that particular labour market position (compared to being an insider) when class consciousness is at its lowest value. In other words, the first presentation of model B shows the effects of labour market precarity for workers with the lowest scores in the class consciousness scale. Notice that model B finds no significant labour market effects on union identification for workers who do not hold pro-working class views. This is consistent with the

dissonance hypothesis (no pro-working-class consciousness→no normative ideal→no dissonance→no effect).

Table 6.3. Robust Regressions on Index of Identification with the Trade Unions

MODELS		*MODEL A*		*MODEL B*	
Explanatory Variables		Coeff.	Sig.	Coeff.	Sig.|
Constant		1.38	n.s.	1.35	1.35
Class →(Ref.Service)	Intermediate	-.05	***	-.07	n.s.
	Skilled Manual	.36	* (.10)	.35	**
	Unskilled	.24	**	.23	* (.11)
Female		-.06	**	-.06	**
Age		-.01	****	-.01	**
Identification with parties (10-point scale)		.60	****	.60	****
Working Class Consciousness(10-point scale)		.13	****		
Labour Market Situation =>(Permanent)					
Fixed-Term employed		-.57	****		
Unemployed (from Fixed-Term)		-.91	****		
Unemployed (from permanent)		-.56	***		
Interaction Class Consciousness*Labour Market Situation					
Effect of class consciousness for workers on permanent contracts (insiders)				.15	****
Interaction effect (Effect of class consciousness compared to the effect for insiders)					
Class Consciousness*Fixed-Term employed				-.07	**
Class Consciousness*Unemployed (from Fixed-Term)				-.11	**
Class Consciousness*Unemployed (from Permanent)				.01	n.s.
Effect of Labour Market Situation at lowest levels of class consciousness →(Reference Permanent)					
Fixed-Term employed				.14	n.s.
Unemployed (from Fixed-Term)				.21	n.s.
Unemployed (from Permanent)				-.68	n.s.
Effect of Labour Market Situation at medium levels of class consciousness →(Reference Permanent)					
Fixed-Term employed				-.41	***
Unemployed (from Fixed-Term)				-.64	***
Unemployed (from Permanent)				-.60	**
Effect of Labour Market Situation at highest levels of class consciousness →(Reference Permanent)					
Fixed-Term employed				-.96	****
Unemployed (from Fixed-Term)				-1.49	****
Unemployed (from Permanent)				-.51	n.s.
Number of observations→		2367		2367	
R² →		0.4152		0.4173	
Adjusted R² →		0.4127		0.4141	
Root SME→		2.26411		2.26151	

**** Significance ≤ 0.001 *** Significance ≤ 0.01 ** Significance ≤ 0.05 * Approx. 0.10 (Significance level in brackets). *Source*: CSCBBC (1991). (Calculated by the author)

A second presentation of the effect of labour market situation in model B, which is shown in the row below, uses the codification of Wright's index where the 0 has been placed at the centre of the scale. Therefore, it tells us about the effects of being in the three different outsider positions for workers with medium levels of class consciousness. We see that the effects are now negative and significant in the three categories of outsiders analysed.

Finally, the last row of *Table 6.3* presents the coefficients and significant levels of the labour market effect for workers with the highest levels of class consciousness. Notice that, as predicted by the dissonance hypothesis, it is at the highest levels of class consciousness that we observe the greatest differences between insiders and fixed-term and unemployed workers coming from fixed-term work (i.e. the vast majority of outsiders). Differences are, however, not statistically significant in the case of unemployed workers coming from permanent employment.

These interactions could be interpreted as the result of the *dissonance mechanism* hypothesised above. Labour market precarity could provoke greater disaffection with trade unions precisely among those workers holding strong pro-working-class views, because, for these workers, the distance between the *normative ideal* of what unions *should be like* and the perceptions of, and experiences with, unions as they *actually are* could generate ideological frustration, thereby reducing identification with the trade unions. This phenomenon could explain why the mean average score in the union identification scale drops for the first two categories of class-conscious outsiders, thus explaining the differences in their slopes observed in model B.

The data also seem to suggest that *dissonance* mechanisms might only take place among outsiders that have experienced fixed-term work –which are the vast majority of outsiders– but not among unemployed workers coming from permanent employment. These findings seem to be at odds with the qualitative data. Focus groups showed that the anti-union discourse was also clearly dominant among the unemployed coming from permanent

contracts. This apparent contradiction could perhaps have a methodological explanation since there is an obvious risk of over-interpreting the statistical finding. Lack of significant interaction effects in the case of unemployed workers coming from (ex-)permanent employment in model B could simply be due to the fact that we have very few cases in this category, which makes it extremely difficult to detect interactions[14] (notice that the sign of the coefficient of the interaction effect for the unemployed coming from permanent contracts points in the hypothesised direction).

In any event, both the main effect and the interaction effect models discussed above give empirical support to our hypothesis that labour market precarity reduces subjective identification with the trade unions. While the former model (model A) is more parsimonious, the latter (model B) allows us to identify one possible subjective mechanism of estrangement from the unions, which is consistent with (as it has been inspired by) qualitative analysis. Model B, therefore, is able to provide a more complex causal narrative.

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[14] Of the 3,341 respondents classified in the labour market position variable, only 147 (4 per cent) correspond to unemployed (ex-)permanent workers. Given the loss of cases that occurs in regression analysis, the actual number of respondents belonging to this particular labour market category in my models is most probably much smaller, which could make it rather unlikely that interaction effects will be found in this group.

If, despite this methodological note, we chose to take the statistical finding seriously, we would have to conclude that the ideological connection between pro-working-class views and union identification is significantly stronger in the case of outsiders who face unemployment after having experienced long-term stable employment. Such an interpretation is, in principle, also plausible. Outsiders coming from permanent contracts could have experienced a rather different face of trade unionism than those coming from fixed-term work. If this was the case, the contrast between the normative ideals contained in their pro-working-class views and their own experience of unions might perhaps not provoke such an intense ideological dissonance as in the case of those outsiders who have always been in the flexible segment of the Spanish labour market. Qualitative evidence, however, makes me more inclined to accept the methodological interpretation. Yet there is insufficient evidence to reject the substantive one.

The bulk of this argument on the attitudinal effects of labour market dualisation, therefore, finds empirical support in the statistical evidence provided by CSCCCB. We can however still go a little bit further as the CSRSTUA includes some indicators that allow us to test whether the view of unions as insider organisation is a generalised source of estrangement among fixed-term workers.

4.2. Exploring the evaluation that insiders and outsiders make of unions' role in the defence of outsiders using CSRSTUA data

As noted above, the qualitative evidence suggests that one of the sources of fixed-term workers' estrangement from trade unions could be the view that unions *only* defend the interests of workers on permanent contracts (see *Box 6.7*). According to this view, there would be a causal relationship between outsiders' defenceless and insiders' protection. Instead of defending all workers and, in particular, those who need protection the most, unions would be betraying the normative ideal of trade unionism by defending the privileged core of insiders. Notice that this type of discourse seems to suggest a conscious perception of (horizontal) interest antagonism between fixed-term and permanent workers. It is therefore particularly important to further analyse the extent to which this view is shared by Spanish workers.

The interpretation of qualitative evidence defended in the previous section was that the view that fixed-term workers are defenceless *because* unions only represent insiders is not the *dominant* one among outsiders. Can this provisional conclusion based on qualitative data be further validated with statistical techniques?

The CSRSTUA (1994) included a set of Likert-type questions in which respondents were asked to evaluate the extent to which unions defend different categories of workers. The set includes unemployed workers, fixed-term workers, workers on permanent

contracts, workers earning high wages and workers earning low wages. The first step in the statistical analysis consists of exploring the internal structure of the responses to this set of questions in order to identify the existence of underlying dimensions. Principal component factor analysis was applied to the set and, as expected, two dimensions appeared: one comprising the evaluation of unions' defence of fixed-term workers, low-wage workers and unemployed workers; and a second factor relating to unions' defence of permanent and high-wage workers. These two factors can be labelled as the evaluation of unions' defence of outsiders and evaluation of unions' defence of insiders (see *Table 6.4*).

This finding is interesting in itself, as it suggests that responses on the components of each of the identified factors tend to go together. Respondents seem to differentiate between the role of unions in defending outsiders from their role in defending insiders.

Supported by factorial validity, two scales have been constructed. The first one is the result of aggregating the three highest loading items of the factor of evaluation of unions' defence of outsiders in a thirteen-point interval scale. The scale shows a Cronbach's Alpha of 0.85. The second scale is a nine-interval scale that aggregates the two highest loading items of the factor of evaluation of unions' defence of insiders. It shows a Cronbach's Alpha of 0.71. This latter scale has been coded in three different versions. In the first one, 0 is the lowest value; in the second coding 0 is at centre and in the last one 0 is the highest value. This will allow us to interpret the results of interaction effects following the same procedure used in model B in *Table 6.3* (since the same procedure is applied, I will not comment on the figures shown in *Table 6.5* in detail but focus directly on the substantive findings).

Table 6.5 shows the results of fitting three nested models on the evaluation of unions' defence of outsiders to the CSRSTUA sub-sample of the employed workforce used in *Section One*. Model A and model B test different hypotheses regarding the relationship between the evaluation of unions' representation of insiders and the evaluation of unions' representation of outsiders. Model C tests the dissonance hypothesis. Let us consider the results of the statistical modelling.

Note that model A tests the hypothesis that permanent and fixed-term contracts differ in their respective evaluation of unions' defence of outsiders, but assumes that this difference is unrelated to respondents' evaluations of unions' defence of insiders. Model A suggests that the evaluation of unions' defence of outsiders depends on class. Intermediate, skilled manual and unskilled manual workers give a lower score to unions in their defence of outsiders than the score given by professionals[15]. Model A also suggests that the evaluation of unions' support for outsiders depends on respondents' ideological maps. In the three models that appear in *Table 6.5*, the standard ideological scale has been re-coded in order to turn it into a ten-point interval right-left (instead of left-right) scale. To simplify, this can be called a radicalism scale. Model A suggests that radicalism improves the evaluation of unions as defenders of outsiders' interests (i.e. the more leftwing, the better the evaluation of unions as defenders of outsiders). Model A also suggests that the variable that accounts for most variance in the model is the evaluation of unions' defence of insiders. The better this evaluation, the better the evaluation of unions' defence of outsiders. Finally, model A tests the hypothesis that, all else remaining constant, having a fixed-term contract lowers the score given to unions' defence of outsiders. Model A

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[15] This is interesting since, as *Table 6.3* showed, CSCCCB data suggested that identification with unions was higher among manual workers, whereas CSRSTUA data suggest that evaluations of unions' defence of outsiders are lower. These need not be incompatible findings if we assume that each scale measures a different dimension.

seems to find evidence in favour of such a hypothesis only at a 91 per cent level of confidence.

Table 6.5. Robust Regressions on the Evaluation of the Extent to Which Unions Defend Fixed-Term and Unemployed Workers: Employed Population

MODELS Explanatory Variables		*MODEL A* Coeff. Sig.		*MODEL B* Coeff. Sig.		*MODEL C* Coeff. Sig.	
Constant		1.51		note		note	
Age		-.01	n.s	-.01	n.s	-.01	n.s
Female		-.25	n.s.	-.24	n.s.	-.25	n.s.
Class →(Ref.Service)	Intermediate	-.67	***	-.69	***	-.65	***
	Skilled Manual	-.63	***	-.64	***	-.64	***
	Unskilled	-.75	**	-.76	****	-.74	****
Radicalism (10-point Right–Left scale)		.09	**	-.10	**		
Evaluation of unions' defence of insiders (U.D.I.)		.62	****				
Fixed-Term Contract (Ref.→Permanent)		-.29	*(.09)				
Interaction Evaluation of U.D.I*Type of Contract							
Effect of Evaluation of U.D.I. for Insiders				.67	****	.67	****
Difference in the effect of Evaluation of U.D.I for FT Workers				-.16	**	-.16	**
Effect of FT contract at Lowest Levels of Evaluation of U.D.I.				.30	n.s.		
Effect of FT contract at Medium Levels of Evaluation of U.D.I.				-.34	**	Dropped	
Effect of FT contract at Highest Levels of Evaluation of U.D.I.				-.98	***		
Interaction Ideology*Type of Contract							
Effect of Radicalism (ideology) for Permanent Workers						.17	***
Difference in the effect of Radicalism for Fixed-Term Workers						-.22	**
Effect of having a Fixed-Term contract when Ideology is Leftwing						-1.7	****
Effect of having a Fixed-Term contract when Ideology is Centre						-.80	**
Effect of Fixed-Term contract when Ideology is Rightwing						.31	n.s.
Number of observations→		1513		1513		1513	
R^2 →		0.1970		0.1999		0.2030	
Root SME→		3.0129		3.0085		3.0037	

Note: Values of the constant parameter depend on the coding of the variables. Since the table shows the results of using different coding of the ideological variables in the interaction terms, a single value of the constant parameter cannot be shown in the interaction models.

**** Significance ≤ 0.001 *** Significance ≤ 0.01 ** Significance ≤ 0.05 * ≤ 0.10 (Significance level in brackets).
Source: CSRSTUA (1994). Sub-sample of employed population. (Calculated by the author)

The hypothesis tested by model A, therefore, assumes that the impact of the evaluation of unions' support for insiders on the evaluation of unions' support for outsiders is the same for fixed-term and for permanent workers. This is not compatible with the hypothesis suggested by the qualitative evidence. If fixed-term workers perceive unions are insider organisations we should find an interaction effect between type of contract and evaluations of unions' defence of insiders. Model B tests for such an interaction.

The results provided by model B are particularly interesting. They confirm that, for insiders, the evaluation of unions' defence of their own interests and unions' defence of outsiders' interests are strongly correlated. The more insiders think unions represent them, the more they think unions represent outsiders. Note that if the discourse found in the focus groups linking unions' betrayal of outsiders to unions' defence of insiders was the dominant view among Spanish fixed-term workers, we should expect to find that the relationship between the evaluation of unions' defence of insiders and the evaluation of unions' defence of outsiders is negative for fixed-term workers. Yet model B finds no evidence of such a negative relationship. What model B shows instead is that for fixed-term workers, the evaluation of unions' defence of insiders is still positively correlated with the evaluation of unions' defence of outsiders (i.e. their own interests) although such a positive relationship is significantly less strong than for permanent workers.

This finding can be appreciated better through graphical representation. *Figure 6.1* shows graphically three possible causal relationships between the evaluation of unions' representation of insiders' interests and the evaluation of unions' representation of outsiders. The first model is the graphical representation of the hypotheses tested by model A. We could label this hypothesis the *harmonic-difference hypothesis*: Fixed-term workers give a lower score to unions in the defence of outsiders' interests (i.e. their interests) but they link unions' defence of outsiders to unions' defence of insiders just as permanent workers do. In other words, model A suggests that the observed differences in fixed-term

workers' evaluations of unions' support of outsiders are not causally linked to their evaluation of unions' support for insiders, but to other unspecified mechanisms. Since model B provides a better explanation of the data structure than model A, we can conclude that the *harmonic-difference* hypothesis is rejected by the CSRSTUA data.

The second model in *Figure 6.1* represents the relationship to be expected if all Spanish workers shared the view that the more unions defend insiders the less they defend outsiders (see *Box 6.7)*. This view can be labelled as *antagonistic-difference*. Notice that the antagonistic hypothesis reflects the perception of a zero-sum game in the representational possibilities of the trade unions, thereby implying the existence of irreconcilable horizontal interests between insiders and outsiders: fixed-term workers would think they will be less represented by unions the more unions defend insiders. Model B finds no evidence of the *antagonistic* view among Spanish workers as a whole. What model B shows instead could be labelled as *non-harmonic (yet non-antagonistic) difference*. Such a relationship is shown in the last model of *Figure 6.1*. According to this model, which is the one supported by CSRSTUA data, both permanent and fixed-term workers link positively the evaluation of unions' defence of insiders to the evaluation of unions' defence of outsiders. Yet the *intensity* of this connection between both types of evaluation would be significantly weaker for fixed-term workers. In that sense, it could be said that fixed-term workers distinguish more between the two dimensions of the evaluation of unions' representational performance (i.e. their defence of insiders and defence of outsiders).

A different way of looking at the observed relationship confirmed by model B is to note that differences in the evaluation of unions' defence of outsiders by type of contract increase the more respondents think unions defend insiders. Model B suggests that there are no significant differences by type of contract among respondents who think unions do not represent insiders. Yet differences are significant among respondents who think unions

moderately represent insiders and greatest among workers who think unions perform very well in representing insiders.

In short the data structure found by model B seems compatible with a situation in which the antagonistic view exists but is not the dominant component of the negative evaluation of unions' representation of outsiders' interests. Model B thus seems consistent with the interpretation of qualitative data provided in *Section Three*. It suggests that the view of unions as insiders' organisations might be an attitudinal component of frustration with the trade unions but does not seem to be the dominant source of it.

4.3. Testing dissonance mechanisms in the CSRSTUA

One last test can help us further validate our findings regarding the *dissonance mechanism* hypothesis. The final model shown in *Table 6.5* (model C) again tests the dissonance mechanism using CSRSTUA data. Since the CSRSTUA does not allow us to construct an index of pro-working-class views of the type used in the CSCCCB survey, this time workers' ideology has been used instead. Therefore, the dissonance hypothesis can now be expressed as follows: if the dissonance mechanism is at work, we should expect to find a greater effect of labour market position on the evaluation of unions' defence of outsiders the more radical (i.e. leftwing) workers are, on the assumption that the normative ideal of trade unionism will be more strongly inculcated among those respondents exposed to leftwing political ideas. Model C tests this hypothesis by adding an interaction term between type of contract and ideology to model B. The results are fully consistent with the dissonance mechanism hypothesis. Whereas for permanent workers there is a significant and positive relationship between radicalism and the evaluation of unions' defence of outsiders (β coefficient=.17); for fixed-term workers this relationship is not only significantly weaker but negative (β coefficient= (.17-.22)=-.05). The more radical fixed-term workers

are, the more negative their evaluation of unions' defence of their interests seems to be. As a result of this interaction effect, model C finds no observable differences in the evaluation of unions' representation of outsiders by type of contract among rightwing workers. Yet differences appear as we move towards the left in the scale, so that the highest differences by type of contract are found among the more radical respondents. In short, model C, which provides a better explanation of the structure of the data than model B, also points, and even more strongly so than the interaction model using CSCCCB data, towards the dissonance mechanism suggested by the qualitative analysis.

5. Summary

Analysis of the data obtained from original focus groups carried out with male blue-collar workers and of the CSRTUA and the CSCCCB surveys allows us to conclude that labour market dualisation has had clear effects on trade union involvement. First, it has been shown how a precarious working situation reduces the participation of the worker in union-related activities. Fixed-term workers affiliate, vote in union elections, and participate in strikes and workplace stoppages significantly less than their permanently employed counterparts. And this happens even after controlling for occupational category, industry, sector of activity of the firm, gender, ideology and subjective identification with the trade unions. A precarious working situation, therefore, acts as an 'objective' factor impeding collective action among workers. Two different mechanisms have been proposed to explain these findings: higher *discipline costs* (i.e. the costs of employers' reprisals) and higher *uncertainty as to the returns* on collective action. These mechanisms seem to hinder fixed-term workers' participation in union-related activities independently of their subjective identification with the trade unions.

Secondly, the data presented in this chapter also tend to confirm the validity of the hypothesis that labour precarity reduces

subjective identification with trade unions. Fixed-term and unemployed workers, given their precarious situation in the labour market, are likely to develop the feeling that unions do not represent their interests and, hence, a weaker identification with unions. The qualitative evidence on this point seems unequivocal: Spanish outsiders are frustrated at the existing organisations. Rather than defending the interests of all, the existing unions are perceived as self-interested organisations willing to give in to employers' interests in order not to lose their own institutional position. Outsiders feel betrayed by the trade unions. Qualitative evidence suggests that it is the contrast between the normative ideal of unionism and the existing unions that seems to provoke outsiders' frustration. This is what has been called the *dissonance mechanism*. Qualitative evidence also suggests that some outsiders see the unions as insiders' representatives that do not care about outsiders' interests. This view assumes a zero-sum game in the representational possibilities of the trade unions (i.e. unions disregard outsiders *because* they defend insiders) implying the perception of irreconcilable interests between insiders and outsiders. Yet this antagonistic view was quite minoritarian in the groups, which suggested that it was probably not the dominant view among Spanish outsiders as a whole.

Quantitative evidence drawn from both the CSCCCB survey (1991) and the CSRSTUA (1994) gives support to this interpretation of the qualitative material. Statistical modelling of both surveys shows significant differences in union identification and in the evaluation of unions' representation of outsiders' interests among insiders and outsiders. Moreover, interaction models also suggest that the dissonance mechanism could indeed be at work. The process of union estrangement is particularly acute among workers holding pro-working-class or leftwing views. Similarly, statistical analysis suggests that fixed-term workers tend to dissociate more between unions' role as insiders' representatives and their role in the defence of outsiders than workers on permanent contracts do. Yet, as expected, there is no evidence that the antagonistic view of unions as insider

organisations is the dominant source of frustration at the unions. It seems that being disregarded by the trade unions provokes the feeling among outsiders that unions have broken the promise of defending workers as a whole. Outsiders' frustration seems 'sociotropic'.

In short, on the basis of the data presented here, it can be argued that the process of type-of-contract segmentation has had empirically verifiable repercussions on levels of involvement with the unions. The strength of trade unionism with low affiliation, as in Spain, is based on its capacity to mobilise workers —that is, on its capacity to present itself to workers as the legitimate representatives of their interests. As such, the erosion of the workers' involvement with the unions represents a debilitating trend of the utmost significance. If a growing segment of the Spanish workforce is no longer mobilised by the unions, either because it cannot be, or because it no longer feels, represented, then the unions will have lost an important source of their power. This in turn could further reinforce the insider character of Spanish trade unionism.

CHAPTER SEVEN

THE POLITICAL CONSEQUENCES OF TYPE-OF-CONTRACT SEGMENTATION IN SPAIN: POLITICAL DISCONTENT AND ITS ELECTORAL IMPACT IN THE 1996 GENERAL ELECTIONS

This chapter defends two interrelated theses. The first is that the experience of labour market precarity in the flexible segment of the Spanish labour market can have attitudinal consequences. Labour market precarity can exacerbate critical attitudes towards the economic system, it can augment the desire for socio-political change and it can also trigger or reinforce political disaffection. These attitudinal responses can be seen as different –although not necessarily alternative— manifestations of *political discontent.* The second thesis defended in this chapter is that political discontent can have electoral consequences. In particular, this chapter argues that political discontent can favour *punishment voting* against the incumbent party. In the 1996 general elections, political discontent could have made outsiders who were potential Socialist Party voters (*Partido Socialista Obrero Español, PSOE*) willing to punish the government either by voting for the United Left (*Izquierda Unida, IU*) or by voting for the Popular Party (*Partido Popular, PP*). Both types of punishment could have contributed to the first victory in the history of contemporary

Spanish democracy of the conservative PP[1]. The causal chain defended in this chapter is thus as follows:

Labour Market Precarity → *Political Discontent* → *Punishment Vote*
(Labour Market Experiences)   (Attitudinal Consequences)   (Electoral Consequences)

By focusing on the analysis of *punishment voting* against the incumbent party this chapter does not intend to suggest that this is the *only* possible electoral effect of outsiders' political discontent. In fact, it seems reasonable to assume that political discontent could also have favoured electoral abstention among outsiders via an increase in political disaffection[2] (see: Polavieja 2000). Yet testing the hypothesis that political discontent favours abstention with a sufficient level of confidence would require larger samples than those currently available. Nor it is being suggested here that labour market precarity did not have electoral consequences prior to the 1996 elections. It is mainly data availability that determines the focus on the 1996 elections as data on vote intention that includes both information on type of contract, indicators of political discontent and sufficient cases to test the punishment hypothesis have only been found in the 1995 *Spanish Centre for Sociological Research Survey on Political Culture*, which is described below.

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This chapter is divided into three sections. *Section One* presents the basic hypotheses, discusses the methodology and elaborates on the general argument of the chapter. *Section Two* investigates the first link in the causal chain outlined above by drawing primarily on statistical data provided by the *Spanish Survey on Class Structure, Class Consciousness and Class*

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[1] The PP victory has been interpreted as the inauguration of a new political cycle (González 1996; González and Garrido 1999).

[2] See, for example: Schlozman and Verba (1979); Lewin (1991); Paugam (1998); Polavieja (2000).

Biography (CSCCCB) carried out in 1991 (N=6,600) and on the *Spanish Centre for Sociological Research Survey on Political Culture* (CSRSPC), carried out in April 1995 (N=4,000) (see *Appendix B*). Finally, *Section Three* explores the final link in the causal chain by testing the hypothesis that labour precarity in the flexible segment of the Spanish labour market favoured punishment voting against the Socialist Party in the 1996 general elections. Two types of punishment voting are tested: 1) *intra-bloc punishment* (i.e. punishing the Socialists by voting for the United Left) and 2) *inter-bloc punishment* (i.e. punishing the Socialists by voting for the conservative Popular Party). These punishment hypotheses are tested using CSRSPC data[3].

Data provided by the CSRSPC are particularly interesting since, at the time the survey was carried out, the Socialist Party, which had been in power for thirteen years after winning four consecutive elections (1982, 1986, 1989 and 1993), was eleven months away from electoral defeat at the hands of the conservative PP. The chapter ends with a discussion of the main findings.

1. The Political Consequences of Type-of-Contract Segmentation: Hypotheses and Methodology

There are two *classical* hypotheses on the political consequences of employment instability. The first of these hypotheses suggests that labour market insecurity (unemployment in particular) might favour political *radicalisation*, eroding the legitimacy of the economic system and favouring critical views of the social and political order. According to this view, labour insecurity would make individuals more willing to support radical

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[3] The CSR survey on Political Culture included 1,060 wage earners and 409 unemployed with previous job experience. Of the employed wage earners, 778 were employed on permanent contracts and 413 were employed on fixed-term contracts. 282 of the unemployed respondents were unemployed as a result of the termination of their fixed-term contracts, while 127 held permanent contracts in their last job.

measures for socio-political change and more prone to identify with anti-capitalist political ideologies[4]. In its strongest version, the radicalisation hypothesis predicts a connection between labour insecurity and political mobilisation, as it is expected that radicalised citizens will be more likely to mobilise politically and to resort to unconventional means of protest. This connection between radicalised attitudes and political mobilisation seems to be a particularly weak point in the radicalisation hypothesis. For while it seems reasonable to expect that those experiencing labour insecurity might develop critical attitudes regarding the economic system, it is less convincing that they should turn their attitudinal 'radicalisation' into action. To expect individual-level attitudinal radicalisation to lead to political mobilisation is to ignore the complexities of the collective action phenomena and, in particular, the crucial role played by political movements and parties themselves (see: Goldthorpe and Marshall 1996,101-2). In *Chapter Six*, for instance, it has been shown that discontent with their labour market situation does not make outsiders more likely to engage in industrial action. Quite to the contrary, outsiders seem less likely to take part in trade union activities and more likely to feel estranged from, and frustrated with, the trade unions.

A second problem with the radicalisation hypothesis is that the connection between labour insecurity, discontent with the economic situation and anti-capitalist attitudes is often seen in a rather unproblematic and mechanical fashion. Labour insecurity might produce political discontent and affect normative evaluations but this does not necessarily have to imply a radical transformation of individuals' political views. Such an expectation would in fact be inconsistent with the theoretical model presented in *Chapter Five*. According to this model, individuals are ideologically embedded actors. Their ideological maps are more

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[4] The radicalisation hypothesis was the view defended for instance by Kornhouser (1960), Leggett (1964) or Giddens (1973) (for more recent formulations see: Banks and Ullah 1987,209-13; de Witte 1992a; Banks 1990; de Witte 1992b; Offe 1986; López-Aranguren 1988; Golding and Middleton 1982; Gallie and Vogler 1994, 299; Gallie 1988b;1993; Paugam 1998).

enduring and unchangeable than what the radicalisation hypothesis seems to imply. In other words, it is very possible that increasing discontent with their personal economic situation makes outsiders critical of the general economic and political situation of the country without necessarily developing a 'radical' consciousness. The 'radicalisation' impact of insecurity might actually be much more modest than what seems to be assumed in the classical radicalisation arguments.

In contrast to the radicalisation model, the second *classical* hypothesis in the literature emphasises that the main effect of labour market insecurity is political *disaffection*. According to this second view, experiences of labour market insecurity would increase distrust of, and estrangement from, the political system, which would be viewed as largely insensitive to (or incapable of meeting) the needs of the unemployed or the insecurely employed. In this case the outcome would be political indifference, fatalism, apathy, cynicism and quiescence[5].

It should be noted that if we accept the strongest version of the radicalisation argument, the political disaffection hypothesis must necessarily be seen as an alternative hypothesis. Yet if we disregard the collective mobilisation argument implicit in the radicalisation hypothesis and take only its expectations regarding attitudes, and if we accept that the radicalisation impact of insecurity might actually have a much more limited scope than is often assumed, then both attitudinal radicalisation and political disaffection can be seen as perfectly complementary subjective responses to labour market precarity. In other words, it seems reasonable to expect that the experiences in the flexible segment of the Spanish labour market could produce discontent with the economic system (as predicted by the radicalisation hypothesis) and, *at the same time*, favour political distrust, cynicism and fatalism (as predicted by the disaffection hypothesis).

