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## **Center-right parties and "pro-outsiders" job protection labour market reforms: A configurational study**

Francisco Conceição

Master in Political Economy

Supervisor:

Professor Paulo Marques, Assistant Professor,  
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## Resumo

A legislação laboral e consequente dualização que dela advém tem sido um tópico relevante de estudo para os investigadores da área da Economia Política Comparada. A forma como os governos alteram a legislação laboral de acordo com as mudanças nos diferentes contextos económicos e sociais dos países fez nascer a necessidade de aprofundar cada vez mais o tema de modo a tornar compreensível em que âmbito estas alterações ocorrem.

O objetivo deste trabalho está centrado em encontrar semelhanças entre diferentes países europeus que, ao serem governados por partidos de centro-direita, aumentaram o nível de regulação do mercado de trabalho para que uma franja dos trabalhadores que por norma tende a ser esquecido, e que, consequentemente, se encontra habitualmente numa posição fragilizada, pudesse desfrutar de um maior grau de estabilidade laboral: os *outsiders*.

Através da avaliação detalhada de alguns indicadores que considerámos serem essenciais ao nosso estudo, aplicámos quatro condições que Marques e Fonseca (2022) consideraram relevantes aquando do seu estudo sobre as reformas laborais de Portugal e Espanha feitas por governos de centro-esquerda: a existência de sistemas de representação proporcional; a "força" governamental"; o crescimento exponencial do número de *outsiders* e o contexto macroeconómico do país.

Concluimos que os governos de centro-direita são mais propícios a regular o mercado de trabalho a favor dos *outsiders* quando necessitam de coligações para formar governar e o país se encontra economicamente estagnado.

**Palavras-chave:** dualização; contratos a termo; emprego temporário; mercado de trabalho; *outsiders*; reformas.

**Código JEL:** J41



## Abstract

Labour legislation and the inherent *dualization* has been a relevant topic of study for researchers in Comparative Political Economy. The way governments change labour legislation according to changes in economic and social contexts of countries gave rise to the need to deepen the topic in order to clarify the extent in which these changes occur.

This work aims to find similarities between different European countries that, while being governed by center-right parties, have increased the level of labour market regulation so that a small share of workers that usually tends to be forgotten (and thus usually finds itself in a weaker position) can enjoy a greater degree of labour stability: the *outsiders*.

Through the detailed evaluation of some indicators that we considered essential to our study, we applied four conditions mentioned by Marques and Fonseca (2022) as relevant in the study of labour reforms in Portugal and Spain conducted by center-left governments: the existence of proportional electoral systems; weak governments; exponential growth in the number of *outsiders*; and country's macroeconomic context.

We conclude that center-right governments are more likely to regulate the labour market in favour of *outsiders* when a coalition between parties was needed for a government formation, as well as during periods of economic stagnation.

**Keywords:** dualization; fixed-term contracts; labour market; *outsiders*; reforms; temporary employment.

**JEL Code:** J41





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# Chapter 1

## Introduction

Since the growth of the service sector, the structures of labour markets have undergone several changes. The loss of manual-labour - or, at least, of its relevance for the overall employment -, not only in the agricultural but also in the industrial sectors, has resulted in the adoption of new types of jobs with different skill sets leading to several transformations across labour markets due to the ensuing flexibilization.

Labour market *dualization* has been the subject of study by many investigators who perceive this phenomenon as a foreseeable consequence given the dramatic changes on employment during the last decades. We understand that an important share of the study of this matter should be given to the response given by governments to the increasing gap between *insiders* and *outsiders* which is at the root of *dualization* itself. We assume that this is intricately linked to the way in which labour markets are regulated or deregulated depending on the legislation in force on a certain period aiming at the creation of advantages (which may otherwise not be achievable) for workers who are bound to their employer by a temporary working contract. Changes in labour laws regarding this type of contracts deserve a further detailed study to understand the national contexts upon the introduction of new legislation.

In an effort to bring new insights to the literature (which until now has covered far more publications on the impact of center-left governments on labour regulation for *outsiders*), we decided to explore cases in which center-right governments have created labour legislation that favoured that group through the regulation of temporary working contracts at several levels, in order to gauge potential common factors among the studied cases. For such a task, we chose five countries with center-right ruling governments and where we pinpointed regulatory reforms.

With this work we expect to bring a novel approach to the existing literature on *dualization*, studying each of the reforms that had an impact on the regulation for fixed-term contracts and determining the new legislation contained therein. After individual research regarding these regulatory measures in each country, we will cross-check them with some hypotheses given by Marques and Fonseca (2022) in order to confirm their applicability. Given these hypotheses and the detailed study of several databases, we decided that our research question would be: in what context do center-right parties introduce “pro-outsider” job protection labour market reforms?

For a simpler and more objective approach to our research question, we conducted a Comparative Case Study analysis in which we used the items on fixed-term contracts from OECD Employment Protection Legislation (2020) as a starting point. After checking the average indexes of the three items, we verified Marques and Fonseca (2022) three hypothesis individually, plus one we added regarding macro-economic factors in order to evaluate if any of the conditions is common to all scenarios. We count on finding similarities between the cases enabling to conclude that center-right governments make pro-outsider reforms when a) proportional electoral systems force them to; b) government is weak; c) the number of *outsiders* has grown exponentially; and d) the country is living an economic “boom”.

To meet the purpose of finding some common ground between the five reforms in the five different countries, this master dissertation is structured in six chapters. The introduction presents the relevance of our study, our research direction, and the expectable outcomes. The second chapter concerns the literature review in which we mention several studies on our general topic and other, more specific ones, since *dualization* is a subject that needs a previous framework due to the lack of public knowledge on the matter. Then, in most of chapter 3 and 4, we present our methodology and the unfolding of the individual studies, followed by a final comparison between all cases. Afterwards, we discuss our findings and establish a connection between them and the expected findings according to our literature review. As a conclusion, we present some final remarks on the contributions of this dissertation to the literature, our limitations and our viewpoints concerning future research.

## Chapter 2

### Literature Review

#### 2.1 *Outsiders* in a dualized labour market

It is important that this chapter begins with an analysis of the available literature on the topic which will help us defining who the *outsiders* are. After determining those who are part of this group, we will proceed with key mechanisms mentioned in the literature that led to the *dualization* in the labour market.

##### 2.1.1 Who are the *outsiders*?

To better understand what could be learned from studying labour market regulations, it is important to mention what has been meant by *dualization* in the last few decades and who is included in the two sides created by this process, according to the literature. Marques and Fonseca (2022, p. 2) say that “[s]ince the late 1970s, Western labour markets have gradually been liberalized through deregulation of employment protection legislation, of collective bargaining and retrenchment of the welfare state, in the neoliberal pursuit of unhindered wage flexibility. The economic insider-outsider literature added to this trend in the 1980s and 1990s by pointing out that regulations were protecting some workers (*insiders*) and neglecting others (*outsiders*), leading to increased segmentation”. The last statement infers that 40 years have passed since this matter was firstly addressed and several causes for this new trend were identified at the time.

