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THE DUALISATION OF UNEMPLOYMENT RISKS
CLASS AND INSIDER/OUTSIDER PATTERNS IN THE SPANISH LABOUR
MARKET

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Introduction

In 1984, after eight years of employment crisis in which 1.9 million jobs were lost, and at the same time as the unemployment rate exceeded 20% for the first time, fixed-term contracts were introduced in Spain through the *Reforma del Estatuto de los Trabajadores* (Reform of the Workers' Statute).

For particular historical and political reasons, the flexibilisation strategy implemented in the 1984 labour market reform --which was reinforced with further legal changes in 1992[1]) set in motion a process of dualisation of employment. Flexibilisation was exclusively applied to new entrants in the labour market, while permanent workers continued to enjoy the privileges of very rigid employment security legislation, which makes their dismissal very costly for employers. The consequence has been the increasing differentiation of the Spanish workforce along the lines of an insider-outsider divide. Employment adjustments have been concentrated on fixed-term workers, while the employment security of permanently employed insiders has remained unaffected if not reinforced. Today, fourteen years after the 1984 reform, Spain not only has the highest proportion of temporary work of all OECD countries –currently 33.7% of the Spanish salaried workforce have a fixed-term contract- but continues to have the highest rate of unemployment (around 21%).

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[1] In 1994 a further reform was implemented. This reform seemed to have contradictory effects with respect to the dualisation problem. On the one hand, the 1994 reform introduced important modifications in the wage setting process, which were aimed to reduce the very high levels of wage rigidity observed in the 1987-1994 period. A new clause on wage agreements (*clausula de descuelgue salarial)* sought to make wages more sensitive to the actual economic conditions of firms by enabling firm-level agreements to pull away from the sectoral-level agreements on wages. Furthermore, the 1994 reform (however shyly) sought to reduce permanent workers firing costs by extending the legal definition of pertinent or fair dismissal. This was the first time that labour market changes targeted the employment security of insiders. Both measures in principle ran against the dualisation process. The latter, however, was much more symbolic than effective. 1995, 1996 and 1997 LFS data show that the proportion of people entering unemployment as a result of the loss of their permanent employment continued to decrease as it had consistently done since 1987 (see: Consejo Economico y Social 1997).

On the other hand, though, the 1994 reform legalised private temporary employment agencies (*Empresas de Trabajo Temporal*), which tend to offer very short -term and poorly paid employment to their clients, and introduced a new training contract (*contrato en practicas*) which does not entail unemployment benefits. These latter measures can hardly be seen as typical of an anti-dualisation policy.

In any case, the 1997 reform, which is not discussed in this paper, overweighed the legal changes implemented in 1994, thus making the discussion on the effects of the latter reform unnecessary.

This paper analyses the process of labour market dualisation that has taken place in Spain since the introduction in 1984 of fixed-term contracts. It explores the relationship between fixed-term work and labour market insecurity through original analysis of the Spanish Labour Force Survey (LFS) data for the years 1987, 1991, 1993 and 1995, and also through original analysis of the Spanish survey on Class Structure, Class Consciousness and Class Biography, undertaken in 1991, and the Centre of Sociological Research survey on Attitudes toward Work and Employment, carried out in 1997. The paper is divided into three sections.

Section One outlines the basic changes and characteristics of the Spanish labour market in the last 30 years, with special attention being given to the employment crises of 1977-1985 and 1992-1994. By comparing the different nature 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 analyses in detail the general effects of the labour market reform strategy implemented in Spain. It explores the relationship between fixed-term contracts and employment insecurity by studying entries into employment, exits from employment to unemployment, and labour turnover.

Finally, Section Three examines the process of labour market dualisation from a class analysis perspective. To the extent that labour market dualisation is a process of social differentiation in which unemployment risks are distributed unequally between insiders and outsiders, its mechanisms and effects are highly relevant to class analysis. Following Goldthope's latest contribution to the development of class theory (Goldthorpe 1997), Section Three provides an explanation of why one should expect to find a clear correlation between class and labour insecurity. This class hypothesis is tested by analysing the effects of class and type of contract on the chances of being unemployed in Spain. Our main finding in this respect is that the institutionally driven process of contract flexibilisation in Spain has given rise to high levels of employment precariousness *in all classes,* and that having a fixed-term contract in Spain constitutes in itself a stronger predictor of unemployment than class.

The existence of both insider workforces within working class occupations and of outsider workforces within service class occupations calls into question the validity of Goldthorpe's approach to the Spanish case.

I. 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% to 21%. Since then, and despite a strong economic recovery during the second half of the 1980s (in which 1.7 million new jobs were created), the unemployment rate has never fallen below 15%. When Spain suffered renewed economic recession in the early 1990s, employment fell dramatically once more (1.17 million job losses occurred between 1992 and 1993) and unemployment soared again, climbing to 24% in 1994, or 3.7 million people. At the end of 1996, 3.15 million Spaniards, or 21.7% of the economically active, were unemployed (García de Polavieja 1998a).

This unemployment record qualifies Spain as the most extreme case of the European employment sclerosis. In this section, I outline briefly the factors which might account for these figures. In order to do so, it is important to differentiate between the two periods of employment destruction. The factors which lie behind the 1977-1985 decrease in employment and those accounting for the second wave of job destruction, in 1991-1994, are different in nature. In fact, this difference reflects the changes which occurred in the Spanish labour market in the interim.

I.1. The first employment crisis: 1977-1985

The first and most important employment crisis that shook Spain in the second half of the 1970s might be explained by the conjunction of adverse initial economic conditions,

stemming from Franco's autarkic model of development, together with the wage explosion at the beginning of the 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); 2) high protectionism (Segura 1983; Toharia 1987; Fina 1987); 3) authoritarian labour relations –which could take either a paternalistic or a repressive form (Fina and Toharia 1987; Dolado and Jimeno 1996); 4) rigidly controlled labour markets (Blanchar, Dolado and Jimeno 1996); 5) concentration of manufacturing in energy-intensive sectors (in 1975 Spain was importing 75% of its energy requirements (Bentolila and Blanchard 1990,242)); 6) fragmentation of industry in small firms, scarcely capitalised and with limited capacity for technological innovation (Donges 1984; Fina 1987); 7) low qualifications among workers and management (González 1985; Fina 1987); 8) insufficient public investment in education, infrastructure and technology (Segura 1996); 9) unbalanced financial structure, characterised by very low levels of entrepreneurial self- financing and an excessive weight 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 specially important: the large share of agriculture and the characteristics of the labour market under Francoism.

As late as 1960, 42% of the active Spanish population still worked in agriculture. This percentage fell very rapidly (it went down to 15% by 1980) (Williams 1984,9 in 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 sector[2]. Part of the reason why job-losses in agriculture could not be offset in other sectors –as happened for instance in Portugal and Italy (Maravall and Fraile 1997; Blanchard and Jimeno 1994; Dolado and Jimeno 1996) - relates to the second factor, the specific institutional characteristic of the Spanish labour market under Franco.

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[2] As Maravall and Fraile put it, (1997,5) "the exceptional growth of unemployment in Spain was not due to the long-run rates of job creation in the non-agricultural sectors, which were similar to those of other European

Under Franco, the labour market was rigidly controlled. Trade union activism was prohibited and heavily repressed. The social security benefits of a modern welfare state were largely absent (Dolado and Jimeno 1996,4). This lack of political and industrial rights, and of an adequate system of welfare provision, was somewhat "compensated for" by very high employment security. Rigidly defined working conditions provided a form of social protection by making firing workers difficult and by setting generous severance pay for dismissals. 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 of the 1960s and, on the other, the authoritarian character of labour relations. The latter provided the repressive context in which employers could undertake labour adjustments at the level of wages without organised opposition on the workers' side. Therefore, the labour market was characterised by very high levels of wage flexibility[3] and very high levels of employment rigidity (see: Malo de Molina and Serrano 1979 in Bentolila and Blanchard 1990).

However, this authoritarian model of labour relations broke down in Franco's last years. Political and industrial upheaval gained momentum at the advent of the political transition and workers' organisations were able to push for wage increases (Bentolila and Blanchard 1990, 241-245). Real wages increased sharply over the period[4]. At the beginning of the political transition, the socialist and communist unions tried to establish their constituencies by pressing for higher wages[5] (Fina 1987; Garcia 1990 in Bentolila and Blanchard 1990). The combination of increasing labour costs with high labour rigidity, in a context of economic crisis and political uncertainty, triggered unemployment.