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[5] See, for example: Johoda, Lazarsfeld and Zeizel (1972); Schlozman and Verba (1979); Marshall et al. (1988); Gaskell and Smith (1981,190); Feather (1982); Gallie (1993); Paugam (1998).

1.1. Radicalisation, disaffection and frustration as forms of political discontent

In *Section Two* the radicalisation and the disaffection hypotheses are explored. These hypotheses are seen as two possible attitudinal responses to the experience of precarity in the flexible segment of the Spanish labour market. In other words, they are seen as two distinctive forms of *political discontent*. Yet these different responses do not necessarily have to be alternative responses. Some outsiders could become radicalised without necessarily becoming disaffected, others could become disaffected but not radicalised, and yet others could become radicalised and disaffected *at the same time.* The latter attitudinal response could be termed as *political frustration*[6]. Preliminary analysis of qualitative material provided by original focus groups carried out with manual workers in different labour market positions (see details in *Chapter Five*) actually suggests that political frustration could actually be the most common political response to labour market precarity[7]. *Section Two* explores the effects of type-of-

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[6] The concept of political frustration used here thus resembles the attitudinal response found by Marshall et al. (1988) when analysing the political attitudes of the British unemployed: "*Most of the unemployed consider the social and economic order unjust and do indeed disapprove of this. But as I have also shown, they are at the same time aware that they live in a society structured by class inequalities and that the existing political system is largely insensitive to the consequences that flow from this, so that not much has changed over the years. There is a resignation or cynicism –some might call it realism— evident in the responses of our interviewees (...) I suspect... that the experience of trade union indifference, state welfare bureaucracy, and political ineptitude on both sides of the party divide has provided the painful lesson that they might expect to fend for themselves.*" (1988,223-4).

[7] Focus groups suggest that the experience of being involved in open employment relationships in the flexible segment of the Spanish labour market could generate critical attitudes with respect to employers and the economic system, as well as the view that radical political reforms are required in order to improve the situation. Focus groups also suggest that all these radical attitudes seem to evolve into political fatalism and estrangement. Interviewed outsiders feel largely defenceless, and there is a sense of division and atomisation. The

contract segmentation on political attitudes by looking at different indicators of economic legitimacy, attitudes regarding socio-political change and political disaffection.

1.2. The punishment vote hypothesis

Discontent with their labour market experiences could make outsiders situated *within* the *natural* ideological sphere of influence of the incumbent party (its *potential voters*) nevertheless likely to blame it for its labour market policies and hence more willing to give their support to the opposition[8].

view that no one is defending outsiders' interests at the industrial level (see previous chapter) seems to be accompanied by the view that outsiders' demands are also disregarded at the political level. Interviewed outsiders seem extremely sceptical as to the idea that party politics can solve their problems. There seems to be a general consensus around the view that "*there is no politics in Spain*" (FG2) as all parties are "*the same dogs with different collars*" (FG3). In short, the main form of political response to labour market precarity as expressed in the focus groups seems to be *political frustration* as defined above.

[8] This hypothesis is derived directly from the ideological mediation model presented in *Chapter Five*. In accordance with this model, it is assumed that individual economic experiences are always filtered by, and interpreted through, ideological maps, so that the same economic experiences (i.e. interests) can have very different political interpretations and hence different electoral consequences depending on voters' ideology. Ideological maps are taken as given in the model, as they are assumed to be generated in processes of political socialisation. Following Lancaster and Lewis-Beck (1986), ideology is viewed here as a "*long-term left-right psychological attachment which orients Spanish voters to the field of parties, enabling them to simplify otherwise very complex vote choices*" (1986,660). It is also assumed that ideological identification in the left-right scale captures a different dimension to vote intention and hence that it "*has a psychological life of its own*" (Lancaster and Lewis-Beck 1986,661).

On political socialisation see e.g.: Converse (1964;1969); Inglehart and Klingemann (1976); Maravall (1978); Klingemann (1979); Percheron and Jennings (1981); Percheron and Muxel (1993); Hinich and Munger (1994).

On the importance of the ideological dimension in Spanish electoral behaviour see e.g.: Lancaster and Lewis-Beck (1986); Gunther et al. (1986); Gunther (1991); Sani and Montero (1986); Gunther and Montero (1994); Justel (1992).

Note that this definition of punishment voting stresses the idea that *only* potential voters (i.e. leftwing and/or ex-socialist voters) have the capacity to punish the incumbent party by voting for the opposition. Punishment voting cannot reasonably be expected to occur in the case of respondents situated outside the ideological sphere of influence of the incumbent party. Non-potential voters will be likely to vote for a party other than the Socialists *irrespective of their labour market experiences*. Only if potentially Socialist outsiders vote for the opposition will we be able to interpret such behaviour as reflecting the intention of punishing the incumbent party for its labour market policies[9].

1.2.1. Intra-bloc and inter-bloc punishment vote

Discontented voters wishing to punish the Socialist Party in the 1996 general elections had two possible alternatives (at the national level). On the one hand, they could vote for the United Left, the leftwing coalition dominated by the Spanish Communist Party (*Partido Comunista de España*, PCE), which has always competed with the Socialists for the leftwing electorate. Voting for IU might then be interpreted as the less costly alternative in ideological terms for discontented leftwing voters. Discontented voters could also decide to punish the Socialist Party in 1996 by

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[9] To put it in the terms of the voting literature, the punishment effect hypothesis predicts that *retrospective economic* mechanisms (of an *egocentric* nature) activated by the experience of labour market precarity counteract the effects of *ideological* or *loyalty* considerations so that the final vote is a vote *against* what would otherwise be seen as a more ideologically coherent political option. Punishment voting cannot reasonably be expected to occur in the case of respondents situated outside the ideological sphere of influence of the incumbent party since, for these voters, economic voting and ideological voting will be conceptually and empirically indistinguishable (see: Polavieja 2000,47-51).

On retrospective economic voting see, e.g.: Key (1966); Kramer (1971); Fiorina (1981); Kiewet and Rivers (1985); Lewis-Beck (1988); Shaffer and Chressantis (1991); Lanoue (1994); Monardi (1994); Svoda (1995); Maravall and Przeworski (1998). See also: Downs (1957).

voting for the conservative Popular Party. This would indeed seem to be a more costly option in ideological terms, since it implies voting for a party which is in a different ideological bloc; however, it is also a more '*punishing*' vote as the PP was always the only viable alternative to the PSOE. We can call the former type of punishment *intra-bloc* punishment, as it implies voting within the same ideological bloc, and the latter type *inter-bloc* punishment, in that implies voting for a party situated in a different ideological camp.

In short, the punishment effect hypothesis predicts that in the general elections of 1996, political discontent might have made potential Socialist voters in the flexible segment of the Spanish labour market willing to *punish* the Socialists Party for its labour market policies either by voting for the United Left (*intra-bloc* punishment) or by voting for the conservative Popular Party (*inter-bloc* punishment)[10]. The former option seems less costly in ideological terms than the latter.

1.2.2. What triggers punishment voting?

An important question in this chapter concerns the extent to which economic deprivation is the main mechanism behind the expected electoral effects of type-of-contract segmentation. Recently, authors such as Boix (1996,241-6), Maravall (1997,95-8) and Maravall and Fraile (1998,25-6;2000) have argued that the electoral consequences of unemployment in Spain might have

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[10] Despite the fact that there is still little empirical evidence at the individual level on the attitudinal effects of labour market insecurity in Spain, recent analyses of the political effects of unemployment seem to suggest that unemployed voters might have indeed been less likely to vote for the Socialist Party than employed voters of the same characteristics (see: González 1998; González Álvarez 1998; Maravall and Fraile 1998;2000) (see *Chapter One*). These findings, although not totally conclusive, encourage us to test the punishment effect hypothesis.

been 'limited'[11] because, despite the high levels of unemployment, household income and welfare benefits mitigated its impact (see *Chapter One*). It is thus implicit in their argument that economic deprivation is the main trigger of political effects: when the unemployed are economically protected, political effects are mitigated. It is, however, perfectly possible that the experience of labour market precarity might be a source of personal distress that has political consequences, even if outsiders are protected by alternative sources of income.

1.3. On the methodology

Quotations from the focus groups illustrating outsiders' *political discontent* will be presented in different boxes in this chapter. Yet it should be emphasised that in contrast to the previous chapter, this research into the political consequences of type-of-contract segmentation in Spain is almost entirely supported by statistical evidence. In this chapter, quotations only serve illustrative purposes. This is partly a matter of narrative efficiency. But it also reflects the suspicion that the problem of inference-indeterminacy discussed in the previous chapter could be greater in the case of political effects. Radicalisation, disaffection and political frustration are likely to be greater among manual outsiders, and hence their views could be unreliable as a representation of Spanish outsiders as a whole. Fortunately, there are sufficient indicators in the analysed surveys to overcome this inference-indeterminacy problem without having to pay the price of excessive meaning-indeterminacy. The quantitative data, therefore, seem able to provide sufficiently reliable evidence on the political effects of labour market segmentation.

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[11] It is debatable whether one should accept the counter-factual argument that electoral consequences have been 'limited'. What are these 'limited' experiences compared to?

2. Effects of Type-of-Contract Segmentation on Political Attitudes. Testing the Political Discontent Hypotheses

In our previous discussion of political discontent, three different dimensions have been pointed out: 1) discontent with, and criticism of, the economic system; 2) support for socio-political change; and 3) disaffection with the political system. The type of indicators that could help us measure these different dimensions are typical of two rather distinct disciplines. Concern with indicators that reflect respondents' views of the economic system tends to form part of sociological research, particularly research on class structure and class consciousness. Sociological surveys aiming to investigate these issues rarely include the kind of indicators with which political scientists investigate political culture issues. As a result, at least in the Spanish case, not one survey includes sufficient indicators of all the three dimensions in which we are interested. This is a significant limitation that forces us to develop the argument drawing on data from two different surveys: the CSCCCB survey and the CSRSPC survey. The former makes it possible to test the extent to which labour precarity actually enhances attitudes critical of the economic system, whilst the latter allows us to test whether precarity favours attitudes pro socio-political change and whether it provokes or intensifies political estrangement.

2.1. Type-of-contract segmentation and critical attitudes towards the economic system in the CSCCCB survey

The CSCCCB includes different indicators with which to measure attitudes towards the economic system. Using such indicators, a scale that measures the degree to which respondents are critical of the economic system has been constructed[12]. This

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[12] The index aggregates the following Likert-type questions:

index can be interpreted as a measure of the degree of *legitimacy* that the economic system has among respondents (higher scores in the index mean lower legitimacy). The legitimacy index is supported by factorial validity and shows a Cronbach's Alpha of .78. It has 21 intervals, ranging from –10 (maximum legitimacy of the economic system) to +10 (maximum criticism of the economic system).

Both factor analysis and reliability tests show that the economic legitimacy index measures a dimension that is different from a pro-capitalist/anti-capitalist scale included in the CSCCCB survey (tests available on request). The anti-capitalist scale is a self-positioning scale that ranges from 0 (maximum pro-capitalist position) to 10 (maximum anti-capitalist position[13]). It is difficult to provide an explanation as to why the economic legitimacy index and the pro-capitalist/anti-capitalist scale should be measuring different dimensions, apart from the obvious observation that the latter uses a much more ideologically-charged and explicit term. In any event, and in order to reinforce the argument, the hypothesis that being in the flexible segment of the Spanish labour market enhances critical attitudes towards the economic system has been tested using both indicators as

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1. One of the main reasons for poverty is that the economy is based on private property and profit seeking.
2. Corporations benefit owners at the expense of workers and consumers.
3. Today big corporations have considerable power in Spanish society.
4. Most employers only care about making as much money as they can at the expense of workers.
5. Currently in Spain there are many people who earn much less than they deserve.

Each of these items is coded +2 or +1 (depending on the intensity), if the respondent took the critical position, -2 or -1 if she took the non-critical position, and 0 if she said that she did not know or did not answer. The resulting index is a scale that ranges from -10 (maximally non-critical) to +10 (critical).

[13] Actually, in the original coding of the scale, 0 corresponded to the maximum anti-capitalist position and 10 to the maximum pro-capitalist one. I have reversed the scale for presentational reasons.

dependent variables[14]. The results of this analysis are given in *Table 7.1*.

Table 7.1 shows the results of fitting different linear regression models to both the constructed index of critical attitudes towards the economic system and the anti-capitalist scale. In both cases two different models have been fitted. The first model (model A) controls for age, gender, class and labour market situation. The second model adds ideological maps (measured on the usual ten-point left-right scale) to the equations[15]. Both the anti/pro-capitalist scale and the index of attitudes towards the economic system measure different dimensions to those captured by the left-right ideological scale. The correlation coefficient between the ideological scale and the index of attitudes towards the economic system is .23 and the correlation between ideology and the anti/pro-capitalist scale is .33 (further tests available on request). This justifies the introduction of ideological maps as an independent control variable in the B models. It also has theoretical implications which are discussed below.

Note that A models show that critical attitudes of the economic system depend on class, being stronger in the manual classes (irrespective of the dependent variable used). Note also that, in the case of the economic-legitimacy index, model A shows no effects of age or gender, whilst, in the anti-capitalist scale, women seem more anti-capitalist than men. Note, crucially, that labour market position seems to have a very significant impact on both scales. Fixed-term workers, unemployed workers coming from fixed-term work and unemployed workers coming from (ex)-permanent

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[14] The radicalisation hypothesis has also been tested on the scale developed by Erik Olin Wright that was used in the previous chapter. Results are also identical (available on request). They are, however, not shown in the text as there is a considerable degree of overlapping between Wright's scale and mine.

[15] In the models where the pro-capitalist scale was used as dependent variable, analysis of residuals showed heteroscedasticity problems. Hence I fitted heteroscedasticity-robust regressions, which are shown in the table, yet it should be reported that OLS and robust-regression models show no significant differences.

contracts all seem to harbour significantly more critical views as measured in the economic legitimacy index. Also, fixed-term and unemployed workers coming from fixed-term contracts are more anti-capitalist than their permanently employed counterparts[16] (differences are not significant in this case in the category of unemployed workers previously holding permanent contracts). B models show that ideological maps are, not surprisingly, associated with the dependent variables. Yet introducing ideology in the models does not alter the effect of labour market position. Interaction effects between ideology and labour market position have been tested and rejected in both B models (tests available on request). This suggests that the effects of being an outsider on the dependent variables are in fact independent of ideological maps. Radicalisation of attitudes as a result of labour market precarity seems to occur with similar intensity among leftwing and rightwing individuals. These findings, together with the factor analysis and correlation tests between ideology and the radicalisation measures, suggest that "radicalisation" does not seem to imply a profound ideological transformation. The data, therefore, seem to suggest that the experiences in the flexible segment of the Spanish labour market could augment normative discontent with the economic system, but these effects should not be taken as an indication of the awakening of radical consciousness.

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[16] Note that the index of critical attitudes towards the economic system is particularly prone to provoke a so-called acquiescence bias since all the Likert-type questions used for its computation are framed in an anti-capitalist "direction". In order to control for the possible impact of this type of bias, further models introducing respondents' education have been tested. Introducing education in the OLS regressions does not, however, alter the results in any significant manner. Nor does introducing respondents' education in the models fitted for the second anti-capitalism scale (results available on request).

Box 7.1. *Labour Market Precarity and Normative Evaluations of the Economic System (I)*

- Eat, you've got to eat and live, you've got to live, because if not you might as well top yourself, but that doesn't mean I'm going to accept it as if it was fair, as if it was manna from heaven, and that there is nothing you can do about it. It's not like that, not that... I might take a job for 60,000 pesetas to keep going, but I won't like it or accept it! (FG4)

- Then, they exploited you. They exploit you a lot. No, I think, it's a wage that you've got to survive on, what they give you, because there aren't many other options, but for me this was abusive: plenty of exploitation. (FG5)

- That's the blackmail that you get.... you get in companies. Me, the longer I've been in the company, there've been fewer people doing more work.... No, no, the economy isn't getting worse now.
- Sure, but the employers aren't going to change that, that is, they're raking it in. (FG2)

- Here we tend to go back a bit to the last century. The iron curtain has fallen, communism, which was what had the West worried, then they gave workers rights and all that out of fear, eh!, a communist revolution, now all that's over, and now they want to go back to what it was like before. That is, they want to have people like this (AS IF STRANGLING SOMEONE). It's like that! That's what they want! (FG4)

- They say there is no money to set up factories, but there's money to pay, say, eight billion for a football player. Do me a favour! It's a complete contradiction! Eight billion pesetas! How many jobs could you create for eight billion pesetas?! (FG4)

- The thing about jobs ... about whether to take a job or not take it, with the shitty jobs that there are and the types of contract and all that... it's like buying a stolen cassette: if you buy a stolen car cassette, what are you doing? If you don't buy it, someone else will. But the thing is, if you buy it you're encouraging the thieving, because if nobody bought it.... So, what's the problem? That you buy the cassette, that someone else buys it, or that they're robbing cassettes? (FG2)

Source: Fixed-term and unemployed manual workers. Extracts from original group interviews carried out with fixed-term manual workers (FG2), with unemployed manual workers coming from fixed-term work (FG5) and with unemployed manual workers coming from fixed-term and permanent contracts (FG4). Madrid (1997).

Box 7.2. *Labour Market Precarity and Normative Evaluations of the Economic System (II)*

- **Agencies for Temporary Employment, that's the biggest Mafia ever.. the biggest Mafia, you can't call it anything else... I mean, these people get paid 100,000 for your work and you get 70,000. That's armed robbery, isn't it?! And all that goes on with everyone's consent: employers, banks, the government... Capital runs the place... Sure it does, I mean, it is not as if they were separated, I mean it's very hard to differentiate capital, employers and the government now, right? Because electoral campaigns are paid by banks, insurance companies, made by banks... big corporations, there are assets of the banks there and of insurance companies and of the government... That is, at the end everything is the same. It is capital. (FG5)**

- **Hipercor[1] has got five hundred people working for it now, I don't know exactly, but let's say five hundred or maybe I'm exaggerating. Five hundred people working there. They've destroyed jobs by the thousand! Now, you tell me what's good about that. You tell me! Maybe it's just that five hundred people, some of who've got contracts by the hour, by the hour!, hour eh!, is better than a permanent job in the shoe shop on the corner! (FG4)**

- **Then you read in the papers what companies are making and its a fortune! To top it all, to top it all, they've got the cheek to go and print it! They've got the nerve to put it in the papers ...No? And you say, of course, cheap labour, and the government just goes and allows it.... allows them to give contracts for three, six months, well, I've seen contracts by the hour, and that really is bad! ... (FG3)**

[1]*Hipercor* is a large supermarket chain that belongs to *El Corte Inglés*, one of the biggest Spanish companies. *Source*: Extracts from original group interviews carried out with unemployed manual workers coming from permanent contracts (FG3), with unemployed manual workers coming from fixed-term work (FG5) and with unemployed manual workers coming from fixed-term and permanent contracts (FG4). Madrid (1997).

It should also be noticed that our models present very low R^2s, which of course means that the proportion of unexplained variance is notable. It is possible, therefore, that variables not included in the models could actually be doing the explanatory work, and hence that the labour market effects are in fact spurious. A crucial

question is, therefore, whether it is possible to think of other explanatory factors hiding behind the significant effects captured by the labour market situation variable. Yet it is not easy to imagine any such excluded variables that, once included in the models, could significantly alter the results regarding the effect of labour market position on the dependent variable[17]. In the absence of any plausible excluded mechanism doing the explanatory work, the data can be interpreted as significant. Low R^2s could simply be reflecting intrinsic variation or limitations in the operationalisation of the analysed concepts.

Box 7.3. *Labour Market Precarity and Radicalism*

- No... I ask myself what... what are we doing?
- What are we doing?
 ... Yes ...
- And that's a good question.
 ...Well, in theoretical terms, what would you do?
- A revolution is the only thing you can do. (FG5)

Source: Extract from original group interview carried out with unemployed manual workers coming from fixed-term work (FG5). Madrid (1997).

In short, and with these caveats in mind, it can be concluded that the models presented in *Table 7.1* seem to give support to our expectation that labour market experiences in the flexible segment of the Spanish labour market can favour the appearance or intensification of critical views of the economic system. This, however, should not be interpreted as the emergence of "radical"

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[17] Class background, for instance, seems an obvious relevant variable not available in the models. Yet there is no reason to expect that introducing class backgrounds could change the effects of labour market position. The models already control for class and *Chapter Two* has shown the very generalised character of fixed-term employment in Spain so that the observed effects can hardly be seen as actually reflecting different class backgrounds.

consciousness. What we find seems to be somewhat more modest. Perhaps, instead of radicalisation, it would be more accurate to speak of discontent with the economic system. That outsiders of all ideologies become significantly more discontent with the economic system than insiders of similar characteristics should actually come as no surprise, since workers in the flexible segment of the Spanish labour market undeniably pay the price of being exposed to 'open' employment relationships. Insecurity, uncertainty regarding the future, and the pressures and costs of competing in the flexible segment of the labour market can by themselves explain the observed effects (see *Box 7.1 and Box 7.2*). These findings are consistent with the hypothesis that type-of-contract segmentation intensifies vertical antagonism between employers and outsiders (see *Chapter Five*) and also with our discussion of the discipline effect of temporary employment (see *Chapter Six*).

2.2. Type-of-contract segmentation and attitudes regarding socio-political change in the CSRSPC

The 1995 CSR survey on *Political Culture* allows us to test the extent to which labour market experiences in the flexible segment of the Spanish labour market provoke or intensify attitudes in favour of socio-political change. Exploring this possibility seems reasonable as we can expect that outsiders' political discontent could take a "sociotropic" form[18]. In other words, we could expect that outsiders blame the government for the (perceived) general social situation of the country and consequently develop attitudes in favour of socio-political change. The CSRSPC includes a question in which respondents are asked to reveal their opinions regarding the necessary level of

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[18] Sociotropic discontent is what we found when analysing attitudes towards the trade unions. It is also what emerges clearly from qualitative analysis of the focus groups.

transformation that Spanish society requires. The following four possible answers are offered: 1 *"Society is all right as it is"*; 2, *"Society can improve with minor changes"*, 3 *"Society needs profound reform"*; and 4 *"Society must be radically changed"*.

Despite the fact that the wording of this question does not make any explicit reference to political change, validity analysis of the data suggest that this indicator is actually capturing such a political dimension. Responses to the ordinal Likert-type item have been correlated with various attitudinal questions of the CSR survey. Responses on the item show the highest correlations precisely with those indicators that imply an evaluation of the political situation. The highest correlation is actually found with retrospective evaluations of the socialist governments (-.39). Lower evaluations of the governments are correlated with attitudes favourable to profound "social" change. The second highest correlation is found with evaluations of the current political situation (-0.34). Again, lower evaluations of the political situation correlate with desire for "social" change. These results suggest, therefore, that respondents actually adopt a political interpretation of the survey question so that the Likert-type item can be safely assumed to capture different levels of desire for socio-*political* change (with the emphasis placed actually on the political side of the hyphen). The political dimension of the item can be explained if we take into consideration that the question is asked in the context of a survey on political attitudes carried out in a highly politicised period of Spanish contemporary history and only a few months before the general elections.

Ordered categorical responses of the kind presented in the CSRSPC item are not easy to model using OLS regression because of the non-interval nature of the response variable (the spacing of the outcomes cannot be assumed to be uniform, particularly when, as is the case, the variable only has four possible values). On the other hand, multinomial logit regression would not be very appropriate either, since it does not take account of the ordinal nature of the dependent variable (i.e. a multinomial model would not use all of the information available

in the variable). Thus, in order to test the hypothesis that labour precarity enhances attitudes favourable to socio-political change on our first indicator of the CSRSPC, *ordinal logit* equations have been fitted to the data. *Ordinal logit* models are an extension of binary-outcome logistic models. They are more appropriate for modelling ordered Likert-type responses than either OLS or multinomial regressions (see: Greene 1990; Liao 1994). The interpretation of the estimated coefficients of the ordinal logit is rather straightforward and does not differ from the interpretation of the coefficients of a binary logit model (for the technical statistical aspects of ordinal logit models see: Liao 1994,37-48).

Table 7.2. Ordinal Logit Regressions on Opinions regarding Socio-Political Change

MODELS	OPINIONS FAVOURABLE TO SOCIO-POLITICAL CHANGE					
	MODEL A		*MODEL B*		*MODEL C*	
Explanatory variables	Logit Coeff	Sig.	Logit Coeff	Sig.	Logit Coeff	Sig.
Age	.003	n.s.	.003	n.s.	.003	n.s.
Female	.12	n.s.	.11	n.s.	.13	n.s.
Class →(Ref. Service)						
Intermediate	-.37	**	-.38	***	-.38	***
Skilled Manual	-.38	**	-.36	**	-.35	**
Unskilled	-.30	**	-.31	**	-.31	**
Labour Market Position →(Ref. Permanent)						
Employed Fixed-Term	.18	n.s.	.18	n.s.	.19	n.s.
Unemployed from Fixed-Term	.54	****	.54	****	.54	****
Unemployed from Permanent	.40	**	.39	**	.35	*(.07)
Ideology (Left-Right)			.07	**	.08	***
Squared Ideology (Extremism)					.035	****

(Ancillary Parameters)			
_Cut1	-3.00	-3.07	-2.93
_Cut2	-.40	-.46	-.31
_Cut3	2.18	2.13	2.29
Number of observations→	1481	1481	1481
LR Chi^2 →	(8)23.85	(9)30.10	(10)40.46
Prob> Chi^2→	0.0024	0.0004	0.0000
Log likelihood→	-1604.9645	-1601.8378	-1596.656

****significance ≤ 0.001 ***significance ≤ 0.01 **significance ≤ 0.05
*significance ≤ 0.10 (significance level in brackets).
Source: CSRSPC (1995). (Calculated by the author)

Table 7.2 shows the results of three nested ordinal logit regressions on the analysed indicator. Model A predicts that attitudes pro socio-political change depend on class and labour market situation, and controls for age and gender. Model A shows that service class respondents are significantly more favourable to socio-political change. This is not surprising given that the scale is capturing the desire for political change. As model A suggests, enthusiasm for socio-political change seems significantly higher among those respondents who find themselves unemployed, either due to the termination of their fixed-term contracts or due to the termination of their permanent contracts. Yet no effect seems significant for employed fixed-term workers. Eagerness for socio-political change therefore seems to be associated with the experience of unemployment rather than with fixed-term work.

Model B adds a linear effect of ideology, measured on a ten-point interval left-right scale, to model A. Model B gives support to the interpretation of the indicator in terms of *political contamination,* as it suggests that attitudes in favour of socio-political change are higher the more rightwing respondents are (in 1995, rightwing respondents were logically more favourable to political change). One can, however, be sceptical about the supposition that the effect of ideology is linear. Actually, it seems conceptually more plausible to assume a convex curvilinear relation between ideology and attitudes in favour of change, whereby those respondents on both extremes of the ideological spectrum are more pro-change than those holding more moderate political views. Model C tests this curvilinear hypothesis against

model B. Since the coefficient of the quadratic term is positive and highly significant, it can be concluded that there is indeed support for the expected convex relation between ideology and the pro-change indicator[19]. Model C is a better description of the data than model B. Model C shows that there is both an effect of ideology (being more rightwing increases attitudes in favour of socio-political change) and of political extremism (being in the extremes of the ideological scale increases attitudes in favour of socio-political change). Model C also confirms that the unemployed coming from fixed-term work and the unemployed coming from permanent contracts are more likely to favour profound socio-political change (the latter at a 93 per cent level of confidence)[20]. It should be noticed that in all models the coefficient of fixed-term workers also points in the hypothesised direction, yet we cannot reject the null hypothesis in this case.

In short, an empirical association between being unemployed and holding attitudes favourable to profound socio-political change is found even after controlling for socio-demographic and ideological variables. Outsiders not only seem generally more critical of the economic system, they are also more likely to favour socio-political change. Does labour market precarity also enhance political disaffection?

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[19] To avoid a strong correlation between ideology and its squared term, the ideological scale has been centred (i.e. it has been re-coded so that the mean value of the old scale coincides with value 0 in the new one). The square term is the square of the re-coded variable centred around 0. I have followed the same procedure for all the tests of curvilinear relationships in the chapter (see below).

[20] Interaction effects between curvilinear ideology and labour market situation have been checked and rejected. Likelihood ratio test shows that a more complex interaction model fails to provide a better description of the data when compared to model C (Likelihood-ratio test: chi2(6)=10.20; Prob.>chi2=0.12).

On quadratic regression models see: Agresti and Finlay (1997,544-550). On model comparison using likelihood ratio test see: Agresti and Finlay (1997,585,597).