Although over time authors have given different definitions for *dualization*, this one will serve as a guideline for this master thesis since it provides a simple and understandable explanation on who is included in these two sides – a principle that will be constantly applied herein. Putting it more simply and enlightening, as *insiders* we understand workers with open-end contracts and as *outsiders* those with fixed-term/temporary contracts. This latter group is far more exposed to defaults in social protection which is, as we will set forth, the core of the *dualization* issue (Schwander and Hausermann, 2013).

In the next section we will explain what we consider to be the main drivers of the *dualization* problem and how each has contributed to widen the gap between *insiders* and *outsiders*.

## 2.2 *Dualization* mechanisms and key *dualization* factors

### 2.2.1 Deindustrialization and macroeconomic factors

Given the decrease of industrialization levels and the increase of non-manual labour, the labour market started to take a different shape, meaning that plenty of dissimilarities emerged between the types of jobs due to the required level of skills, needed qualifications and expertise (Oliver and Morelock, 2020). Thus, “[r]esearch has shown that recent labour market policy reforms have allowed for the creation of two-tier labour markets consisting of *insiders* in standard employment relationships and *outsiders* in non-standard employment” (Davidsson and Emmenegger 2013, p. 339). Changes in the production systems over time (namely in the aftermath of the Industrial Revolution) created a context in which machinery control became more relevant than manual skills to increase the companies’ ability to produce on a larger scale. To cope with this, the industrial sector acquired considerable incentives to invest in workers’ skills, e.g., ongoing training to improve the effectiveness on their specific roles. The growth of the service sector resulted in important levels of instability within the industrial sector, since it caused a conflict between a sector where organization and employment retention were crucial for companies to fully-operate and a new one that underestimated workers’ skills, and in which the employee turnover became a standard running mode of companies.

Baccaro and Benassi (2017) argued that upon the onset of the industrialization process in Europe (which began along with the Industrial Revolution) countries were put under pressure to decide whether to allocate larger shares of production to internal consumption or to exportation, thus creating wealth. As an answer to that, we found evidence that most European countries followed the exportation path with the aim of financial stability and consolidated accounts. Export-oriented growth is perceived by some authors as one of the main reasons for the increasing *dualization* gap, since wages had to be raised or cut to guarantee competitive prices in external markets, as already mentioned. This meant a decreased demand in internal market and the loss of its relevance for the economic growth of countries, leading to a higher congruity on exports and cheaper and more flexible labour to follow the trend.

The German case (a coordinated market economy according to the Varieties of Capitalism theory) can be of particular interest since the external market played a much more relevant role for the financial performance of Germany. Since German firms depended more heavily on non-market relationships to coordinate their activities, due to the strategic interaction among the companies themselves and other actors, as well as the spread of relationships between the key economic actors (government, firms and unions), we conclude that “reforms

across three arenas (industrial relations, labour markets, and social protection) have mostly spared the core workforce (...) as they have involved some redistribution among the lowest income groups—redounding to the disadvantage of low-wage workers but benefiting some of the most marginal segments of society” (Palier and Thelen 2010, p. 120)

In this example we find a slight bias against the *outsiders* group that watched “status and privileges of labour market *insiders* remain relatively well protected, with the flexibility necessary to stabilize the core being achieved at the expense of a growing number of workers in “atypical” or “nonstandard” employment relationships.” (Palier and Thelen 2010, p. 139). This serves as proof of the way countries organize their economy and productivity hoping that achieving the expected returns will influence the way the labour market adapts itself according to multiple factors that play a specific role on overall decisions. On the other hand, countries that favoured internally oriented industrialization, according to Baccaro and Benassi (2017), maintained or even increased employment protection legislation, benefiting *insiders* in the long-term while providing a certain degree of stability to labour markets. Macroeconomic factors in line with the ones presented are preconditions for the outcomes regarding labour market structures.

One can argue whether the above-mentioned stability can also provide *outsiders* a certain degree of protection since stricter legislations on labour can foster a positive impact on all types of employment. Flexibilization in the labour market can jeopardize *insiders* and benefit *outsiders* by means of flexicurity<sup>1</sup>. Nevertheless, in the Germany case previously illustrated, protecting the core workforce (*insiders*) resulted in distinct levels of impact on the *outsiders* group (mostly on the unemployed) as well as on the inactive population.

### **2.2.2 Flexibilization**

Rubery and Grimshaw (2003) reported that “The flexibility of a labour market might be defined as its ability to adapt and respond to change” and, since the 1<sup>st</sup> Industrial Revolution until the 21<sup>st</sup> century, the world underwent significant changes not only on a cultural and social level but also, and most importantly for us, in the labour market.

In the labour market, we identify constant changes due to the innovation which is inherent to a society that faces new needs faster than ever: “[h]ighly regulated labour markets

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<sup>1</sup> “Flexicurity is based on the co-ordination of employment and social policies. Employment policies must create the best conditions for job growth, whereas social policies must guarantee acceptable levels of economic and social security to all, including those who enter de-regulated labour markets.” (Heins et Clasen 2009, 306)

were easier to maintain in closed economies, where competitive pressures were less. But globalization has sharply increased the range and intensity of competition, and more adaptable production systems and labour markets are essential if firms are to survive in the new global economy” (Rodgers 2007, p. 3)

The promotion of a global economy heavily influenced the organization of labour markets. As economies expanded and the relevance of price competitiveness increased for companies trying to retain business (since competition levels have increased), labour markets naturally and progressively underwent periods of flexibilization during which the target was the reduction of expenses on human capital to the bare minimum in most capitalist countries. When this is the case, there is a tendency for the increase of the number of *outsiders* along with the growing number of unemployed. In the late 1970's, European governments increased the degree of flexibilization in working contracts. The creation and introduction of reforms that have the goal of labour market deregulation led to the widening of the gap between *insiders* and *outsiders* due to the effortless hiring of temporary workers - who were lacking social-state guarantees as opposed to *insiders*, thus losing their ability to be an active part of the so-called welfare-state.

Simoni and Vlandas (2020, p. 3) on their work about the rise of *dualism* in Europe, claim the existence of three main drivers that fuelled the flexibilization of working contracts: “the interplay of governments, trade unions and the state of the economy”. It is possible to determine cross-country varieties regarding the impact of each driver on the pursuit of deregulation, causing the latter both directly and indirectly depending on the intentions. The authors also stated that “two-tier reforms are about 20% more numerous than complete reforms, which indicates that the fragmentation of labour markets between *insiders* and *outsiders*, what is often referred to as *dualization* or dualism, is an integral part of 20 years of labour market reforms” (2020, p. 9) underlining that this phenomena has been the most present in the last couple decades (although we have dated its existence since the 1970's) and its relevance within the all-round series of reforms results mainly from its influence on employment since the beginning of this century.

It is also relevant to mention that countries that tend to pursue liberalization through flexibilization in the labour market can be more effective in doing so when the unemployed receive generous benefits. This was indeed true in some nations where deregulation towards *flexicurity* was seen as one of the main drivers of the liberalization process and having reduced the social protection gap in some cases.



