

Flexicurity and Job Satisfaction in Europe: Is Temporary Employment Always Bad?

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Motivation

- In the last decade, significant **changes in perceived job security** in many industrialized countries
 - The need/desirability of job security: workers' and employers' perspective.
 - Security and flexibility: from the **trade-off** to the **"flexicurity"** thesis
 - the Danish flexicurity model
 - From job security to employment security
 - The flexicurity approach in the European Employment Strategy
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Motivation (2)

- Perceived security and the **role of labour market institutions** and macroeconomic environment (Clark and Postel-Vinay 2005; Postel-Vinay and Saint Martin 2005; European Commission 2006)
 - Temporary employment is a common proxy for job flexibility (naturally associated with perceived job security)
 - Evidence on the effect of temporary contracts on job satisfaction (Booth et al. 2002; Bardasi and Francesconi 2003; De Witte and Naswall 2003; de Graaf-Zijl 2005)
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Aim

- Our aim is to **reconcile** macroeconomic evidence (flexicurity literature) with microeconomic one (job satisfaction)
 - **Claim: temporary employment *per se* is not necessarily a (good) measure for perceived job security**
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Claim

- temporary workers need **not necessarily feel insecure** with their job if:
 - they are likely to **hold continuously** a job;
 - in case they lose it, they can count on **income stability** thanks to generous UB and/or are likely to find rapidly a new job.

 - **permanent workers may feel insecure** if they are likely to lose their job and labour market is characterised by low flows out of unemployment due to strict EPL

 - in line with flexicurity approach, **perceived security may be independent of the type of contract:**
“flexicure” temporary workers may be more satisfied with their job than “at risk” permanent workers
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Methodology and main results

- We **interact** information on job contract with individual perceived job security (proxied by likelihood of becoming unemployed in a certain time spell) and evaluate their joint effect on individual job satisfaction
- After controlling for endogeneity, job satisfaction of flexicure temporary workers is not statistically different from that of permanent workers. On the contrary, compared to the latter, job satisfaction of insecure temporary workers and that of permanent-at-risk workers is much lower.
- Some differences by welfare regimes

→ **Flexicurity, both at the micro and at the macro level, is a very important determinant of job satisfaction**, with the most positive results in Nordic countries.

Theoretical framework

Micro level: workers types

Flexibility Job security	NO	YES
NO	permanent-at-risk workers	temporary workers
YES	permanent workers	flexicure workers

Theoretical framework (2)

Macro level: welfare regimes

Flexibility / Job security	NO	YES
NO	Mediterranean countries	Anglo-Saxon countries
YES	Continental countries	Nordic countries & the Netherlands