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countries, but to the very high proportion of people employed in agriculture in 1975".

[3] Wage dispersion was the highest of all OECD countries. See: Dolado and Malo de Molina 1985 in Bentolila and Blanchard 1990.

[4] For instance, from 1974 to 1988, fixed-labour costs in manufacturing increased by 47% (Maravall and Fraile 1997,6).

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

High labour costs prevented the creation of jobs in the non-agricultural sector and the surplus agricultural workforce could not be absorbed. Also, labour rigidity and high fixed-labour costs might have hindered the capacity of firms to adapt to economic cycles (Maravall and Fraile 1997,6). In the 1974-1984 period, firms responded with mass layoffs as soon as conditions started to turn sour probably because only then did they feel able to pay the large costs of dismissals. In a highly fragmented industrial structure such as the Spanish one, high dismissal costs precipitated the closing down of entire small firms, therefore multiplying the unemployment effects of the crisis. By the same token, when conditions improved, labour rigidity may have made firms reluctant to create regular jobs, favouring instead the option of extra work for those already employed. (Maravall and Fraile 1997,5).

The destruction of employment decelerated from 1981 to 1984, yet 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.

I.2. Labour reform and employment creation: 1984-1991.

In 1984, after eight years of crisis in which 1.9 million jobs were lost, and just as the unemployment rate exceeded 20% for the first time, the first socialist government introduced fixed-term contracts in Spain through the *Reforma del Estatuto de los Trabajadores* (Reform of the Workers' Statute).

Fixed-term contracts may be used for any activity (temporary or not). Some fixed-term contracts, such as contracts for specific services *(contratos para obra o servicio)* , temporary contracts for employment creation *(contratos temporales para el fomento del empleo[6])* and casual contracts (*contratos eventuales*) are not subject to any specific legal minimum period nor do they entail any severance payments in case of non-renewal or

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[6] Temporary contracts for employment creation *(contratos temporales para el fomento del empleo)* disappeared after the 1994 reform.

dismissal. Fixed-term contracts that do require a minimum duration (or fixed-duration contracts) may be signed for very short periods (six months until 1992, one year since then) and renewed for up to three years (four years since 1993). When the period of the last possible renewal expires, the firm must either offer the worker a permanent contract or dismiss him or her. Non-renewal of fixed-duration contracts entails very low firing costs and cannot be appealed to the courts. While the severance pay for permanent contracts varies from 20 to 45 days of wage per year of service, plus legal costs (which might be substantial in the Spanish case), fixed-duration contracts imply only 12 days of wages per year of service and logically no legal costs (Bentolila and Dolado 1994,67).

The 1984 reform aimed to liberalise the labour market as a means of facilitating the creation of employment. Spain's entry into the European Community together with the world-wide economic recovery provided a particularly favourable context for the growth of fixed-term employment. Between 1985 and 1991 1.7 million jobs were created at a rate unknown even in the years of high economic growth in the 1960s (Toharia 1994,112). Most of these jobs were temporary.

Yet between 1985 and 1991, the unemployment rate never fell below the 15% threshold. Part of the explanation lies this time on the labour supply side. Already in the early 1980s the economically active population had started to grow. This process accelerated in the 1985-1990 period. The 1960s baby-boom generation was entering the labour market. This process coincided with a progressive catch-up of female participation rates, which grew on average 11.1% points between 1983 and 1993 (almost six points above the European average for the same period (OECD 1995 in Maravall and Fraile 1997,4)). Therefore, employment creation was counteracted by an increase in the active population.

I.3. Labour reform and the second employment crisis: 1991-1994

Does this mean that the flexibilisation strategy followed by the socialist government in 1984 was a successful means of creating 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 24% of the active population at the beginning of 1994. In fact, unemployment could have easily surpassed the 24% threshold had it not been offset this time by a deceleration of the economically active population (Jimeno and Toharia 1994).

The 1991-1995 employment crisis had a very different character than that of 1977-1981. This time almost three-quarters of all job losses occurred in the fixed-term segment of the labour market. This reflected the particular characteristics of a labour market reform which aimed to create employment by legalising flexible forms of employment for the 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 on this type of worker. Meanwhile, permanently employed workers remained unaffected by the institutional changes and continued to enjoy the same legal protection as in the past.

What has emerged in the fourteen years since 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 on temporary workers. Today, Spain not only continues to have the highest unemployment rate of all OECD countries (21%) but also the highest level of temporary work - currently, 33.69% of the salaried workforce (3.185 million out of 9.455 million) have a temporary contract (Richards and Polavieja 1997, 13)[7].

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

II. The insider-outsider effects of the labour market reform: analysing dualisation

In this section of the paper, evidence will be provided regarding the general process of dualisation. Given the lack of longitudinal data, the best source of empirical analysis is the Spanish Labour Force Survey (LFS). The conclusions of this paper are based on original statistical usage of this survey.

Although fixed-term contracts were introduced in 1984, it was not until 1987 that the LFS included information regarding the type of contract. Therefore, 1987 must be the first year of our sequence. 1991, 1993 and 1995 Labour Force Surveys will complete the empirical base for statistical analysis in this paper.

II.1. Hypothesis: Flexibilisation at the margin produces dualisation

The 1984 reform (and the subsequent law changes in 1992) set in motion a process of *flexibilisation at the margin* (Bentolila and Dolado 1994). By concentrating exclusively on new entrants into employment, this type of flexibility leaves those in permanent employment unaffected. The outcome is dualisation. The labour market increasingly divides up into, on the one hand, the core of permanent workers and, on the other, a growing periphery of the insecurely employed. While the former group continues to enjoy stable employment trajectories, the labour market histories of those in the latter group are likely to comprise a combination of recurrent unemployment and short-term work. This process can be studied by looking at: 1) entries into employment, 2) exits from employment to unemployment, and 3) indirect indicators of labour turnover.

II.1.1. Entries into employment

From the point of view of employment, flexibilisation at the margin implies that fixed-term contracts become the main entry into employment. Since these contracts concentrate on new entrants, and given the supply side characteristics of Spanish unemployment discussed above, a clear gender and cohort pattern is expected.

Table 1 shows the evolution of the overall rates of temporary and permanent contracts over the period under investigation. The proportion of the workforce on temporary contracts doubled between 1987 and 1991, from 16 per cent to 32.6 per cent (second quarters). This rapid increase in temporary work accounted for the spectacular employment creation of the period 1985-1991. This is seen in Table 2 in which the evolution of the level of temporary work amongst the newly employed –those who one year earlier were looking for a job—are presented. Table 2 shows how the rate of fixed-term work amongst the newly employed rose from 61% in 1987 to 87.4% in 1995. This demonstrates how temporary work has become the main means of entry into employment.

TABLE 1. *Rates of temporality and unemployment (weighted)*

	1987	**1991**	**1993**	**1995**
%Fixed-term contracts	16.0%	32.6%	33.9%	35.5%
%Unemployment	20.6%	15.9%	22.3%	22.7%

Source: LFS data (2nd. Quarters) (Elaborated by the author)

TABLE 2. *Type of contracts amongst the newly employed*

	1987	**1991**	**1993**	**1995**
Fixed-term	61.3%	83.5%	84.1%	87.4%
Permanent	38.7%	16.5%	15.9%	12.6%

Source: LFS data (2nd. Quarters) (Elaborated by the author)

Tables 3 and 4 show the gender and age patterns of temporary work. With respect to the former, the evidence shows that the proportion of fixed-term contracts for employed women is consistently higher than for men during the 1987-1995 period. This is consistent with our expectations, given, on the one hand, the increase in the rates of female participation discussed in section 1 and, on the other, the distinctive work-life histories of women, who are much more likely to re-enter the labour market after long spells of inactivity.

Table 4 shows the evolution of fixed-term and permanent contracts by age. It gives us information on the proportion of fixed-term contracts amongst different age groups and on the proportion of each group within all fixed-term contracts for each of the studied years. As the table clearly shows, temporality in Spain is concentrated heavily on youth. The rates of fixed-contracts decrease consistently with age for every year under investigation, while they increase with time for every age group. The former is a reflection of the entry-gate character of temporary employment; the latter reflects the fact that temporality has become a lasting phenomenon.