## **2.3 A new strand of reforms**

There is an ongoing tendency against the theories mentioned above. In the last couple of decades, studies have shown the decrease in the *dualization* gap in several countries typically ruled by center-left and center-right governments where several reforms have been introduced to serve the *outsiders*' access to social protection. Marques and Fonseca (2022) mention three relevant conditions that might help to explain the motivations behind these reforms and how external factors may outweigh ideology itself: proportional electoral systems; weak governments and fast-growing number of *outsiders*. We shall address them but, first, it is important to correlate political ideology with the access to social protection and liberalization in order to set a link between some drivers of labour market re-regulations and what moved liberal-conservatist parties into the introduction of these reforms.

### **2.3.1 Government ideologies and liberalization**

At this point of the literature review, it is imperative to establish a connection between partisanship/government ideologies and liberalization since both social-democracy and liberal conservatism tend to support it, although in different approaches.

Rueda (2005) identified social-democratic parties as the main defenders of job security legislation for permanent workers. On the other hand, he found no effect of social-democratic incumbency on pro-outsider policies, as an example of what is said in the introduction. Assuming his studies were found to be true, it would mean that center-left governments would not back up *outsiders* when it came to labour market reforms.

This theory was recently put to the test by Marques and Fonseca (2022), having proved (using Portugal and Spain as examples for a comparative case study) both center-left and center-right took steps to help shorten the gap between these two groups by means of the approval of several reforms that resulted in benefits for *outsiders* and improved their status. We cannot infer conclusions through this study alone, but it can be helpful to expect that the role of political parties can in fact be beneficial for *outsiders*, as already shown.

Also, Simoni and Vlandas (2020, p. 2) claimed that “liberalizing and dualizing reforms were often also pursued by centre-left governments facing dire economic conditions and attempting to tackle unemployment and/or rising labour costs through pro-market supply-side policies”. This study can be seen as a turning point on the topic since it was one of the first demonstrations of center-left governments creating (or abolishing) legislation in order to

simplify and support atypical employment, especially in countries and sectors where unions had weak positions at negotiations due to the lack of members or core support (Benassi and Vlandas, 2016). Center-right governments have followed the same path and in the last decades we find examples where they re-regulated labour market to increase the degree of *outsiders* protection as we will demonstrate in the next chapter.

Literature prior to this decade strongly connects liberalization in the labour market with center-right policy making and liberal conservatism. Studies made in the beginning of the century and in the 2010's usually established links between deregulation in the labour market and right tendency governments. We will deepen this topic taking three drivers into account, which, together with macro-economic factors, will be used as hypothesis in our study.

### **2.3.2 Proportional electoral systems**

The electoral constitution of governments can be a widely influential factor on how center-right governments address *dualization*. Iversen and Soskice (2015, p. 195) put in perspective two forms of electoral systems as an attempt to display the role they can play on labour market *dualization*: “since varieties of capitalism and electoral systems have coevolved historically, it is useful to distinguish between CMEs with PR electoral systems and liberal market economies (LMEs) with majoritarian systems”. Firstly, in Coordinated Market Economies with Proportional Representation, the preferences of economic groups are one of the economical guidelines of countries since firms invest heavily in high-skilled workers offering them specific skills. With this investment, governments allow firms to retain workers by supporting job protection with specific legislations (with the aim on maintaining comparative advantages) while the “group of low-skilled workers with general skills no longer benefits from employment protection and conjoint collective bargaining with skilled workers” enlarging the gap between *insiders* and *outsiders*. This authors also found evidence of political coalitions between parties and workers-groups: “each group of workers is represented by a political party (representative party)” (Iversen and Soskice 2015, p. 199). What distinguishes a PR system from a majority political system in this matter is the fact that parties “need not cater to a particular group (the median voter) to win influence” in the first one, while in the latter one they need it in order to retain/gain power.

Also, while looking at the different regimes, e.g., parliamentary, and presidential, we find significant dissimilarities in the relevance given to smaller parties and thus their electorate. In the United States, for example, smaller parties have low to zero ability to influence political

decisions, and, in most cases, they are seen as the defenders of the *outsiders*. This leads to the widening of the *dualization* gap since *outsiders*' needs are never the focus of political discussion. Under Fordism, left-wing parties were constituted by skilled workers and centrist parties have tended to ally to this parties due to a common goal: to tax high-earners instead of partnering with the right and center-right parties that simply would not tax that group as they were their main constituent.

In LMEs, due to the fact that governments are elected by direct elections, it was crucial for parties to appeal to middle-income groups in the past (where the largest number of voters were included since both semi-skilled and low-skilled groups were part of the middle class), but in recent decades low-skilled workers dropped out of the middle class and the tendency is for the middle and upper classes to concentrate their votes on center-right and right wing parties according to Iversen and Soskice (2015).

### **2.3.3 Weak governments**

When governments suffer from internal divisions or lack majority in parliament, there is room for certain organizations to step into politics and negotiate their influence within the governance. Their main goal is to affect future reforms and, in some cases, to put pressure on decision makers to rush into new reforms that meet their interests. Rathgeb (2018, p. 6) discusses the amount of power granted to unions when governments are not strong enough, claiming that “weak governments are more responsive to union demands because they need support from extra-parliamentary actors to mobilize consensus” thus creating a new strain of electorate that can increase the power of the government upon new elections. By means of the examples of Austria (weak government and union inclusion) and Sweden (strong government and union exclusion) the author argues that both high union density and centralization lead to outsider-inclusive reforms: “[i]n both countries, an inclusive union movement incorporated the interests of *outsiders* into the producer group arena. But it was the presence of a politically weak government that created the necessary opportunities for unions to achieve policy influence in the legislative arena.” The main difference regarding the established parallelism is that while in Sweden *outsider*'s protection was increased due to political discussion between parties and organizations, in Austria the key factor was the political need, motivated by the needs of governments to ally with trade unions in order to retain power and political support. Not only union relevance is important in this topic: party coalitions to create governments can also be a decisive factor for the prosecution of reforms, especially if smaller parties are able to obtain a

position of power and use their influence to negotiate in policymaking with wider, most-voted parties. The larger the representation of the main party, the stronger the government.

### **2.3.4 Fast-growing number of *outsiders***

The fact that in recent years we have been experiencing several labour market changes led Schwander (2018) to study European parties and understand the impact of labour market dualization in its electorates. Firstly, the trend in advanced economies (due to the multiplicity of reasons already mentioned) has consisted in a tremendous increase in the number of *outsiders* while the *insiders* group continued to decrease. This ‘boom’ happened quicker than expected which did not allow for any kind of pre-preparations on the side of political parties forced to adjust to newest circumstances, not only on proposed reforms, but also on a rapidly changing electorate which, in turn, led to the change of focus regarding vote-seeking groups. Seen as the defenders of the welfare-state, social democratic parties have been struggling with *dualization* issues, since the growth of atypical employment in post-industrial labour markets was resulting in a lack of social protection for a significant part of the workforce. Center-right parties also suffered a major electoral setback with the increasing of *outsiders* that tended to radicalize and vote for more radical, protesting parties whether left-wing or right-wing. This shift led center-right governments to create labour market reforms that granted benefits for the fast-growing *outsiders* group as an attempt to gain/retain those votes as we will understand forth in this master thesis.