Data and definitions

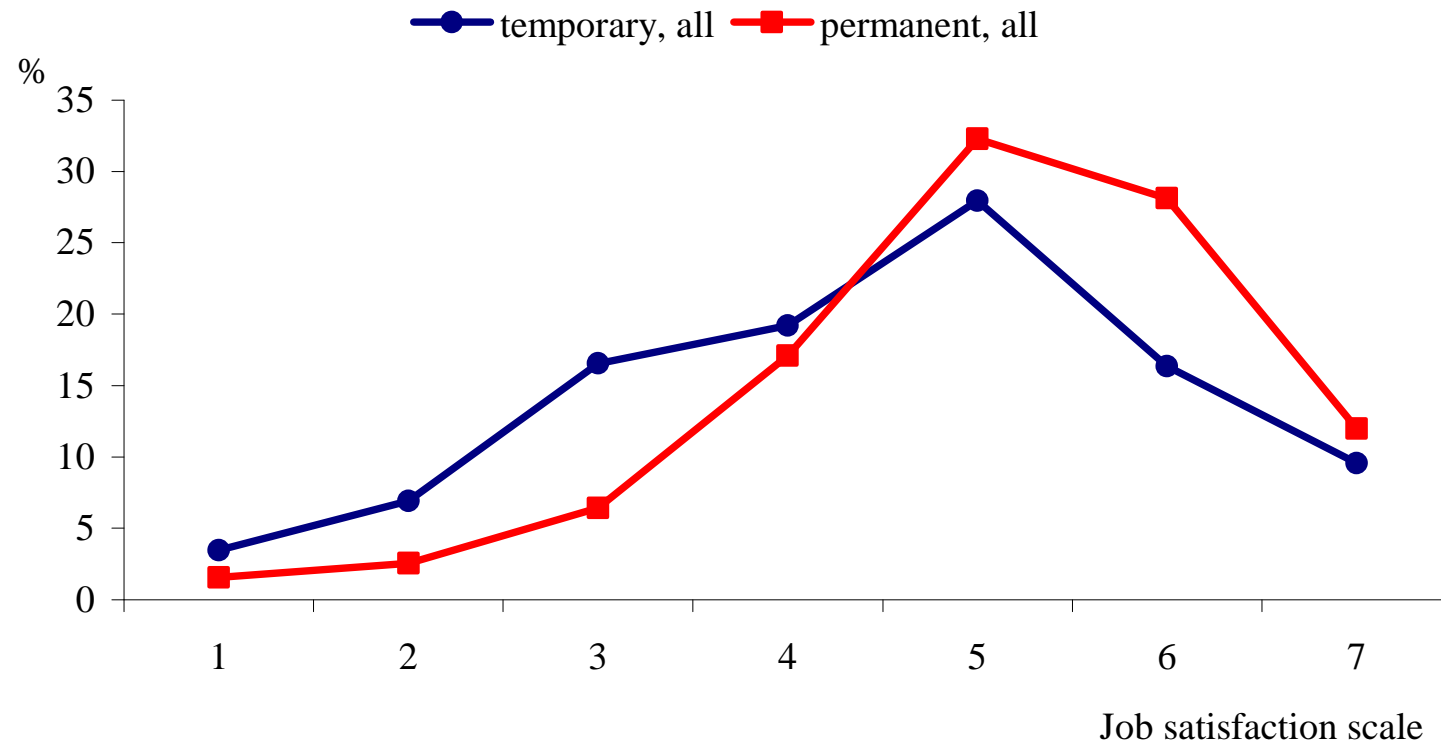
- 2001 Special **Eurobarometer** survey
 - Universe of the survey: citizens **aged 15 and over** residing in **EU-15**
 - We focus on **employees** (around 6000 obs)
 - Specific questions on **subjective job satisfaction**, **employment contract** (permanent/temporary) and **perceived job security** (likelihood to lose job for some reason over the next 12 months)
 - By interacting job contract and perceived security, we identify **4 types of workers**:
 - 1) **“true” temporary** workers
 - 2) **“flexicure”** workers
 - 3) **permanent workers at risk** of unemployment
 - 4) **other permanent** workers.
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Definition of workers types

- **“flexicure” workers**: those on temporary contracts stating that they are not very likely or not at all likely to lose their job in the following 12 months.
 - remaining (or true) **temporary workers**: those declaring they are very or quite likely to lose their job in the following year.
 - **“permanent-at-risk” workers**: permanent workers stating that they are very or quite likely to lose their job because workplace will close down or they will be declared redundant (thus excluding voluntary quits and retirement);
 - **remaining permanent workers** (including also permanent workers that are likely to lose their job for different reasons than those stated above)
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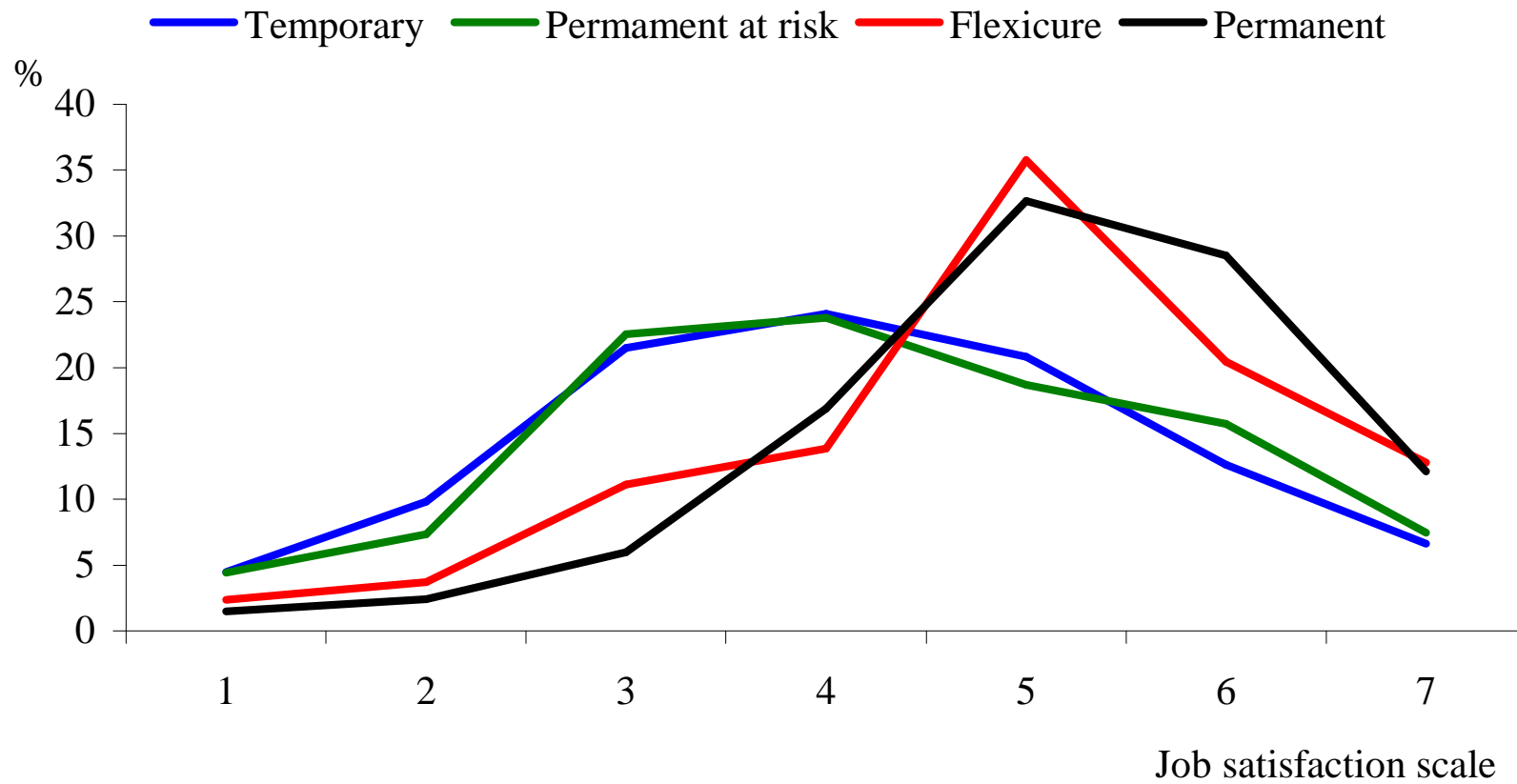
Preliminary evidence