In sum, Tables 1 to 4 suggest that the general trend towards the widespread use of temporary contracts has become an entrenched feature of the Spanish labour market. This contract acts as the normal means of entry into employment, from which a clear age and sex pattern follows.

TABLE 3. *Type of contract by sex*

SEX	1987			1991			1993			1995		
	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
MALE												
Count	21639	4113	25752	22124	9577	31701	18978	8658	27636	18522	9573	28095
% within SEX	84.0%	16.0%	100.0%	69.8%	30.2%	100.0%	68.7%	31.3%	100.0%	65.9%	34.1%	100.0%
% within Type	72.8%	66.2%	71.7%	70.7%	62.2%	67.9%	69.2%	60.7%	66.3%	67.1%	62.2%	65.4%
Adjusted Residual	10.4	-10.4		18.6	-18.6		17.5	-17.5		10.2	-10.2	
FEMALE												
Count	8082	2096	10178	9152	5821	14973	8443	5612	14055	9083	5811	14894
% within SEX	79.4%	20.6%	100.0%	61.1%	38.9%	100.0%	60.1%	39.9%	100.0%	61.0%	39.0%	100.0%
% within Type	27.2%	33.8%	28.3%	29.3%	37.8%	32.1%	30.8%	39.3%	33.7%	32.9%	37.8%	34.6%
Adjusted Residual	-10.4	10.4		-18.6	18.6		-17.5	17.5		-10.2	10.2	
Total												
Count	29721	6209	35930	31276	15398	46674	27421	14270	41691	27605	15384	42989
% within SEX	82.7%	17.3%	100.0%	67.0%	33.0%	100.0%	65.8%	34.2%	100.0%	64.2%	35.8%	100.0%
%within SEX weighted		16.0%			32.6%			33.9%			35.5%	
% 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%

Source: LFS data (2nd. Quarters) (Elaborated by the author)

TABLE 4 *Type of contract by age*

AGE	1987			1991			1993			1995		
	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
16-19												
Count	832	990	1822	368	1837	2205	193	1308	1501	150	1165	1315
% within age	45.7%	54.3%	100.0%	16.7%	83.3%	100.0%	12.9%	87.1%	100.0%	11.4%	88.6%	100.0%
% within type	2.8%	16.0%	5.1%	1.2%	11.9%	4.7%	.7%	9.2%	3.6%	.5%	7.6%	3.1%
Adjusted Residual	-42.8	42.8		-51.5	51.5		-44.0	44.0		-40.5	40.5	
20-24												
Count	2936	1634	4570	1970	4317	6287	1301	3578	4879	1190	3770	4960
% within AGE	64.2%	35.8%	100.0%	31.3%	68.7%	100.0%	26.7%	73.3%	100.0%	24.0%	76.0%	100.0%
% within Type	9.9%	26.4%	12.8%	6.3%	28.0%	13.5%	4.7%	25.1%	11.7%	4.3%	24.5%	11.6%
Adjusted Residual	-35.2	35.2		-64.7	64.7		-61.3	61.3		-62.7	62.7	
25-29												
Count	4163	1106	5269	3864	3247	7111	3152	3130	6282	2940	3422	6362
% within AGE	79.0%	21.0%	100.0%	54.3%	45.7%	100.0%	50.2%	49.8%	100.0%	46.2%	53.8%	100.0%
% within Type	14.1%	17.8%	14.7%	12.4%	21.1%	15.2%	11.5%	21.9%	15.1%	10.7%	22.3%	14.8%
Adjusted Residual	-7.6	7.6		-24.7	24.7		-28.3	28.3		-32.3	32.3	
30-34												
Count	4103	620	4723	5029	1931	6960	4255	1966	6221	4137	2247	6384
% within AGE	86.9%	13.1%	100.0%	72.3%	27.7%	100.0%	68.4%	31.6%	100.0%	64.8%	35.2%	100.0%
% within Type	13.9%	10.0%	13.2%	16.1%	12.5%	14.9%	15.5%	13.8%	14.9%	15.1%	14.6%	14.9%
Adjusted Residual	8.2	-8.2		10.1	-10.1		4.7	-4.7		1.2	-1.2	
35-39												
Count	3974	459	4433	4688	1235	5923	4407	1324	5731	4673	1555	6228
% within AGE	89.6%	10.4%	100.0%	79.1%	20.9%	100.0%	76.9%	23.1%	100.0%	75.0%	25.0%	100.0%
% within Type	13.4%	7.4%	12.4	15.0%	8.0%	12.7%	16.1%	9.3%	13.7%	17.0%	10.1%	14.5%
Adjusted Residual	13.1	-13.1		21.3	-21.3		19.1	-19.1		19.4	-19.4	
40-44												
Count	3601	398	3999	4330	914	5244	4035	1025	5060	4262	1136	5398
% within AGE	90.0%	10.0%	100.0%	82.6%	17.4%	100.0%	79.7%	20.3%	100.0%	79.0%	21.0%	100.0%
% within Type	12.2%	6.4%	11.2%	13.8%	5.9%	11.2%	14.7%	7.2%	12.1%	15.5%	7.4%	12.6%
Adjusted Residual	13.1	-13.1		25.4	-25.4		22.3	-22.3		24.3	-24.3	
44 and more												
Count	9954	992	10946	11027	1917	12944	10078	1939	12017	10135	2075	12210
% within AGE	90.9%	9.1%	100.0%	85.2%	14.8%	100.0%	83.9%	16.1%	100.0%	83.0%	17.0%	100.0%
% within Type	33.7%	16.0%	30.6%	35.3%	12.4%	27.7%	36.8%	13.6%	28.8%	36.9%	13.5%	28.5%
Adjusted Residual	27.4	-27.4		51.7	-51.7		49.5	-49.5		51.4	-51.4	
Total												
Count	29563	6199	35762	31276	15398	46674	27421	14270	41691	27487	15370	42857
% within AGE	82.7%	17.3%	100.0%	67.0%	33.0%	100.0%	65.8%	34.2%	100.0%	64.1%	35.9%	100.0%
% within AGE weighted		16.0%			32.6%			33.9%			35.5%	
% 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%

Source: LFS data (2nd Quarters) (Elaborated by the author)

II.1.2. Fixed-term contracts have become the principal means of exit from employment to unemployment

Conversely, though, fixed-term contracts have also become the principal means of exit out of employment into unemployment. Already in 1987, 56.9% of the unemployed were without work due to the termination of their fixed-term contracts. This proportion increased to 74% in 1991 and never fell below 73% thereafter (see Table 5 below).

Table 5 also shows how the proportion of unemployed coming from permanent employment decreased over the period. This is a fundamental piece of evidence for the validation of the insider-outsider argument. The Spanish mode of flexibilisation of the labour market reduced the job security of new entrants into employment without reducing the job security of those already employed under permanent contracts. In fact, our data show that the employment security of the permanently employed was enhanced with the extension of fixed-term work. In 1987, 26% of the unemployed who had been previously-employed had been dismissed or had agreed to early retirement, two forms of termination of employment contracts exclusively applied to permanent workers. By 1991, the figure had decreased to 11.6%. Moreover, despite the massive destruction of employment that took place between 1992 and 1994, only 12% of the previously-employed unemployed in 1993 and 1995 had previously had permanent contracts. Employment destruction was concentrated massively on temporary work without significantly endangering the insider's security.