## **2.4 Key hypothesis**

For the purpose of this master dissertation, with the aim of pinpointing circumstances that led center-right governments to create reforms that benefited the *outsiders* group, we will consider the following hypotheses:

1. Center-right makes pro-outsider reforms in countries with proportional electoral systems;
2. Center-right makes pro-outsider reforms when the government is weak and needs to negotiate power;
3. Center-right makes pro-outsider reforms when the number of *outsiders* increases exponentially in a brief period of time;
4. Center-right makes pro-outsider reforms when the country is undergoing an economic boom.

## Chapter 3

### Methods and data

In order to evaluate the context in which center-right parties in the EU benefit the *outsiders* group with the creation of labour market reforms regarding employment protection legislation, we will conduct a Comparative Case Study analysis with the intention of investigating reforms established by governments in five different countries: Ireland (2003), Czech Republic (2011), the Netherlands (2015) and Italy and Norway (2018). We will hereinafter below the reasons for choosing cases.

Between 1985 and 2019, according to OECD database on Employment Protection Legislation together with ParlGov databases, only in eight cases was proved that center-right governments further regulated fixed-term contracts (FTCs) (we tend to focus on these contracts since they are the ones to be applied more often when it comes to atypical contracting). These databases ranked governments political position from 1 (radical left) to 10 (radical right), giving Ireland in 2003 a 6.3 rating; Norway in 2005 a 6.9; Czech Republic and Spain in 2011 a 7.1 and 7.6 respectively; a 6.7 to Portugal and 5.5 to The Netherlands in 2015; and, finally, a 7.8 and 7.9 to Italy and Norway respectively in 2018. In all these examples we found reforms that regulated FTCs. To provide different contexts, we tried to be as heterogeneous as possible in the choice of countries. Thus, we decided to choose one Anglo-Saxon country, one Southern European country, one Eastern European country, one Continental European country, and one Northern European country.

Our dependent variable consists of verifying increases in labour market regulation favourable to workers we define as *outsiders*. To help us on the formulation of our variable, we found significant data in the OECD Employment Protection Legislation Database, 2020 edition which provides a clearer perspective on the increase of regulation that some reforms had in the labour markets of the countries we are studying.

**Table 3.1: OECD index for the regulation of fixed-term contracts**

Item	Values and description	Assigned Score						
		0	1	2	3	4	5	6
<b>Fixed-term contracts</b>								
<b>Item 10:</b> Valid cases for use of fixed-term contracts	0	There are no restrictions on the use of fixed-term contracts.	Multiply by 2, so that the score lies between 0 and 6.					
	1	Exemptions exist on both the employer and employee side.						
	2	Specific exemptions apply in situations of employer need (e.g. starting a new activity) or employee need (e.g. workers in search of their first job).						
	3	Fixed-term contracts are permitted only for “objective reasons” or “material situation”, i.e. to perform a task which itself is of fixed-term contract.						
<b>Item 11:</b> Maximum number of successive fixed-term contracts	Number	No limit	≥ 5	≥ 4	≥ 3	≥ 2	≥ 1.5	< 1.5
<b>Item 12:</b> Maximum cumulated duration of successive fixed-term contracts	Months	No limit	≥ 36	≥ 30	≥ 24	≥ 18	≥ 12	< 12

Table 3.1 presents three items used in OECD Employment Protection Legislation database to verify the increase in the regulation index that is displayed in table 3.3:

- Item 10 classifies the restrictions for the use of fixed-term contracts, and it punctuates them from 0 to 3, with zero representing no restrictions at all and three representing a high degree of restrictions regarding fixed-term contracts, meaning that several criteria must be met for companies to hire workers under this type of contracts. This item is then multiplied by two to match the minimum and maximum values of items 11 and 12.

- Item 11 rates from 0 to 6 maximum number of successive fixed-term contracts companies can offer their workers, with 1 being limitless (infinite renewals) and 5 being maximum 1.5 renewals (e.g., 1 year + 6 months).
- Item 12 refers to the maximum cumulated duration of fixed-term contracts from no limits (0) to maximum 12 months (6).

All the items are organized progressively with zero corresponding to the most deregulated value and six the most regulated possibility for each item.

Each item adds his own weight to our dependent variable according to its relevance in respect to OECD Employment Protection Legislation orientations:

**Table 3.2: Weight attributed to each item for the formulation of the Average Index for Fixed-Term Contracts**

Category of hiring regulation	Lower-level elements of hiring regulation	Weight
Fixed-term contracts	10. Valid cases for use of fixed-term contracts	1/2
	11. Maximum number of successive fixed-term contracts	1/4
	12. Maximum cumulated duration of successive fixed-terms contracts	1/4

Valid cases for the use of fixed-term contracts have twice the value than the other two items. This is understandable since duration and renewals become irrelevant if no cases are valid for the use of this type of contract.

In the table below we can find each item individually and the average index for fixed-term contracts for the five countries we chose, both in the year the reform came into force and in the previous year:

**Table 3.3: Average Index for fixed-term contracts, Comparison between the new score and the previous one**

Country	Year	Item 10	Item 11	Item 12	Average Index for Fixed-Term Contracts	Difference between new score and the previous one
Ireland	2003	0	0	0	0	0,67
Ireland	2004	1	0	1	0,67	
Czech Republic	2011	0	0	3	1	0,33
Czech Republic	2012	0	3	1	1,33	
Netherlands	2015	0	3	1	1,33	0,67
Netherlands	2016	0	3	3	2	
Norway	2018	2	5	1	2,5	0,25
Norway	2019	2	5	2	2,75	
Italy	2018	2	1	1	1,5	1,75
Italy	2019	4	2	3	3,25	

The individual items that build our average index will be further interpreted by country in the next section. This way, we will try to find out if any of our four hypotheses presented at the end of the previous chapter corresponds to our findings in the studied countries. After evaluating each country's results, we will discuss the existence of common factors on the pursuit of reforms and find out whether any of the conditions are evident in all cases. In order to favour the analysis of the conditions pertaining to the study in question, we quickly realized that the Comparative Case Study method would be the most effective when assigning the individual cases to an aggregate substructure. Data made available on government websites or on local information channels concerning the elections and the composition of the respective governments will provide us a clear picture of the parliamentary structure of the countries. Moreover, the reforms themselves and the text contained therein demonstrate the expectations of each reform and the underlying reasons for their adoption by governments.

The countries GDP, their numbers on unemployment and the percentage of workers with temporary contracts in the different countries will be evaluated in the year of the reform. This will allow us to evaluate whether macroeconomic factors were an important pre-requisite for the prosecution of the reform. All data collected is provided by: LABREF (Labour Market Reforms) database; Eurostat “Part-time employment and temporary contracts - annual data” database; OECD Employment Protection Legislation Database, 2020 edition; and the EPLex database from the International Labour Organization.