2.3. Type-of-contract segmentation and political disaffection in the CSRSPC

Political discontent can take the form of general disaffection with the political system. Being a survey on political culture, the CSRSPC includes a number of indicators that could in principle be used to test this hypothesis. The first task, therefore, is to discriminate among these different possible indicators in order to find valid and reliable measures to test the hypothesised effects. Further conceptual clarification should help determine the most appropriate indicators.

In a recent article, Montero, Gunther and Torcal (1998) have argued that *political disaffection* is a complex concept that includes at least two different dimensions. The first dimension of political disaffection is subjective (the authors speak of 'psychological') political involvement. *Subjective political involvement* is defined as interest in politics and frequency of political discussion in primary groups (friends, relatives, work mates…). The second dimension of disaffection is *political efficacy*, which refers specifically to feelings of political alienation and powerlessness. Within this latter dimension, the authors further distinguish between *internal* and *external* efficacy. *Internal efficacy* refers to the assessment of one's political competence as a citizen. Internal inefficacy can thus be defined as the feeling of being ill-prepared to understand the complexity of politics (e.g. 'politics are so complex that people like me cannot understand what is going on'). *External efficacy*, in contrast, refers to evaluations of the responsiveness of the existing political system to citizens' demands. External efficacy will be low if citizens think that the political system is unable (or unwilling) to properly represent their political demands, interests, and expectations (e.g. 'politicians do not care much about what people like me might

think' or 'parties criticise each other a lot but at the end of the day they are all the same')[21].

Drawing on Montero, Gunther and Torcal's discussion, we can further define the expected effects of the disaffection hypothesis as the following: 1) increase in political disaffection through erosion of subjective political involvement (i.e. decrease in political interest and in the frequency of political discussion) and 2) increase in political disaffection through a decrease in *external* political efficacy. These two effects seem reasonable outcomes to follow from the disaffection hypothesis. Whether labour market experiences can per se modify the feelings of internal efficacy is less clear from a theoretical viewpoint. The mechanisms whereby labour market precarity could erode citizens' political confidence in themselves are not self-evident, particularly in a society where unemployment and labour market precarity do not seem to lead to social stigmatisation (Gallie and Paugam 2000b). Feelings of internal efficacy might depend almost exclusively on factors such as age, class, political interest and educational levels. An explorative approach has been adopted with respect to this point. The results of multivariate modelling on an internal efficacy indicator obtained from the CSRSPC actually show that there is no significant connection between labour market position and internal efficacy (results available on request). In this section we will, therefore, focus on the discussion of the findings regarding subjective involvement and external efficacy.

But how can we measure subjective involvement and external efficacy? In order to obtain valid and reliable indicators for these concepts and, at the same time, to test whether the conceptual distinctions discussed above hold empirically, factor analysis has been undertaken. This factor analysis (which is available on request) has shown, first of all, that *subjective involvement* and *external efficacy* are indeed different dimensions. With respect to

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[21] For the concept of political efficacy see: Craig, Niemy and Silver (1990,306); Maravall (1995,279); Montero Gunther and Torcal (1998). On the characteristics of Spanish political culture see e.g.: Maravall (1995); Torcal (1995,150); Morlino and Montero (1995,251-252); Torcal and Montero (2000).

the former, factor analysis has also shown that the indicators of political interest and the indicators of frequency of political discussion need not be separated as they actually form part of the same latent subjective political involvement factor.

2.3.1. Subjective involvement in politics

Once the existence of a subjective involvement dimension was confirmed by factor analysis, an index was constructed with the highest loading items. The political involvement index includes 7 items relating to respondents' level of interest[22] in: 1) *parliamentary debates*, 2) *national government policies*, 3) *regional government policies*, 4) *local government policies*, 5) *the activities of political parties*, 6) *trade union activities*, and 7) *international political affairs*. To these, the scale adds 3 more items referring to the frequency in which respondents 1) *read political sections in the newspapers*, 2) *listen to radio programmes on politics*, and 3), *see T.V. programmes on politics*[23]. Finally, the index adds one more item that measures the frequency of political discussion with friends, families and/or work-mates[24]. The index sums up these items in a 44-interval point scale, ranging from –22 to +22. The Cronbach's Alpha for this scale is 0.90.

Three OLS models have been fitted to the political involvement scale (see *Table 7.3*). Model A includes age, gender, class and labour market situation. It shows that political involvement does in fact depend on all these variables. Notice that political involvement increases with age up to the 46-55 age group

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[22] All these seven items are measured on a Likert-scale ranging from '*a lot*' to '*nothing*'.

[23] These items are also measured on a Likert scale that ranges from; 1. *every or almost every day*; 2. *once or twice a week*; 3. *occasionally during the month*; and, 4. *never or hardly ever*.

[24] This latter item is also measured on a Likert scale ranging from. 1. *every day or several times a week*; 2. *once or twice a week*; 3. *sometime during the month*; and, 4. *never or hardly ever*.

and then decreases again, and is particularly low among the oldest respondents. Political involvement is also lower among women and in the intermediate and, particularly, in the manual classes (when compared to service class professionals). Crucially, model A provides evidence in favour of the hypothesis that being in the flexible segment of the Spanish labour market does reduce subjective political involvement. Both employed fixed-term workers and unemployed workers coming from fixed-term work show lower levels of subjective involvement than the rest of the labour market categories. Yet results are not significant with respect to the unemployed workers coming from (ex-)permanent contracts. Model B tests the hypothesis that ideology could have a linear impact on political involvement. The effect is only significant at a 93 per cent level of confidence. Model C clarifies this relationship, as it shows that all the effect of ideology is actually related to political extremism. Respondents on the extremes (irrespective of the extreme they occupy) show higher levels of political involvement than those who place themselves at the centre of the ideological spectrum. Accounting for a curvilinear convex effect of ideology provides a better explanation for the data structure and does not alter our conclusions regarding the impact on political involvement of being a fixed-term worker or an unemployed worker coming from fixed-term work[25].

The loss of interest in politics is indeed concordant with the political disaffection hypothesis. It is not, however, the most significant indicator for the purposes of the argument. In terms of the confirmation of the disaffection hypothesis, it seems much more important to find evidence that the experience of being an outsider in the Spanish labour market affects attitudes regarding the efficacy of the political system as defined above.

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[25] Interaction effects between ideology and labour market position have been tested and rejected.

Table 7.3. OLS Regressions on Political Involvement

| MODELS | INDEX OF POLITICAL INVOLVEMENT (OLS) | | | | | |
| | MODEL A | | MODEL B | | MODEL C | |
Explanatory variables	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.
Intercept	4.36		4.26		3.4	
Age Groups →(Ref. 18-25)						
26-35	2.69	****	2.58	****	2.63	****
36-45	3.78	****	3.64	****	3.68	****
46-55	3.54	****	3.46	****	3.38	****
56-65	1.61	n.s.	1.62	n.s.	1.85	*(.09)
Older than 65	-9.3	**	-9.2	**	-8.7	**
Female	-1.9	****	-1.8	****	-1.7	***
Class →(Ref. Service)						
Intermediate	-3.4	****	-3.4	****	-3.4	****
Skilled Manual	-6.6	****	-6.7	****	-6.6	****
Unskilled	-6.7	****	-6.7	****	-6.7	****
Labour Market Position →(Ref. Permanent)						
Employed Fixed-Term	-2.5	****	-2.5	****	-2.5	****
Unemployed from Fixed-Term	-2.5	****	-2.5	****	-2.5	****
Unemployed from Permanent	-.10	n.s.	-.04	n.s.	-.24	n.s.
Ideology (Left-Right)			-.26	*(.07)	-.20	n.s.
Squared Ideology					.19	****
Number of observations→	1495		1495		1495	
Prob> F→	0.0000		0.0000		0.0000	
R-squared→	0.124		0.125		0.132	
Root MSE→	9.78		9.77		9.73	

*****significance* ≤*0.001* ****significance* ≤*0.01* ***significance* ≤*0.05* **significance* ≤*0.10 (significance level in brackets)*.
Source: CSRSPC (1995). (Calculated by the author)

2.3.2. External Efficacy

Original factor analysis showed that responses to the following four indicators formed part of the same latent variable: 1) *"Politicians do not care much about what people like me might think"*; 2) *"No matter who is in government, he will always look after his own personal interests"*; 3) *"Political parties are only good at dividing people"*; and 4) *"Parties criticise each other a lot but at the end of the day they are all the same"*. The CSRSPC asked respondents whether they agreed or disagreed with these statements. Affirmative responses have been coded +1, negative responses have been coded –1, whereas those indicating lack of knowledge or will to respond were coded as 0. Responses were then added up in a 9-point interval scale that ranges from –4 to 4. Cronbach's reliability test on this scale yields an Alpha of 0.77. The scale seems a valid and reliable indicator of external efficacy.

A series of two nested heteroscedasticity-robust models were fitted on the scores to this second political disaffection scale. Results are shown in *Table 7.4*. Model A controls for age, gender and class and model B adds a linear effect of ideology to model A. These models show that, as expected, after controlling for age, gender, class and ideology[26] (see model B), experiences in the flexible segment of the Spanish labour market increase the scores in the political inefficacy scale. Both employed fixed-term workers and unemployed workers coming from fixed-term employment show higher levels of political disaffection than their permanently employed counterparts. Yet the scores of the unemployed coming from permanent contracts are indistinguishable from those of the reference category[27].

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[26] Interaction effects between ideology and labour market position have been tested and rejected.

[27] I have tested the hypothesis that the effect of ideology on the political disaffection scale could be curvilinear. This hypothesis has been, however, rejected.

Table 7.4. Heteroscedasticity Robust Regression on Political Disaffection (External Inefficacy)

MODELS	INDEX OF POLITICAL INEFFICACY			
	MODEL A		*MODEL B*	
Explanatory variables	Coeff	Sig.	Coeff	Sig.
Intercept	-.22		-.17	
Age Groups →(Ref. 18-25)				
26-35	-.46	**	-.40	**
36-45	-.36	*(.07)	-.29	n.s.
46-55	-.06	n.s.	-.01	n.s.
56-65	.085	n.s.	.080	n.s.
Older than 65	.010	n.s.	.038	n.s.
Female	.27	**	.24	*(.06)
Class →(Ref. Service)				
Intermediate	.64	****	.62	****
Skilled Manual	.93	****	.96	****
Unskilled	1.13	****	1.13	****
Labour Market Position →(Ref. Permanent)				
Employed Fixed-Term	.43	***	.45	***
Unemployed from Fixed-Term	.64	****	.65	****
Unemployed from Permanent	-.08	n.s.	-.12	n.s.
Ideology (Left-Right)			.14	****
Number of observations→	1497		1497	
Prob> F→	0.0000		0.0000	
R-squared→	0.064		0.075	
Root MSE→	2.31		2.30	

****significance ≤ 0.001 ***significance ≤ 0.01 **significance ≤ 0.05 *significance ≤ 0.10 (significance level in brackets).

Source: CSRSPC (1995). (Calculated by the author).

It should be noticed again that R^2s are low in the external efficacy models. This advises caution in the interpretation of our results. Yet, as argued above, it is not easy to find a convincing argument that leads us to suspect that the observed effects are spurious. Without such an argument, evidence can only be read as pointing in the hypothesised sense. Being a fixed-term worker or

an unemployed worker coming from fixed-term work seems to favour disaffected views, and hence the feeling that one's interests are not properly represented at the political level. The lack of significance of the (ex-)permanent unemployed category could be interpreted as a sign that the disaffection effect is not activated among those respondents who become unemployed after stable labour market trajectories. Yet there is the usual risk of reading too much into this latter category, which is the smallest one in all the samples. In any event, it seems clear that there is a significant association between labour instability and political disaffection.

Box 7.4. *Political Disaffection (I)*

-... **Temporary contracts were brought in Spain by a supposedly leftwing government ... I think that the Socialists in Spain are much further to the right than Aznar: they're following the same policies.... and I think they're going to carry on doing them ... Why? Because they benefit from the game, today one lot, tomorrow the other, and here we're all fucked just the same...**
- There's no politics, there's no politics in Spain. (FG2)

- And I'm not saying anything different now, I don't care whether one lot or the other are in power. Because if you take the policy of the Socialist Party and you take the policy of the PP now, you photocopy them, and hold them up against each other... it's just a question of a few accents here or a question mark there, the rest, the rest...
- They're all the same! (FG3)

- But that's the last thing that matters, the government in power, that's the last thing ...
- Well, the government in power does matter, because when during the PSOE years the rich got richer, the bankers got even richer ...
- And it's the same now!
... and the conservative government ...
- ... And you think its going to be any different now?!
...No, yes, or worse!... (FG4)

Source: Fixed-term and unemployed manual workers. Extracts from original group interviews carried out with fixed-term manual workers (FG2), with unemployed manual

workers coming from permanent contracts (FG3) and with unemployed manual workers coming from fixed-term and permanent contracts (FG4). Madrid (1997).

Box 7.5. *Political Disaffection (II)*

- What's politics? Don't they say it's the art of lying? They say it's the art of lying and I, I think that it's all talk and no action ...
- The same dogs with different collars ... isn't it? (FG3)

- Here in chats and bars, you get people with different ideologies, and they talk and they see each other every day, and they understand more than all those people, with all their education, and their ... because they start talking about politics and rhetoric, they just beat about the bush, I don't know ... But you don't need to know much about politics, as here the problem is that we're almost thirty, we haven't got a job, we haven't got a flat, and we're still living with our parents. (FG5)

- ...And then, on top of all that, when... when they're in trouble... they manage to convince people that over and above all that there's a political debate going on, no? And it's not about politics, it's about reality. What people want is work...
- Yes.
- If you ask most people, they don't care less who's in power ... (FG4)

- I think that we've all reached the same conclusion: there's no political ideology.
- No. (AGREEING WITH HIM)
- No. (AGREEING WITH HIM)
- Here they come and bleed and screw us for all they can get!
-Here, Izquierda Unida[1], the Greens could get power, anyone you like, like he says, while the till's open! .... there's plenty for all of them!
- That's right. (FG2)

[1]Izquierda Unida *(United Left).*
Source: Fixed-term and unemployed manual workers. Extracts from original group interviews carried out with unemployed manual workers coming from fixed-term work (FG5), with unemployed manual workers coming from permanent contracts (FG3) and with unemployed manual workers coming from fixed-term and permanent contracts (FG4). Madrid (1997).

In short, all the analysed indicators point towards the confirmation of the political disaffection hypothesis. With a relatively high level of confidence, it can be concluded that labour market precarity seems indeed to be causally related to lower

levels of subjective involvement and of external efficacy. Those unable to enter into the core of stable employment seem more likely to lose interest in the political process and to feel alienated from it.

Box 7.6. *Political Disaffection (III)*

- The thing is in order to defend the unemployed you'd have to have someone who bothered about them...
- One?
- Not one. Lots, lots.
- Look mate, I say one, but what I mean is that ...
- We set up an organisation, set up new chiefs... and in the end those chiefs carry on doing just the same! ... (FG3)

- INTERVIEWER: I've seen that, we've started with the subject of the solutions and you have not ...
- But there aren't ...
- But there aren't any....
- ... Solutions? But we're all burnt out!...
- Get interested!....
-What they've got to do is to want to do something!....
- You've got to want it. That's what's going on, the thing is… it's so.... uff! (DEJECTED). (FG5)

- I say the same as him: the day the union comes or a party comes and says "mate, you've got rights, I recognise them, and you've got a job in which you can make 120,000 pesetas without losing your pride, I'll swear I'll vote for them for the rest of my life ...
- And when's that day going to be then?... (LAUGHTER)
**   ... And I think that all of us here think exactly the same ...**
-All the same
- ...When's that day coming then?...
**   ...What?**
**   ...What day is that then? ...**
**   ...Never! Like the day that socialism is going to solve your problems! (FG6)**

Source: Extracts from original group interviews carried out with unemployed manual workers coming from permanent contracts (FG3), with unemployed manual workers

coming from fixed-term work (FG5) and with unemployed manual workers coming from fixed-term and permanent contracts (FG6). Madrid (1997).

Together with our previous findings regarding critical views of the economic system and attitudes favourable to socio-political change, the political disaffection indicators lend support to our characterisation of the attitudinal impact of labour market precarity in terms of *political discontent.* Being in the flexible segment of the Spanish labour market seems likely to produce discontent with the economic system, promote attitudes favourable to socio-political change and favour political disaffection.

It seems, however, that these are rather distinctive forms of discontent. Attitudes pro socio-political change and disaffection indicators correlate very poorly in the CSRSCP (the correlation coefficient between the pro-change item and the external efficacy scale is only .13). It seems also quite reasonable to expect that normative evaluations of the economic system will not be highly correlated either with disaffection indicators or with attitudes pro socio-political change (although the latter correlation could be higher). Unfortunately, this cannot be tested, since all three indicators are not present in the same survey. In any event, and focusing the discussion on the CSRSCP, it can be safely concluded that attitudes pro socio-political change and political disaffection are two *distinctive* attitudinal responses (i.e. two different forms of political discontent). This is important as it implies that respondents will actually display a combination of attitudes from both dimensions. Low correlation between attitudes pro-change and political disaffection does not mean that these two types of attitudes cannot co-exist. In fact, as commented on above, qualitative analysis of the group interviews suggests that the combination of high disaffection and high desire for socio-political change could actually be the main form of political discontent among Spanish outsiders. Respondents showing such a combination of attitudes could be defined as *politically frustrated,* since they want socio-political change but do not consider the political system capable of delivering it. We can draw on the CSRSCP to further investigate whether political frustration is

indeed the main form of political discontent in representative samples.

Box 7.7. Unemployment and Political Aggressiveness

- **INTERVIEWER: Since you have been unemployed, do you think that this has affected how you see politics, how you see the political parties? Do you think that unemployment could affect your behaviour?**

- **Maybe, maybe, what influences it a bit, at least in my case, although, I'm telling you, I made up my mind a long time ago, but it makes you more aggressive against the ruling class in general, doesn't it?**
- **Yes.**
     ....To stand up and say you're all a bunch of shits and useless bastards... That they're only interested in what they can get out of it... That's all that they do to you.... because they've shown it's like that ...
- **Yes.**
- **Yes.**
- **Yes.**
- **INTERVIEWER: Let's see, here you've said that it affects you a little, that it makes you a little more angry with politicians ...**
- **Yes, because they don't do anything! Do you see? They only come to look after themselves.**
- **Of course, that's it.... To bleed it for all it's worth...**
- **...to get on the television and say what they're going to sort out and they don't sort anything out.**
- **Of course, that's it .**
- **INTERVIEWER: And this increases when you're unemployed, this sensation that....**
- **Yes, it gets stronger because you notice more that...**
- **... Yes, yes ...**
- **Not for me.**
- **INTERVIEWER: Just a minute, who says yes, who no...**
- **For me, its confirmed my anger, but let's see, I was already like that, already like that ...**
- **I already knew, more or less ...**
- **Politically I have become more aggressive, too. In my political ideas, I mean. (FG4)**

Source: Extracts from original group interviews carried out with unemployed manual workers coming from fixed-term and permanent contracts (FG4). Madrid (1997).

2.4. A typology of forms of political discontent

The CSRSPC allows us to construct a typology of political attitudes by combining responses to the indicator of desire for socio-political change with responses to the external efficacy scale. These are the four possible logical outcomes of such a combination:

i) A combination of low political disaffection and low desire for socio-political change. Respondents that show this attitudinal combination can be assumed to be *politically content*.

ii) A combination of attitudes in favour of socio-political change and low political disaffection. This ideal type of political attitude could be labelled *involved-discontent.*

iii) A combination of political disaffection and attitudes opposing socio-political change. This ideal type of political attitude could be termed *conservative disaffection.*

iv) A combination of attitudes pro-change and disaffection. This is what we have been referring to as *political frustration*. Political frustration, therefore, implies the combination of desire for socio-political change with the perception that the political system is unable to deliver the political measures required to change this situation: things *should* change but politics *will not* change them.

Using the ordinal scale of attitudes pro-change and the external efficacy scale, the actual number of outsider respondents whose attitudes correspond to these ideal types has been calculated in the CSRSPC. Results are shown in *Table 7.5*. As the table shows, the co-existence of disaffected attitudes and attitudes pro-change is indeed the most common form of political discontent among outsiders[28].

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[28] Political frustration is also the main form of political discontent among insiders (33 percent of whom fall into this ideal-type category).

Table 7.5. Ideal Types of Attitudinal Response and Proportion of Outsiders in each of the Cells According to the CSRSPC (1995)

| | | **Attitudes pro socio-political change** | |
		No pro-change	*Pro-change*
Political disaffection (External Efficacy)	***Involved***	Content (16%)	Involved pro-change (25%)
	Disaffected	Conservative-Disaffected (17%)	Frustrated (42%)

DEFINITIONS:

Outsiders: respondents who are either unemployed or employed on fixed-term contracts.

Involved: Scores ≤ 1 in the –4 to +4 external inefficacy scale.

Disaffected: Score ≥ 0 in the –4 to +4 external inefficacy scale.

No pro-change: Includes those respondents who declare that "Society is all right as it is" or that "Society can improve with minor changes".

Pro-change: Includes those respondents who declare that "Society needs profound reform" or that "Society must be radically changed".

The analytical relevance of this typology relates to the specification of the effects of political discontent on punishment voting, which is explored in the next section. Note that, of the three ideal forms of political discontent, political frustration seems to be, at least in principle, the most likely to generate punishment voting. This is because feelings of external inefficacy could reduce the perceived differences between the competing parties, which should consequently reduce the subjective costs of punishment (particularly the costs of inter-bloc punishment). Ideological or loyalty considerations will count less if voters perceive that all parties are similarly incompetent. This could make voters' choices less dependent on their own ideological maps. In other words, the combination of disaffection and eagerness for socio-political change could make punishment and, particularly, inter-bloc

punishment voting more likely to occur (because the subjective costs of punishing are reduced). This causal mechanism is tested in the next section.

3. Political Discontent and Punishment Voting in the 1996 General Elections

In this section the hypothesis that political discontent in precarious labour market experiences favours punishment voting is tested in two steps: The *first* step consists of testing whether there is an association between individuals' labour market position and voting preferences. The *second* step is testing whether this empirical association disappears when indicators of political discontent are controlled for. In order to further investigate the mechanisms behind punishment voting the extent to which the observed effects are linked to economic deprivation is also tested.

This section is divided into two parts. The first part investigates intra-bloc punishment by analysing the chances that respondents who voted Socialist in 1993 decide to vote for the United Left (IU) in 1996. Then, inter-bloc punishment is analysed by looking at the chances that both respondents who voted Socialist in 1993 and, more generally, leftwing outsiders, decide to vote for the conservative Popular Party (PP) in 1996.

3.1. Testing intra-bloc punishment: did labour precarity favour the chances that 1993-Socialist voters decided to vote for IU in 1996?

Table 7.6 below shows the results of fitting three nested logistic regressions on the chances that respondents who voted for the Socialist Party in 1993 decide to vote for the socialists again against the chances that they decide to vote for the United Left. Models can, therefore, be interpreted as showing the determinants of vote-transfers from PSOE to IU between 1993 and 1996.

Table 7.6. Logistic Regressions on Vote Intention for the United Left vs. Vote Intention for the Socialist Party for Respondents who Voted Socialist in 1993

MODELS	MODEL A		MODEL B		MODEL C	
Explanatory variables	Odds Ratio	Sig.	Odds Ratio	Sig.	Odds Ratio	Sig.
Age	.99	n.s.	.98	n.s.	.98	n.s.
Female	.54	n.s.	.52	n.s.	.57	n.s.
Class → (Ref. Service)						
Intermediate	.36	n.s.	.31	*(.07)	.32	*(.08)
Skilled Manual	.22	**	.19	**	.19	**
Unskilled	.31	*(.06)	.24	**	.27	**
Labour Market Position → (Ref. Permanent)						
Employed Fixed-Term	1.08	n.s.	.95	n.s.	.90	n.s.
Unemployed from Fixed-Term	3.55	**	2.87	**	2.21	n.s.
Unemployed from Permanent	1.35	n.s.	1.17	n.s.	.94	n.s.
Ideology (Left-Right)	.64	***	.64	***	.60	***
Political Disaffection (External Inefficacy)			1.14	n.s.	1.10	n.s.
Attitudes Pro Socio-Political Change[1]					2.90	****
Number of observations →	269		269		269	
LR Chi² →	(9)22.01		(10)24.71		(11)37.68	
Prob> Chi² →	0.0089		0.0059		0.0001	
Pseudo R² →	0.1058		0.1188		0.1812	
Log likelihood →	-92.990996		-91.642435		-85.152979	
(Cut-off Point .13)Sensitivity →	68.57%		74.29%		82.86%	
Specificity →	66.67%		69.23%		74.36%	
Correctly Classified →	66.91%		69.89%		75.46%	
Goodness of Fit Test						
Prob>Chi² →	0.7431		0.7833		0.9461	

[1]The 4-interval Likert-type variable has been transformed into a 5-interval scale by creating a new mid-interval for those who did not know or did not answer the question. The variable has then been introduced as continuous. Results do not change if the variable is introduced as dummies.

****significance ≤ 0.001 ***significance ≤ 0.01 **significance ≤ 0.05 *significance ≤ 0.10 (significance level in brackets).

Source: CSRSPC (1995). (Calculated by the author)

Model A shows that service class respondents were more likely to change their vote to United Left than their intermediate and working-class counterparts[29] as well as that transfers to IU were more likely the more leftwing respondents claimed to be. Crucially, model A also shows the clear impact of being unemployed as a result of the termination of a fixed-term contract and (declaring the intention of) voting for United Left. The other two outsider categories are, however, not significant, although it should be noticed that the corresponding odds ratios point in the hypothesised direction (I return to this point below).

Table 7.7. Average Predicted Probabilities that Leftwing[1] Respondents who Voted Socialist in 1993 Vote for the United Left in 1996 (instead of Voting for the PSOE) by Class and Labour Market Position as Predicted by Model A of Table 7.6[2]

CLASSES	PREDICTED PROBABILITIES IN PERCENTAGES OF VOTE INTENTION FOR UNITED LEFT AMONG RESPONDENTS WHO VOTED SOCIALIST IN 1993	
	Employed on Permanent Contracts	Unemployed from Fixed-Term Contracts
Service (I/II)	25%	44%
Intermediate (III)	12%	26%
Skilled Manual (V/VI)	8%	26%
Unskilled Manual (VII)	8%	21%

[1] Leftwing respondents are those placed between 1 and 5 in the 1-to-10-left-right ideological scale. 96 per cent of respondents in model B are leftwing.
[2] Age and gender, which are not significant in the model, have been left undetermined in order to maximise the number of cases for each cell.

Source: CSRSPC (1995). (Calculated by the author)

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[29] González (1993) showed that the United Left electorate is more class-heterogeneous than that of the Socialist Party.

Calculated predicted probabilities using model A show that the impact of being an unemployed fixed-term respondent on the dependent variable is indeed noticeable. Take, for instance, leftwing skilled manual respondents. According to model A, the chances that leftwing skilled-manual respondents that voted Socialist in 1993 change their vote to IU are 8 per cent if they have a permanent contract. Yet the predicted probabilities of voting IU for leftwing skilled-manual respondents who voted Socialist in 1993 increase sharply to 26 per cent if they are unemployed due to the termination of their fixed-term contracts. This would certainly appear to be an important labour market effect (see *Table 7.7* for other predicted probabilities).

The lack of significant effects among employed fixed-term respondents suggests that the punishment effect could be related to the experience of unemployment. The lack of significant effects among (ex)-permanent unemployed outsiders is, however, more difficult to interpret due to the small number of cases in this category. In any event, the very significant impact of the unemployed coming from fixed-term work lends support to the first step of the punishment effect hypothesis. Can political discontent indicators explain this impact?

3.1.1. Political discontent as an explanatory mechanism

Model B in *Table 7.6* shows that introducing the external inefficacy indicator in the logistic equation yields non-significant results. Intra-bloc punishing cannot be explained as a result of political disaffection. Yet when attitudes favourable to socio-political change are introduced into the equation (see model C) the observed effect of being an unemployed fixed-term worker loses its statistical significance. An interaction effect between attitudes pro-change and disaffection has been tested and rejected[30].

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[30] This interaction can also be tested using the typology of forms of political discontent. This latter approach also shows that it is attitudes pro-change and not

Attitudes pro-socio-political change alone can, therefore, help explain why unemployed fixed-term respondents who voted Socialist in 1993 were significantly more likely to vote for IU in 1996. Unemployed ex-socialist voters previously holding fixed-term contracts were more likely to vote for the United Left because they were more likely to think that Spanish society needed profound (socio-political) change. Sociotropic discontent among the unemployed previously holding a fixed-term contract seems thus to be doing the explanatory work, whereas neither political disaffection nor an interaction between disaffection and attitudes pro-change seem to play any significant role in intra-bloc punishment. Now what seems particularly wanting is to investigate what "objective" conditions triggered the observed electoral effects. Was intra-bloc punishment triggered by economic deprivation?