TABLE 5. *Labour market status by reason of losing job. Origin of the unemployed*

REASON FOR LOSING JOB	1987			1991			1993			1995		
	LABOUR MARKET STATUS			LABOUR MARKET STATUS			LABOUR MARKET STATUS			LABOUR MARKET STATUS		
	Unemp.	Inactive	Total	Unemp.	Inactive	Total	Unemp.	Inactive	Total	Unemp.	Inactive	Total
Temporary												
Count	3679	1016	4695	5425	1954	7379	8901	3466	12367	9102	3860	12962
% within Why Lost Job	78.4%	21.6%	100.0%	73.5%	26.5%	100.0%	72.0%	28.0%	100.0%	70.2%	29.8%	100.0%
% within LMS	56.9%	19.3%	40.0%	74.0%	28.8%	52.3%	73.0%	20.5%	42.5%	73.2%	21.9%	43.1%
Adjusted Residual	41.3	-41.3		53.8	-53.8		89.5	-89.5		88.6	-88.6	
Dismissal/earl.retir.												
Count	1712	635	2347	850	582	1432	1460	1736	3196	1522	1897	3419
% within Why Lost Job	72.9%	27.1%	100.0%	59.4%	40.6%	100.0%	45.7%	54.3%	100.0%	44.5%	55.5%	100.0%
% within LMS	26.5%	12.1%	20.0%	11.6%	8.6%	10.1%	12.0%	10.3%	11.0%	12.2%	10.7%	11.4%
Adjusted Residual	19.4	-19.4		6.0	-6.0		4.6	-4.6		4.0	-4.0	
Sickness/other												
Count	72	2264	2336	44	2683	2727	104	8345	8449	106	8837	8943
% within Why Lost Job	3.1%	96.9%	100.0%	1.6%	98.4%	100.0%	1.2%	98.8%	100.0%	1.2%	98.8%	100.0%
% within LMS	1.1%	43.0%	19.9%	.6%	39.5%	19.3%	.9%	49.3%	29.0%	.9%	50.1%	29.7%
Adjusted Residual	-56.5	56.5		-58.5	58.5		-89.9	89.9		-91.9	91.9	
Self-employed												
Count	547	540	1087	561	650	1211	225	398	623	282	482	764
% within Why Lost Job	50.3%	49.7%	100.0%	46.3%	53.7%	100.0%	36.1%	63.9%	100.0%	36.9%	63.1%	100.0%
% within LMS	8.5%	10.3%	9.3%	7.7%	9.6%	8.6%	1.8%	2.4%	2.1%	2.3%	2.7%	2.5%
Adjusted Residual	-3.3	3.3		-4.0	4.0		-2.9	2.9		-2.5	2.5	
Others/voluntary												
Count	461	811	1272	447	926	1373	1496	2968	4464	1414	2577	3991
% within Why Lost Job	36.2%	63.8%	100.0%	32.6%	67.4%	100.0%	33.5%	66.5%	100.0%	35.4%	64.6%	100.0%
% within LMS	7.1%	15.4%	10.8%	6.1%	13.6%	9.7%	12.3%	17.5%	15.3%	11.4%	14.6%	13.3%
Adjusted Residual	-14.3	14.3		-15.1	15.1		-12.3	12.3		-8.1	8.1	
TOTAL												
Count	6471	5266	11737	7327	6795	14122	12186	16913	29099	12426	17653	30079
% within Why Lost Job	55.1%	44.9%	100.0%	51.9%	48.1%	100.0%	41.9%	58.1%	100.0%	41.3%	58.7%	100.0%
% within LMS	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) (Elaborated by the author)

In sum, with increasing flexibilisation at the margin, the proportion of those unemployed coming from temporary contracts increased relative to the proportion of the unemployed coming from permanent employment. Table 6 summarises the evolution of this ratio, which can be interpreted as a relative probability. Whereas in 1987 for each permanent unemployed worker we could find 2.15 fixed-term unemployed counterparts, by 1991 the proportion had risen to 6.38. Since then, it has remained six times more likely for temporary workers to be unemployed than for permanent ones.

TABLE 6	1987	1991	1993	1995
$RATIO = \dfrac{\% \ unemployed \ from \ fixed\text{-}term \ work}{\% \ unemployed \ from \ permanent \ work}$	2.15	6.38	6.08	6.00

Source: LFS data (2nd. Quarters) (Elaborated by the author)

II.1.3. Labour flexibility and the increase in labour turnover

Labour insecurity attached to fixed-term contracts also produces an increase of labour turnover during the period studied. With the extension 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 in which unemployment and temporary work recurrently combine.

The lack of direct information on the gross flows into and out of employment makes the use of indirect indicators necessary to measure labour turnover. One possible indicator is the inflow of registered job demands 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 (1993,117-118) 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 on, job demands continued to grow despite the decrease in the

unemployment rate. This disparity in the evolution of both indicators reflects the increase in job rotation[8] (see also Bentolila and Dolado 1994).

We can detect this increase in labour turnover 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, it is rather the combination of all --in the light of the previous data presented-- which proves fruitful. Therefore, some effort at interpretation may be required, for we must fit the different pieces of snap-shot-like-information into a single dynamic sequence.

Insecure labour trajectories consist of a succession of short spells in employment. The LFS includes information on the duration of employment both for employed and unemployed respondents. Therefore, we can calculate the mean duration of employment by type of contract and compare the evolution of these figure over time. Table 7 below shows that the average job duration of fixed-term contracts (calculated as the reported duration of the last job of the unemployed respondents) for the period is between 13 and 18 months (depending on whether we base our calculations on the total number of unemployed fixed-term workers or only on those fixed term workers in unemployment for less than one year). Despite the fact that from 1984 until 1993 the maximum legal period of fixed-term contracts was three years, and that thereafter this legal duration was further extended to four years, our analysis shows that the average duration of fixed-term contracts has consistently been less than half the legal maximum. This is a clear indicator of labour insecurity.

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[8] The ratio of the inflow of registered job demands at employment offices to employment increased 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).

TABLE 7. *Average job duration by type of contract by year*

Job Duration in Months (Approximated value in years in parenthesis)		1987	1991	1993	1995	Average for the period
(1) Currently Employed	Permanent	135(11)	144 (12)	151 (13)	153 (13)	146(12)
	Fixed-Term	19	11	10	7	11.7
(2) Unemployed (Duration of Last Job)	Permanent	80(6)	91(7)	106(9)	116(10)	98(8)
	Fixed-Term	13	13	13	14	13
	*Fixed-Term Newly Unemployed**	19.6	18.8	15.8	17.3	17.9

* 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 with
 weighted samples.
Source: LFS (2nd. Quarters) (Elaborated by the Author)

Our results regarding 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 1991:237-238). Our own estimations are not too dissimilar (particularly if we give more weight to the responses of those newly unemployed who might reasonably have a more accurate account of the duration of their job experiences - see Table 7).

Other secondary data reinforce our findings regarding the brevity of the fixed-term contract duration. For instance, Martinez Lucio and Blyton (1995) calculated that in 1991, nearly 90% of employment creation contracts (*contratos temporales de fomento al empleo*) - which accounted for approximately 20% of all employment contracts registered with INEM - had a duration of no more than six months. Furthermore, contracts for specific services *(contratos para obra o servicio)* and casual contracts (*contratos eventuales*) - neither of which were subject to any specific legal minimum period - accounted for 60% of all new registered employment contracts (Martinez Lucio and Blyton 1995:351). Also, the European Industrial Relations Review (1997) has estimated that by 1996 some 96% of new contracts signed were temporary. Of those temporary contracts signed for a specified fixed term, 70% were for a duration of less than three months, with only 0.4% for a duration of more than one year. Of the 14 types of contracts available, 80% of new contracts signed in 1996 came under the three categories of casual work (*contratos eventuales*), contracts for work or services

(*contratos por obra o servicio*) and part-time contracts (*contratos a tiempo parcial*) (Richards and Polavieja 1997, 14-15; EIRR 1997, 25).

Table 7 also shows the average employment duration of permanent workers. According to LFS data, the average job tenure of employed permanent workers for the period is 146 months (12 years). If the permanent worker is unemployed, though, this figure decreases to 98 months (8 years). These figures are strong indicators of the very high levels of employment security (and lack of job mobility) that permanent workers enjoy in Spain. The contrast between fixed-term and permanent workers' average job duration reflects the dual character of the Spanish labour market.

There are indicators other than the duration of temporary contracts which also suggest an increase in insecure labour trajectories in which short term employment and unemployment recurrently combine. For instance, the proportion of the unemployed with previous work experience has increased with the extension of fixed-term contracts. In 1987, only 63% of the unemployed had job experience, while in 1995 the proportion had gone up to 77.7% --after a peak in 1993 of 80.8 per cent (Table 8). This evolution shows that fixed-term employment did indeed bring people with no job experience into the labour market; however it failed to maintain people in employment.