## Chapter 4

### An analysis of the reforms

#### 4.1 Small changes in a deregulated land - Ireland 2003

From 2002 to 2007 Ireland was governed by a right-wing political coalition between Fianna Fáil (conservative and Christian-democratic political party) and the Progressive Democrats (conservative-liberal party) which, together, got 89 deputies elected (81 from Fianna Fáil and 8 from the Progressive Democrats). This coalition achieved a parliamentary majority, since 53% of the Parliament was made up by the two parties.

Amongst the several reforms that were conducted by this government, there is one that stands out when studying pro-outsider measures. In 2003, a law regarding Employment Protection Legislation was parliamentary approved and aimed at benefiting workers with fixed-term contracts (when compared with permanent workers) by denying the “abuse arising from the use of successive fixed-term employment contracts.” (Protection of Employees (Fixed-Term Work) Act 2003 explanatory booklet).

**Table 4.1: Ireland reform 2003 – Changes on fixed-term contracts**

<i>Policy field</i>	<i>Title</i>	<i>General description</i>
Cumulated duration of FCTs	Maximum cumulated duration of successive FCTs can't exceed 4 years	“For fixed-term employees who commenced prior to 14 July 2003 and have 3 years continuous service, employer may renew fixed-term contract only one more time and for not longer than one year. For fixed-term employees who commenced after 14 July 2003, employer may employ them for two or more fixed-term contracts, but the aggregate duration may not exceed 4 years.”

Source: Labour Market Reforms Database – Public Search Page, available at:

<https://webgate.ec.europa.eu/labref/application#!searchPublic>. Retrieved 2022-10-06

The “Protection of Employees Act 2003” consisted in a contractual change on fixed-term contracts beginning after 14<sup>th</sup> July 2003 and stated that fixed-term workers that had their contracts renewed two or more times may not exceed four years with this type of contracts, while fixed-term contracts beginning before that same date existing for up to three years could only be renewed for 1 more year (maximum duration could not exceed four years). The objective inherent to this reform was to favour *outsiders* whose fixed-term contracts were being renewed repeatedly instead of being offered permanent contracts. Regarding contractual and working conditions “[t]he Act provides that a fixed-term employee shall not be treated in a less

favourable manner in respect of his/her conditions of employment than a comparable permanent employee” (Protection of Employees (Fixed-Term Work) Act 2003), a major step for labour market equality.

Data provided by the Eurostat (2022) on temporary employment shows that, in the active labour workforce, temporary contracts represented 4.6% of the total working contracts. The country’s GDP at the time had registered a 3% growth rate, was financially stable according to World Bank (2022) and the unemployment rate was aprox. 4.5% in 2003, a constant value since 2000. (Macrotrends, 2022)

Overall, in 2003, Ireland was governed by a political coalition between two right-wing parties forming a parliamentary majority. While ruling, this coalition created a package of reforms which included changes in fixed-term contracts that regulated labour market by establishing a new maximum cumulated duration of successive FCTs. At the time, the country was economically healthy and undergoing a constant growth with low levels of both unemployment and temporary employment.

#### **4.2 “Give with one hand, take away with the other” - Czech Republic 2011**

In 2010, Czech legislative elections took place and the social-democratic party was the one with the most votes. That was not enough for their leader Jiri Paroubek to assume the role of Prime-Minister since there was no parliamentary majority. The second most voted party, the liberal-conservative Občanská Demokratická Strana (ODS) (Civic Democratic Party) aligned forces with two right-wing parties (TOP 09 and Věci Veřejné (VV) (Public Affairs)) to create a parliamentary majority (representing 118 of the two hundred total members of Parliament) allowing Petr Necas to become the new Prime-Minister. In the end of 2011, the new coalition government went ahead with a package of multiple reforms that covered a large part of social-economic areas, including the labour market.

Regarding Employment Protection Legislation, according to the LABREF Database provided by the European Commission, we found six new policies that were included in the reform package. With that in mind, and by observing the data we presented previously in the tables 1 to 3, we found out that between 2011 and 2012 the maximum number of successive fixed-term contracts had been altered:

**Table 4.2: Czech Republic – Maximum number of successive FTCs (2011/2012)**

<i>Policy field</i>	<i>Title</i>	<i>General description</i>
Number of successive FTCs	Increase in the maximum number of successive FTCs	“The maximum number of successive FTCs changed from “no limitation” in 2011 to “2” in 2012.”

Source: International Labour Organization – EPLex, available at: <https://eplex.ilo.org/country-detail/?code=CZE>

Although the cumulative duration for FCTs increased from 24 to 36 months (as shown in table 3, in which the value of item 12 decreases from 3 to 1), the creation of a maximum number of successive FTCs set a limit on the possibility of renewals of this type of contracts (item 11 went from 0 in 2011 to 3 in 2012). The increase on our index is a minor one (0,33) due to the fact described previously.

In an official document released in 2011 explaining the purpose of the creation of such reforms, we found that one of the main goals regarding labour market consisted in making sure that the measures applied (which were designed to improve the performance of the labour market) would increase flexibility, but most importantly in terms of the principles of social solidarity (flexicurity) allowing the integration of new workers into the labour market while actively including them and assuring their social coverage. Plus, “[t]he 2012 national reform programme identifies employment policy as the most effective tool for reducing poverty and sets objectives in additional areas such as inclusive education, social services, financial literacy, affordable housing and support for social inclusion” (EUR-Lex, 2012) meaning that European Union institutions gave Czech Republic the endorsement to pursue these reforms establishing them as a priority for the national growth. The goal of these reforms does not seem clear if we are to evaluate individually each item: on the one hand they allow temporary workers to be subject to fixed-term contracts for a new maximum of three years, on the other hand they created a limitation on its renewals. This raises doubts over the government’s intents.

A report by Fabian Briegel (2011, p. 1) on the country’s economy in 2011 argues that Czech Republic, a highly industrialized country (where the manufacturing sector represented 37% of the GDP in 2010), was suffering from lack of internal demand due to the ongoing austerity measures. With the arrival of a new government there was a general expectation for a robust economic growth but “continuous tensions among the coalition partners have cast doubts on the government’s ability to embark on their ambitious reform package and stay their fiscal consolidation course”. The country’s GDP registered an annual growth of 1.8% in 2011

(Eurostat, 2022) and the unemployment numbers represented 6.71% in 2011 (Macrotrends, 2022). Temporary employment percentage represented 8% in that same year (Eurostat, 2022).

In summary, in 2010, a political coalition between three parties was made after the elections, creating a parliamentary majority. In the next year, a large reform took place and some changes regarding fixed-term contracts were made, including the creation of a new limit on its maximum renewals. At the time, the country was slowly growing economically and had low levels of unemployment and temporary employment.