3.1.2. Intra-bloc punishment and economic deprivation

The CSRSPC includes two indicators that allow us to examine the extent to which the observed electoral effects are linked to economic deprivation. The first indicator is obtained by a survey question in which respondents are asked to report their household income through an income-interval scale. Household income is measured as the respondent-reported total disposable net monthly income brought into the household by all its members (the respondent included) and from whichever source. This scale was used by Maravall and Fraile (1998;2000) to support their view that the electoral impact of unemployment is mitigated by family-income in Spain. Yet it should be noticed that the scale in question poses a serious reliability problem since it is not weighted by the number of household members (a datum that is not reported in the survey). As a result, results obtained using this scale must be

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disaffection that matters for intra-bloc punishment. Results are available on request.

treated with suspicion. There is a second indicator in the CSRSPC that might help us test the economic deprivation hypothesis. This is a five-interval scale that measures respondents' subjective assessment of their economic situation (from '*very poor*' to '*very good*'). It should be noticed, however, that subjective assessment of one's self-reported economic situation cannot be reasonably taken to reflect 'objective' economic deprivation. It is purely a subjective indicator. This is important to stress, since experiences in the flexible segment could lead outsiders to perceive that their economic situation is bad even if they are not suffering from economic hardship. However problematic, these objective and subjective indicators of economic deprivation can perhaps shed some light on the mechanisms of electoral punishment[31].

Table 7.8 shows the results of introducing each of these two economic-deprivation indicators into the logistic equation presented in model A of *Table 7.6*. Notice that neither household income (model 2) nor subjective assessment of personal economic situation (model 3) have an effect on the dependent variable (the order in which the indicators are introduced does not alter the results). Hence neither model 2 nor model 3 can be accepted as reasonable alternatives to model 1 —which is the same model as model A in *Table 7.6*—. The hypothesis that the observed effects are linked to economic deprivation must, therefore, be rejected. Intra-bloc punishment cannot be explained as a result of economic deprivation on the basis of the existing indicators. Outsiders punished irrespectively of their economic welfare. This suggests that it is the experience of being an unemployed outsider per se rather than its economic consequences that triggered intra-bloc punishment. Uncertainty, insecurity and lack of prospects could alone be generating the observed effects.

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[31] The correlation between both indicators is only 0.26.

Table 7.8. Logistic Regressions on Voting Intention for United Left vs. Voting Intention for the Socialist Party for Respondents who Voted Socialist in 1993: Testing the Economic Deprivation-Mechanism Hypothesis

MODELS	MODEL 1[1]		MODEL 2		MODEL 3	
Explanatory variables	Odds Ratio	Sig.	Odds Ratio	Sig.	Odds Ratio	Sig.
Age	.99	n.s.	.99	n.s.	.99	n.s.
Female	.54	n.s.	.47	n.s.	.48	n.s.
Class →(Ref. Service)						
Intermediate	.36	n.s.	.30	*(.07)	.30	*(.07)
Skilled Manual	.22	**	.18	**	.17	**
Unskilled	.31	*(.06)	.28	**	.25	**
Labour Market Position →(Ref. Permanent)						
Employed Fixed-Term	1.08	n.s.	1.19	n.s.	1.00	n.s.
Unemployed from Fixed-Term	3.55	**	3.97	**	2.80	*(.10)
Unemployed from Permanent	1.35	n.s.	1.54	n.s.	1.17	n.s.
Ideology (Left-Right)	.64	***	.63	***	.63	***
Household Income			.96	n.s.	.99	n.s.
Self-Assessed Personal Economic Situation					1.42	n.s.
Number of observations→	269		268		268	
LR Chi^2 →	(9)22.01		(10)24.04		(11)26.13	
Prob> Chi^2→	0.0089		0.0075		0.0062	
Pseudo R^2→	0.1058		0.1179		0.1281	
Log likelihood→	-92.990996		-89.924879		-88.879572	
(Cut-off Point .13) Sensitivity→	68.57%		67.65%		70.59%	
Specificity→	66.67%		67.09%		70.09%	
Correctly Classified→	66.91%		67.16%		70.15%	
Goodness of Fit Test Prob>Chi^2→	0.7431		0.8429		0.8186	

[1]Model 1 is the same model as model A in *Table 7.6*. It is shown to facilitate comparisons between the models.

****significance ≤ 0.001 ***significance ≤ 0.01 **significance ≤ 0.05 *significance ≤ 0.10 (significance level in brackets).

Source: CSRSPC (1995). (Calculated by the author)

3.2. Testing inter-bloc punishment: did labour precarity favour the chances that potential Socialist voters decided to vote for the conservative Popular Party (PP) in 1996?

As argued above, it is possible to conceive intra-bloc punishment as the least costly option (in ideological terms) for ex-socialist or leftwing outsiders wishing to punish the socialists. This is because the Socialist party and the United Left compete for the same ideological segment of the electorate so that vote transfers between these two parties should not involve big ideological compromises for voters. Inter-bloc punishment, in contrast, seems to imply greater costs in ideological terms for leftwing and/or ex-socialists voters because it implies voting for a party that is situated in a different ideological camp. This makes inter-bloc punishment more interesting to analyse.

The logistic regression model presented in *Table 7.9* suggests that being unemployed due to the termination of a fixed-term contract also favoured the chances that 1993-Socialist voters decided to vote for the PP in 1996. In fact, this form of labour precarity is, together with respondents' ideology, the only individual characteristic that can explain vote transfers from PSOE to PP between 1993 and 1996. The analysis of vote transfers between PSOE and PP thus suggests that labour market experiences can favour inter-bloc punishment. Evidence shows that respondents who voted Socialist in 1993 were significantly more likely to change their vote to the Popular Party in 1996 if they were unemployed due to the termination of their fixed-term contracts. This is indeed an interesting finding.

Table 7.9. Logistic Regressions on Vote Intention for the Popular Party vs. Vote Intention for the Socialist Party (PSOE) for Respondents who Voted Socialist in 1993

	Odds Ratio	Sig.
Age	1.00	n.s.
Female	1.14	n.s.
Class →(Ref. Service)		
Intermediate	.76	n.s.
Skilled Manual	.40	n.s.
Unskilled	.35	n.s.
Labour Market Position →(Ref. Permanent)		
Employed Fixed-Term	.86	n.s.
Unemployed from Fixed-Term	4.01	**
Unemployed from Permanent	.61	n.s.
Ideology (Left-Right)	1.93	****

Number of observations →	257
LR Chi^2 →	(9)26.96
Prob> Chi^2 →	0.0014
Pseudo R^2 →	0.1741
Log likelihood →	-63.969457
(Cut-off Point .1) Sensitivity →	60.87%
Specificity →	77.78%
Correctly Classified →	76.26%
Goodness of Fit Test Prob> Chi^2 →	0.8781

****significance ≤ 0.001 ***significance ≤ 0.01 **significance ≤ 0.05 *significance approx. 0.10 (significance level in brackets).
Source: CSRSPC (1995). (Calculated by the author)

As the predicted probabilities presented in *Table 7.10* show, the observed punishment effects are very noticeable. According to the model, only 4 per cent of leftwing unskilled manual workers on permanent contracts and only 8 per cent of leftwing professionals on permanent contracts who voted Socialist in 1993 are expected to change their vote to the PP in 1996. Yet the figures rise to 16 per cent among leftwing unskilled manual workers and to 20 per cent among leftwing professionals if such respondents are unemployed due to the termination of their fixed-term contracts (see *Table 7.10* for other predicted probabilities).

Table 7.10. Average Predicted Probabilities that Leftwing[1] Respondents who Voted Socialist in 1993 Vote for the PP in 1996 instead of Voting for the PSOE by Class and Labour Market Position as Predicted by Model B of Table 7.9[2]

CLASSES	**PREDICTED PROBABILITIES IN PERCENTAGES OF VOTE INTENTION FOR THE POPULAR PARTY AMONG RESPONDENTS WHO VOTED SOCIALIST IN 1993**	
	Employed on Permanent Contracts	Unemployed from Fixed-Term Contracts
Service (I/II)	8%	20%
Intermediate (III)	6%	18%
Skilled Manual (V/VI)	3%	13%
Unskilled Manual (VII)	4%	16%

[1]Leftwing respondents are those placed between 1 and 5 in the 1-to-10 left-right ideological scale

[2]Age and gender, which are not significant in the model, have been left undetermined in order to maximise the number of cases for each cell.

Source: CSRSPC (1995). (Calculated by the author)

Inter-bloc punishment can also be analysed using a different methodological approach. Rather than restricting the analysis to those respondents who voted Socialist in 1993, we can look at the determinants that all voters (irrespectively of what they voted in 1993) vote for the Popular Party instead of voting for the Socialist Party (votes are of course measured as voting intention). This approach has the virtue of maximising the number of observations[32]. Our prediction as stated in *Section One* is that

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[32] This alternative approach implies defining potential voters as leftwing voters rather than as former-Socialist voters. Therefore it cannot easily be applied to the analysis of intra-bloc punishment for such punishment effect occurs among voters belonging to the same ideological space (i.e. leftwing voters).

rightwing voters will be equally likely to vote for the PP irrespectively of their labour market situation, whereas leftwing outsiders will have higher chances of voting for the PP than their permanently employed leftwing counterparts. In other words, when potential voters are defined as leftwing voters, testing the inter-bloc punishment effect hypothesis implies testing an interaction effect between ideology and labour market experiences[33].

Model A and model B in *Table 7.11* show two different explanations as to which might be the determinants of the odds of voting for the conservative party (PP) —which eventually won the 1996 elections—, versus the odds of voting for the incumbent Socialist Party. Vote is measured as vote intention. Model A includes class, age, gender, ideology and labour market situation as explanatory factors. It assumes that labour market experiences have a direct impact, which is independent of the other variables in the model. Model A shows that class, gender, and ideology have an impact on the chances of voting for the conservatives. The chances of voting for the PP increase for professionals in the

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[33] This interpretation of the punishment vote hypothesis contrasts with a recent argument on the electoral consequences of unemployment put forward by Maravall and Fraile (1998;2000). According to these authors, the electoral effects of unemployment are *mediated by* ideology. Yet the statistical modelling they use to sustain this claim is based on a main-effect logistic regression which *de facto* tests the hypothesis that labour market experiences have an impact on the electoral decision that is *independent of* voters' ideology. In other words, what Maravall and Fraile actually fit is a model that assumes that both leftwing and rightwing voters are similarly affected by their labour market experiences. In contrast with this model, my hypothesis regarding punishment of the incumbent party explicitly presupposes that labour market precarity favours punishment voting against the Socialist Party *only among potential (i.e. leftwing) voters.* Rightwing voters are expected to to be likely to vote for the Popular Party irrespective of their labour market situation. In other words, I expect to find an *interaction effect* between ideology and labour market situation. This interaction is in my view a more reasonable modelling of the mediating role of ideology and a more logical understanding of the *punishment* mechanism: To repeat, only potential voters are, strictly speaking, able to punish the incumbent party by voting for the opposition (see: Polavieja 2000).

service class, for men, and (hardly surprisingly) for those with rightwing views. Yet model A finds no empirical confirmation of

Table 7.11. Logistic Regressions on Vote Intention for the Conservative Party (PP) vs. Vote Intention for the Socialist Party (PSOE)

MODELS	MODEL A		MODEL B	
Explanatory variables	Odds Ratio	Sig.	Odds Ratio	Sig.
Age	1.01	n.s.	1.01	n.s.
Female	.62	*	.56	**
Class →(Ref. Service)				
Intermediate	.35	***	.35	***
Skilled Manual	.20	****	.18	****
Unskilled	.15	****	.20	****
Labour Market Position				
→(Ref. Permanent)				
Employed Fixed-Term	1.00	n.s.		
Unemployed from Fixed-Term	1.31	n.s.		
Unemployed from Permanent	.67	n.s.		
Ideology (Left-Right)	2.81	****		
INTERACTION WITH DUMMIES				
→**(Ref. Leftwing employed on PC)**				
Unemployed Fixed-Term & LEFT			2.01	**
Employed Fixed-Term and LEFT			1.05	n.s.
Unemployed Permanent & LEFT			.70	n.s.
Employed Permanent & RIGHT			28.1	****
Unemployed Fixed-Term & RIGHT			14.6	****
Employed Fixed-Term and RIGHT			33.3	****
Unemployed Permanent & RIGHT			19.4	****
→**(Ref. Rightwing employed on PC)**				
Unemployed Fixed-Term & RIGHT			.52	n.s.
Employed Fixed-Term and RIGHT			1.19	n..s
Unemployed Permanent & RIGHT			.69	n.s.
Employed Permanent & LEFT			.04	****
Unemployed Fixed-Term & LEFT			.07	****
Employed Fixed-Term and LEFT			.037	****
Unemployed Permanent & LEF			.025	****
Number of observations→	546		546	
LR Chi^2 →	(9)297.20		(12)248.23	
Prob> Chi^2→	0.0000		0.0000	
Pseudo R^2→	0.393		0.328	
Log likelihood→	-229.84548		-254.32856	
(Cut-off Point 0.5) Sensitivity→	77.86%		77.69%	
Specificity→	85.09%		84.36%	
Correctly Classified→	81.50%		78.57%	
Goodness of Fit Test Prob> Chi^2→	0.0005		0.20	

****significance ≤ 0.001 ***significance ≤ 0.01 **significance ≤ 0.05 *significance ≤ 0.10 (significance level in brackets).

Source: CSRSPC (1995). (Calculated by the author)

a direct effect of labour market experiences on the electoral outcome. That is, there is no evidence that the experience of being an outsider in the Spanish labour market has an effect on voting behaviour that is independent of other variables and, in particular, of respondents' ideology. This is perfectly consistent with the punishment effect hypothesis, since this hypothesis predicts that effects should only take place among leftwing voters.

Model B tests this prediction using a set of dummy variables that reflect all the possible combinations between the labour market positions considered and the two ideological blocs[34] (leftwing and rightwing). Model B in the table is presented in two different forms. In the first version, the reference category represents leftwing workers on permanent contracts. In the second the reference category is rightwing permanent workers. This presentation allows us to show that, as expected, effects only occur in the left side of the ideological spectrum. Leftwing respondents who are unemployed due to the termination of their fixed-term contracts are, *ceteris paribus,* significantly more likely to vote for the conservative Popular Party than their permanently employed counterparts. Yet, as was hypothesised, there are no labour market effects among rightwing outsiders. The punishment effect hypothesis thus finds empirical validation in the case of

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[34] Note that model B and model A are not nested models, since ideology is used as a continuous scale in model A, whereas the interaction between ideology and labour market position tested in model B uses only the two ideological blocs. This precludes a model comparison test between models B and A. A proper model comparison should test an interaction between the continuous ideological scale and labour market position against model A. Such an interaction model has been fitted to the data, with identical results to those reported by model B in the table. This latter interaction model has then been tested against model A. The likelihood ratio test showed that the (continuous) interaction model provides a better description of the data structure at a 90 per cent level of confidence (Chi^2 (3) = 6.48; Probability > Chi^2 = 0.0905). The continuous interaction model is not, however, shown in the table for presentational reasons as model B seems to allow for a more direct interpretation of the interaction effect as well as of the impact of the political discontent indicators as explanatory mechanisms. (Results on the continuous interaction model are available on request).

unemployed fixed-term workers. Effects are however not significant for the remaining outsider categories (I return to this point below).

Table 7.12. Average Predicted Probabilities that Male Leftwing[1]
Respondents Vote for the PP instead of Voting for the PSOE by Class
and Labour Market Position as Predicted by Model B of Table 7.11[2]

CLASSES	PREDICTED PROBABILITIES IN PERCENTAGES OF VOTE INTENTION FOR THE POPULAR PARTY AMONG LEFTWING VOTERS	
	Employed on Permanent Contracts	Unemployed from Fixed-Term Contracts
Service (I/II)	58%	76%
Intermediate (III)	32%	46%
Skilled Manual (V/VI)	20%	32%
Unskilled Manual (VII)	21%	32%

[1]Leftwing respondents are those placed between 1 and 5 in the 1-to-10 left-right ideological scale.

[2]Age, which is not significant in the model, has been left undetermined in order to maximise the number of cases for each cell.

Source: CSRSPC (1995). (Calculated by the author)

Using model B in *Table 7.11*, the predicted probabilities of voting conservative instead of Socialist have been calculated for male leftwing respondents employed on permanent contracts and for those who are unemployed as a result of the termination of their fixed-term contracts. These calculations show, for instance, that male professionals who were employed on permanent contracts and placed themselves in the left side of the ideological spectrum had a 58 per cent chance of voting conservative in 1996. By contrast, male-leftwing-professionals that were unemployed as a result of the termination of fixed-term contracts showed

predicted probabilities of 78 per cent, that is 20 per cent points higher than their permanently-employed counterparts. The punishment effect represented by model B thus seems notable (see other predicted probabilities in *Table 7.12*).

3.2.1. Political frustration as an explanatory mechanism

Models C, D and E presented in *Table 7.13* have been fitted to analyse the role played by political disaffection (i.e. feelings of external inefficacy) and attitudes favourable to social change in mediating the observed relationship between being a leftwing unemployed voter coming from fixed-term work and voting for the conservative Popular Party in the 1996 Spanish general elections. Model C presents the effects of introducing the political disaffection scale in the logistic equation represented by model B of *Table 7.11*. Model C of *Table 7.13* and model B of *Table 7.11* are, therefore, nested models. Model C shows that, once disaffection is accounted for, the effects of left-wing unemployment are significantly reduced (compare the coefficients of the labour market situation/ideological blocs dummies to those shown by model B in *Table 7.11*). In fact, if we choose the 95 level of confidence as the cutting point, the effects disappear. Disaffection is a clearly significant factor in explaining the chances of voting for the PP instead of PSOE.

Model D adds attitudes pro socio-political change to the equation presented in model C. Note that once added to the model, the effect of the interaction between ideology and labour market position disappears entirely. Note also that the effect of the disaffection scale also disappears. What does this mean? Model E can help us explain it. Rather than having the attitudinal scales introduced separately, model E controls for the typologies of attitudes presented at the end of *Section Two*. Note that this is actually equivalent to accounting for an interaction effect between

these two types of attitudinal responses[35]. Results in this respect are particularly illuminating. First, as can be seen in *Table 7.13,* disaffection does not have any effect on the dependent variable if it does not coincide with attitudes pro-social-change. The opposite is, however, not true as attitudes pro-change have an effect on the dependent variable even if they are not accompanied by political disaffection. Yet the clearer and most important impact on voting preferences for the conservative party comes from the combination of disaffection and attitudes pro socio-political change, that is, by what has been previously termed political frustration. We know that political frustration is the most common form of discontent among outsiders.

This is *how* the combination of disaffection and attitudes pro-change could favour inter-bloc punishment voting: First, the perception that society needs profound socio-political changes will increase discontent with the incumbent party, which could facilitate inter-bloc punishment voting. Note, however, that inter-bloc punishment voting will be much further facilitated if leftwing voters do not perceive great ideological differences among the competing parties. This is because ideological considerations will tend to act as a barrier against inter-bloc voting. Political disaffection could, however, help remove this ideological barrier (see, for instance, *Box 7.4* and *Box 7.5* above). Negative evaluations of the external efficacy of the political system could further facilitate cross-ideological voting because they imply the erosion of party identification removing the weight that considerations of 'loyalty' could otherwise have on voting choices. If voters do not feel represented politically, their voting behaviour will become less dependent on ideological allegiances and more likely to be influenced by economic considerations. Greater demands for socio-political change combined with political disaffection could thus convince some leftwing outsiders

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[35] The typology demonstrates in effect that there is an interaction between attitudes pro-change and disaffection. Note that a model with attitudes pro-change (sig.) + disaffection (not sig.) + change*disaffection (sig.) would have displayed the same finding.

to give the conservatives a chance, particularly if disillusion and discontent with the incumbent party makes them believe that *no one can do it worse* (the first quotation in *Box 7.8* is particularly illustrative in this sense).

Box 7.8. *Unemployment and Economic Voting*

- ... But I don't vote because of that, I vote because of .... well, I like this one, I don't like that one. This one is on the left and maybe he'll do something, maybe!, because he hasn't done anything, absolutely nothing, and this one is on the right, and he's going to do less, but well, we've voted for him, just in case (FG4).

- INTERVIEWER: Since you have been unemployed, do you think that this has affected how you see politics, how you see the political parties? ... Do you think that unemployment could affect your behaviour? - Not me because ... coming here I told you, for example, [I AM] apolitical in party terms, I don't support one or the other.

 ... And me too, me too. That's for sure ...

 .... I'm only going to go for the one who gives me a job and something to live on.

 ... That's it. All right...

 ... So-and-so gives me job, well, I'll stick with him, and I'm not going to vote for someone who can't give me work

 (...)

- I've often thought about it. And I think so. And when I vote, I often think, yes. And I vote to see if the new one can do any better than the one who was there before. (FG4)

Source: Unemployed manual workers. Extracts from original group interviews carried out with unemployed manual workers coming from fixed-term and permanent contracts (FG4). Madrid (1997).

Table 7.13. Logistic Regressions on Vote Intention for the Conservative Party (PP) vs. Vote Intention for the Socialist Party (PSOE): Testing Political frustration as an explanatory mechanism

MODELS	MODEL C		MODEL D		MODEL E	
Explanatory variables	Odds Ratio	Sig.	Odds Ratio	Sig.	Odds Ratio	Sig.
Age	1.01	n.s.	1.01	n.s.	1.01	n.s.
Female	.52	**	.53	**	.52	**
Class →(Ref. Service)						
Intermediate	.31	****	.36	***	.38	***
Skilled Manual	.16	****	.18	****	.20	****
Unskilled	.17	****	.19	****	.22	****
INTERACTION WITH DUMMIES						
→ (Ref. Leftwing employed on PC)						
Unemployed Fixed-Term & LEFT	1.88	*(.09)	1.42	n.s.	1.74	n.s.
Employed Fixed-Term and LEFT	.99	n.s.	.89	n.s.	.98	n.s.
Unemployed Permanent & LEFT	.70	n.s.	.51	n.s.	.53	n.s.
Employed Permanent & RIGHT	27.6	****	21.6	****	21.7	****
Unemployed Fixed-Term & RIGHT	13.4	****	9.42	****	10.5	****
Employed Fixed-Term and RIGHT	28.8	****	23.0	****	26.6	****
Unemployed Permanent & RIGHT	19.9	****	13.0	****	12.1	****
Political Disaffection (External Ineff.)	1.11	**	1.07	n.s.		
Attitudes Pro Socio-Political Change[1]			2.28	****		
ATTITUDINAL TYPOLOGIES →(Ref. Content)						
Not pro-change and disaffected ("conservative disaffected")					.83	n.s.
Pro-change and not disaffected ("involved pro-change")					2.8	***
Pro-change and disaffected ("frustrated")					4.5	****
Number of observations→	546		546		546	
LR Chi² →	(13)253.25		(14)279.23		(15)284.48	
Prob> Chi²→	0.0000		0.0000		0.0000	
Pseudo R²→	0.334		0.369		0.3759	
Log likelihood→	-251.8206		-238.8277		-236.20211	
(Cut-off Point 0.5) Sensitivity→	73.80%		76.75%		76.01%	
Specificity→	84.36%		85.09%		86.55%	
Correctly Classified→	79.12%		80.95%		81.32%	
Goodness of Fit Test Prob> Chi²→	0.67		0.52		0.35	

[1]The 4-interval Likert-Type variable has been transformed into a 5-interval scale by creating a new mid-interval for those who did not know or did not answer the question. The variable has then been introduced as continuous. Results do not change if the variable is introduced as dummies.

In short, the evidence presented above allows us to conclude that labour precarity enhances attitudes pro socio-political change, which can favour inter-bloc punishment voting irrespective of political disaffection. Yet we have seen that labour precarity also favours political disaffection. The data show that the combination of political disaffection and attitudes pro socio-political change, which is the most common form of political discontent among outsiders, has the greatest impact on inter-bloc voting preferences of all the attitudinal typologies analysed. Political frustration seems indeed to be a crucial attitudinal factor mediating between the experience of unemployment (for voters previously holding fixed-term contracts) and inter-bloc punishment voting. Involved-political discontent and, especially, political frustration seem to have increased the chances that leftwing outsiders voted for the conservative Popular Party in the general elections of 1996. Were these electoral consequences triggered by economic deprivation?

3.2.2. Inter-bloc punishment and economic deprivation

Table 7.14 shows the results of introducing each of the two economic-deprivation indicators of the CSRSPC in the logistic equation presented in model B of *Table 7.11*. Note that neither household income (model 2) nor subjective assessment of the respondent's personal economic situation (model 3) have an effect on the dependent variable (the order in which the indicators are introduced does not alter the results). Controlling for both these indicators does not change the observed labour market effects. Leftwing unemployed respondents coming from fixed-term employment are likely to punish the Socialist Party by voting for the conservatives irrespectively of their self-reported household

income and their self-assessed economic situation[36]. This suggests once again that, contrary to what seems to be implied by Maravall and Fraile (1998;2000), economic deprivation is not what triggers the observed electoral effects.

Table 7.14. Logistic Regressions on Voting Intention for PP vs. Voting Intention for PSOE: Testing the Economic Deprivation-Mechanism Hypothesis

MODELS	MODEL 1[(1)]		MODEL 2		MODEL 3	
Explanatory variables	Odds Ratio	Sig.	Odds Raio	Sig.	Odds Ratio	Sig.
Age	1.01	n.s.	1.01	n.s.	1.01	n.s.
Female	.56	**	.55	**	.55	**
Class =→(Ref. Service)						
Intermediate	.35	***	.41	**	.39	**
Skilled Manual	.18	****	.23	****	.22	****
Unskilled	.20	****	.25	****	.24	****
INTERACTION WITH DUMMIES						
→ (Ref. Leftwing employed on PC)						
Unemployed Fixed-Term & LEFT	2.01	**	2.43	**	2.14	*(.06)
Employed Fixed-Term and LEFT	1.05	n.s.	1.14	n.s.	1.08	n.s.
Unemployed Permanent & LEFT	.70	n.s.	.75	n.s.	.67	n.s.
Employed Permanent & RIGHT	28.1	****	29.4	****	29.8	****
Unemployed Fixed-Term & RIGHT	14.6	****	16.3	****	14.0	****
Employed Fixed-Term and RIGHT	33.3	****	36.5	****	35.4	****
Unemployed Permanent & RIGHT	19.4	****	21.3	****	19.2	****
Household Income				n.s.	1.16	n.s.
Self-Assessed Personal Economic Situation					1.18	n.s.

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[36] Interaction effects between the economic deprivation indicators and the labour market situation/ideology dummies have been tested and rejected (results of these interactions are available on request).

Number of observations→	546	546	546
LR Chi^2 →	(12)248.23	(13)250.23	(14)251.54
Prob> Chi^2→	0.0000	0.0000	0.0000
Pseudo R^2→	0.328	0.33	0.33
Log likelihood→	-254.32856	-253.3287	-252.67329
(Cut-off Point 0.5) Sensitivity→	77.69%	72.32%	71.59%
Specificity→	84.36%	84.36%	84.36%
Correctly Classified→	78.57%	78.39%	78.02%
Goodness of Fit Test Prob> Chi^2→	0.20	0.49	0.59

[1]Model 1 is the same model as model B in *Table 7.11*. It is shown to facilitate comparisons between the models.

****significance ≤ 0.001 ***significance ≤ 0.01 **significance ≤ 0.05 *significance ≤ 0.10 (significance level in brackets).
Source: CSRSPC (1995) (Calculated by the author)

4. Summary

This chapter has investigated the causal links that connect individuals' experiences in an insider-outsider labour market to their political attitudes and voting behaviour. Evidence based on multivariate analysis of data from the 1991 survey *on Class Structure Class Consciousness and Class Biography* and from the 1995 *CSR* survey on *Political Culture* has shown that being in the flexible segment of the Spanish labour market seems to have attitudinal consequences. In fact, the analysis suggests that labour market precarity is likely to enhance critical views of the economic order and attitudes favourable to socio-political change, as well as to reduce subjective political involvement and to provoke feelings of external political inefficacy. These findings have been interpreted as different, although not necessarily alternative, manifestations or symptoms of a more general process of *political discontent* born of outsiders' dissatisfaction with their own labour market situation.

Evidence has also been presented that suggests that political discontent could have had a notable electoral impact in 1996. On the assumption that respondents' reported voting intention in April 1995 materialised in their actual vote in the general elections in March 1996, we can conclude that outsiders' political discontent favoured punishment voting against the Socialist Party. Political

discontent among potential Socialist voters who were unemployed as a result of the termination of their fixed-term contracts seemed to favour their supporting the Socialists' two main competitors: the United Left and the Popular Party, which eventually won the 1996 elections. The analysis suggests that attitudes pro socio-political change, born of outsiders discontent with their labour market situation, seem to have favoured both intra-bloc and inter-bloc punishment. Inter-bloc punishment seems to be particularly favoured by the *combination* of attitudes pro socio-political change *and* political disaffection. This finding is consistent with the view that disaffection reduces the perceived differences among the competing parties and consequently lowers the ideological costs of inter-bloc voting.

The fact that leftwing outsiders decided to punish the incumbent Socialist Party by voting for the Conservatives indeed seems a remarkable finding as it implies that they were willing to 'jump' over their ideological fences to vote for a party that is clearly situated in a different ideological camp. It thus seems that inter-bloc punishment had a direct influence on the Conservatives' first democratic victory in contemporary Spanish history.