TABLE 8. *Job experience amongst the unemployed*

	1987	**1991**	**1993**	**1995**
Total Unemployed	63.1%	74.5%	80.8%	77.7%
Unemployed for 1 month or less	79.2%	89.5%	89.5%	88.7%

Source: LFS data (2nd. Quarters) (Elaborated by the author)

Finally, we can obtain other informative indicators of job rotation by cross-tabulating type of contract by labour market situation one year earlier for each of the years of our sequence. The results of this cross-tabulation are presented in Table 9.

TABLE 9. *Situation one year earlier by type of contract*

SITUATION ONE YEAR EARLIER	1987 TYPE OF CONTRACT			1991 TYPE OF CONTRACT			1993 TYPE OF CONTRACT			1995 TYPE OF CONTRACT		
	Permanent	Fixed Term	Total	Permanent	Fixed Term	Total	Permanent	Fixed Term	Total	Permanent	Fixed Term	Total
Employed same job	**Employed same job**			**Employed same job**			**Employed same job**			**Employed same job**		
Count	26688	1845	28533	28288	4977	33265	24747	3226	27973	25037	1780	26817
% within Situation	93.5%	6.5%	100.0%	85.0%	15.0%	100.0%	88.5%	11.5%	100.0%	93.4%	6.6%	100.0%
% within Type of Contract	90.3%	29.8%	79.8%	94.5%	33.6%	74.3	93.9%	23.4%	69.7%	93.6%	11.9%	64.3%
Adjusted Residual	107.9	-107.9		138.6	-138.6		146.0	-146.0		166.9	-166.9	
Employed different job	**Employed different job**			**Employed different job**			**Employed different job**			**Employed different job**		
Count	966	1325	2291	673	4829	5502	795	6289	7084	920	7606	8526
% within Situation	42.2%	57.8%	100.0%	12.2%	87.8%	100.0%	11.2%	88.8%	100.0%	10.8%	89.2%	100.0%
% within Type of Contract	3.3%	21.4%	6.4%	2.2%	32.6%	12.3%	3.0%	45.6%	17.6%	3.4%	50.9%	20.4
Adjusted Residual	-52.9	52.9		-92.1	92.1		-106.3	106.3		-115.2	115.2	
Unemployed	**Unemployed**			**Unemployed**			**Unemployed**					
Count	1049	2199	3248	501	3211	3712	328	2849	3177	406	4175	4581
% within Situation	32.3%	67.7%	100.0%	13.5%	86.5%	100.0%	10.3%	89.7%	100.0%	8.9%	91.1%	100.0%
% within Type of Contract	3.5%	35.5%	9.1%	1.7%	21.7%	8.3%	1.2%	20.7%	7.9%	1.5%	27.9%	11.0%
Adjusted Residual	-79.5	79.5		-72.3	72.3		-68.4	68.4		-82.7	82.7	
Studying	**Studying**			**Studying**			**Studying**			**Studying**		
Count	249	327	576	147	793	940	99	600	699	89	747	836
% within Situation	43.2%	56.8%	100.0%	15.6%	84.4%	100.0%	14.2%	85.8%	100.0%	10.6%	89.4%	100.0%
% within Type of Contract	.8%	5.3%	1.6%	.5%	5.4%	2.1%	.4%	4.4%	1.7%	.3%	5.0%	2.0%
Adjusted Residual	-25.2	25.2		-33.8	33.8		-28.9	28.9		-32.6	32.6	
Other Non Active	**Other Non Active**			**Other Non Active**			**Other Non Active**					
Count	611	503	1114	340	983	1323	380	829	1209	307	649	956
% within Situation	54.8%	45.2%	100.0%	25.7%	74.3%	100.0%	31.4%	68.6%	100.0%	32.1%	67.9%	100.0%
% within Type of Contract	2.1%	8.1%	3.1%	1.1%	6.6%	3.0%	1.4%	6.0%	3.0%	1.1%	4.3%	2.3%
Adjusted Residual	-24.9	24.9		-32.4	32.4		-25.4	25.4		-20.9	20.9	
Total	**Total**			**Total**			**Total**			**Total**		
Count	29563	6199	35762	29949	14793	44742	26349	13793	40142	26759	14957	41716
% within Situation	82.7%	17.3%	100.0%	66.9%	33.1%	100.0%	65.6%	34.4%	100.0%	64.1%	35.9%	100.0%
% within Type of Contract	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) (Elaborated by the author)

Particularly interesting for the analysis of labour turnover is the information regarding the evolution of the proportion of fixed-term workers who one year earlier were employed in a different job. An increase in labour turnover should be reflected in an increase in this proportion since it is reasonable to believe that between the previous job and the job held at the time of the LFS, a short spell in unemployment might have been experienced. Indeed, as Table 9 shows, data confirm this hypothesis. In 1987, 21.4% of temporary workers had been employed in a different job a year earlier. This proportion went up consistently throughout the period studied, reaching 50.9% by 1995. Meanwhile, the same proportion for permanent workers stood more or less constant at 3 per cent (see Table 9).

Conversely, Table 9 also shows that the proportion of fixed-term workers who had been employed in the same job a year earlier, after increasing from 29.8% to 33.6% from 1987 to 1991 -the years of economic growth- dropped to 23.4% in 1993, and dropped further to only 11.9% in 1995. This is a clear indicator of labour insecurity.

Yet for permanent workers, the proportion of those who had been employed in the same job a year earlier increased from 90.3% per cent in 1987 to 94.5% in 1991, and remained around 94% thereafter. The contrast between both figures is stunning and gives a clear sense of the unequal distribution of employment security between each type of worker.

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 35.5% to 20.7%- and then went up again to 27.9% in 1995. Table 9 also shows that the proportion of those who had been unemployed a year before the LFS also decreased for permanent workers, from 3.5% in 1987 to only 1.5% in 1995[9]. The evolution of this rate is perfectly compatible with

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[9] Table 9 also gives 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, 67.7% of all workers who had been unemployed a year earlier were temporary. In 1991 this proportion had risen to 86.5%. It then increased further to 89.7% in 1993, and 91.1% in 1995. The table also shows that the relative proportion of fixed-term workers within those who one year earlier worked in a different job rose constantly too, from 57.8% in 1987 to 89.2% in 1995. And, finally, the table shows that, conversely, the relative weight of permanent workers both within the group of workers who had been unemployed one year earlier, and within those who had

the flexibilisation argument. An increase in insecure labour trajectories reduces the duration of unemployment spells and multiplies their recurrence. Therefore, no clear patterns in the discussed proportion can be expected from this process.

What we might expect, besides our previous findings, is, if anything, a reduction in the total level of long-term unemployment, given a more or less constant economic cycle. 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 labour turnover (see Bentolila and Dolado 1994, 69).

In sum, all the indicators presented in this section seem to point in the direction of a steady increase in labour turnover among fixed-term workers over the period. Flexibilisation at the margin has led to the emergence of a new type of unstable labour market trajectory in which unemployment and temporary work combine recurrently. The rapid spread of this type of insecure trajectory has become one of the main features of the Spanish labour market. Whilst labour insecurity has grown significantly since the labour market reform of 1984, employment security of the core of permanent employees has not been significantly affected. Those with permanent contracts in Spain continue to enjoy stable job trajectories.

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been employed in a different job, decreased rapidly and constantly over the period. The former proportion went down from 32.3% in 1987 to only 8.9% in 1995, and the latter from 42.2% to 10.8%.

III. **The class structure of dualisation**

We examined above the general process of labour market dualisation. Evidence was provided regarding the connection between type of contract and labour insecurity. It was shown how fixed-term contracts have become the main 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 combine.

In this section we will further explore this process of dualisation by focusing on the class distribution of labour insecurity. The main hypothesis to test is that labour insecurity is heavily structured by class so that both unemployment and fixed-term contracts are concentrated in the least favoured classes, particularly in the manual working class.

III.1. The class hypothesis

In a recent seminar paper, Goldthorpe (1997) has elaborated on the theoretical principles that guide the EGP class schema (see: Erikson, Goldthorpe and Portocarero 1979) by drawing on some aspects of organisational and personnel economics (see for example Milgrom and Roberts 1992, Lazear 1995 in Goldthorpe 1997) and also in the new institutional transaction cost economics (see for example Williamson 1985, 1996 in Goldthorpe 1997). In this approach, the main axiom of Goldthorpe's class theory, which is that class positions can be understood as positions defined by employment relations (see Erikson and Goldthorpe 1992, 35-47), is explained within a new rational action framework.