#### **4.3 Regulating a flexible labour market - the Netherlands 2014/2015**

In 2012, The Second Rutte Cabinet was elected in the Netherlands. The executive consisted of a coalition between the conservative-liberal Volkspartij voor Vrijheid en Democratie (VVD) (People's Party for Freedom and Democracy) and the social-democratic Partij van de Arbeid (PvdA) (Labour Party), with seventy-nine seats at the House of the Representatives (out of the 150 total) (VVD – 41; PvdA – 38). This numbers made way for the formation of a centrist-right coalition in the national parliament led by Mark Rutte, serving as Prime-Minister. In their first years of office, the government realized that there was a need to review the Netherlands Pension System to make it more self-sustainable and change its path before its eventual crash. Promptly they started planning the gradual increase of retirement age, which they did in late 2015, from 65 years of age to 67, followed by a further change in 2018, raising the retirement age to 68 years old.

The year of 2014 marked a new era for workers in The Netherlands since the coalition government designed a massive package of reforms regarding labour market to gradually come into force in the following years in order to re-organize labour relations. This reform included new legislation on FTCs: the establishment of a new maximum duration of a temporary contract (from 3 years to 2); a new maximum of 2 consecutive temporary contracts instead of 3; and a 6-month interval between temporary contracts that have reached their maximum duration (ex.: 2 years of work subject to temporary contracts means that the worker needs an interval of 6 months before being allowed to conclude a new temporary contract).

**Table 4.3: The Netherlands' reform 2014 – Changes on fixed-term contracts**

<i>Policy field</i>	<i>Title</i>	<i>General description</i>
Number of successive FCTs	Maximum of 2 consecutive contracts instead of 3	“The old 3*3*3 rule (after 3 consecutive temporary contracts for a maximum of 3 years, contract must change to an open-ended one) is converted into a 2*2*6 rule: now, maximum of 2 consecutive contracts. Some political parties fear that people with temporary jobs will become redundant after two years (and two contracts) instead of three. Following the latter concern, the implementation of the reduction in the maximum amount of consecutive temporary contracts has been postponed until July 2015. “

Source: Labour Market Reforms Database – Public Search Page, available at: <https://webgate.ec.europa.eu/labref/application#!searchPublic>.

As shown in the description of the previous table, the latter reform, although being approved in 2014, only came into force in 2015. That is why we use the index for 2015 and 2016 in table 3.3: the evaluation of labour market regulation that suffered changes in 2015 can only be demonstrated in OECD (2020) "Recent trends in employment protection legislation" Index in 01-01-2016.

At the time, the country's GDP had a growth rate of 1.4% in 2014 (Eurostat, 2022), the unemployment rate was reaching its peak since 1991 (first year with available data) and stood at 7.42% (Macrotrends, 2022), a relevant figure considering the national reality, although, overall, it does not stand for a high number when compared to the European scenario. Also, data provided by the Eurostat (2022) on temporary employment shows that, in the active labour workforce, temporary contracts represented 20% of the total working contracts, meaning one out of every five workers were subject to a fixed-term contract.

In brief, in 2014, a political coalition between the center-right and the center-left governed the Netherlands. In that year there were an important change regarding fixed-term contracts, establishing a new limit in its maximum renewals (from 3 to 2). At the time, the country was slowly growing financially, had its highest unemployment rate (although, in a general, the number was not that relevant) and temporary employment represented a large part of the workforce.

#### **4.4 Keep on regulating - Norway 2018**

In 2017, Norway underwent national elections. The Labour Party (Arbeiderpartiet) was the most voted one, but the 55 seats conquered by their 30.84% of votes were not enough to form government. As it happened in 2013, the Conservative-Progressive coalition (Høyre), in

agreement with other parties that later joined government, allowed Erna Solberg to continue as Prime-Minister. In January 2018, the Liberal Party (Venstre) joined the coalition, followed by the Christian-Democratic Party (Kristelig Folkeparti) in 2019, creating an official majority coalition along with the four parties represented on government.

Norway has been historically a good example of economic growth supported by constant improvements in education and strong employment policies that provide workers and the general population an important level of stability. Plus, “[t]he combination of active labour market policies, high levels of mobility and generous social protection schemes makes Norway a prime example of a flexicurity model, in which labour is flexible and subject to market forces, but social security is guaranteed by the welfare state.” (Sustainable Governance Indicators, 2018)

The organization of the labour market in the country has determined a generous level of limitations regarding temporary employment, restraining the valid cases for the enforcement of fixed-term contracts (only valid in exceptional situations) and the number of its renewals, and only allowing a maximum of 15% of workers to be subject to temporary contracts within any company. Svalund et. Berglung (2017) found that most fixed-term employees move to a permanent contract within 2 years, so this type of contracts is otherwise seen as positive in the country. In 2018, an upgrade to the Norway Work Environment Act was made, creating a new rule that encompasses almost all temporary employees (there are exceptions), stating that if an employee has been working for 3 years (instead of 4 years, was as previously) subject to successive temporary contracts, he/she shall automatically be considered as a permanent worker:

**Table 4.4: Norway 2018 – Minor changes on fixed-term contracts**

<i>Policy field</i>	<i>Title</i>	<i>General description</i>
Cumulated duration of FCTs	Maximum cumulated duration of FCTs is 3 years for specific situations	“Employees who have been temporarily employed for more than three years pursuant to the second paragraph (for work as a temporary replacement for another person) and (for a maximum period of twelve months (12+12+12)) shall be deemed to be permanently employed so that the provisions concerning termination of employment relationships shall apply.”

Source: Working Environment Act – Norway. Section 14-9.

Norway’s GDP registered a growth rate of 1.1% in 2018 (Eurostat, 2022). That year, the unemployment rate was 3.80% (Macrotrends, 2022), a low figure as expected due to all the

facts stated previously. Data provided by the Eurostat (2022) also show that temporary employment represented 8.5% of the workforce, a value that we must consider, since one out of ten workers was subject to a temporary contract.

To summarize, in 2018, Norway was being governed by a minority coalition between the Conservative and the Progressive Party, to which the Liberals joined later. In that year, most of temporary employees were affected by a law restraining the maximum cumulated duration of fixed-term contracts from 4 to 3 years, demanding workers to be considered as permanent when the 3 years limit was reached. At the time, the country was slowly growing financially, had an extremely low unemployment level and temporary contracts were not that unusual since they represented almost 1/10 of the total workforce contracts.

#### **4.5 Keyword: Regulation - Italy 2018**

In the national elections of 2018, the center-right coalition between Lega (L) (League), Forza Italia (FI), Fratelli d'Italia (FdI) (Brothers of Italy) and Noi con l'Italia (NcI-UDC) (Us with Italy-UDC) conquered 265 of the 630 total seats, the Movimento 5 Stelle (M5S) (Five-Stars Movement) achieved a record breaking number of 227 individual seats, and the Centre-left coalition was only able to obtain 122, meaning that there was no majority to form a government. After 88 days of negotiation, Lega and M5S (the most represented parties in the Parliament and in the Senate) agreed to appoint a non-runner for the Parliament, Law Professor Giuseppe Conte, as Prime-Minister, and the party's leaders Luigi Di Maio (M5S) and Matteo Salvini (Lega) as his vice-premiers, with Di Maio being also appointed as Minister for Labour and Economic Development.