The observed electoral effects do not seem to be derived from the economic deprivation associated with the experience of being an outsider in the Spanish labour market. Neither household income nor self-assessed personal economic situation seem to have any significant impact whatsoever on the electoral consequences of labour market precarity. This suggests that family-based economic resources and welfare unemployment provision schemes might not be effective in mitigating the political consequences of type-of-contract segmentation, which contradicts a recent argument put forward by Maravall and Fraile[37] (1998,38-39; 2000).

However, if economic deprivation is not the key factor linking labour market precarity to political effects, what is? This chapter has shown that punishment voting seems to be related to the

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[37] For a critique of Maravall and Fraile on this point see: Polavieja (1999).

unemployment experiences of fixed-term workers. These experiences are likely to be recurrent episodes in labour market trajectories characterised by labour instability (see *Chapter Three*). It can be concluded that the feelings of employment insecurity, atomisation, lack of employment prospects and uncertainty regarding the future in the labour market could alone provoke economic and political radicalisation and political estrangement, even if outsiders do not suffer from economic hardship. In other words, they alone could provoke political discontent.

This interpretation is consistent with Evans' findings of the crucial role that the perception of job promotion opportunities plays in both explaining political preferences and in accounting for the relations between class and such preferences in the British case. Evans (1993) showed that promotion prospects could alone account for a substantial proportion of the overall effect of class on the political preferences of the British electorate[38] (1993,268). Moreover, he showed that, among the sample as a whole, "*prospects* [had] *the strongest influence on political preferences*" (1993,268). Evans also found that, in sharp contrast to voters' self-assessed job prospects, household income was a trivial factor in explaining the political preferences of British voters. Household income can provide Spanish outsiders with derived welfare but it cannot provide them with employment prospects. The data shown in this chapter suggest that it is the latter that matters when accounting for the electoral impact of type-of-contract segmentation in Spain.

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[38] Recently, Sorensen (2000) has also stressed, although from a strictly theoretical perspective, the role that prospects can play in accounting for the consciousness effects of class.

CHAPTER EIGHT

THE STRUCTURING IMPACT OF TWO-TIER DEREGULATION IN SPAIN: CONCLUSIONS

Two-tier deregulation in Spain constitutes a clear example of how institutional change in advanced capitalism can become an important source of social inequality and conflict that has 'consciousness' effects and political consequences. Both the impact of policy change on labour market structures and the impact of these structures on socio-political attitudes and behaviour define what could be termed the *structuring* impact of deregulation. The case analysed in this dissertation shows that deregulation in institutionally filtered capitalism is capable of having a significant structuring impact.

In this study two interrelated theses have been defended. *First*, that, in a regulatory context characterised by high dismissal costs and a bargaining system that is unsuited for inclusive unionism, two-tier deregulation is likely to generate horizontal labour market inequalities. That is, persistent patterns of differentiation in the individual labour market opportunities of similar-productivity workers. *Second*, it has been argued that the position individuals occupy within these new structures of inequality can have 'consciousness' effects, from which political consequences follow. The likelihood that these 'consciousness' effects are actually triggered depends itself on how the potential labour market

interests these structures entail are filtered by individuals' own ideological maps (which are acquired outside the labour market through processes of political socialisation). Individuals' ideological maps, therefore, *mediate* the political effects of labour market experiences in an insider-outsider labour market.

1. The Impact of Deregulation on Labour Market Structures

Part One of this study has focused on the first step of this causal chain, that is, on the effects of two-tier reform on labour market structures. The argument is simple. A certain policy change (two-tier reform) implemented within a certain regulatory context (characterised by high dismissal costs and non-inclusive bargaining) affected the rent-optimisation strategies of employers and employees, as a result of which a particular form of segmentation (i.e. type-of-contract segmentation) was generated. This argument is based on an understanding of segmentation as having both an *endogenous* and an *exogenous* component. According to this understanding, the endogenous and immediate source of segmentation is the haggling and bargaining between employers and employees over the distribution of the employment rents that are generated in employment relationships. The employment-rent approach defended here, therefore, sees segmentation as always being originated in these rational rent-optimisation strategies of employers and employees. These strategies, however, depend themselves on *exogenous* factors and, crucially, on regulatory ones. Regulation is crucial for segmentation because it has a direct impact on both the *amount* of rents that are generated in employment relationships and on the rent-optimisation *capacity* of both employers and employees. The Spanish experience shows how crucial a factor (de)regulation can be.

Thus it has been argued that two-tier deregulation generated labour market structures of *horizontal* inequality (that is, inequalities in the labour market opportunities of similar-

productivity workers) *because* it had an effect on the rent-optimisation strategies of employers and employees. Drawing on recent contributions in the labour economics literature (see: Güell-Rotllan 2000; Bentolila and Dolado 1994), two mechanisms have been proposed that can explain the segmenting impact of regulatory change in Spain: the *incentive effect* and the *buffer effect*.

The *incentive effect* explains the impact of two-tier deregulation on employers' rent-optimisation capacity. In a context of high dismissal costs for permanent workers, employers use the possibility of renewal of fixed-term contracts as an efficient incentive mechanism. Even in those instances where asset specificity is high (and hence where there should be, in principle, a mutual advantage in maintaining open-ended employment relationships), an appropriate rate of conversion into permanent employment allows employers to elicit further output than the incentive costs the firm and thus proves to be a perfectly efficient incentive mechanism. Of course, the higher the asset specificity of the tasks to be performed, the higher the conversion rate needs to be in order to be an incentive-efficient alternative to efficiency wages in closed employment relationships. The incentive effect, therefore, helps us explain why fixed-term contracts have become the usual means of entry into employment in all occupational classes (fixed-term contracts reduce job-matching costs and create incentives for new employees at no cost to employers). It also explains why entries and conversions into permanent employment are higher among professionals (high asset specificity) and lower among blue-collar and unskilled non-manual workers (low asset specificity) (see *Chapter Three*). It also helps us explain why wage discrimination against fixed-term workers exists in Spain even when the Workers' Statute establishes the equal work-equal pay principle (see *Chapter Four*). The incentive effect means that fixed-term workers are not able to obtain the employment rents that high dismissal costs grant for their permanent counterparts. It also means that fixed-term workers' position vis-à-vis employers is significantly weakened, which intensifies what it has been

called '*vertical*' antagonism between workers and firms (see *Chapter Five*). The incentive effect can thus explain horizontal inequalities between permanent and fixed-term workers as well as the intensification of vertical conflict between fixed-term workers and employers.

The buffer effect explains in turn the impact of two-tier deregulation on permanent workers' rent-optimisation capacity. In a regulatory context of high dismissal costs for permanent workers and non-inclusive collective bargaining, an increase in the proportion of fixed-term workers increases permanent workers' job security and hence their rent-optimisation capacity. *Chapter Three* has shown how the increase in the rate of temporary employment went hand in hand with an increase in permanent workers' survival probability (i.e. job security). This phenomenon was found both within "service" (i.e. professional) and "labour" occupations. Similarly, *Chapter Four* showed how the increase in fixed-term employment was associated with an increase in permanent workers' bargaining power and, thereby, with an increase in their wages (i.e. the insiders' mark-up). In short, it was shown how two-tier reform was also to the advantage of insiders because the buffer effect increased their rent-optimisation capacity vis-à-vis employers. The buffer effect is, therefore, a further source of horizontal differentiation as well as the origin of potential conflict of interests between insiders and outsiders (i.e. '*horizontal*' conflict).

Crucial for the understanding of the buffer effect is acknowledging that unions are *de facto* insider organisations in Spain. It has been argued, though, that the insider character of Spanish unions is a reflection of their weakness rather than of their strength (see *Chapter Four*). Also it has been emphasised that particular characteristics of the Spanish bargaining system (i.e. its scope and depth, its coordination levels, its inflationary bias and the degree of unions' competition) are likely to amplify insider effects (see *Chapter Two*). Stronger and more cooperative unions acting in a different bargaining context would have been in a much better position to display inclusive representational

strategies capable of bridging the insider-outsider gap. The existence of this gap, as shown in *Chapter Six*, further debilitates the trade unions because it separates outsiders from the unions' realm (see below).

The buffer and the incentive effects are mutually reinforcing. The buffer effect implies that permanent workers' rent-optimisation capacity is enhanced with two-tier reform. A stronger insider workforce makes employers increasingly reluctant to convert fixed-term workers into permanent ones (because they fear future dismissal costs). Therefore, the buffer effect further reduces fixed-term workers' survival probability in the firm (given that fixed-term contracts have an *expiration* date). Growing insecurity for fixed-term workers implies, in turn, a greater efficiency of the incentive effect. That is, the greater the risk of becoming unemployed, and the greater the job security in permanent employment, the more willing fixed-term workers will be to work harder in order to get their contracts renewed. This further reduces fixed-term workers' employment rents and weakens their position vis-à-vis employers. There is, therefore, a feedback or reinforcing effect between buffer and incentive mechanisms. The evidence provided in *Chapter Three* and *Chapter Four* is consistent with this interpretation. This reinforcing effect of incentive and buffer mechanisms helps us explain why the rate of temporary employment is so high in Spain.

Yet it has been argued that neither the incentive nor the buffer mechanisms act in a linear fashion. At some point the mutual feedback ends. The renewal rate into permanent employment cannot be reduced linearly with the increase in fixed-term employment because if fixed-term workers perceive that they have no renewal prospects the incentive effect disappears. A minimum degree of conversion into permanent employment is thus necessary for the incentive effect to be efficient (see *Chapter Three*). Similarly, at a certain threshold, a further increase in the proportion of fixed-term workers in the firm could actually weaken rather than strengthen insiders' position. At a particular point, insiders will cease to obtain greater employment rents from

outsiders' increasing labour precarity (see *Chapter Four*). Insider unionism is a non-sustainable representational strategy in the long run because it implies the increasing reduction of the unions' constituency and, therefore, their increasing weakness.

Type-of-contract segmentation must therefore reach a sort of equilibrium state. *Chapter Three* has provided evidence that suggests that this equilibrium might have been reached at some point between 1991 and 1993. This is when the segmentation process stabilised with one-third of the Spanish workforce employed on fixed-term contracts and a yearly conversion rate of fixed-term contracts into permanent ones of only around 9 per cent. In this equilibrium state the unemployment rate fluctuated around the 20 per cent level, that is, the same level that led the first socialist government of Felipe González to implement the 1984 labour market reform. The combination of buffer and incentive mechanisms can explain why flexibilisation through fixed-term contracts in a context of high dismissal costs can have a negligible impact on the aggregate unemployment levels, while triggering intense segmenting effects.

In short, *Part One* of the thesis has shown how two-tier deregulation at the macro-level (*input variable*) implemented in a particular regulatory context (*intervening structural variable*) has had a profound impact on labour market structures (*output variable*), acting as a source of labour market differentiation that affects individuals' opportunities for both stable employment and wages. The cogs and wheels of this process have been provided by incentive and buffer mechanisms triggered by the rational rent-optimisation strategies of actors engaged in employment relationships at the micro-level. *Part One* has, therefore, offered a macro-to-micro-to-macro explanation of social change of the kind advocated by Coleman (1986) (see also: Hedström and Swedberg 1998,21-2; Edling 1998,3-6).

The evidence presented in *Part One* of this study shows that two-tier flexibilisation has produced a very significant differentiation of labour market opportunities within the ranks of what are usually taken to represent 'homogenous' occupational

groupings or 'classes' of employees. In Spain, workers on permanent contracts in working class occupations seem to enjoy job security levels typical of "service" employment relationships. Conversely, professionals on fixed-term contracts show survival probabilities that one would expect to find in "labour" employment relationships (see *Chapter Three*). In other words, neither working class employees on permanent contracts, nor professionals on fixed-term contracts seem to obtain the employment rents that should correspond to the asset specificity of the task they perform. This poses a problem for standard theories of class (at least regarding the class differentiation of employees).

An example drawn from *Chapter Three* illustrates this point. In 1997, 61 per cent of the workers employed in skilled manual occupations had a permanent contract. This segment of the skilled manual 'class' showed an unemployment rate of 6 per cent and an average job-tenure[1] of more than 12 years. Only 10 per cent of these skilled manual workers on permanent contracts feared losing their jobs within a twelve-month period. The remaining 39 per cent of employed skilled manual workers held fixed-term contracts. Fixed-term skilled manual workers showed an unemployment rate of 24 per cent and an average job-tenure of only 14 months. As many as 62 per cent of these skilled-manual workers on fixed-term contracts feared losing their jobs within a twelve-month period. Given these sharp differences by type of contract, does it really make sense to speak of *a* skilled manual class of employees in Spain?

Standard class theories tend to assume what Esping-Andersen has called an institutionally "naked" world of "unfettered markets" (Esping-Andersen 1993,8). This leaves them ill prepared to recognise the crucial role that institutions play in the formation of the actual structure of inequality in advanced capitalism. One could argue that standard class models disregard institutional

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[1] In this example I use average job-tenure figures as reported by those currently unemployed. For the purposes of comparison between permanent and fixed-term workers, the choice between current or last job tenure is irrelevant.

regulation because they focus solely on those essential and constitutive aspects that determine structured inequalities in capitalism. Only by addressing the most important and common features of capitalism, the argument would go, can institutionally naked models and their associated class schemas 'travel' across different institutional settings. Yet it must be noted that if institutional mediation is itself an essential and constitutive aspect of advanced capitalism, institutionally insensitive models can hinder rather than illuminate our understanding of inequality. The Spanish case shows that institutions do indeed matter because they can have a clear impact on labour market structures acting as a mechanism of inequality that has its own logic, one that cannot easily be subsumed within the logic of standard class models. That is why institutionally triggered segmentation poses a problem for orthodox class models.

It could still be argued in defence of standard class models that intra-class heterogeneity is not a new phenomenon and that its importance is always magnified if we take a cross-sectional and static look at the class structure. What matters is the dynamic understanding of class processes. But when the conversion rate into permanent employment is as low as in the Spanish case the dynamic picture still shows segmented professionals and segmented labourers. Moreover, the analysis of the dynamics of segmentation between 1987 and 1997 showed that buffer, incentive and feedback mechanisms have operated within the ranks of all standard occupational categories of employees. These processes of segmentation cannot be explained from within standard class theories that are institutionally blind. Doubts as to the *criterion* validity[2] of standard institutionally-blind class models in the Spanish case are not dissipated.

Perhaps a ten-year perspective is still too close to the ground. From a more distant historical point of view, one could argue, the analysed segmentation processes will only look like 'disturbances'

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[2] On validity see: Marshall (1998) and also: Bailey (1988) and Evans (1992b;1998).

that do not fundamentally alter the general logic of class differentiation of employees in advanced capitalism. From this wider perspective, variations influenced by institutional contingencies should not necessarily have to challenge the general standard class models. This does not seem a particularly compelling argument either. Institutionally generated inequalities do not have to be forever enduring. On the contrary, they might very well be ameliorated in the future. But the amelioration of institutionally-generated horizontal inequalities is not likely to occur 'naturally' as a result of their being subsumed within the logic of (standard) class differentiation. If the inequalities among employees analysed in *Part One* of this thesis are to be reduced in the future it will most probably be due to new regulatory change[3].

In short, a clear implication of *Part One* of this study is that the differentiation of labour market opportunities within standard occupational groupings of employees questions the accuracy of employer-centred class models that do not account for the crucial segmenting impact of institutional regulation. Standard class models would find it difficult to explain the very significant differences in job security and wages that were found among workers performing the same sort of tasks in Spain. Only by accounting for regulatory exogenous factors of segmentation can this apparent anomaly be explained.

2. 'Consciousness' Effects of Type-of-Contract Segmentation

One way of assessing the impact of institutionally generated horizontal inequalities is looking at their consciousness effects. If inequalities are profound, they should have attitudinal and behavioural consequences.

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[3] In this sense, a particularly interesting question to address in future research is the extent to which the labour market reform implemented in 1997 has reduced segmentation by type of contract in the Spanish labour market (see below).

Part Two of this study has analysed the consciousness effects of type-of-contract segmentation. *Chapter Five* has argued in favour of defining 'consciousness' as those attitudinal and behavioural aspects of individuals that have organisational consequences. These are the aspects that provide the link between individual subjectivity at the micro-level and organisational outcomes at the macro-level. *Chapter Five* has further defended the usefulness of differentiating between the industrial and the political realms, and between individuals' attitudes and their behaviour in each of these realms. This approach has proved fruitful.

At a theoretical level *Chapter Five* proposed a simple model to understand how the position that individuals occupy within the new labour market structures generated by type-of-contract segmentation could affect their attitudes and behaviour in the industrial and the political spheres. This model could be called the *ideological-mediation model*. The thrust of the model is that the likelihood that labour market experiences in an insider-outsider labour market have attitudinal and behavioural consequences depends on how the potential labour market interest these structures entail are interpreted or filtered by individuals' own ideological maps, which are acquired through political-socialisation processes that take place outside the labour market. One assumption of the model is, therefore, that individuals are ideologically influenced (or embedded) actors. A further assumption is that ideological maps are simple and not too rationally elaborated and that, perhaps due to their simplicity and lack of rational elaboration, they are fundamentally stable. This of course is a simplification.

The labour market structures explained in *Part One* were, therefore, used in *Part Two* as input variables (macro variables). The question addressed was to what extent labour market experiences in each of the two labour market segments considered could have attitudinal and behavioural consequences (outcome variables) and, crucially, *how* these consequences were triggered. The analysis in *Part Two* has been a search for micro-level

mechanisms that could help us explain the attitudinal consequences of being an outsider in the Spanish labour market.

2.1. Type-of-contract segmentation and trade union involvement

Chapter Six dealt with the effects of type-of-contract segmentation on the industrial realm or what was called trade union involvement. The analysis showed that holding a fixed-term contract hinders participation in all union-related activities, regardless of workers' ideological maps and subjective identification with the trade unions. Fixed-term employment thus seems to act as an "objective" impediment for collective action. It was argued that two mechanisms could explain this finding: higher *uncertainty as to the returns* on collective action and, crucially, higher *discipline costs* (i.e. the costs of employers' reprisals). Both mechanisms are direct consequences of the segmentation process.

It was also found that labour precarity associated with fixed-term employment reduces subjective identification with the trade unions. The data showed that Spanish outsiders were frustrated with the existing organisations. Drawing on original qualitative evidence, a subjective mechanism of *dissonance* was identified. This mechanism helped us explain the process of subjective detachment from the trade unions. Qualitative evidence suggested that it was the contrast between the normative ideal of unionism and the existing unions that seemed to provoke outsiders' frustration with the unions. Based on this provisional finding, it was hypothesised that frustration should be greater among workers who, by virtue of their ideological maps, held greater expectations regarding the unions. This dissonance hypothesis was tested on representative samples using quantitative techniques and the results were positive. Labour market precarity seems to have a stronger impact precisely among workers who hold pro-working class or leftwing views. This finding is consistent with the general ideological-mediation model (ideological maps seem indeed to

mediate between labour market experiences and attitudinal outcomes).

Further research was carried out to investigate the extent to which the process of union estrangement could be explained as resulting directly from the perception that unions *only* defend insiders. Yet no evidence was found that outsiders' feelings of defencelessness were positively correlated to the perception that unions defend insiders. The view of unions as insider organisations does not seem to be the dominant source of frustration with the unions. Quite to the contrary, it seems that being disregarded by the trade unions mostly provokes the feeling among outsiders that unions have broken the promise of defending workers *as a whole*. Hence outsiders' frustration seems to be '*sociotropic*'. This is an interesting finding. It suggests that horizontal inequality between insiders and outsiders is not automatically translated into horizontal-antagonism awareness at the level of industrial attitudes. The ideological-mediation model can offer a plausible interpretation of this finding: frustration with the unions among outsiders could mainly take a *sociotropic* form because frustration is higher precisely among those outsiders who, by virtue of their ideological maps, are more likely to share solidaristic values (i.e. leftwing outsiders). It should not, therefore, be surprising that frustrated outsiders see unions as the 'failing authorities' and that they blame the unions for having broken the 'promise' of defending workers as a whole.

In short, the findings in *Chapter Six* show a clear process of union detachment among Spanish outsiders. It has been argued that the erosion of the workers' involvement with the unions represents a debilitating trend of the utmost significance. Trade unionism with low affiliation, as in the Spanish case, draws its strength from its capacity to mobilise workers. If unions cannot present themselves to outsiders as the legitimate representatives of their interests, outsiders will not mobilise and hence unions' power will be significantly weakened. Weaker unions will tend to fall back (even more) on their core constituency of insiders. The obvious risk is that unions eventually become organisations for the

defence of particularistic interests rather than general 'class' interests. In the long run, even insiders could suffer from this debilitating trend. The attitudinal consequences of type-of-contact segmentation could in this way further reduce the chances for inclusive representation of interests (a new reinforcing effect).

These considerations can offer an interpretation of the 1997 labour market reform, not analysed in this thesis. In April 1997, the two main unions, UGT and CC.OO., along with the employers' organisations CEOE[4] and CEPYME[5], signed a new pact on further labour reform that was hailed by *El País* as *"probably the most important social agreement signed in Spain over the past 15 years"* (EIRR 1997,28; Richards and Polavieja 1997,41). The 1997 reform contained measures to re-organise the institutional setting of collective bargaining, which could counter-act insider tendencies and, most importantly, introduced a new type of open-ended employment contract. This new contract combines an unfixed duration with lower termination costs. It is, therefore, permanent in nature, while significantly more flexible (i.e. cheaper to fire) than the old permanent contract. There is little doubt that the pact in itself constitutes a turning point for the trade unions. In agreeing to it, the unions seemed to recognise the connection between insiders' job security and outsiders' precarity in a highly segmented labour market and showed themselves willing to incorporate the concerns and demands of the outsider workforce (see: Polavieja and Richards, forthcoming, 2001). In the light of the previous argument, unions' agreement with the 1997 reform can be interpreted as a clear sign of their realising that insider unionism was not a sustainable strategy in the long run.

The evidence as to whether the 1997 labour market reform has achieved its goal (or might indeed achieve it in the future) is mixed, debatable and inconclusive (see: Richards and Polavieja

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[4] *Confederación Española de Organizaciones Empresariales*, CEOE (Spanish Confederation of Employers' Organisations).

[5] *Confederación Española de la Pequeña y Mediana Empresa*, CEPYME (Spanish Confederation of Small and Medium Enterprises)

1997; Polavieja and Richards, forthcoming, 2001). Analysing the structuring impact of this reform is an obvious path for future research.

2.2. The electoral consequences of type-of-contract segmentation

In short, *Chapter Six* showed that type-of-contract segmentation did indeed have an impact on the patterns of industrial action. *Chapter Seven* investigated whether type-of-contract segmentation also had an impact on the patterns of electoral behaviour. Data availability forced us to restrict the analysis to the general elections of 1996. These elections were, however, politically crucial as they meant the first victory of the conservative *Popular Party* (PP) in contemporary Spanish democracy. Hence the findings regarding the impact of type-of-contract segmentation on electoral behaviour in 1996 are highly relevant from an empirical point of view.

On the assumption that vote intention materialised in actual vote, *Chapter Seven* showed that type-of-contract segmentation did have an electoral impact in 1996 because it favoured both inter-bloc and intra-bloc punishment voting against the incumbent *Socialist Party* (PSOE). In more precise terms, it was shown that in 1996 leftwing and ex–socialist voters who were unemployed as a result of the termination of their fixed-term contracts were *ceteris paribus* significantly more likely to vote both for the *United Left* (IU) and, crucially, for the conservative PP, than their permanently employed counterparts. Moreover, the analysis provided an explanation of the micro-connections that link labour market structures to these electoral outcomes.

Chapter Seven showed that labour market precarity associated with fixed-term employment is likely to enhance critical views of the economic order and attitudes favourable to socio-political change. This can be related to the intensification of 'vertical' antagonism. Labour market precarity is also likely to reduce subjective political involvement and provoke feelings of external

political inefficacy. These findings were interpreted as distinctive attitudinal manifestations of *political discontent*. Further analysis showed that the most common form of political discontent among outsiders was the combination of attitudes pro socio-political change and political disaffection. This type of attitude was termed *political frustration*. Indicators of political discontent can account for the observed electoral effects of type-of-contract segmentation. Leftwing outsiders punished the Socialists because they were politically discontent.

Chapter Seven also showed that electoral punishment cannot be explained by economic deprivation. Neither household income nor self-assessed personal economic situation can explain the significant electoral impact that being unemployed as a result of the termination of a fixed-term contract had on electoral behaviour in 1996. This is an interesting finding because it questions a recent argument put forward by Maravall and Fraile (1998;2000) and, more generally, a quite common sociological interpretation of Spanish families as institutions that reduce political conflict (see *Chapter One*).

Contrary to what these *familiaristic* approaches would probably expect, *Chapter Seven* showed that the experience of unemployment after precarious labour market trajectories in the flexible segment of the Spanish labour market can trigger punishment voting regardless of family income. It seems, therefore, that uncertainty regarding the future, together with discipline and dissonance mechanisms, can provoke political discontent among leftwing outsiders without a basis in economic deprivation. Political discontent seems to augment the desire for political change. This alone can provoke intra-bloc punishment. Inter-bloc punishment is further favoured by the combination of desire for political change and political disaffection, that is, by political frustration among outsiders. Political frustration reduces the perceived ideological differences between the competing parties and hence lowers the subjective costs of cross-ideological voting. A sort of "*no-one can do it worse*" attitude follows. This attitude favours inter-bloc punishment.

In short, the evidence presented in *Part Two* of this thesis suggests that institutionally triggered labour market inequalities can also have significant consciousness effects. In Spain they did by so by separating workers from the trade unions, and leftwing voters from the Socialist Party.

The Spanish case, therefore, illustrates the extent to which institutional deregulation can have an impact on labour market structures and on socio-political attitudes and behaviour in the industrial and the electoral realms. Advanced capitalist societies are institutionally filtered. Accounting for the structuring impact of institutional deregulation sheds light on the nature of inequality in advanced institutionally filtered capitalism.