Under this new framework, the causal mechanism which accounts for the class differentiation of employees --into 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 relation with their employers.

The 'labour' relation –which applies to the working classes—is that which may be expected to give rise to least cost for employers. The absence of serious work monitoring problems implies that workers can be remunerated in direct relation to their productivity, while the absence of serious asset specificity problems means that no specific productive value is lost if the employee "leaves" the firm. In labour occupations, the characteristic of the work and the assets required to perform it make the employee easily replaceable. Thus, 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 1997,12). Therefore, labour insecurity should be clearly related to working class occupations.

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 the employer to offer a form of contract which secures the employment relation on a long-term basis. 'Service' contracts set up the possibility for employees 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.

Therefore, one should expect to find a correlation between class and the distribution of labour insecurity. In other words, fixed-term contracts and unemployment should be significantly concentrated on working class occupations, whereas the service class should show the lowest level of unemployment and temporality.

In order to explore this hypothesis, I have attempted to compute the EGP class schema in the LFS data. Unfortunately, LFS data regarding occupation are coded in two digits. This brings about a few operational problems, which have been solved at the price of losing some detail in the schema. Notwithstanding these limitations, there is evidence that the schema is a fairly good proxy of the original EGP (see details on the operationalisation of the class variable and on the reliability tests in Garcia de Polavieja 1998b). My analysis of the class distribution of labour insecurity using LFS data will be based solely on the 1995 Labour Force Survey. This is so because the Spanish National Coding of Occupations (CNO) --based on the ISCO— changed in 1994, which introduces obvious problems in the comparability of the time series. Finally, the peculiar structure of the LFS questionnaire, which differs according to whether the respondent is employed or unemployed, makes it problematic to use multivariable techniques for the analysis of unemployment. Therefore, and in order to overcome these limitations, I have applied logistic regression techniques on the probability of being unemployed to data provided by two other surveys carried out at the beginning and the end of the 1990s: the survey on Class Structure, Class Consciousness and Class Biography (CSCCCB 1991) (N=6,632) (see Carabaña et al. 1993), and the Spanish Centre for Sociological Research Survey on Attitudes to Work and Employment (CSRSAWE) (see CIS2235 1997) (N=2,486).

1.2.2. Testing the class hypothesis

How does the process of dualisation discussed above affect the class differentiation mechanisms theorised by Goldthorpe? Does Goldthorpe's theory hold for the Spanish case? In order to test Goldthorpe's class hypothesis, I will first examine the distribution of unemployment by class. Table 10 shows the total distribution of employment and unemployment by occupational classes in Spain in 1995 (Source: original usage of LFS data, 2nd. Quarter, 1995).

TABLE 10. *Unemployment by class*

Occupational Classes		Unemployment		
		Employed	Unemployed	Total
I/II	Count	2698627	247668	2946295
Service	% Class	91.6%	8.4%	100.0%
III	Count	2838666	706199	3544865
Intermediate	% Class	80.1%	19.9%	100.0%
IV	Count	1976903	70897	2047800
Self Employed	% Class	96.5%	3.5%	100.0%
V/VI	Count	2683007	688392	3371399
Skilled Manual	% Class	79.6%	20.4%	100.0%
VII	Count	1784250	838650	2622900
Unskilled Manual	% Class	68.0%	32.0%	100.0%
Total	Count	11981453	2551806	14533259
	% Class	82.4%	17.6%	100.0%

Source: LFS,1995 (2nd. Quarter) (Elaborated by the author).

As Table 10 shows, unemployment in Spain follows a class distribution, which is consistent with the class theory discussed above. Only 3.5 per cent of the self-employed (class IV) and 8.4 per cent of professionals in the service classes (Goldthorpe's classes I and II) were unemployed in 1995, whereas the unemployment rate among non manual routine workers (class III) and skilled manual workers and supervisors of manual work (Classes VI and V respectively) reached 20 per cent. As predicted by the class hypothesis, unskilled

manual work is the class most heavily affected by unemployment, with an unemployment rate of around 32 per cent.

In accordance with Goldthorpe's argument, one should also expect to find a clear correlation between fixed-term work and class. And this is indeed the case. As shown in Table 11, where we have cross-tabulated type of contract by occupational class, the proportion of fixed-term workers increases as we move from the service to the labour employment relation. Again, the service class is the least affected by fixed-term employment (only 19.4 per cent of the service class has a fixed-term contract), and the unskilled manual working class the most affected (50.4 per cent of the members of this class have a temporary contract).

TABLE 11. *Type of contract by class*

Occupational Classes		Type of Contract		
		Permanent	Fixed-Term	Total
I/II Service	Count	1640989	395178	2036167
	% Class	80.6%	19.4%	100.0%
III Intermediate	Count	1650656	832417	2483073
	% Class	66.5%	33.5%	100.0%
V/VI Skilled Manual	Count	1616773	998934	2615707
	% Class	61.8%	38.2%	100.0%
VII Unskilled Manual	Count	878481	891706	1770187
	% Class	49.6%	50.4%	100.0%
Total	Count	5786899	3118235	8905134
	% Class	65.0%	35.0%	100.0%

Source: LFS,1995 (2nd. Quarter) (Elaborated by the author)

The data presented so far is consistent with the class hypothesis as developed by Goldthorpe. However, further research on the structure of unemployment in Spain shows 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 in highly qualified service class occupations, and very securely employed permanent workers in working class manual occupations. Surprisingly, the employment security of the latter group seems to be a little higher than the employment security of the former. In other words, type of contract in itself is a stronger predictor of unemployment than class. In order to sustain this claim, let us start by looking at a simple bi-variable exercise based on data from the LFS for 1995. In Table 12, class and unemployment have been cross-tabulated again, but this time I have also differentiated by type of contract for each class category.

Table 12 shows how the process of dualisation occurs inside all occupational classes[10]. For example, the unemployment rate of fixed-term workers in the service class is 26.6 per cent. This rate is more than eight times the rate of permanent workers in the same class (3.2 per cent), but also more than four times the rate of permanent workers in the manual working class (6.1 per cent). These data suggest the extent to which it is the type of contract, much more than the occupational class, which determines unemployment risks in Spain.

On the far right column, Table 12 also shows the mean duration in months of the last job of the unemployed respondents belonging to each class and type of contract categories. It tells us, for example, that unemployed service professionals coming from permanent employment show a mean tenure in their last job of 11 years (132 months), whereas unemployed service professionals coming from temporary employment show an average

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[10] For this exercise, I have computed a variable capable of informing us of the type of contract that the employed respondent had when the LFS was carried out and of the last job that the respondent had before losing his or her job in the case s/he is unemployed. The latter type of information requires a certain degree of re-codification since the LFS does not include as such a question on the type of contract of the last job. What the LFS does include is a question regarding the causes of the loss of the last occupation. Among these causes is included the termination of temporary or other types of fixed-term contracts. Logically, those workers who declared themselves to be unemployed as a result of the termination of their contracts have been considered as coming from fixed-term work. Conversely, respondents who claimed to be unemployed as a result of regulatory dismissal (*despido por regulación*), re-conversion dismissal *(despido por reconversión)*, dismissal for other causes, regulatory suspension, early retirement, sickness retirement, or other forms of retirement, (all of which are termination forms typical of permanent contracts), were considered as coming from permanent employment. Unemployed respondents who claimed to be unemployed as a result of the termination of self activity (*fin de actividad propia*), family related causes, voluntary decision or initiation of studies were not included in our variable. Of this latter group, respondents who declared the first reason (end of self activity), are either employers or self-employed and, therefore, they do not concern us in this exercise. Respondents who declared themselves to be unemployed for the other three remaining causes (voluntary, family-related or studies) amount to only 11 per cent of all the unemployed in 1995. The few differences between Table 12 and Tables 10 and 11 are due to the elimination of these individuals, whose contract origin cannot be assessed with confidence.

tenure of only 17 months. This pattern is typical of all classes. Of course, the shortness of the reported tenure in fixed-term employment was to be expected given the particular characteristics of the contract and what we know about it so far. However, what is remarkable is the very long duration of permanent contracts in all classes. Notice, for instance, that the 8.3 percent of skilled manual workers (previously) on permanent contracts who are unemployed report an average duration of their last job of almost 11 years (128 months), which is not significantly different from the average duration reported by unemployed service workers coming from permanent contracts. Even if we take the case of ex-permanent unskilled manual workers, which is the category with the lowest reported tenure, the question for Goldthorpe's theory to answer is why should unskilled manual workers show average tenure levels of seven years (89 months). Which is the other side of the question: why should almost half of unskilled manual workers have a permanent contract?