Job satisfaction, temporary and permanent workers



Preliminary evidence (2)

Figure 1 - Job satisfaction by workers type



Preliminary evidence (3)

Average job satisfaction by types of workers and country.

	Difference between permanent and:			
	Insecure temporary	Permanent-at-risk	Flexicure	Permanent (avg)
Total	-0.99 ***	-0.89 ***	-0.21 ***	5.1
Nordic countries	-0.77 ***	-0.45 ***	-0.09	5.5
DK	-0.85 ***	0.08	0.23	5.6
FIN	-0.63 ***	0.49	0.21	5.2
SW	-0.32	-0.63 ***	-0.46 *	5.4
NET	-1.11 ***	-0.81 **	-0.20	5.7
Continental countries	-0.99 ***	-1.23 ***	-0.17	5.1
A	-0.46	-1.54 ***	-0.39	5.3
B + L	-1.21 ***	-1.34 ***	0.39 **	5.3
FR	-0.94 ***	-0.86 ***	0.26	4.8
GER	-0.70 ***	-1.53 ***	-0.55 **	5.3
Southern countries	-0.79 ***	-0.58 **	-0.13	4.9
GR	-1.08 ***	-0.29	0.14	4.9
IT	-0.44	-0.64	0.13	4.8
P	-0.69 ***	-1.61 ***	-0.19	4.9
SP	-0.99 ***	-0.17	-0.26	4.9
English-speaking countries	-1.37 ***	-0.90 ***	-0.47 **	5.2
IRE	-0.90 ***	0.16	0.21	5.0
UK	-1.40 ***	-0.94 ***	-0.51 **	5.2

* $p < .1$; ** $p < .05$; *** $p < .01$.

Empirical strategy

- Estimates of **job satisfaction equation** (ordered probit and Probit-OLS), with four worker types among the regressors:

$$JS_i = \alpha' DT_i + \beta' X_i + \varepsilon_i$$

- Intuition behind POLS: even if we don't observe the exact value of the latent variable for each individual/observation, we may approximate it with a set of means of the underlying continuous latent variable.
 - Useful transformation to better deal with endogeneity and self-selection by using linear estimators with the transformed variable
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Empirical strategy (2)

- To take into account of **endogeneity of workers types**:
 - a) **control for personality and psychological traits** (detailed info in the dataset)
 - b) **2 stage procedure** (POLS with Dubin-McFadden correction)

$$JS_i = \alpha_{JS} \prime DT_i + \beta_{JS} \prime X_{JS_i} + \lambda_{JS} \prime E(\varepsilon_{JS_i} / T_i) + \varepsilon_{JS_i}$$

Where:

$$E(\varepsilon_{JS} / T=i) = \sum_{j \neq i}^m \left(\frac{P_j \ln P_j}{1 - P_j} + \ln P_i \right)$$

Empirical strategy (3)

- **Excluding restrictions:** individual opinion on some general statements regarding unemployment and the role of government in the labour market
 - The workers were asked how much they agreed (on a scale from 1 – strongly agree – to 5 – strongly disagree) with the following two statements:
 - 1) “The unemployed should be forced to take a job quickly, even if it is not as good as the previous job”;
 - 2) “The government should provide a job for everyone who wants it”.
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Main results

Job satisfaction estimates, relevant coefficients.