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APPENDIX A

STATISTICAL APPENDIX TO CHAPTER THREE: THE EFFECTS OF FIXED-TERM EMPLOYMENT ON EMPLOYMENT CHANCES

Table A.1. *Type of contracts among the newly employed*

	1987	1989	1991	1993	1995	1997
Fixed-term	58.8%	76.7%	83.6%	86.6%	88.8%	87.9%
Permanent	41.2%	23.3%	16.4%	13.4%	11.2%	12.1%

Source: LFS data (2nd Quarters) (Calculated by the author) (weighted)

Table A.2. *Rates of temporary employment and unemployment*

	1987	1989	1991	1993	1995	1997
Fixed-Term Employment	15.6%	26.6%	32.2%	32.1%	35.0%	33.6%
Unemployment	20.6%	17.3%	15.9%	22.3%	22.8%	20.9%

Source: LFS data (2nd Quarters) (Calculated by the author) (weighted)

Table A.3. *Percentage of fixed-term contracts among wage earners by country (1996)*

Country	Percentage
Spain	33.8
Finland	16.5
Sweden	13.6
France	12.3
Denmark	12.1
Netherlands	11.4
Germany	10.4
Ireland	10.2
Greece	10.2
Portugal	10.0
Italy	7.2
UK	7.0
Austria	6.0
Belgium & Luxembourg	5.2
UE	11.6
US	2.2
Japan	10.4

Source: EUROSTAT in Martín, C. 1997. "El Mercado de Trabajo Español en Perspectiva Europea: un Panorama", *Papeles de Economía Española*, (72):2-20

Table A.4. *Type of contract by sex*

SEX	1987			1989			1991			1993			1995			1997		
	TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT		
	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total
MALE																		
Count	4759085	805309	5564394	4587624	1486652	6074276	4472268	1855031	6327299	4036402	1689950	5726352	3844189	1913430	5757619	41297	19821	61118
% within Sex	85.5%	14.5%	100.0%	75.5%	24.5%	100.0%	70.7%	29.3%	100.0%	70.5%	29.5%	100.0%	66.8%	33.2%	100.0%	67.6%	32.4%	100.0%
% within Type	72.2%	66.1%	71.3%	71.1%	63.7%	69.2%	70.6%	61.7%	67.7%	68.5%	60.5%	65.9%	66.4%	61.4%	64.7%	64.7%	61.2%	63.5%
FEMALE																		
Count	1829612	413513	2243125	1863567	846331	2709898	1864865	1151586	3016451	1858990	1101862	2960852	1942709	1204804	3147513	22580	12565	35145
% within Sex	81.6%	18.4%	100.0%	68.8%	31.2%	100.0%	61.8%	38.2%	100.0%	62.8%	37.2%	100.0%	61.7%	38.3%	100.0%	64.2%	35.8%	100.0%
% within Type	27.8%	33.9%	28.7%	28.9%	36.3%	30.8%	29.4%	38.3%	32.3%	31.5%	39.5%	34.1%	33.6%	38.6%	35.3%	35.3%	38.8%	36.5%
Total																		
Count	6588697	1218822	7807519	6451191	2332983	8784174	6337133	3006617	9343750	5895392	2791812	8687204	5786898	3118234	8905132	63877	32386	96263
% within Sex	84.4%	15.6%	100.0%	73.4%	26.6%	100.0%	67.8%	32.2%	100.0%	67.9%	32.1%	100.0%	65.0%	35.0%	100.0%	66.4%	33.6%	100.0%
% within Type	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: LFS data (2nd Quarters) (Calculated by the author) (weighted) (For 1997 counts are given in hundreds)

Table A.5. *Type of contract by age*

AGE	1987			1989			1991			1993			1995			1997		
	TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT		
	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total
16-19																		
Count	207872	192997	400869	119130	339601	458731	89025	369193	458218	47274	268631	315905	38394	235538	273932	294	2209	2503
% within Age	51.9%	48.1%	100.0%	26.0%	74.0%	100.0%	19.4%	80.6%	100.0%	15.0%	85.0%	100.0%	14.0%	86.0%	100.0%	11.7%	88.3%	100.0%
% within Type	3.2%	15.8%	5.1%	1.8%	14.6%	5.2%	1.4%	12.3%	4.9%	.8%	9.6%	3.6%	.7%	7.6%	3.1%	.5%	6.8%	2.6%
20-24																		
Count	705611	324458	1030069	537536	658714	1196250	430495	857020	1287515	306752	734746	1041498	274633	784142	1058775	3143	8196	11339
% within Age	68.5%	31.5%	100.0%	44.9%	55.1%	100.0%	33.4%	66.6%	100.0%	29.5%	70.5%	100.0%	25.9%	74.1%	100.0%	27.7%	72.3%	100.0%
% within Type	10.7%	26.6%	13.2%	8.3%	28.2%	13.6%	6.8%	28.5%	13.8%	5.2%	26.3%	12.0%	4.7%	25.1%	11.9%	4.9%	25.3%	11.8%
25-29																		
Count	917467	213997	1131464	890195	463503	1353698	809807	636667	1446474	696439	611772	1308211	649503	700060	1349563	6980	7052	14032
% within Age	81.1%	18.9%	100.0%	65.8%	34.2%	100.0%	56.0%	44.0%	100.0%	53.2%	46.8%	100.0%	48.1%	51.9%	100.0%	49.7%	50.3%	100.0%
% within Type	13.9%	17.6%	14.5%	13.8%	19.9%	15.4%	12.8%	21.2%	15.5%	11.8%	21.9%	15.1%	11.2%	22.5%	15.2%	10.9%	21.8%	14.6%
30-34																		
Count	915940	120468	1036408	994476	254991	1249467	996747	364488	1361235	904594	374644	1279238	865757	445052	1310809	8924	4715	13639
% within Age	88.4%	11.6%	100.0%	79.6%	20.4%	100.0%	73.2%	26.8%	100.0%	70.7%	29.3%	100.0%	66.0%	34.0%	100.0%	65.4%	34.6%	100.0%
% within Type	13.9%	9.9%	13.3%	15.4%	10.9%	14.2%	15.7%	12.1%	14.6%	15.3%	13.4%	14.7%	15.0%	14.3%	14.7%	14.0%	14.6%	14.2%
35-39																		
Count	849770	94152	943922	889188	163214	1052402	924770	231831	1156601	939248	245676	1184924	943800	303328	1247128	10624	3448	14072
% within Age	90.0%	10.0%	100.0%	84.5%	15.5%	100.0%	80.0%	20.0%	100.0%	79.3%	20.7%	100.0%	75.7%	24.3%	100.0%	75.5%	24.5%	100.0%
% within Type	12.9%	7.7%	12.1%	13.8%	7.0%	12.0%	14.6%	7.7%	12.4%	15.9%	8.8%	13.6%	16.3%	9.7%	14.0%	16.6%	10.6%	14.6%
40-44																		
Count	799130	79127	878257	789201	156435	945636	860302	180237	1040539	870982	193679	1064661	865404	225138	1090542	9672	2456	12128
% within Age	91.0%	9.0%	100.0%	83.5%	16.5%	100.0%	82.7%	17.3%	100.0%	81.8%	18.2%	100.0%	79.4%	20.6%	100.0%	79.7%	20.3%	100.0%
% within Type	12.1%	6.5%	11.2%	12.2%	6.7%	10.8%	13.6%	6.0%	11.1%	14.8%	6.9%	12.3%	15.0%	7.2%	12.2%	15.1%	7.6%	12.6%
45 and more																		
Count	2192908	193623	2386531	2231465	296527	2527992	2225987	367181	2593168	2130104	362665	2492769	2149409	424976	2574385	24240	4308	28548
% within Age	91.9%	8.1%	100.0%	88.3%	11.7%	100.0%	85.8%	14.2%	100.0%	85.5%	14.5%	100.0%	83.5%	16.5%	100.0%	84.9%	15.1%	100.0%
% within Type	33.3%	15.9%	30.6%	34.6%	12.7%	28.8%	35.1%	12.2%	27.8%	36.1%	13.0%	28.7%	37.1%	13.6%	28.9%	37.9%	13.3%	29.7%
Total																		
Count	6588698	1218822	7807520	6451191	2332985	8784176	6337133	3006617	9343750	5895393	2791813	8687206	5786900	3118234	8905134	63877	32384	96261
% within Age	84.4%	15.6%	100.0%	73.4%	26.6%	100.0%	67.8%	32.2%	100.0%	67.9%	32.1%	100.0%	65.0%	35.0%	100.0%	66.4%	33.6%	100.0%
% within Type	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: LFS data (2nd Quarters) (Calculated by the author) (weighted) (For 1997 counts are given in hundreds)

Table A.6. *Origin of unemployment by year*

UNEMPLOYMENT ORIGIN		1987	1989	1991	1993	1995	1997
Newly Unemployed[1]	From Fixed-Term	61.1%	75.0%	82.6%	82.8%	82.8%	82.7%
	From Permanent	38.9%	25.0%	17.4%	17.2%	17.2%	17.3%

[1]Unemployed who were working the previous year .

Source: LFS data (2nd Quarters) (Calculated by the author) (weighted)

Table A.7. *Type-of-contract segmentation ratio: permanent workers' employment security*

		1987	1989	1991	1993	1995	1997
Ω_a	[1-((% of the newly unemployed in t from PC) / (% PC in t-1))]x100	54%	68%	75%	74%	74%	74%

NOTE: Since we lack information on the 1986 and 1996 LFS, the value for 1987 and 1996 is calculated according to the % of PC in those years. E.g. for 1989 the segmentation ratio value is calculated as: [1-((% of the newly unemployed in 1989 from PC) / (% PC in 1988))] x 100 → [1-((25) / (77.6))]x100=68.

Source: LFS data (2nd Quarters) (Calculated by the author)

Table A.7b. *Type-of-contract segmentation ratios: permanent workers' employment security*

		1987	1989	1991	1993	1995	1997
Ω_b	[1-(All exits in t from PC)/ (%PC in t-1)]x100[1]	34%	51%	56%	56%	53%	72%
Ω_c	[1-((PC unemployment rate) / (Total unemployment rate))]x100	56%	68%	75%	75%	75%	75%

NOTES ON Ω_b: [1] Since we lack information on the 1986 and 1996 LFS, the value for 1987 and 1996 is calculated according to the % of PC in those years (as in Table A.7). E.g. for 1989 the segmentation ratio value is calculated as: [1-((% of the newly non-employed in 1989 from PC) / (% PC in 1988))]x100 → [1-((37.8) / (77.6))]x100=51.

Source: LFS data (2nd Quarters) (Calculated by the author)

Table A.8. *Average job duration by type of contract by year*

Job Duration in Months (Approximated value in years in parenthesis)		1987	1989	1991	1993	1995	1997	Average for the period
Currently Employed	Permanent	135(11)	140(12)	144(12)	151(13)	153(13)	153 (13)	146(12)
	Fixed-Term	19	11	11	10	7	6	11
Unemployed (Duration of Last Job)	Permanent	73(6)	86(7)	91(7)	106(9)	116(10)	121(12)	99(8)
	Fixed-Term	12	12	13	13	14	12	13
	Fixed-Term Newly Unemp.[1]	11	11	12	12	11	9	11

[1] For unemployed fixed-term workers we also show the reported duration of previous job for those newly unemployed fixed-term workers, whose experience in unemployment does not exceed 1 year. These figures have been calculated using weighted samples.

Source: LFS (2nd Quarters) (Calculated by the author)

Table A.9. *Labour market status one year earlier by type of contract*

STATUS ONE YEAR EARLIER	1987			1989			1991			1993			1995			1997		
	TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT			TYPE OF CONTRACT		
	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total
Employed same job																		
Count	5851689	369597	6221286	5702680	685197	6387877	5654628	1041771	6696399	5270765	677052	5947817	5187525	377852	5565377	57541	3841	61382
% within Row	94.1%	5.9%	100.0%	89.3%	10.7%	100.0%	84.4%	15.6%	100.0%	88.6%	11.4%	100.0%	93.2%	6.8%	100.0%	93.7%	6.3%	100.0%
% within Col.	88.8%	30.3%	79.7%	91.9%	30.3%	75.4%	93.6%	36.2%	75.1%	93.5%	25.2%	71.4%	92.6%	12.5%	64.6%	90.1%	11.9%	63.8%
Employed different job																		
Count	248069	246129	494198	170778	618007	788785	147683	843287	990970	178813	1164722	1343535	221329	1513953	1735282	2338	15593	17931
% within Row	50.2%	49.8%	100.0%	21.7%	78.3%	100.0%	14.9%	85.1%	100.0%	13.3%	86.7%	100.0%	12.8%	87.2%	100.0%	13.0%	87.0%	100.0%
% within Col.	3.8%	20.2%	6.3%	2.8%	27.3%	9.3%	2.4%	29.3%	11.1%	3.2%	43.3%	16.1%	4.0%	50.1%	20.1%	3.7%	48.1%	18.6%
Unemployed																		
Count	281594	441534	723128	204530	696129	900659	126025	641468	767493	78822	578756	657578	99597	847654	947251	962	8761	9723
% within Row	38.9%	61.1%	100.0%	22.7%	77.3%	100.0%	16.4%	83.6%	100.0%	12.0%	88.0%	100.0%	10.5%	89.5%	100.0%	9.9%	90.1%	100.0%
% within Col.	4.3%	36.2%	9.3%	3.3%	30.7%	10.6%	2.1%	22.3%	8.6%	1.4%	21.5%	7.9%	1.8%	28.1%	11.0%	1.5%	27.1%	10.1%
Studying																		
Count	63486	65831	129317	40520	111873	152393	35309	158104	193413	21485	123981	145466	19711	151120	170831	294	1636	1930
% within Row	49.1%	50.9%	100.0%	26.6%	73.4%	100.0%	18.3%	81.7%	100.0%	14.8%	85.2%	100.0%	11.5%	88.5%	100.0%	15.2%	84.8%	100.0%
% within Col.	1.0%	5.4%	1.7%	.7%	4.9%	1.8%	.6%	5.5%	2.2%	.4%	4.6%	1.7%	.4%	5.0%	2.0%	.5%	5.1%	2.0%
Other non active																		
Count	143859	95732	239591	89246	152959	242205	80662	189845	270507	88026	147063	235089	71076	131340	202416	2741	2554	5295
% within Row	60.0%	40.0%	100.0%	36.8%	63.2%	100.0%	29.8%	70.2%	100.0%	37.4%	62.6%	100.0%	35.1%	64.9%	100.0%	51.8%	48.2%	100.0%
% within Col.	2.2%	7.9%	3.1%	1.4%	6.8%	2.9%	1.3%	6.6%	3.0%	1.6%	5.5%	2.8%	1.3%	4.3%	2.3%	4.3%	7.9%	5.5%
TOTAL																		
Count	6588697	1218823	7807520	6207754	2264165	8471919	6044307	2874475	8918782	5637911	2691574	8329485	5599238	3021919	8621157	63876	32385	96261
% within Row	84.4%	15.6%	100.0%	73.3%	26.7%	100.0%	67.8%	32.2%	100.0%	67.7%	32.3%	100.0%	64.9%	35.1%	100.0%	66.4%	33.6%	100.0%
% within Col.	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: LFS data (2nd Quarters) (Calculated by the author). (For 1997 counts are given in hundreds)

Table A.10. *Job experience among the unemployed*

	1987	**1989**	**1991**	**1993**	**1995**	**1997**
Total Unemployed	62.4%	67.8%	74.7%	80.8%	77.8%	76.7%
Unemployed for 1 month or less	81.2%	88.8%	89.7%	89.7%	88.1%	85.6%

Source: LFS data (2nd Quarters) (Calculated by the author) (weighted)

Table A.11. *Fixed-term workers' labour market situation the following year: yearly transitions from fixed-term contracts into different situations according to the calculations made by Toharia (1996) and Alba (1997)*

SITUATION AT T+1	ORIGIN YEARS																	
	1987		**1988**		**1989**		**1990**		**1991**		**1992**		**1993**		**1994**		**1995**	
Source:	T[*]	**A[**]**	T	**A**	T	**A**	T	**A**	T	**A**	T	**A**	T	**A**	T	**A**	T	**A**
Fixed-Term	49	**47**	57	**55**	58	**56**	64	**61**	57	**55**	57	**55**	63	**60**	64	**62**	-	**61**
Permanent	22	**23**	19	**20**	18	**18**	13	**15**	14	**15**	9	**11**	9	**11**	11	**12**	-	**12**
Non-employed	24	**25**	19	**20**	20	**22**	18	**21**	24	**25**	30	**31**	25	**26**	21	**23**	-	**24**
Others[***]	5	**5**	5	**4**	4	**3**	5	**3**	5	**4**	5	**4**	4	**3**	4	**3**	-	**3**
Total	100		100		100		100		100		100		100		100		100	

Notes and sources:

T[*]: Toharia, L. 1996. "Empleo y Paro en España: Evolución, Situación y Perspectivas", *Ekonomiaz* 35(2):36-67. (p.51). Calculations based on the chained LFS from the INE, *Encuesta de Poblacion Activa. Estadística de Flujos*, various numbers. Calculations for 1992-1994 were estimated by Toharia using original data from the INE.

A[**]: Alba, A. 1997. "How Temporary is Temporary Employment in Spain". Working Paper 97-14, Universidad Carlos III de Madrid. Calculations based on the LFS matched files 1987-1996.

[***] According to Toharia (1996), 'others' are: wage-earners who are not classifiable by type of contract, non-wage-earners and respondents doing the military service. According to Alba (1997) others are the self-employed.

Table A.12. *Maximum likelihood estimates of the transition from fixed-term into permanent employment*

Explanatory Variables		Maximum Likelihood Estimates	
		No Heterogeneity	Heterogeneity
		Coeff. Significance	Coeff. Significance
Reference => Male	Female	-0.10 **	0.051(1)
Reference => No Education	Primary Education	0.260 **	0.319 **
	Secondary Education	0.322 **	0.381 **
	College Education	0.544 **	0.619 **
Reference => Less 5 years **(P.E.=age-years of schooling-6)**	Potential Experience 5-10 yrs	0.151 **	0.152 **
	Potential Experience 10-20 yrs	0.281 **	0.311 **
	Potential Experience 20-30 yrs	0.398 **	0.440 **
	Potential Experience 30+ yrs	0.289 **	0.333 **
Reference => Not Married	Married	0.075	0.081
	Number of Kids	0.038	0.040
	Currently receiving on the job training	0.047	0.050
	PC not found at time=0	-0.226 **	-0.298 **
	Currently searching for other job	-0.118	-0.124
	Seasonal Job	0.369 **	0.412 **
Reference =>Public Sector	Agriculture	-0.580 **	-0.633 **
	Manufacturing	-0.288 **	-0.330 **
	Construction	-0.578 **	-0.650 **
	Trade	-0.167 **	-0.196 **
	Finance	-0.048	-0.061
Reference => Cohort 1987:2	Cohort 1988:4	-0.189 **	-0.264 **
	Cohort 1990:2	-0.714 **	-0.856 **
	Cohort 1991:4	-0.659 **	-0.801 **
	Cohort 1993:2	-0.875 **	-1.046 **
	Cohort 1994:4	-0.935 **	-1.122 **
	Unemployment Rate	0.467	0.429
	Squared σ	----	0.940 **
Mean Log-Likelihood		-0.3417	-0.3413
Number of Observations		18,151	18,151

** Significance Level ≤ 0.05.

(1) Standard Error =.060.

Source: Güell-Rotllan, M. and Petrongolo, B. 1998. "The Transition of Workers from Temporary to Permanent Employment: The Spanish Case". *Universidad Carlos III de Madrid, Working Paper* 98-81, Economic Series 23, (p.18-19). Based on the Chained LFS, 1987-1995

Table A.12b. *Descriptive statistics: column percentages*

	DESTINATION OF THE TRANSITIONS				
	Permanent Contract	Fixed-Term Contract	Jobless	Censored	% in whole sample
Potential Experience less than 5 yrs	26.68	32.94	32.05	35.17	32.23
Potential Experience 5-10 yrs	22.03	22.05	17.64	17.77	19.70
Potential Experience 10-20 yrs	22.45	19.97	18.75	19.27	19.72
Potential Experience 20-30 yrs	13.55	11.92	12.37	12.66	12.45
Potential Experience 30+ yrs	15.30	13.11	19.18	15.12	15.91
Female	38.78	34.57	41.58	39.86	38.44
Married	43.71	38.11	41.20	38.17	39.92
No Education	8.49	7.82	14.24	8.08	10.12
Primary Education	31.83	28.10	30.96	28.72	29.64
Secondary Education	49.60	56.28	48.68	53.56	52.35
College Education	10.07	7.80	6.11	9.63	7.89
Currently receiving on the job training	5.65	6.99	8.36	8.09	7.48
PC not found at time=0	87.15	89.80	87.93	87.88	88.44
Currently searching for other job	5.87	6.55	11.77	7.91	8.41
Agriculture	6.34	8.27	19.16	6.88	11.35
Manufacturing	32.72	32.87	25.73	29.93	28.89
Construction	17.84	19.25	19.09	20.51	19.25
Trade	14.92	19.20	14.56	16.61	16.64
Finance	11.80	8.93	8.45	9.99	9.31
Public Sector & Other	16.39	11.48	13.01	16.08	13.57
Duration (Quarters)	3.48	3.76	2.46	3.58	3.35
Number of Observations	2,012	6,083	6,192	3,864	18,151
%	11.08	33.52	34.12	21.28	100.00

Source: Güell-Rotllan, M. and Petrongolo, B. 1998. "The Transition of Workers from Temporary to Permanent Employment: The Spanish Case". *Universidad Carlos III de Madrid, Working Paper* 98-81, Economic Series.

Table A.13. *Class by type of contract*

CLASS (LFSCS1)	1987 Permanent	1987 Fixed-Term	1987 Total	1989 Permanent	1989 Fixed-Term	1989 Total	1991 Permanent	1991 Fixed-Term	1991 Total	1993 Permanent	1993 Fixed-Term	1993 Total	1995 Permanent	1995 Fixed-Term	1995 Total	1997 Permanent	1997 Fixed-Term	1997 Total
Professionals																		
Count	1245873	110511	1356384	1392985	199693	1592678	1440256	323003	1763259	1468390	324584	1792974	1640989	395178	2036167	19581	4806	24387
% within Class	91.9%	8.1%	100.0%	87.5%	12.5%	100.0%	81.7%	18.3%	100.0%	81.9%	18.1%	100.0%	80.6%	19.4%	100.0%	80.3%	19.7%	100.0%
% within Type	18.9%	9.1%	17.4%	21.6%	8.6%	18.1%	22.7%	10.7%	18.9%	24.9%	11.6%	20.6%	28.4%	12.7%	22.9%	30.7%	14.8%	25.3%
White-collars																		
Count	1250830	161258	1412088	1324436	363293	1687729	1336804	533444	1870248	1297252	515472	1812724	1007885	421327	1429212	11088	4336	15424
% within Class	88.6%	11.4%	100.0%	78.5%	21.5%	100.0%	71.5%	28.5%	100.0%	71.6%	28.4%	100.0%	70.5%	29.5%	100.0%	71.9%	28.1%	100.0%
% within Type	19.0%	13.2%	18.1%	20.5%	15.6%	19.2%	21.1%	17.7%	20.0%	22.0%	18.5%	20.9%	17.4%	13.5%	16.0%	17.4%	13.4%	16.0%
Supervisors																		
Count	104995	4413	109408	127191	8828	136019	143341	10101	153442	145145	19362	164507	394906	175008	569914	3878	1901	5779
% within Class	96.0%	4.0%	100.0%	93.5%	6.5%	100.0%	93.4%	6.6%	100.0%	88.2%	11.8%	100.0%	69.3%	30.7%	100.0%	67.1%	32.9%	100.0%
% within Type	1.6%	.4%	1.4%	2.0%	.4%	1.5%	2.3%	.3%	1.6%	2.5%	.7%	1.9%	6.8%	5.6%	6.4%	6.1%	5.9%	6.0%
Blue-collars																		
Count	2624464	529820	3154284	2406733	1095130	3501863	2280881	1379869	3660750	1952934	1171487	3124421	1436487	1167060	2603547	14931	12255	27186
% within Class	83.2%	16.8%	100.0%	68.7%	31.3%	100.0%	62.3%	37.7%	100.0%	62.5%	37.5%	100.0%	55.2%	44.8%	100.0%	54.9%	45.1%	100.0%
% within Type	39.8%	43.5%	40.4%	37.3%	46.9%	39.9%	36.0%	45.9%	39.2%	33.1%	42.0%	36.0%	24.8%	37.4%	29.2%	23.4%	37.8%	28.2%
Unskilled Serv. (Unskilled Service)																		
Count	1053801	209636	1263437	973287	429814	1403101	925341	499825	1425166	872458	554767	1427225	1180503	739686	1920189	13171	6852	20023
% within Class	83.4%	16.6%	100.0%	69.4%	30.6%	100.0%	64.9%	35.1%	100.0%	61.1%	38.9%	100.0%	61.5%	38.5%	100.0%	65.8%	34.2%	100.0%
% within Type	16.0%	17.2%	16.2%	15.1%	18.4%	16.0%	14.6%	16.6%	15.3%	14.8%	19.9%	16.4%	20.4%	23.7%	21.6%	20.6%	21.2%	20.8%
Agricultural (Agricultural workers)																		
Count	308733	203185	511918	228130	237923	466053	210509	260375	470884	159213	206139	365352	126128	219975	346103	1226	2236	3462
% within Class	60.3%	39.7%	100.0%	48.9%	51.1%	100.0%	44.7%	55.3%	100.0%	43.6%	56.4%	100.0%	36.4%	63.6%	100.0%	35.4%	64.6%	100.0%
% within Type	4.7%	16.7%	6.6%	3.5%	10.2%	5.3%	3.3%	8.7%	5.0%	2.7%	7.4%	4.2%	2.2%	7.1%	3.9%	1.9%	6.9%	3.6%
Total																		
Count	6588696	1218823	7807519	6452762	2334681	8787443	6337132	3006617	9343749	895392	2791811	8687203	5786898	3118234	8905132	63875	32386	96261
% within Class	84.4%	15.6%	100.0%	73.4%	26.6%	100.0%	67.8%	32.2%	100.0%	67.9%	32.1%	100.0%	65.0%	35.0%	100.0%	66.4%	33.6%	100.0%
% within Type	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: LFS data (2nd Quarters) (Calculated by the author) (weighted)

Table A.13b. *Unemployment by class*

CLASS (LFSCS1)	1987 ACTIVE POPULATION			1989 ACTIVE POPULATION			1991 ACTIVE POPULATION			1993 ACTIVE POPULATION			1995 ACTIVE POPULATION			1997 ACTIVE POPULATION		
	Employed	Unemployed	Total	Employed	Unemployed	Total	Employed	Unemployed	Total	Employed	Unemployed	Total	Employed	Unemployed	Total	Employed	Unemployed	Total
I/II (Profess.)	**I/II (Professionals)**			**I/II**			**I/II**			**I/II**			**I/II**			**I/II**		
Count	1839189	93669	1932858	2092661	99136	2191797	2329913	94558	2424471	2384622	192729	2577351	3158137	273388	3431525	37249	2804	40053
% within Class	95.2%	4.8%	100.0%	95.5%	4.5%	100.0%	96.1%	3.9%	100.0%	92.5%	7.5%	100.0%	92.0%	8.0%	100.0%	93.0%	7.0%	100.0%
% within Type	16.3%	7.0%	15.4%	17.2%	7.6%	16.2%	18.5%	6.7%	17.3%	20.1%	7.5%	17.9%	26.4%	10.7%	23.6%	29.3%	11.8%	26.5%
IIIa	**IIIa (White collars)**			**IIIa**			**IIIa**			**IIIa**			**IIIa**			**IIIa**		
Count	1685020	172227	1857247	1949621	189328	2138949	2136317	229725	2366042	2063959	436974	2500933	1601998	383370	1985368	17015	3321	20336
% within Class	90.7%	9.3%	100.0%	91.1%	8.9%	100.0%	90.3%	9.7%	100.0%	82.5%	17.5%	100.0%	80.7%	19.3%	100.0%	83.7%	16.3%	100.0%
% within Type	15.0%	12.9%	14.8%	16.0%	14.6%	15.9%	17.0%	16.2%	16.9%	17.4%	17.1%	17.4%	13.4%	15.0%	13.7%	13.4%	13.9%	13.5%
IV	**IV (self employed)**			**IV**			**IV**			**IV**			**IV**			**IV**		
Count	2440100	36253	2476353	2384635	33787	2418422	2142462	29670	2172132	2058670	58707	2117377	1417225	38741	1455966	13321	379	13700
% within Class	98.5%	1.5%	100.0%	98.6%	1.4%	100.0%	98.6%	1.4%	100.0%	97.2%	2.8%	100.0%	97.3%	2.7%	100.0%	97.2%	2.8%	100.0%
% within Type	21.7%	2.7%	19.7%	19.6%	2.6%	17.9%	17.0%	2.1%	15.5%	17.4%	2.3%	14.7%	11.8%	1.5%	10.0%	10.5%	1.6%	9.1%
V	**V (supervisors)**			**V**			**V**			**V**			**V**			**V**		
Count	110354	9263	119617	136778	4367	141145	154929	8933	163862	166189	22167	188356	582109	127390	709499	5907	1145	7052
% within Class	92.3%	7.7%	100.0%	96.9%	3.1%	100.0%	94.5%	5.5%	100.0%	88.2%	11.8%	100.0%	82.0%	18.0%	100.0%	83.8%	16.2%	100.0%
% within Type	1.0%	.7%	1.0%	1.1%	.3%	1.0%	1.2%	.6%	1.2%	1.4%	.9%	1.3%	4.9%	5.0%	4.9%	4.6%	4.8%	4.7%
VI/VIIa	**VI/VIIa (Blue collars)**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**		
Count	3216630	576972	793602	3562029	510128	4072157	3725883	623486	4349369	3189508	1155365	4344873	2664646	865204	3529850	27684	7527	35211
% within Class	84.8%	15.2%	100.0%	87.5%	12.5%	100.0%	85.7%	14.3%	100.0%	73.4%	26.6%	100.0%	75.5%	24.5%	100.0%	78.6%	21.4%	100.0%
% within Type	28.6%	43.2%	30.1%	29.2%	39.3%	30.2%	29.6%	43.9%	31.1%	26.9%	45.2%	30.2%	22.2%	33.9%	24.3%	21.8%	31.5%	23.3%
IIIb	**IIIb (Unskilled service)**			**IIIb**			**IIIb**			**IIIb**			**IIIb**			**IIIb**		
Count	1444529	203564	648093	1599065	236925	1835990	1612121	259406	1871527	1621049	467103	2088152	2205647	610892	2816539	22353	6010	28363
% within Class	87.6%	12.4%	100.0%	87.1%	12.9%	100.0%	86.1%	13.9%	100.0%	77.6%	22.4%	100.0%	78.3%	21.7%	100.0%	78.8%	21.2%	100.0%
% within Type	12.8%	15.3%	13.1%	13.1%	18.2%	13.6%	12.8%	18.3%	13.4%	13.7%	18.3%	14.5%	18.4%	23.9%	19.4%	17.6%	25.2%	18.8%
VIIb	**VIIb (agricultural workers)**			**VIIb**			**VIIb**			**VIIb**			**VIIb**			**VIIb**		
Count	513723	242887	756610	469621	225595	695216	472241	175497	647738	365935	224079	590014	351691	252821	604512	3536	2675	6211
% within Class	67.9%	32.1%	100.0%	67.6%	32.4%	100.0%	72.9%	27.1%	100.0%	62.0%	38.0%	100.0%	58.2%	41.8%	100.0%	56.9%	43.1%	100.0%
% within Type	4.6%	18.2%	6.0%	3.9%	17.4%	5.2%	3.8%	12.3%	4.6%	3.1%	8.8%	4.1%	2.9%	9.9%	4.2%	2.8%	11.2%	4.1%
Total	**Total**			**Total**			**Total**			**Total**			**Total**			**Total**		
Count	11249545	1334835	12584380	12194410	299266	13493676	12573866	1421275	13995141	11849932	2557124	14407056	11981453	2551806	14533259	127065	23861	150926
% within Class	89.4%	10.6%	100.0%	90.4%	9.6%	100.0%	89.8%	10.2%	100.0%	82.3%	17.7%	100.0%	82.4%	17.6%	100.0%	84.2%	15.8%	100.0%
% within Type	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: LFS data (2nd Quarters) (Calculated by the author) (weighted)