Undoubtedly, there might be, and in fact there are, factors other than class or type of contract which also affect the chances of unemployment. In order to test causal relations we must therefore undertake multivariable analysis. In Table 13 the results of two logistic regressions for 1991 (CSCCB data) and two logistic regressions for 1997 (CSRSAWE data) are presented. In applying statistical analysis to two different sources of data I have not intended to investigate the evolution of the structure of unemployment throughout the period, but only to check the consistency of our findings. The first regressions for each year (Models A) include age, sex, class, sector of activity of the firm, industry and residence of the respondent as independent variables. Models B for each year show the results of adding type of contract as an independent variable to the equations of models A.

TABLE 12. *Unemployment rates and average tenure of unemployed respondents' last job in months by type of contract and by class*

Occupational Classes	Type of Contract		UNEMPLOYMENT RATES			Unemployed Respondents' Average Tenure Mean duration in Months of last job
			Employed	Unemployed	Total	
I/II Service	Permanent	N	1640989	54790	1695779	132.0
		%	96,8%	3,2%	100,0%	
	Fixed-Term	N	395178	143486	538664	17.5
		%	73,4%	26,6%	100,0%	
	Total	N	2036167	198276	2234443	47.1
		%	91,1%	8,9%	100,0%	
III Intermediate	Permanent	N	1650656	107888	1758544	93.6**
		%	93,9%	6,1%	100,0%	
	Fixed-Term	N	832417	508294	1340711	13,2**
		%	62,1%	37,9%	100,0%	
	Total	N	2483073	616182	3099255	28.6
		%	80,1%	19,9%	100,0%	
V/VI Skilled Manual	Permanent	N	1616773	145859	1762632	128.5
		%	91,7%	8,3%	100,0%	
	Fixed-Term	N	998934	472508	1471442	16.7
		%	67,9%	32,1%	100,0%	
	Total	N	2615707	618367	3234074	45.2
		%	80,9%	19,1%	100,0%	
VII Unskilled Manual	Permanent	N	878481	56897	935378	89.0**
		%	93,9%	6,1%	100,0%	
	Fixed-Term	N	891706	706670	1598376	9,4**
		%	55,8%	44,2%	100,0%	
	Total	N	1770187	763567	2533754	16.1
		%	69,9%	30,1%	100,0%	

** Analysis of Variance has been undertaken using Bonferroni's multiple comparisons of means. The symbol "**" denotes a significant difference (**significance $\leq$ .000) with respect to the service class mean tenure of the same contractual category.
 Source: LFS,1995 (2nd. Quarter) (Elaborated by the author)

Models A, both for 1991 and for 1997, suggest that class is a strong predictor of unemployment, even when controlling for age, sex, sector of activity, industry and residence. CSCCCB data for 1991 show that, compared to the service class, which is the reference category in all the models, being a member of the intermediate class increases the unemployment odds ratio by 122 percentage points; being a member of the skilled manual working class increases the odds ratio by 292 per cent; and being a member of the unskilled working class increases the odds ratio by 311 per cent. Also CSRSAWE data for 1997 show

that being an intermediate class worker increases the unemployment odds ratio by 144 percentage points and that being a member of the manual working classes (either skilled or unskilled) increases the ratio by more than 200 percentage points. Therefore, the distinction between service, mixed, and labour employment relations seems to have an important impact on unemployment chances in Spain, after controlling for other relevant variables, but not yet for type of contract.

However, when we add type of contract to model A equations (which in both cases improves the explanatory performance and goodness of fit of the models as is shown in the logit estimates and statistical tests in Table 13) the effect of class diminishes significantly (see models B). Both in model B for 1991 and in model B for 1997, the introduction of type of contract reduces the class effect (see odds ratios). The difference between the unemployment risks of the service class and the rest of the class categories is now less acute than in the previous equations. Moreover, in the case of model B for 1997, it is only possible to distinguish clearly between the unemployment chances of the service class and the rest of the workforce: the differences between intermediate and working classes have now disappeared. Clearly, in both years, type of contract is the variable which has the strongest effect on unemployment chances. In each and all of the occupational classes, and controlling for all other independent variables, having a fixed-term contract rather than a permanent one produces in and of itself an increase in the unemployment odds ratio of more than 345 percentage points (347 in model B for 1991 and 352 in model B for 1997).

TABLE 13. *Logistic regressions on the probability of being unemployed years 1991 and 1997*

	1991			1997	

1991

MODEL A Age+Sex+Class +Control Variables	MODEL B Model A+ type of Contract

```
Unemp.  | Odds R.  Sig       Unemp.    | Odds R. Sig
--------+-----------        --------+------------
   Age  |  .9842876 **         Age   | 1.008974  .
 Female | 1.260878  **       Female  | 1.205213 **
ClassIII| 2.226861  **       ClassIII| 1.886909 **
ClassV/VI| 3.921742 **       ClassV/VI| 2.668278 **
ClassVII| 4.113894  **       ClassVII| 2.872026 **
                             FixedTerm| 4.477982 **



** Significance Level ≤ 0.01      ** Significance Level ≤ 0.01
                                   . Not significant (0.115)
```

1997	
MODEL A Age+Sex+Class +Control Variables	MODEL B Model A+ type of Contract

```
Unemp.  | Odds R.  Sig       Unemp.    | Odds R.  Sig
--------+-----------        --------+------------
   Age  | .9848171 *           Age   | 1.002787  .
 Female | 2.784028  **       Female  | 2.203746 **
ClassIII| 2.444285  **       ClassIII| 2.254798 **
ClassV/VI| 3.208391 **       ClassV/VI| 2.294053 **
ClassVII| 3.06151   **       ClassVII| 2.054921 *
                             FixedTerm| 4.529629 **


** Significance Level ≤ 0.01      ** Significance Level ≤ 0.01
 * Significance Level ≤ 0.025      * Significance Level ≤ 0.025
                                   . Not significant (0.72)
```

```
LOGIT ESTIMATES                 LOGIT ESTIMATES

Log Likelihood =-1230.0996      Log Likelihood = -1066.592
Number of obs  = 3722           Number of obs  = 3316
Chi2(32)       = 312.20         Chi2(33)       = 429.03
Prob > chi2    = 0.0000         Prob > chi2    = 0.0000
Pseudo R2      = 0.1126         Pseudo R2      = 0.1674

STATISTICAL TESTS:              STATISTICAL TESTS:
. lstat.Logistic estimates      . lstat. Logistic estimates
(Positive = p>=.2)              (Positive = p>=.2)
Model sensitivity  45.73%       Model sensitivity  54.99%
Model specificity  84.38%       Model specificity  81.66%
False positive rate 15.62%      False positive rate 18.34%
False negative rate 54.27%      False negative rate 45.01%
Positive predictive             Positive predictive
Value          29.07%           Value          30.94%
Negative predictive             Negative predictive
Value          91.74%           Value          92.39%


Lfit,group(10)Logistic es.      . lfit Logistic estimates
Goodness-of-fit test            goodness-of-fit test
No. of observations = 3722      no. of observations =  3316
No. of groups = 10              no. of covariate
Hosmer-Lemeshow chi2(8)=7.24    patterns =        2930
P>chi2 = 0.5105                 Pearson chi2(2896)= 2713.24
                                P>chi2 =   0.9928
```

```
LOGIT ESTIMATES                 LOGIT ESTIMATES

Log Likelihood= -529.8754       Log Likelihood =-459.78315
Number of obs =   1000          Number of obs =    908
Chi2(31)       = 211.42         Chi2(32)       = 258.90
Prob > chi2    = 0.0000         Prob > chi2    = 0.0000
Pseudo R2      = 0.1663         Pseudo R2      = 0.2197

STATISTICAL TESTS                STATISTICAL TESTS
. lstat Logistic estimates      . lstat Logistic estimates
(Positive = p>=.5)              Positive = p>=.5)
Model sensitivity  43.67%       Model sensitivity  55.94%
False positive rate 13.17%      False positive rate 17.01%
Positive predictive             Positive predictive
Value          62.23%           Value          64.16%
Model specificity  86.83%       Model specificity  82.99%
False negative rate 56.33%      False negative rate 44.06%
Negative predictive             Negative predictive
Value          75.62%           Value          77.58%


. lfit  Logistic estimates      . lfit Logistic estimates
goodness-of-fit test            goodness-of-fit test
no. of observation = 1000       no. of observations = 908
no. of covariate                no. of covariate
patterns = 962                  patterns = 885
Pearson chi2(930) = 932.96      Pearson chi2(852) = 829.07
P>chi2         = 0.4665         P>chi2         = 0.7069
```