POLS estimates			
	1	2	3
Ref group: permanent workers			
Insecure temporary	−0.512*** <i>0.089</i>	−0.245*** <i>0.083</i>	−0.184** <i>0.079</i>
Permanent-at-risk	−0.526*** <i>0.115</i>	−0.285** <i>0.114</i>	−0.251** <i>0.115</i>
Flexicure	−0.072 <i>0.086</i>	0.061 <i>0.079</i>	0.052 <i>0.077</i>
Other controls			
Demographics, country f.e. and local area conditions	Yes	Yes	Yes
Employer and job characteristics	No	Yes	Yes
Personality and psychological characteristics (past and future expectations, malaise due to work, work and life attitude, social relations, self-esteem)	No	No	Yes
F test (p-value)	17.8 (0.00)	25.64 (0.00)	23.39 (0.00)
R ²	0.103	0.335	0.356
N observations	5768	5609	5609

** p<0.05; *** p<0.01; robust standard errors in italics.

Estimates by welfare regime

	Nordic countries and the Netherlands	Continental countries	Southern countries	English-speaking countries
Ref group: permanent workers				
Insecure temporary	− 0.276** <i>0.11</i>	− 0.219** <i>0.096</i>	− 0.194** <i>0.105</i>	− 0.361** <i>0.149</i>
Permanent-at-risk	0.058 <i>0.141</i>	− 0.384*** <i>0.122</i>	0.041 <i>0.183</i>	− 0.198 <i>0.200</i>
Flexicure	− 0.076 <i>0.105</i>	0.007 <i>0.096</i>	0.117 <i>0.105</i>	0.022 <i>0.153</i>
R ²	0.32	0.36	0.32	0.32
N. observations	1585	2177	1080	767

* p<0.1; ** p<0.05; *** p<0.01; robust standard errors in italics.

Robustness check

- We **verify the sensitivity** of the results to:
 - change in the **definition of workers types** (i.e., larger definition of flexicure workers or larger definition of permanent at risk workers or both)
 - **alternative measures of job satisfaction** (job security, career prospects, chance for own development, pay)
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Robustness check: estimates with alternative definitions of workers types

	Larger definition of:		
	Flexicure workers	Permanent-at-risk workers	Both
Ref group: permanent workers			
Insecure temporary	-0.133** <i>0.057</i>	-0.233*** <i>0.080</i>	-0.177*** <i>0.090</i>
Permanent-at-risk	-0.246*** <i>0.067</i>	-0.325*** <i>0.062</i>	-0.318*** <i>0.062</i>
Flexicure	-0.025 <i>0.044</i>	0.024 <i>0.077</i>	-0.059 <i>0.067</i>
R ²	0.35	0.36	0.36
N. observations	5609	5609	5609

* p<0.1; ** p<0.05; *** p<0.01; robust standard errors in italics.

Robustness check: estimates with alternative definitions of job satisfaction

	Satisfaction with:			
	Job security	Career prospects	Chance for own development	Pay
Ref group: permanent workers				
Insecure temporary	-0.513*** <i>0.086</i>	-0.275*** <i>0.075</i>	-0.145* <i>0.079</i>	-0.137* <i>0.074</i>
Permanent-at-risk	-0.833*** <i>0.099</i>	-0.263** <i>0.120</i>	-0.027 <i>0.121</i>	-0.081 <i>0.116</i>
Flexicure	-0.166** <i>0.076</i>	-0.023 <i>0.074</i>	0.034 <i>0.076</i>	-0.048 <i>0.073</i>
R ²	0.28	0.29	0.31	0.34
N. observations	5601	5595	5605	5607

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$; robust standard errors in italics.

Concluding remarks

- Job stability and security are quite different things
- Flexicure workers are generally as satisfied as permanent ones and significantly more satisfied than “true” temporary workers

permanent workers \geq flexicure workers $>$ permanent at risk workers $>$ true temporary workers

→ security with flexibility more preferable than insecurity without flexibility

- Some differences by welfare regime, with permanent workers at risk of unemployment particularly dissatisfied in Continental countries (characterized by strict EPL)
 - Overall, flexicurity is an important determinant of job satisfaction also at the micro level
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