Table A.14. *Logistic regressions on the probability of having a fixed-term contract vs. probability of having a permanent contract*

Explanatory Variables	1987 Odds Ratio	1987 Sig.	1989 Odds Ratio	1989 Sig.	1991 Odds Ratio	1991 Sig.	1993 Odds Ratio	1993 Sig.	1995 Odds Ratio	1995 Sig.	1997 Odds Ratio	1997 Sig.
AGE => *44-more Ref.*												
16-19	3.49	****	7.85	****	9.64	****	9.51	****	4.77	****	8.05	****
20-24	2.75	****	5.60	****	6.44	****	6.77	****	4.59	****	5.73	****
25-29	1.92	****	3.65	****	4.23	****	3.66	****	3.83	****	3.76	****
30-34	.52	**	1.66	***	2.04	****	2.62	****	2.10	****	2.3	****
35-39	1.30	n.s.	1.06	n.s.	1.49	**	1.02	n.s.	1.70	***	1.53	**
40-44	1.15	n.s.	1.15	n.s.	1.07	n.s.	1.47	**	1.18	n.s.	1.22	n.s.
SEX *(=>Male Ref.)*												
Female	1.11	****	1.06	***	1.12	****	1.13	****	1.07	**	1.51	***
CLASS (LFSCS1) =>*Profess. Ref.*												
Intermediate	.72	n.s.	1.42	*.06	.93	n.s.	1.06	n.s.	1.25	n.s.	.63	**
Supervisors	.59	n.s.	.97	n.s.	.45	n.s.	.79	n.s.	2.50	***	2.17	***
Manual	1.83	***	2.17	****	1.81	****	1.89	****	2.24	****	1.91	***
Unskilled Serv.	.92	n.s.	1.90	****	1.39	*.06	1.37	*.090	1.80	***	1.33	*.09
Unskilled Agric.	3.55	***	3.38	***	5.33	****	4.01	***	3.10	**	3.17	**
SITUATION AT t-1 =>*Non Active Ref.*												
Empld. Same Job	.14	****	.11	****	.10	****	.14	****	.06	****	.09	****
Empld. Diff. Job	2.05	***	3.71	****	3.27	****	5.62	****	4.39	****	5.96	****
Unemployed	2.61	****	2.10	***	1.68	***	4.53	****	4.85	****	9.60	****
Studying	2.05	**	1.11	n.s.	1.14	n.s.	1.14	n.s.	3.27	***	5.90	****
SECTOR =>*Private Ref.*												
Public	.87	n.s.	.60	****	.60	****	.60	***	1.03	n.s.	1.17	n.s.
SIZE =>*Less than 50 Ref.*	*Not in data set*		*Not in data set*		*Not in data set*							
More than 50							.62	****	.73	**	.73	**
INDUSTRY => *Manuf. &Machry.* Agriculture												
Mining	2.31	*.08	1.30	n.s.	.68	n.s.	.98	n.s.	.82	n.s.	1.61	n.s.
Other Manufactures	.76	n.s.	.73	n.s.	1.10	n.s.	1.07	n.s.	.54	n.s.	2.40	*.06
Construction	1.56	*.10	1.07	n.s.	.98	n.s.	.97	n.s.	.74	n.s.	1.45	n.s.
Hotels&Commerce	2.52	***	3.06	****	4.81	****	4.44	****	4.37	***	5.46	****
Transports&Comm	2.32	***	1.07	n.s.	1.49	*.07	1.65	*.063	.65	n.s.	1.76	n.s.
Services	1.48	n.s.	1.37	n.s.	1.33	n.s.	.65	n.s.	1.01	n.s.	1.32	n.s.
	1.57	n.s.	1.58	*.055	1.54	*.07	1.70	*.058	.84	n.s.	1.32	n.s.
Number of Cases	4478		4292		4493		3992		4243		4731	
Log likelihood	-1276.679		-1478.7922		-1621.1155		-1282.0664		-1113.5855		-1284.943	
Pseudo R2	0.3630		0.4292		.424		0.4920		.537		.519	
Goodness of Fit Ramsey Test Prob>chi2	0.9949		*(After 10 highest resid. removed)** 0.714		SPSS		*(After 16 highest res. removed)** 0.3877		SPSS		SPSS	
Sensitivity	56.23%		69.17%		69.69%		76.72%		87.42%		84.88%	
Specificity	94.73%		93.29%		93.32%		93.19%		93.51%		93.56%	
Correctly Classified Cut Off Point (.5)	88.39%		86.25%		85.42%		87.80%		91.37%		90.66%	

NOTES: All the models are controlling for Autonomous Community of Residence.

[*] Models without the highest residuals obtain a satisfactory fit and yet no single variable changes its significance with respect to the previous models shown here.

****sig.≤ 0.001 ***sig. .≤ 0.01 **sig. ≤ 0.05 *sig. approximately 0.10 (significance level in parenthesis).

Source: LFS (2nd Quarters) Subsamples. (Calculated by the author).

Table A.15. *Type of contract among the newly employed by class*

CLASS (LFSCS1)	1987 TYPE OF CONTRACT			1989 TYPE OF CONTRACT			1991 TYPE OF CONTRACT			1993 TYPE OF CONTRACT			1995 TYPE OF CONTRACT			1997 TYPE OF CONTRACT		
	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total
I/II	**I/II (Professionals)**			**I/II**			**I/II**			**I/II**			**I/II**			**I/II**		
Count	36921	50097	87018	35550	74089	109639	35811	103983	139794	20334	100523	120857	25949	137876	163825	375	1751	2126
% within Class	42.4%	57.6%	100.0%	32.4%	67.6%	100.0%	25.6%	74.4%	100.0%	16.8%	83.2%	100.0%	15.8%	84.2%	100.0%	17.6%	82.4%	100.0%
% within Type	9.0%	8.6%	8.7%	12.3%	7.8%	8.8%	18.6%	10.6%	11.9%	15.6%	11.9%	12.4%	18.3%	12.2%	12.9%	21.1%	13.6%	14.5%
IIIa	**IIIa (White collars)**			**IIIa**			**IIIa**			**IIIa**			**IIIa**			**IIIa**		
Count	77883	93696	171579	62771	165050	227821	47869	187890	235759	31474	173875	205349	21014	154629	175643	304	1777	2081
% within Class	45.4%	54.6%	100.0%	27.6%	72.4%	100.0%	20.3%	79.7%	100.0%	15.3%	84.7%	100.0%	12.0%	88.0%	100.0%	14.6%	85.4%	100.0%
% within Type	19.0%	16.0%	17.2%	21.7%	17.3%	18.4%	24.8%	19.2%	20.1%	24.1%	20.6%	21.1%	14.8%	13.7%	13.8%	17.1%	13.8%	14.2%
V	**V (Supervisors)**			**V**			**V**			**V**			**V**			**V**		
Count	1665	1609	3274	688	2378	3066	801	1568	2369	301	4323	4624	4354	57796	62150	26	654	680
% within Class	50.9%	49.1%	100.0%	22.4%	77.6%	100.0%	33.8%	66.2%	100.0%	6.5%	93.5%	100.0%	7.0%	93.0%	100.0%	3.8%	96.2%	100.0%
% within Type	.4%	.3%	.3%	.2%	.2%	.2%	.4%	.2%	.2%	.2%	.5%	.5%	3.1%	5.1%	4.9%	1.5%	5.1%	4.6%
VI/VIIa	**VI/VIIa (Blue collars)**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**		
Count	169324	256537	425861	105429	447449	552878	57317	419678	476995	32763	311674	344437	33092	426907	459999	355	4716	5071
% within Class	39.8%	60.2%	100.0%	19.1%	80.9%	100.0%	12.0%	88.0%	100.0%	9.5%	90.5%	100.0%	7.2%	92.8%	100.0%	7.0%	93.0%	100.0%
% within Type	41.3%	43.8%	42.8%	36.5%	47.0%	44.6%	29.8%	42.9%	40.7%	25.1%	37.0%	35.4%	23.3%	37.9%	36.3%	20.0%	36.7%	34.6%
IIIb	**IIIb (Unskilled service)**			**IIIb**			**IIIb**			**IIIb**			**IIIb**			**IIIb**		
Count	101126	100132	201258	68415	168496	236911	40139	173848	213987	39563	189439	229002	51745	267145	318890	665	2970	3635
% within Class	50.2%	49.8%	100.0%	28.9%	71.1%	100.0%	18.8%	81.2%	100.0%	17.3%	82.7%	100.0%	16.2%	83.8%	100.0%	18.3%	81.7%	100.0%
% within Type	24.7%	17.1%	20.2%	23.7%	17.7%	19.1%	20.8%	17.8%	18.3%	30.3%	22.5%	23.5%	36.4%	23.7%	25.1%	37.5%	23.1%	24.8%
VIIb	**VIIb (Agricultural workers)**			**VIIb**			**VIIb**			**VIIb**			**VIIb**			**VIIb**		
Count	22963	83488	106451	16256	93840	110096	10715	91620	102335	5984	62696	68680	6001	82160	88161	50	999	1049
% within Class	21.6%	78.4%	100.0%	14.8%	85.2%	100.0%	10.5%	89.5%	100.0%	8.7%	91.3%	100.0%	6.8%	93.2%	100.0%	4.8%	95.2%	100.0%
% within Type	5.6%	14.3%	10.7%	5.6%	9.9%	8.9%	5.6%	9.4%	8.7%	4.6%	7.4%	7.1%	4.2%	7.3%	6.9%	2.8%	7.8%	7.2%
Total	**Total**			**Total**			**Total**			**Total**			**Total**			**Total**		
Count	409882	585559	995441	289109	951302	1240411	192652	978587	1171239	130419	842530	972949	142155	1126513	1268668	1775	12867	14642
% within Class	41.2%	58.8%	100.0%	23.3%	76.7%	100.0%	16.4%	83.6%	100.0%	13.4%	86.6%	100.0%	11.2%	88.8%	100.0%	12.1%	87.9%	100.0%
% within Type	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: LFS data (2nd Quarters) (Calculated by the author) (weighted)

Table A.16. *Logistic regressions on the probability of achieving a permanent contract for new entrants in the labour market (those who were not employed the previous year, and tenure less or equal 12 months)*

Explanatory Variables	YEAR											
	1987		**1989**		**1991**		**1993**		**1995**		**1997**	
	Odds Ratio	Sig.	Odds Ratio	Sig.	Odds Ratio	Sig.	Odds Ratio	Sig.	Odds Ratio	Sig.	Odds Ratio	Sig.
AGE => *44-more Ref.*												
16-19	.98	n.s.	.66	***	.77	* .10	.80	n.s.	.39	****	.52	****
20-24	1.20	n.s.	.84	n.s.	.75	**	.68	**	.54	****	.59	****
25-29	1.20	n.s.	.93	n.s.	.87	n.s.	.86	n.s.	.61	****	.77	* .08
30-34	1.37	**	.97	n.s.	.89	n.s.	1.14	n.s.	.83	n.s.	.84	n.s.
35-39	1.49	**	.80	n.s.	.74	n.s.	1.48	* .053	.60	**	1.03	n.s.
40-44	1.12	n.s.	.98	n.s.	1.17	n.s.	1.12	n.s.	.68	*.06	1.04	n.s.
SEX *(=>Male Ref.)*												
Female	.89	n.s.	.96	**	.95	***	.96	*.06	1.01	n.s.	.95	n.s.
ORIGIN AT t-1 =>*Unemployed*												
Non Active	1.12	****	1.07	****	1.06	***	1.16	****	1.13	****	1.16	****
CLASS (LFSCS1) =>*Profess. Ref.*												
Intermediate	1.34	**	1.02	n.s.	1.04	n.s.	1.47	**	.86	n.s.	1.36	**
Supervisors	2.06	n.s.	1.19	n.s.	1.93	n.s.	.50	n.s.	.72	n.s.	.38	***
Manual	1.15	n.s.	.64	***	.56	****	.86	n.s.	.79	n.s.	.73	*.053
Unskilled Serv.	1.15	****	1.03	n.s.	.88	n.s.	1.56	***	1.27	* .082	1.67	****
Unskilled Agric.	.58	* .07	.55	* .06	.32	***	.58	n.s.	.39	**	.54	n.s.
INDUSTRY => *Manuf. &Machry.*												
Agriculture	.88	n.s.	1.12	n.s.	2.41	**	1.21	n.s.	1.16	n.s.	1.55	n.s.
Mining	1.48	* .10	1.53	*.06	1.54	n.s.	.47	*.075	.58	n.s.	1.45	n.s.
Other Manufactures	1.11	n.s.	1.20	n.s.	1.68	**	.67	n.s.	.49	**	1.39	n.s.
Construction	.87	n.s.	1.04	n.s.	1.06	n.s.	.50	**	.22	****	.83	n.s.
Hotels&Commerce	.81	n.s.	1.13	n.s.	1.25	n.s.	.62	*.09	.68	n.s.	1.23	n.s.
Transports&Comm	1.04	n.s.	1.17	n.s.	2.18	***	.95	n.s.	.70	n.s.	1.45	n.s.
Services	1.25	n.s.	1.34	*.11	1.72	**	.92	n.s.	.85	n.s.	2.10	*.064
TENURE (In Months)	1.18	****	1.12	****	1.14	****	1.17	****	1.25	****	1.24	****
SECTOR =>*Private Ref.*												
Public	.68	****	1.09	n.s.	1.26	**	1.42	**	.76	* .060	.84	n.s.
SIZE =>*Less than 50 Ref.*												
More than 50	*Not in data set*		*Not in data set*		*Not in data set*		.91	n.s.	1.16	n.s.	.96	n.s.
Number of Cases	4836		6284		5853		4751		6232		6894	
Log likelihood	-2889.8087		-2916.1927		-2279.6207		-1638.4028		-1809.6687		-2058.5068	
Pseudo R2	0.1071		0.0931		0.1016		0.1142		0.1575		0.1599	
Hosmer-Lemeshow (Group 10) Prob>chi2	0.2014		0.1021		0.009		0.7968		0.8617		0.8480	
Sensitivity	62.93%		65.62%		67.32%		66.08%		67.06%		65.36%	
Specificity	69.20%		65.57%		65.19%		67.86%		75.32%		76.19%	
Correctly Classified	66.75%		65.58%		65,52%		67.63%		74.42%		74.95%	
Cut Off Point	.4		.2		.15		.13		.12		.13	

NOTE: All models are controlling for Autonomous Community of Residence

****sig.≤ 0.001 ***sig. .≤ 0.01 **sig. ≤ 0.05 *sig. approximately 0.10 (significance level in parenthesis).

Source: LFS Subsamples of new entrants in the labour market (Calculated by the author)

Table A.17. *Newly unemployed. Class by unemployment origin*

CLASS (LFSCS1)	1987 UNEMPLOYMENT ORIGIN			1989 UNEMPLOYMENT ORIGIN			1991 UNEMPLOYMENT ORIGIN			1993 UNEMPLOYMENT ORIGIN			1995 UNEMPLOYMENT ORIGIN			1997 UNEMPLOYMENT ORIGIN		
	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total
I/II	**I/II (Professionals)**			**I/II**			**I/II**			**I/II**			**I/II**			**I/II**		
Count	7524	14798	22322	6296	18564	24860	6629	24310	30939	13263	46063	59326	16205	40570	56775	121	437	558
% within Class	33.7%	66.3%	100.0%	25.3%	74.7%	100.0%	21.4%	78.6%	100.0%	22.4%	77.6%	100.0%	28.5%	71.5%	100.0%	21.7%	78.3%	100.0%
% within Type	5.4%	6.8%	6.3%	7.3%	7.0%	7.0%	7.8%	6.0%	6.3%	9.6%	6.8%	7.3%	17.6%	9.2%	10.6%	12.9%	9.7%	10.2%
IIIa	**IIIa (White collars)**			**IIIa**			**IIIa**			**IIIa**			**IIIa**			**IIIa**		
Count	18171	29309	47480	16794	40525	57319	15305	65394	80699	24697	109007	133704	17323	68745	86068	167	659	826
% within Class	38.3%	61.7%	100.0%	29.3%	70.7%	100.0%	19.0%	81.0%	100.0%	18.5%	81.5%	100.0%	20.1%	79.9%	100.0%	20.2%	79.8%	100.0%
% within Type	13.1%	13.5%	13.3%	19.4%	15.2%	16.2%	18.0%	16.1%	16.4%	18.0%	16.1%	16.4%	18.8%	15.5%	16.1%	17.8%	14.6%	15.1%
V	**V (Supervisors)**			**V**			**V**			**V**			**V**			**V**		
Count	2072	335	2407	702	676	1378	1149	2151	3300	4320	4534	8854	7845	19940	27785	120	204	324
% within Class	86.1%	13.9%	100.0%	50.9%	49.1%	100.0%	34.8%	65.2%	100.0%	48.8%	51.2%	100.0%	28.2%	71.8%	100.0%	37.0%	63.0%	100.0%
% within Type	1.5%	.2%	.7%	.8%	.3%	.4%	1.3%	.5%	.7%	3.1%	.7%	1.1%	8.5%	4.5%	5.2%	12.8%	4.5%	5.9%
VI/VIIa	**VI/VIIa (Blue collars)**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**		
Count	77549	108018	185567	42530	125495	168025	45553	207611	253164	76447	348265	424712	34093	174577	208670	317	1744	2061
% within Class	41.8%	58.2%	100.0%	25.3%	74.7%	100.0%	18.0%	82.0%	100.0%	18.0%	82.0%	100.0%	16.3%	83.7%	100.0%	15.4%	84.6%	100.0%
% within Type	56.0%	49.7%	52.1%	49.2%	47.1%	47.6%	53.5%	51.0%	51.5%	55.6%	51.6%	52.2%	37.0%	39.4%	39.0%	33.8%	38.6%	37.8%
IIIb	**IIIb (Unskilled service)**			**IIIb**			**IIIb**			**IIIb**			**IIIb**			**IIIb**		
Count	24404	28039	52443	16441	51939	68380	13470	72757	86227	15814	120851	136665	15160	102747	117907	200	1050	1250
% within Class	46.5%	53.5%	100.0%	24.0%	76.0%	100.0%	15.6%	84.4%	100.0%	11.6%	88.4%	100.0%	12.9%	87.1%	100.0%	16.0%	84.0%	100.0%
% within Type	17.6%	12.9%	14.7%	19.0%	19.5%	19.4%	15.8%	17.9%	17.5%	11.5%	17.9%	16.8%	16.5%	23.2%	22.0%	21.3%	23.2%	22.9%
VIIb	**VIIb (Agricultural worker)**			**VIIb**			**VIIb**			**VIIb**			**VIIb**			**VIIb**		
Count	8667	36962	45629	3757	29211	32968	3032	34666	37698	2959	46839	49798	1522	36708	38230	14	423	437
% within Class	19.0%	81.0%	100.0%	11.4%	88.6%	100.0%	8.0%	92.0%	100.0%	5.9%	94.1%	100.0%	4.0%	96.0%	100.0%	3.2%	96.8%	100.0%
% within Type	6.3%	17.0%	12.8%	4.3%	11.0%	9.3%	3.6%	8.5%	7.7%	2.2%	6.9%	6.1%	1.7%	8.3%	7.1%	1.5%	9.4%	8.0%
Total	**Total**			**Total**			**Total**			**Total**			**Total**			**Total**		
Count	138387	217461	355848	86520	266410	352930	85138	406889	492027	137500	675559	813059	92148	443287	535435	939	4517	5456
% within Class	38.9%	61.1%	100.0%	24.5%	75.5%	100.0%	17.3%	82.7%	100.0%	16.9%	83.1%	100.0%	17.2%	82.8%	100.0%	17.2%	82.8%	100.0%
% within Type	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: LFS data (2nd Quarters) (Calculated by the author) (weighted)

Table A.18. *Type of contract segmentation ratios: permanent workers' employment security by class and year*

	OCCUPPATIONAL CLASSES (LFSCS1)	YEAR				CAUTION: NEW CODING OF CLASS VARIABLE[1]	
		1987	1989	1991	1993	1995	1997
Ω_a	Professionals (I/II)	63%	71%	74%	73%	65%	73%
	White collar (IIIa)	57%	63%	73%	74%	71%	72%
	Blue Collar (VI/VIIa)	50%	63%	71%	71%	71%	72%
	Unskilled service (IIIb)	44%	65%	76%	81%	79%	76%
	TOTAL	54%	68%	74%	75%	74%	74%

[1] Coding changes in the occupational categories took place in 1994, which makes the series non-homogenous from 1995 onwards.

Source: LFS data (2nd Quarters) (Calculated by the author)

Table A.18b. *Type of contract segmentation ratios: permanent workers' employment security by class and year. Segmentation ratio is calculated with all yearly exits (both to unemployment and inactivity)*

	OCCUPPATIONAL CLASSES (LFSCS1)	YEAR				CAUTION: NEW CODING OF CLASS VARIABLE	
		1987	1989	1991	1993	1995	1997
RATIO Ω_b [1-(%Non employed from PC/% PC)] x100	Professionals (I/II)	14%	47%	48%	48%	45%	55%
	White collar (IIIa)	44%	51%	64%	47%	63%	81%
	Blue Collar (VI/VIIa)	37%	52%	47%	57%	50%	63%
	Unskilled service (IIIb)	22%	38%	62%	65%	44%	72%
	TOTAL	34%	49%	55%	57%	53%	72%

[1] Coding changes in the occupational categories took place in 1994, which makes the series non-homogenous from 1995 onwards.

Source: LFS data (2nd Quarters) (Calculated by the author)

Table A.19. *Average job duration by type of contract and year in "service" and "labour" occupational* classes *(LSCS1)*

Average current job duration in months for employed wage earners (Approximated value in years in parenthesis)		**1987**	**1989**	**1991**	**1993**		*1995***	*1997****
Professionals (I/II)	Fixed-term	14	12	13	12		*9*	*10*
	Permanent	142	143	145	153		*153*	*159*
White-collars (IIIa)	Fixed-term	10	10	11	8		*6*	*5*
	Permanent	132	134	138	147		*152*	*148*
Blue-collars (VI/VII)	Fixed-term	14	9	11	9		*6*	*6*
	Permanent	138	147	151	160		*163*	*160*
Unskilled service (IIIb)	Fixed-term	17	14	13	13		*10*	*7*
	Permanent	98	111	121	126		*130*	*132*
Average last job duration in months for unemployed wage earners (Approximated value in years in parenthesis)		**1987**	**1989**	**1991**	**1993**		*1995***	*1997****
Professionals (I/II)	Fixed-term	12	10	13	12		*21*	*16*
	Permanent	81	95	103	102		*127*	*124*
White-collars (IIIa)	Fixed-term	14	14	14	15		*15*	*16*
	Permanent	81	104	96	102		*117*	*124*
Blue-collars (VI/VII)	Fixed-term	16	14	15	15		*15*	*13*
	Permanent	92	91	95	116		*125*	*140*
Unskilled service (IIIb)	Fixed-term	10	14	13	12		*13*	*13*
	Permanent	38	57	67	75		*68*	*59*

Notes:

**   Coding changes in the occupational categories took place in 1994, which makes the series non-homogenous from 1995 onwards.

***   From the first quarter of 1995 to the second quarter of 1997 the sampling sections of the LFS changed. Caution is, therefore, recommended when comparing results between these two years.

Source: LFS data (2nd Quarters) (Calculated by the author) (weighted)

Table A.20. *Situation one year earlier by type of contract by class*

CLASS (LFSCS1)	1987 TYPE OF CONTRACT			1989 TYPE OF CONTRACT			1991 TYPE OF CONTRACT			1993 TYPE OF CONTRACT			1995 TYPE OF CONTRACT			1997 TYPE OF CONTRACT		
	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total
I/II	**I/II (Professionals)**			**I/II**			**I/II**			**I/II**			**I/II**			**I/II**		
Emp. same job	93.1%	35.6%	88.4%	94.1%	37.4%	86.9%	94.7%	42.6%	85.1%	94.7%	27.7%	82.5%	94.3%	18.2%	79.6%	91.9%	19.9%	77.7%
Emp. diff. job	3.1%	17.8%	4.3%	2.7%	23.4%	5.3%	2.1%	22.8%	6.0%	2.8%	39.6%	9.5%	3.1%	45.0%	11.2%	2.6%	44.4%	10.9%
Unemployed	1.8%	32.6%	4.3%	1.7%	24.6%	4.6%	1.3%	20.5%	4.9%	.7%	19.4%	4.2%	1.0%	24.7%	5.6%	.7%	20.3%	4.6%
Non active	2.1%	13.9%	3.0%	1.6%	14.7%	3.2%	1.9%	14.1%	4.1%	1.7%	13.3%	3.8%	1.5%	12.1%	3.5%	4.7%	15.4%	6.8%
IIIa	**IIIa (White collars)**			**IIIa**			**IIIa**			**IIIa**			**IIIa**			**IIIa**		
Emp. same job	89.7%	28.8%	82.8%	92.4%	33.7%	79.6%	93.6%	39.7%	78.1%	94.5%	24.7%	74.4%	93.4%	11.0%	69.1%	90.9%	9.7%	67.8%
Emp. diff. job	2.8%	12.6%	3.9%	2.1%	19.1%	5.8%	2.1%	23.3%	8.2%	2.3%	40.2%	13.2%	3.8%	51.0%	17.8%	3.5%	48.2%	16.3%
Unemployed	4.0%	40.6%	8.2%	3.3%	31.6%	9.4%	2.4%	22.9%	8.3%	1.4%	22.8%	7.6%	1.4%	26.3%	8.7%	1.2%	27.3%	8.6%
Non active	3.5%	18.0%	5.1%	2.2%	15.6%	5.1%	1.9%	14.2%	5.4%	1.8%	12.2%	4.8%	1.4%	11.6%	4.4%	4.3%	14.8%	7.3%
V	**V (Supervisors)**			**V**			**V**			**V**			**V**			**V**		
Emp. same job	95.9%	40.9%	93.7%	98.3%	45.2%	94.8%	97.7%	56.2%	95.0%	97.2%	34.9%	90.1%	94.2%	10.2%	68.7%	93.7%	8.8%	65.8%
Emp. diff. job	0.9%	20.5%	1.7%	1.0%	27.1%	2.7%	1.2%	26.8%	2.8%	2.1%	40.9%	6.5%	4.1%	55.5%	19.7%	2.6%	58.3%	20.9%
Unemployed	1.0%	36.5%	2.4%	.5%	24.8%	2.1%	.5%	14.7%	1.4%	.2%	19.7%	2.4%	.9%	24.8%	8.2%	.4%	23.0%	7.9%
Non active	2.2%	2.1%	2.2%	.2%	2.9%	.4%	.6%	2.3%	.7%	.5%	4.5%	1.0%	.8%	9.5%	3.4%	3.2%	9.9%	5.4%
VI/VIIa	**VI/VIIa (Blue collars)**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**			**VI/VIIa**		
Emp. same job	88.5%	27.6%	78.3%	91.9%	28.1%	71.9%	94.0%	36.3%	72.3%	93.7%	25.9%	68.2%	92.4%	11.3%	56.0%	90.3%	12.6%	54.6%
Emp. diff. job	3.8%	22.7%	7.0%	2.7%	29.7%	11.2%	2.4%	31.7%	13.5%	3.5%	46.4%	19.6%	4.1%	51.3%	25.3%	4.7%	49.6%	25.3%
Unemployed	4.8%	38.2%	10.4%	3.6%	32.5%	12.7%	1.9%	21.5%	9.3%	1.3%	19.7%	8.2%	2.1%	29.6%	14.5%	1.4%	26.7%	13.0%
Non active	2.9%	11.5%	4.4%	1.8%	9.7%	4.3%	1.6%	10.5%	5.0%	1.5%	8.1%	4.0%	1.3%	7.9%	4.3%	3.7%	11.0%	7.1%
IIIb	**IIIb (Unskilled service)**			**IIIb**			**IIIb**			**IIIb**			**IIIb**			**IIIb**		
Emp. same job	84.7%	35.4%	76.5%	88.5%	39.3%	73.4%	91.4%	39.4%	73.3%	90.0%	28.6%	66.2%	90.2%	15.4%	61.4%	87.5%	11.4%	61.5%
Emp. diff. job	4.5%	15.3%	6.3%	3.2%	19.5%	8.2%	2.8%	23.3%	10.0%	4.0%	35.5%	16.2%	4.4%	47.1%	20.8%	4.7%	46.4%	18.9%
Unemployed	6.2%	33.2%	10.7%	4.9%	27.7%	11.9%	3.0%	23.1%	10.0%	2.6%	24.4%	11.1%	2.8%	28.2%	12.6%	2.9%	28.3%	11.6%
Non active	4.6%	16.1%	6.5%	3.4%	13.5%	6.5%	2.7%	14.2%	6.7%	3.4%	11.4%	6.5%	2.6%	9.4%	5.2%	4.9%	13.9%	8.0%
VIIb	**VIIb (Agricultural workers)**			**VIIb**			**VIIb**			**VIIb**			**VIIb**			**VIIb**		
Emp. same job	82.0%	30.4%	61.5%	85.5%	12.2%	48.6%	87.5%	14.0%	47.2%	87.5%	8.1%	43.1%	85.4%	3.7%	33.6%	82.9%	3.7%	33.4%
Emp. diff. job	8.8%	26.0%	15.6%	6.0%	46.3%	26.3%	5.4%	48.8%	29.2%	6.3%	60.1%	36.4%	8.8%	57.1%	39.5%	8.6%	51.9%	35.7%
Unemployed	5.7%	32.7%	16.4%	5.3%	31.9%	18.7%	4.0%	26.9%	16.5%	2.8%	24.0%	14.7%	4.1%	31.5%	21.4%	1.7%	30.5%	19.7%
Non active	3.5%	10.9%	6.4%	3.1%	9.6%	6.4%	3.1%	10.4%	7.1%	3.4%	7.8%	5.8%	1.7%	7.7%	5.5%	6.8%	13.9%	11.2%