*Controlling for sector (n.s.), industry and region of residence   * Controlling for sector (n.s.), industry and cc.aa. of residence
Source: CCCSCB 1991 (Elaborated by the author)   Source: CSRSAWE 1997 (Elaborated by the author)

Yet one could argue that the impact of the type of contract on unemployment chances might vary by occupational class or, in other words, that there is an interaction effect between class and type of contract. What models B assume, though, is that the effect of the contract is homogeneous in all classes. That is, that the relative employment insecurity of temporary workers vis-à-vis permanent ones does not differ by class. In all classes, our models B tell us, having a temporary contract has the same effect on the chances of unemployment. Notice that this is a rather strong assumption. Yet, we have tested the interaction effect hypothesis in the CSCCCB and the CSRSAWE surveys and in both cases it has been rejected (results are available for the interested reader). Therefore, equations B constitute the best modelling of the phenomenon under investigation achieved in this research. There can be no doubt as to the decisive impact that the contractual distinction introduced by the labour market

flexibilisation strategy adopted in Spain has had on the unemployment chances of Spanish workers irrespectively of their class[11].

If different values are used in the equations of models B, we can obtain the predicted unemployment probabilities of different categories of workers. It can be seen, for instance, that the predicted chances of unemployment for a male professional in his thirties with a permanent contract are 0.025, or 2.5 per cent, whereas the chances for a male professional in his thirties with a fixed-term contract are 8.7 per cent, according to the CSCCCB, and 10.7 per cent, according to the CSRSAWE. Models B also show that the predicted unemployment chances of a thirty- to forty-year-old male manual worker with a permanent contract are 8 per cent in the CSCCCB and 10.56 per cent in the CSRSAWE, whilst the predicted unemployment chances for a thirty- to-forty-year old male manual worker on a fixed-term contract increases to 27 per cent in the CSCCCB and 31.8 per cent in the CSRSAWE. That is, Model B shows that thirty to forty year old male working class members on permanent contracts have slightly lower chances of unemployment than male professionals of the same age on fixed-term contracts, even after controlling for other relevant explanatory variables. The unemployment chances for fixed-term male professionals of thirty to forty years of age are more than four times higher than the unemployment chances of professionals of the same age on permanent contracts. The effect of type of contract, therefore, cuts across all class categories and is stronger than the class effect (see Table 14 for other predicted probabilities).

To sum up, in this section we have provided empirical evidence which shows, on the one hand, that employment insecurity follows a class pattern, since both fixed-term employment and unemployment are disproportionally concentrated in working class occupations. But, on the other hand, we have also shown that the type of contract that an individual has determines his or her unemployment chances regardless of the occupational class to which he or she belongs. Furthermore, multivariable logistic regression analysis

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[11] Models B also show that the inverse relation between age and unemployment, which appeared in models A, hid in fact a type of contract relation. Once we control for type of contract, age becomes insignificant in statistical terms. The introduction of the type of contract variable in the models also reduces the effect of gender, although it does not eliminate it entirely. As the models show, women are more likely than men to be unemployed. The fact that the effect of gender seems to be greater in the CSRSAWE than in the CSCCCB is probably due to the particular sampling procedures used by the Centre for Sociological Research, which tend to over-represent women and the unemployed (see: García de Polavieja 1998c,ft6).

applied to both the 1991 CSCCCB survey and the 1997 CSRAWE survey confirm that type of contract is a stronger predictor of unemployment than class.

TABLE 14. *Average predicted probabilities by class, gender and type of contract. predicted values (models b) for 1991 and 1997*

	1991			
	MEN 30 TO 40 YEARS OLD		WOMEN 30 TO 40 YEARS OLD	
CLASSES	PERMANENT CONTRACT	FIXED-TERM CONTRACT	PERMANENT CONTRACT	FIXED-TERM CONTRACT
Service (I/II)	.0249	.0872	.040	.149
Intermediate (III)	.0578	.1930	.107	.324
Manual (VI/VII)	.0800	.2701	.1595	.439
	1997			
	MEN 30 TO 40 YEARS OLD		WOMEN 30 TO 40 YEARS OLD	
CLASSES	PERMANENT CONTRACT	FIXED-TERM CONTRACT	PERMANENT CONTRACT	FIXED-TERM CONTRACT
Service (I/II)	.0250	.1075	.062	.218
Intermediate (III)	.0750	.2312	.168	.375
Manual (VI/VII)	.1056	.3187	.175	.406

* Values predicted by the logistic regression (Model B) for 1997 have been weighted to compensate for the sampling over-representation of the unemployed, which is typical of all the Centre for Sociological Research surveys.
Sources: CSCCCB 1991 and CSRSAWE 1997 (Elaborated by the author)

Therefore, our findings suggest that the dualisation process has clear fragmenting effects within all classes. In other words, although fewer in number, there are insiders within working class occupations, whose employment security as insiders cannot be explained by their class position. Conversely, there are outsiders within service class occupations whose employment insecurity also appears as atypical of their class location. This phenomenon is the outcome of the particular historical conditions of the Spanish labour market and of the dualising effects of a reform which put practically all the burden of employment insecurity on fixed-term workers.

If our conclusions based on Tables 10, 11, 12, 13 and 14, and on the bulk of evidence presented in this paper are correct, important implications for class theory follow. The distribution of unemployment risks is then only partially explained by a class theory which focuses solely on the relations between employer and employee (and does so exclusively

from the point of view of the employer). An adequate explanation must also take into account the institutional and historical factors that have an impact on individuals' life chances with special attention to the role played not only by employers but also by trade unions.

IV. Conclusions

In this paper, the dualisation process in the Spanish labour market has been analysed in detail by drawing on LFS data for the years 1987, 1991, 1993 and 1995. After putting the 1984 reform in the broader context of the characteristics of the labour market in the late Franco period, sections 2 and 3 of the paper focused on the analysis of the dualising effects of the introduction of fixed-term contracts. It was argued that the particular characteristics of the 1984 reform, specifically the fact that it was targeted at new entrants while leaving intact the security of the already securely employed, set in motion a process by which fixed-term workers has consistently borne the brunt of employment adjustments. Evidence was provided on the relationship between fixed-term contracts and labour insecurity by looking at different indicators of labour turnover. Also, it was shown that the entry-gate character of fixed-term contracts translates into a clear age and gender pattern.

In section 3, the class pattern of labour insecurity was investigated by analysing the class distribution of temporary work and of unemployment. Following Goldthorpe's latest theoretical contribution, an explanation of why we should expect to find a clear correlation between labour insecurity and class was proposed. This class hypothesis was tested. In fact, the Spanish LFS data shows that both temporary employment and unemployment are disproportionally concentrated in working class occupations, thus validating the bulk of the class hypothesis.

However, the argument was pushed further by analysing the type of contract distribution of unemployment within each and all of the occupational classes and by applying logistic regression techniques to data provided by the CSCCCB and CSRSAWE surveys. Evidence suggests that the dualisation of the labour market has produced a clear

differentiation of unemployment risks by type of contract in all occupational categories. In Spain, workers on permanent contracts in working class occupations seem to enjoy levels of employment security typical of a "service" employment relation; 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 relations. And this phenomenon, which is a direct result of the implementation of a reform policy in a particular institutional setting, does not fit Goldthorpe's class hypothesis. Only the institutional, historical and political factors which account for the process of *flexibilisation at the margin* can help us to understand better how and why market reforms may have such a profound and enduring impact on individuals' life chances.

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