One of the first major measures of the new government was the overturn of the previous government "Jobs Act", with a massive labour market reform denominated "Dignity Decree". According to our research, Employment Protection Legislation was one of the most targeted areas within this reform and the labour laws underwent many changes, among which we highlight the changes on FTCs where "the decree establishes that the maximum length for temporary contracts in Italy will decrease from 36 to 24 months, and the maximum number of renewals will be four rather than five." (Merler, 2018)

LABREF database provides us with further specific details of the reform regarding EPL:

**Table 4.5: Italy’s major reform on EPL on fixed-term contracts (2018)**

<i>Policy field</i>	<i>Title</i>	<i>General description</i>
Definition of valid reasons for fixed-term contracts	Introducing reasons for renewals of a temporary contract	“Extensions for 12 months temporary contracts, up to additional 12 months are now allowed if and only if new justifying reasons are formally provided: these are (a) temporary and objective needs due to either “significant and unexpected” demand increases, and (b) seasonal peaks. Otherwise, the contract is automatically converted into an open-ended one.”
Maximum duration of fixed-term contracts	Reducing the maximum duration of temporary contracts	“The maximum duration of temporary contracts is reduced from the current 36 months to 24 months. “
Maximum number of renewals of fixed-term contracts	Reducing the maximum number of renewals of a temporary contract	“The maximum number of extensions (“proroghe”) is reduced from 5 to 4.”

Source: Labour Market Reforms Database – Public Search Page, available at: <https://webgate.ec.europa.eu/labref/application#!searchPublic>.

As table 3 shows us, valid cases for the conclusion of FTCs increased from 2 to 4, meaning that legislation restricted the usage of this type of contracts allowing companies to apply them only in exceptional situations. The increase in item 11 and item 12 values are both verified in table 8 by the reduction of the allowed number of renewals, and the cumulated duration of these contracts.

In the year of the reform Italy’s GDP underwent an annual growth rate of 0.9% (Eurostat, 2022) and the unemployment rate was 10.61% (Macrotrends, 2022), a worrying number that fuelled the enforcement of such reform by the government. Data provided by the Eurostat (2022) also show that temporary employment represented 17.1% of the workforce, a percentage seen as high, although the value has always been historically close to the one in the year we are studying.

In short, in 2018 Italy was being governed by a Prime-Minister appointed by the two parties with more deputies in the Parliament and that formed a coalition government (Lega and M5S). In the year of the election, the Government revoked an Act designed by the previous government that was supposed to come into force the following year and created a massive package of reforms regarding the labour market regulation for temporary employees with multiple improvements in the Employment Protection Legislation. This happened in a year the country recorded a residual economic growth, had prominent levels of unemployment and during which temporary employers were an important part of the workforce (almost 1 in 5 workers worked under temporary contracts).



**4.6 Comparison**

To put in perspective the reforms mentioned above, our goal was to find a common ground between them as an attempt to determine the real motivations for governments to push for labour market regulation for *outsiders*. This impression becomes clear in table 3.3 where we demonstrated an increase in the average index in all countries in the year after the enforcement of reforms. This is the practical demonstration that labour market rules on temporary employment have become stricter due to: the decreasing limits for the duration of fixed-term contracts; the decrease in the possible number of renewals; and the ease with which the employer can propose this type of contracts to workers. As shown, not all these changes work the same way in the mentioned examples. For instance, in Czech Republic we find an increase in item 11 and a decrease in item 12 from 2011 to 2012, meaning that the increase in the average value was almost irrelevant due to the increase of the maximum duration of successive FTCs (deregulation) that was compensated by a significant shortening on the maximum number of successive fixed-term contracts, contributing to re-regulation. In addition, the Italian case is in fact the only one where we can observe an increase in the value of all three items and is, clearly, the widest re-regulatory reform with the index increasing 1.75 from one year to the other, a drastic rise according to our sample. The most common phenomenon in that table is the low average increase (less than 1 in most cases) which confirms that reforms were not that structural but mere pin-pointed improvements that gave rise to small-scale changes on fixed-term contracts.

Our quantitative analysis allowed us to understand the different contexts on which each country had to address and alter regulation regarding fixed-term contracts. Chapter 5 offers the opportunity to assemble cases that *a priori* have no similarities, in countries with different realities (socially and economically) and with wider contexts in an attempt to deepen the core of temporary employment and evaluate on how center-right governments changed regulation for *outsiders*:

**Table 4.6: Verification of conditions**

Country/Condition	Proportional electoral system	Weak government	Exponential increase in the number of outsiders	Country under an economic “boom”
Ireland 2003	✓	X	X	✓
Czech Republic 2011	✓	✓	X	X

Netherlands 2015	✓	✓	X	X
Norway 2018	✓	✓	X	X
Italy 2018	✓	✓	X	X

We now go through the Government compositions as one of the main conditions to explain the fluctuation of our dependent variable. This can even be our major contribution to the literature on this topic, since we have found a common ground between our examples: all governments are in coalition with one or more parties in all the five cases. Four out of five were majority coalitions, the only exception being Norway that in the year of the reform still was not governed by a majority, but a minority coalition between three parties and by means of an agreement with a fourth party that joined the coalition one year later. Nonetheless, we may infer that coalition governments might be open to re-regulate labour market for *outsiders* because the smaller parties that join forces with the usually larger and most voted ones have a significant number of electors subject to such working conditions, e.g., temporary contracts, and take advantage of their position of power to push their agenda and force their way into the creation of new, stricter legislation. In the reforms we studied, namely in Italy, we identify a strong commitment between one of the ruling parties (Movimento 5 Stelle) and the *outsiders* group due to their antisystem agenda within a strongly reformist attitude. The impact of this topic was even larger when their leader Luigi Di Maio was appointed Minister of Labour by the Prime-Minister Giuseppe Conte and its government. This allowed him to deliver on his pre-election promises of abolishing the new labour legislation (approved by the previous government), replacing it by a new strand of re-regulations that favoured the core of the party, especially the unemployed and the employed with untypical contracts. In The Netherlands we also identify the influence of the social-democratic Labour Party that was part of a governmental “central block” coalition on the pursuit for labour market regulation, negotiating their way into government by assuming a relevant role on labour market and its legislation. These two examples illustrate the relevance of the fact that proportional electoral systems allow smaller parties, which in most cases represent minorities and small groups, to enter the decision-making arena and to fulfil their promises to their electorate.

## Chapter 5

### Discussion

In the literature review, we mentioned the importance of flexibilization in order to understand the *dualization* phenomenon. Although we did not formulate a hypothesis focusing on the degree of flexibilization, it is important to correlate what we learned through our study within the references made earlier for a better understanding of our results.