Source: LFS data (2nd Quarters) (Calculated by the author)

Table A.21. *Rate of transitions from fixed-term employment into different labour market situations by education (row percentages) according to the panel version of the Spanish Labour Force Survey 1987-1995*

	Permanent Contract	Fixed-Term Contract	Jobless	Censored	TOTAL
No Education	9.30%	25.89%	47.50%	17.31%	100.0%
Primary Education	11.90%	31.77%	35.60%	20.73%	100.0%
Secondary Education	10.50%	36.03%	31.72%	21.75%	100.0%
College Education	14.19%	33.13%	26.69%	25.98%	100.0%
Total Transition Rate	11.08%	33.52%	34.12%	21.8%	

Source: Calculated by the author from Guell-Rotllan and Petrongolo (1998,15, Table 4.1)

Table A.22. *Base-line hazard estimates of transitions from fixed-term employment into permanent employment*

Quarters	No Heterogeneity		Heterogeneity	
	Coefficients	Standard Error	Coefficients	Standard Error
1	0.177	0.032	0.216	0.046
2	0.136	0.026	0.182	0.041
3	0.134	0.026	0.187	0.044
4	0.162	0.032	0.237	0.058
5	0.168	0.036	0.265	0.070
6	0.134	0.033	0.231	0.069
7	0.201	0.044	0.298	0.072
8	0.125	0.031	0.186	0.054
9	0.125	0.034	0.198	0.063
10	0.093	0.027	0.166	0.058
11	0.228	0.048	0.311	0.077
12	0.129	0.033	0.198	0.063
13	0.127	0.034	0.186	0.056
14 and over	0.061	0.020	0.091	0.033

Source: Guell-Rotllan, M. and Petrongolo, B. 1998. "The Transition of Workers from Temporary to Permanent Employment: The Spanish Case". *Universidad Carlos III de Madrid, Working Paper* 98-81, Economic Series 23, (p.18-19). Based on the Chained LFS, 1987-1995

Table A.23. *Type of contract by unemployment by class*

	1987			1989			1991			1993			1995			1997		
CLASS (LFSCS1)	ACTIVE POPULATION			ACTIVE POPULATION			ACTIVE POPULATION			ACTIVE POPULATION			ACTIVE POPULATION			ACTIVE POPULATION		
	Employed	Unemployed	Total	Employed	Unemployed	Total	Employed	Unemployed	Total	Employed	Unemployed	Total	Employed	Unemployed	Total	Employed	Unemployed	Total
I/II Permanent																		
Count	1245873	25254	1271127	1392929	17037	1409966	1440256	13979	1454235	1468390	28296	1496686	1640989	55582	1696571	19581	462	20043
% within Class	98.0%	2.0%	100.0%	98.8%	1.2%	100.0%	99.0%	1.0%	100.0%	98.1%	1.9%	100.0%	96.7%	3.3%	100.0%	97.7%	2.3%	100.0%
% within Type	91.9%	35.2%	89.0%	87.5%	22.0%	84.4%	81.7%	18.5%	79.1%	81.9%	19.1%	77.1%	80.6%	27.9%	75.9%	80.3%	22.5%	75.8%
I/II Fixed-Term																		
Count	110511	46521	157032	199313	60353	259666	323003	61481	384484	324584	120043	444627	395178	143840	539018	4806	1590	6396
% within Class	70.4%	29.6%	100.0%	76.8%	23.2%	100.0%	84.0%	16.0%	100.0%	73.0%	27.0%	100.0%	73.3%	26.7%	100.0%	75.1%	24.9%	100.0%
% within Type	8.1%	64.8%	11.0%	12.5%	78.0%	15.6%	18.3%	81.5%	20.9%	18.1%	80.9%	22.9%	19.4%	72.1%	24.1%	19.7%	77.5%	24.2%
Total Class %	95.0%	5.0%	100.0%	95.4%	4.6%	100.0%	95.9%	4.1%	100.0%	92.4%	7.6%	100.0%	91.1%	8.9%	100.0%	92.2%	7.8%	100.0%
IIIa Permanent																		
Count	1250830	53500	1304330	1324380	40664	1365044	1336804	34223	1371027	1297252	72116	1369368	1007885	71122	1079007	11088	661	11749
% within Class	95.9%	4.1%	100.0%	97.0%	3.0%	100.0%	97.5%	2.5%	100.0%	94.7%	5.3%	100.0%	93.4%	6.6%	100.0%	94.4%	5.6%	100.0%
% within Type	88.6%	37.9%	84.0%	78.5%	25.9%	74.0%	71.5%	17.2%	66.3%	71.6%	19.2%	62.6%	70.5%	21.0%	61.0%	71.9%	22.2%	63.9%
IIIa Fixed-Term																		
Count	161258	87610	248868	363293	116376	479669	533444	164526	697970	515472	303153	818625	421327	268065	689392	4336	2313	6649
% within Class	64.8%	35.2%	100.0%	75.7%	24.3%	100.0%	76.4%	23.6%	100.0%	63.0%	37.0%	100.0%	61.1%	38.9%	100.0%	65.2%	34.8%	100.0%
% within Type	11.4%	62.1%	16.0%	21.5%	74.1%	26.0%	28.5%	82.8%	33.7%	28.4%	80.8%	37.4%	29.5%	79.0%	39.0%	28.1%	77.8%	36.1%
Total Class %	90.9%	9.1%	100.0%	91.5%	8.5%	100.0%	90.4%	9.6%	100.0%	82.8%	17.2%	100.0%	80.8%	19.2%	100.0%	83.8%	16.2%	100.0%
V Permanent																		
Count	104995	5759	110754	127191	2302	129493	143341	2797	146138	145145	9637	154782	394906	34522	429428	3878	390	4268
% within Class	94.8%	5.2%	100.0%	98.2%	1.8%	100.0%	98.1%	1.9%	100.0%	93.8%	6.2%	100.0%	92.0%	8.0%	100.0%	90.9%	9.1%	100.0%
% within Type	96.0%	70.9%	94.2%	93.5%	59.1%	92.6%	93.4%	41.3%	91.2%	88.2%	53.8%	84.8%	69.3%	31.5%	63.2%	67.1%	36.9%	62.4%
V Fixed-Term																		
Count	4413	2366	6779	8828	1595	10423	10101	3972	14073	19362	8288	27650	175008	75218	250226	1901	666	2567
% within Class	65.1%	34.9%	100.0%	84.7%	15.3%	100.0%	71.8%	28.2%	100.0%	70.0%	30.0%	100.0%	69.9%	30.1%	100.0%	74.1%	25.9%	100.0%
% within Type	4.0%	29.1%	5.8%	6.5%	40.9%	7.4%	6.6%	58.7%	8.8%	11.8%	46.2%	15.2%	30.7%	68.5%	36.8%	32.9%	63.1%	37.6%
Total Class %	93.1%	6.9%	100.0%	97.2%	2.8%	100.0%	95.8%	4.2%	100.0%	90.2%	9.8%	100.0%	83.9%	16.1%	100.0%	84.6%	15.4%	100.0%

Source: LFS (2nd Quarters) (Calculated by the author)

Continues from previous page….Table A.23. *Type of contract by unemployment by class*

CLASS (LFSCS1)	1987 ACTIVE POPULATION Employed	Unemployed	Total	1989 ACTIVE POPULATION Employed	Unemployed	Total	1991 ACTIVE POPULATION Employed	Unemployed	Total	1993 ACTIVE POPULATION Employed	Unemployed	Total	1995 ACTIVE POPULATION Employed	Unemployed	Total	1997 ACTIVE POPULATION Employed	Unemployed	Total
VI/VIIa Permnt.																		
Count	2624464	213556	2838020	2406514	114704	2521218	2280881	95082	2375963	1952934	173085	2126019	1436487	138541	1575028	14931	1202	16133
% within Class	92.5%	7.5%	100.0%	95.5%	4.5%	100.0%	96.0%	4.0%	100.0%	91.9%	8.1%	100.0%	91.2%	8.8%	100.0%	92.5%	7.5%	100.0%
% within Type	83.2%	41.0%	77.2%	68.7%	24.8%	63.6%	62.3%	17.0%	56.3%	62.5%	16.8%	51.2%	55.2%	17.5%	46.4%	54.9%	17.1%	47.2%
VI/VIIFixd.Trm																		
Count	529820	306902	836722	1094239	348294	1442533	1379869	464913	1844782	1171487	858756	2030243	1167060	652775	1819835	12255	5825	18080
% within Class	63.3%	36.7%	100.0%	75.9%	24.1%	100.0%	74.8%	25.2%	100.0%	57.7%	42.3%	100.0%	64.1%	35.9%	100.0%	67.8%	32.2%	100.0%
% within Type	16.8%	59.0%	22.8%	31.3%	75.2%	36.4%	37.7%	83.0%	43.7%	37.5%	83.2%	48.8%	44.8%	82.5%	53.6%	45.1%	82.9%	52.8%
Total Class %	85.8%	14.2%	100.0%	88.3%	11.7%	100.0%	86.7%	13.3%	100.0%	75.2%	24.8%	100.0%	76.7%	23.3%	100.0%	79.5%	20.5%	100.0%
IIIb Permanent																		
Count	1053801	58359	1112160	972727	37579	1010306	925341	28901	954242	872458	41783	914241	1180503	62835	1243338	13171	607	13778
% within Class	94.8%	5.2%	100.0%	96.3%	3.7%	100.0%	97.0%	3.0%	100.0%	95.4%	4.6%	100.0%	94.9%	5.1%	100.0%	95.6%	4.4%	100.0%
% within Type	83.4%	37.7%	78.4%	69.4%	19.3%	63.3%	64.9%	13.4%	58.1%	61.1%	10.8%	50.4%	61.5%	12.2%	51.1%	65.8%	11.9%	54.8%
IIIb Fixed-Term																		
Count	209636	96485	306121	429595	157128	586723	499825	187388	687213	554767	344927	899694	739686	450151	1189837	6852	4503	11355
% within Class	68.5%	31.5%	100.0%	73.2%	26.8%	100.0%	72.7%	27.3%	100.0%	61.7%	38.3%	100.0%	62.2%	37.8%	100.0%	60.3%	39.7%	100.0%
% within Type	16.6%	62.3%	21.6%	30.6%	80.7%	36.7%	35.1%	86.6%	41.9%	38.9%	89.2%	49.6%	38.5%	87.8%	48.9%	34.2%	88.1%	45.2%
Total Class %	89.1%	10.9%	100.0%	87.8%	12.2%	100.0%	86.8%	13.2%	100.0%	78.7%	21.3%	100.0%	78.9%	21.1%	100.0%	79.7%	20.3%	100.0
VIIb Permanent																		
Count	308733	25868	334601	227449	12545	239994	210509	7622	218131	159213	8413	167626	126128	4326	130454	1226	60	1286
% within Class	92.3%	7.7%	100.0%	94.8%	5.2%	100.0%	96.5%	3.5%	100.0%	95.0%	5.0%	100.0%	96.7%	3.3%	100.0%	95.3%	4.7%	100.0%
% within Type	60.3%	11.3%	45.2%	48.9%	5.7%	35.1%	44.7%	4.5%	34.1%	43.6%	4.0%	29.2%	36.4%	1.8%	22.0%	35.4%	2.3%	21.1%
VIIbFixed-Term																		
Count	203185	202673	405858	237716	206634	444350	260375	160751	421126	206139	201017	407156	219975	241336	461311	2236	2567	4803
% within Class	50.1%	49.9%	100.0%	53.5%	46.5%	100.0%	61.8%	38.2%	100.0%	50.6%	49.4%	100.0%	47.7%	52.3%	100.0%	46.6%	53.4%	100.0%
% within Type	39.7%	88.7%	54.8%	51.1%	94.3%	64.9%	55.3%	95.5%	65.9%	56.4%	96.0%	70.8%	63.6%	98.2%	78.0%	64.6%	97.7%	78.9%
Total Class %	69.1%	30.9%	100.0%	68.0%	32.0%	100.0%	73.7%	26.3%	100.0%	63.6%	36.4%	100.0%	58.5%	41.5%	100.0%	56.9%	43.1%	100.0%

Source: LFS (2nd Quarters)   (Calculated by the author) (weighted)

Table A.24. *Logistic regressions on the probability of being unemployed. Selected years*

Explanatory Variables	YEAR 1989 Model A Odds Ratio	Sig.	1989 Model B Odds Ratio	Sig.	1993 Model A Odds Ratio	Sig.	1993 Model B Odds Ratio	Sig.	1993 Model C Odds Ratio	Sig.	1997 Model A Odds Ratio	Sig.	1997 Model B Odds Ratio	Sig.	1997 Model C Odds Ratio	Sig.
AGE																
(Ref. 44 and older)																
16-19	2.39	****	.88	n.s.	2.68	****	.93	n.s.	.95	n.s.	2.87	****	.89	n.s.	.91	n.s.
20-24	3.23	****	1.17	n.s.	3.69	****	1.52	***	1.53	***	2.72	****	.91	n.s.	.92	n.s.
25-29	2.43	****	1.22	n.s.	2.80	****	1.40	**	1.39	**	2.14	****	.96	n.s.	.96	n.s.
30-34	1.78	****	1.19	n.s.	2.31	****	1.52	***	1.50	***	1.59	***	.91	n.s.	.92	n.s.
35-39	.82	n.s.	.65	*(.08)	1.48	***	1.24	n.s.	1.23	n.s.	1.97	****	1.29	n.s.	1.30	n.s.
40-44	.71	n.s.	.55	**	1.15	n.s.	.94	n.s.	.92	n.s.	1.00	n.s.	.78	n.s.	.80	n.s.
SEX																
Female	1.15	****	1.12	****	1.12	****	1.08	****	1.08	****	2.35	****	1.85	****	1.86	****
CLASS (LFSCS1)																
(Ref. Professionals)																
Intermediate	1.16	n.s.	1.31	n.s.	1.07	n.s.	1.28	n.s.			1.24	n.s.	1.38	n.s.		
Supervisors	1.42	n.s.	.96	n.s.	.40	*(.09)	.50	n.s.			1.17	n.s.	1.04	n.s.		
Manual	1.89	***	1.77	**	2.07	****	2.23	****			2.08	****	1.72	**		
Unskilled Service	1.88	***	1.80	**	1.89	****	1.77	***			1.83	***	1.43	*.07		
Unskilled Agriculture	3.89	****	2.82	**	6.63	****	5.77	****			5.24	****	3.87	***		
FIRMS'S SECTOR																
Public	1.23	n.s.	1.60	***	.83	n.s.	1.20	n.s.	1.23	n.s.	.88	n.s.	1.12	n.s.	1.13	n.s.
CONTRACT																
Fixed-Term			8.27	****			8.64	****					10.43	****		
INTERACTION																
CONTRACT*CLASS																
PC CLASS																
(Ref. Profess. on PC)																
Intermediate									3.33	***					1.43	n.s.
Supervisors									.85	n.s.					3.33	**
Manual									5.23	****					3.45	****
Unskilled Service									1.78	n.s.					1.21	n.s.
Unskilled Agriculture									6.62	***					3.66	*(.06)
PROF.FIXED-TERM									20.40	****					14.80	****
FT*CLASS																
(Ref. FT for Profess.)																
Intermediate									.28	***					.96	n.s.
Supervisors									.52	n.s.					.21	***
Manual									.32	***					.40	**
Unskilled Service									.91	n.s.					1.17	n.s.
Unskilled Agriculture									.76	n.s.					.99	n.s.
MODELS' CHARACTERISTICS																
N	5093		5019		5230		5100		5100		4395		4316		4316	
Log likelihood	-1659.3680		-1354.3799		-2343.8543		-1883.2956		-1872.4495		-1851.3984		-1508.9236		-1498.7650	
Pseudo R2	0.1501		0.2496		0.1169		0.2287		0.2331		0.1134		0.2283		0.2335	
Hosmer-Lemeshow (Group 10) *P>chi2=*	0.8147		0.6307		0.2392		0.1633		0.8681		0.4430		0.9480		0.7350	
Sensitivity	40.21%		56.34%		59.93%		76.14%		76.25%		50.00%		73.97%		73.69%	
Specificity	90.38%		88.03%		73.71%		75.54%		75.22%		80.96%		76.69%		77.21%	
Correctly Classified. (Cut Off .25)	83.94%		84.34%		70.88%		75.65%		75.41%		75.31%		76.23%		76.62%	
Likelihood-ratio test Comparing model C to model B *Chi2(5) =*									21.69						20.32	
Prob > chi2									0.0006						0.0011	

NOTES: Likelihood ratio test between model B and the interaction effect model for the year 1989 shows that the latter does not provide a significant improve in the explanation of the data structure. Therefore, for 1989 the main effect model (Model B) seems to be a better (i.e. more efficient) model than the class-type-of-contract interaction one. Likelihood-ratio test Comparing an interaction model C to model B Prob > chi2   0.1061. All models are controlling for Industry and Education (CASMIN).

****sig.≤ 0.001 ***sig. .≤ 0.01 **sig. ≤ 0.05 *sig. approximately 0.10 (significance level in parenthesis)

Source: LFS (2nd Quarters) Subsamples (Calculated by the author)

Table A.25. *Average predicted unemployment probabilities by class, gender and type of contract for 1989 (Model B), 1993 (Model C), and 1997 (Model C)*

CLASSES (LFSCS1)	MEN 30 to 34 years old		WOMEN 30 to 34 years old		All (all ages)	
1989	Permanent Contract	Fixed-Term Contract	Permanent Contract	Fixed-Term Contract	*PC*	*FT*
Professionals	1.4	16.2	1.4	25.2	*1.6*	*14.9*
White collars	2.4	22.9	3.3	23.0	*2.6*	*21.9*
Blue collars	4.1	24.7	7.2	37.7	*3.4*	*24.6*
Unskilled service	3.3	24.0	4.4	28.2	*3.7*	*25.4*
Agricultural workers	10.1	50.6	*no obs.*	67.7	*8.5*	*51.4*

CLASSES (LFSCS1)	MEN 30 to 34 years old		WOMEN 30 to 34 years old		All (all ages)	
1993	Permanent Contract	Fixed-Term Contract	Permanent Contract	Fixed-Term Contract	*PC*	*FT*
Professionals	1.5	22.8	1.9	29.4	*1.2*	*24.3*
White collars	5.3	22.8	7.5	32.6	*5.5*	*28.7*
Blue collars	9.3	42.5	12.9	49.8	*8.3*	*40.8*
Unskilled service	2.9	37.6	4.1	41.4	*2.6*	*38.4*
Agricultural workers	5.1	49.4	6.7	61.5	*4.4*	*46.6*

CLASSES (LFSCS1)	MEN 30 to 34 years old		WOMEN 30 to 34 years old		All (all ages)	
1997	Permanent Contract	Fixed-Term Contract	Permanent Contract	Fixed-Term Contract	*PC*	*FT*
Professionals	1.4	19.2	2.5	25.3	*1.9*	*23.2*
White collars	2.4	22.9	4.7	37.2	*4.0*	*37.6*
Blue collars	5.7	27.6	8.9	23.3	*6.3*	*29.9*
Unskilled service	1.9	28.5	8.2	43.9	*3.2*	*38.2*
Agricultural workers	7.3	51.5	3.3	38.6	*6.8*	*57.3*

Source: LFS Subsamples (Calculated by the author from Models C on Table A.24 above)

APPENDIX B

TECHNICAL DESCRIPTION OF THE SURVEYS USED IN THE DISSERTATION

Labour Force Survey (LFS), different years

The *Spanish Labour Force Survey* (*Encuesta de Población Activa, EPA*), conducted since 1964, is a continuous quarterly survey targeting households. Its main objective is to gather data on the labour force and its categories (employed, unemployed), and on people outside the labour market. For the elaboration of the LFS, the International Labour Organization methodology is used. The sampling procedure used is a two-stage sampling with stratification of the first-stage units. First-stage units are sections of the census, while second-stage units are households. There is no further sampling within second-stage units, as information on all the people living in the household is collected. Census sections are stratified according to two different criteria: Firstly, there is a geographical criterion of stratification. Sections are grouped in different strata according to province and population size. Secondly, there is a socio-demographic criterion of stratification whereby, within each strata, census sections are grouped in sub-strata according to the socio-economic category of their households. Within each section, households are randomly

selected. The sample sizes used in this dissertation vary from 3,144 sections (i.e. 62,000 households) in the 1987 survey to 3,216 sections (i.e. 64,000 households) in the 1997 survey. This allows for the gathering of information on some 200,000 individuals for each quarter.

The whole sample is divided into three independent monthly sub-samples, which are representative of the whole Spanish population. Each quarter, one-sixth of the sample of households within each section is renewed. Therefore, any single selected household remains in the sample for three consecutive quarters. The sampling errors vary by year and category of the sample. As an illustration, *Table B.1* below reproduces the relative sampling errors for a level of confidence of 95 per cent for different labour market categories and different age groups as reported by the Spanish Statistical Office (*Instituto Nacional de Estadística, INE*) for the first quarter of 1997.

Table B.1. *Relative Sampling Errors in the LFS, in Percentage Points, for Different Labour Market Categories by Age Groups.1st Quarter 1997*

Age Groups	Unemployed	Unemployment Rate	Economically Active	Activity Rate
16-24	1.71	1.43	1.12	0.93
25-49	1.39	1.21	0.63	0.33
50 and more	3.62	3.64	0.98	1.04
TOTAL	1.29	1.11	0.46	0.41

Source: INE, 1997. *Encuesta de Población Activa. Resultados Detallados.* Primer Trimestre 1997.

Labour Force Pilot Survey on Earnings (LFPSE)

In the second quarter of 1990, information on earnings and other characteristics of respondents' employment was compiled as part of the LFS of a representative sample of 1,357 households.

The Spanish Statistical Office (*Instituto Nacional de Estadística*, *INE*) refers to this sample as the (Labour Force) Pilot Survey on Earnings (*Encuesta Piloto sobre Ganancias y Subempleo*). The sampling characteristics of the LFPSE are identical to the LFS described above. The initial theoretical sample designed by the INE was 2,000 households. 643 out of the 2,000 households selected were, however, inhabited by inactive tenants, so that the theoretical sample was reduced to 1,357 households. The rate of response within this latter sample was 92,78 per cent (i.e. 1,259 of the sampled households responded). Lack of responses was mainly due to respondents' refusal to cooperate with the interviewers (INE 1991,13). 10 per cent of the respondents that agreed to respond to the interviewers refused to answer the question on earnings. Therefore, the total rate of response to the question on earnings was 83.49 per cent. (See: INE, 1991. *Encuesta Piloto sobre Ganancias y Subempleo*. Madrid: INE)

The Spanish Survey on Class Structure, Class Consciousness and Class Biography (CSCCCB)

The CSCCCB (*Encuesta sobre Estructura, Conciencia y Biografía de Clase, ECBC*) was directed by Julio Carabaña (see Carabaña *et al*. 1993). The survey was carried out between December 1990 and March 1991. Jointly financed by the Autonomous Community of Madrid (*Comunidad Autónoma de Madrid, CAM*), the Spanish Statistical Office (*Instituto Nacional de Estadística*, INE) and the Women's Office (*Instituto de la Mujer*), the CSCCCB was applied to a sample of 1,600 respondents in the Autonomous Community of Madrid and 5,000 respondents in the rest of Spain. The CSCCCB was part of the second-wave comparative research project on class coordinated by Erik Olin Wright.

In order to obtain sufficient information on the categories of employers and expert directors of the second E. O. Wright class schema, the CSCCCB over-represents the better educated. To this

end, the electoral census, which includes information on educational levels, was used as a sampling framework for the last stage of the sampling procedure. The sampling strategy applied was multistage stratified cluster (over-weighted) sampling. In a first stage, strata were grouped by province and population size. Within each of the resulting strata, clusters were selected in two stages: firstly, municipalities were selected using systematic sampling with a probability that was proportional to their size; and, secondly, census sections were selected using simple random sampling. In a third stage, individuals were stratified by level of education using the electoral census as a framework. Random sampling was then applied to each strata (see Carabaña and Serrano 1993,90-97 for further details on the sampling procedure. See also Carabaña and Serrano 1993, 97-106 for information on sampling errors). For every pre-selected respondent another 9 substitutes of similar socio-demographic characteristics were chosen within the same census section. Around 26 per cent of pre-selected interviewees who were found at their households refused to respond to the survey (González 1993,173). Since these uncooperative respondents were substituted by cooperative ones, the final sample size equals the designed size and, therefore, the final rate of response is 100 per cent (see González, J.J. 1993. "Los Trabajos de Campo". In Carabaña et al. *Encuesta de Estructura Conciencia y Biografía de Clase: Informe Técnico*. Madrid: IESA/CSIC).

Given the characteristics of the sample, weighting is necessary. The weights provided by the CSCCCB correct for the over-representation of higher education respondents and for respondents from Madrid. With these weights, results are representative of the Spanish population of both sexes and ages between 18 and 69 (see: Carabaña, J. and Serrano, A. 1993. "La Muestra". In Carabaña et al. *Encuesta de Estructura Conciencia y Biografía de Clase: Informe Técnico*. Madrid: IESA/CSIC).

Centre for Sociological Research Survey on Attitudes towards Employment and Work (ATEW)

The Spanish Centre for Sociological Research (*Centro de Investigaciones Sociológicas, CIS*) refers to this survey as CIS 2235. The survey was carried out between the 8th and the 13th of February 1997. The designed sample size was 2,500 respondents, although the actual number of respondents finally interviewed was 2,486. The universe of reference is the Spanish population of both sexes and older than 18. The sampling procedure was multistage stratified cluster sampling. 47 provinces and 163 municipalities were sampled. The first and the second-stage clusters (municipalities and sections respectively) were randomly and proportionally selected, while individuals within second stage clusters were selected using random routes (to households) and age and sex quotas. The sample strata were obtained from the combination of autonomous communities and population sizes. The questionnaires were applied through personal interview in the households. The sampling error for a level of confidence of 95.5 per cent (and P=Q) is $^{+}_{-}2$ for the whole sample under the assumption of simple random sampling. Weights are unnecessary.

Centre for Sociological Research Survey on Trade Union Activity (CSRSTUA)

The Spanish Centre for Sociological Research (*Centro de Investigaciones Sociológicas, CIS*) refers to this survey as CIS 2088. The survey was carried out between the 3rd of May and the 20th of July 1994. The designed sample size was 6,000 respondents, although the actual number of respondents finally interviewed was 5,965. The universe of reference is the Spanish population of both sexes and older than 16. The sampling procedure was multistage stratified cluster sampling. 49 provinces and 320 municipalities were sampled. The first and the second-stage clusters (municipalities and sections respectively) were

randomly and proportionally selected, while individuals within second stage clusters were selected using random routes (to households) and age and sex quotas. The sample strata were obtained from the combination of autonomous communities and population sizes. The questionnaires were applied through personal interview in the households. The sampling error for a level of confidence of 95.5 per cent (and P=Q) is $^+_-$1.29 for the whole sample under the assumption of simple random sampling. Weights are unnecessary.

Centre for Sociological Research Survey on Political Culture (CSRSPC)

The Spanish Centre for Sociological Research (*Centro de Investigaciones Sociológicas, CIS*) refers to this survey as CIS 2154. The survey was carried out between the 4th and the 18th of April 1995. The designed sample size was 4,000 respondents, although the actual number of respondents finally interviewed was 3,983. The universe of reference is the Spanish population of both sexes and older than 18. The sampling procedure was multistage stratified cluster sampling. 48 provinces and 213 municipalities were sampled. The first and the second-stage clusters (municipalities and sections respectively) were randomly and proportionally selected, while individuals within second stage clusters were selected using random routes (to households) and age and sex quotas. The sample strata were obtained from the combination of autonomous communities and population sizes. Questionnaires were applied through personal interview in the households. The sampling error for a level of confidence of 95.5 per cent is $^+_-$1.58 for the whole sample under the assumption of simple random sampling. Weights are unnecessary.