The degree of flexibilization is different from country to country, meaning different approaches and ways of dealing with the *outsiders* are required due to their scarcity or abundance (Lindvall and Rueda, 2014). The larger the percentage of temporary contracts in a country, the stronger the need for governments to keep an eye on labour legislations and to increase or decrease its strictness, we assume. While temporary employment is utterly seen as a problem, it can also be considered as a provisional solution for the labour paradigm that countries face at the time (Glatzer, 1999). Flexibilization and liberalization in the labour market are similar, but not the same. If the liberalization of labour markets occurred globally under the supervision of center-right liberal conservative governments as literature from the beginning of the century strongly supports, we would not have found the re-regulatory signs on the reforms as we did by means our analysis. Although most of them consist in slight changes in legislation for fixed-term contracts, we have seen a decrease in liberalization that goes against what most authors argued when they brought the *dualization* topic into discussion. Plus, the context in which these new regulations were put into practice might not correlate with the degree of liberalization that the country was living at the time. We presented examples where Conservative-liberal Parties, Progressive-democrats, Right Parties and Liberal Parties were ruling (or part of the government) and, nonetheless, regulative reforms went ahead: reducing the liberalization of contracts, establishing new limits for temporary employment and inhibiting companies from exploiting labour legislation on their favour (Rathgeb, 2018). This has proven to be an interesting fact in opposition of what we were expected to find according to the references in our literature review.

In terms of proportional electoral systems, our study leads us to retain, as we mentioned a couple times, that this type of electoral system is probably the only one where “small” parties can conduct their ideas if so allowed by the respective electoral results. With this we mean that the number of deputies at the Parliament achieved by the parties, as was the case in some of our examples, is enough to provide the majority to the winners who did not really achieve it, via

coalitions. Representation is key for all parties when pursuing support for their agenda but if the whole Parliament stifles this representation, they will never have enough influence to put into practice the promises made to their electorate. The proportional electoral system can put in a position of power parties that are composed by minorities (e.g., *outsiders*) and acquire negotiating leverages when needed to form a new government. This serves to prove that the conclusions of our study would be different if the political system were not via proportional representation, making this an important variable to our work.

Questions regarding weak governments can be easily correlated with the previous statements regarding proportional electoral system. Although we did not search for data on internal party divisions, we understood the power that a non-majority election winner is willing to concede to achieve the possibility of having enough support to form a government. Union movement and density are put aside in this master dissertation, but further research might deepen the degree of unionization in these countries in search for agreements between unions and governments as an attempt to understand if such relationship was in any way decisive for the formulation of such regulations, or even if governments were tearing themselves apart so heavily that they needed unions to retain power and political support (Benassi and Dorigatti, 2014). In the Dutch case, the fact that the center-left party was part of the ruling coalition might have presented us the possibility to identify links between the executive and unions because there are still bonds connecting the Labour Parties and several unions: “[t]here is still regular informal contact between the unions and the most kindred political parties (in case of the FNV this is the Labour Party PvdA and in the case of the CNV the merged Christian Democratic Party CDA).” (De Beer et Keune 2017, p. 230). This relationship makes room for Unions to raise their demands with the ruling elements having them as allies in the pursuit for new legislation (Meardi et al., 2019).

The rapid fluctuation of the number of *outsiders* was not proven to be an important variable for our study. First, in general terms within our examples, all countries maintained the same percentage of temporary employers during the years that preceded the reforms (Eichhorst and Marx, 2020). This means that no reform was enforced due to an exponential increase of temporary workers that was so problematic that had to be fought against. In contrast, in countries that registered high percentages of temporary employment such as Italy and the Netherlands, that kind of values was normal in the respective realities and the degree of flexibilization of the labour market was utterly normal since the beginning of the expansion of the services sector.

If it were to be true, as mentioned earlier in the literature review, that *outsiders* have had, in the last decades, the tendency to be more radical and to vote for protesting parties whether right or left wing, we would not be able to infer that center-right governments have created benefits for *outsiders* through the re-regulation of temporary work in order to reach larger electoral coverage. Although our paper did not cover electoral results in the elections after the enforcement of that specific reform, future research might be able to establish that comparison and determine if there was an increase in terms of votes within specific parties from the group we consider as *outsiders*.

Although we did not deepen it in the literature review, we formulated a hypothesis of a possible economic boom that the countries might be undergoing and that could be one of the conditions for the prosecution of labour market reforms (Fernandes, 2017). The macro-economic context does play a moderately important role on our study since the economic performance in four of the five cases recorded a low annual growth on GDP (less than 1.5% in all cases except for Ireland that recorded a 3% growth in the year of the reform). This has proven to be similar in 80% of our examples but a direct link between the two factors and the assumption that our sample tends to indicate that slow economic growth might be prone to labour market regulation is actually hard to demonstrate and would require further investigation on several economic factors from each country. We believe that future research may head in that direction and elaborate on the topic with further detail.

Lastly, the unemployment rate in the reform year across the five countries is not similar (e.g., around 3% in Ireland / around 10% in Italy). Thus, we can conclude that there is no major correlation between unemployment rate and labour market regulation for *outsiders*. The same happened with temporary employment percentage that is quite different from case to case (a 15-p.p. difference between the country with lower number of workers with temporary contracts and the country with the higher number – 5% to 20%), making space for the assumption that it might not be relevant for the prosecution of such reforms.



## Chapter 6

### Final remarks

From the vast literature available on labour market issues, the *dualization* topic caught our attention because it is increasingly present in European countries where the services sector represented a large share of employment. Furthermore, relationships between regulatory policies and types of ruling governments aroused our interest in furthering the study of the link between center-right governments and labour market regulatory reforms. This results from the already vast existing research on this subject with social democratic governments as the object of study, which in a way allowed us to learn how they were investigating this topic and what could be the best method to apply on our research. On the other hand, the main limitation we faced while developing our study was the lack of literature focused on center-right governments and parties, which led to challenges regarding our dependent variable. Had the behaviour of center-right parties regarding the issue of *dualization* already been generally studied (namely on *outsiders*), there might have been other variables that could complement those we studied.

Our work brings to debate the relevance given by the different liberal-conservative parties to the narrowing of the *dualization* gap, allowing us to affirm that there have been governments from the center-right that approved legislation with the aim of bringing positive impacts for workers whose electoral tendency was for the left-wing due to the instability of their contractual ties. We added to the existing literature an investigation on four hypotheses that were seen as relevant for the ruling powers to adopt regulatory measures aimed at temporary work contracts and demonstrated that not all factors are verifiable for the implementation of this measure, despite the context being similar between two of the variables.

Based on a variety of examples from geographically and culturally different countries, we decided to search for some common aspects in national contexts trying to understand the existence of possible conditions that dictated the emergence of these reforms. The main conclusion that we can draw from this work is that proportional electoral systems create room for the existence of coalition governments with two or more parties that, among themselves, tend to negotiate their influence on policies to be followed, creating greater concerns for certain minorities they may represent, which can be a decisive factor for the re-regulation of *outsiders'* working contracts. This is, without doubt, our greatest contribution to the *dualization* debate, for we only found regulatory reforms made by center-right governments when such governments could only be supported via coalitions. To this end we can add another common point which is the economic stagnation that was evident in four of the five countries under

study. These countries were undergoing a residual economic growth at the time of the reforms, which may indicate that in a context of high economic growth this type of reform does not tend to go ahead. Future research could study countries with an elevated level of economic growth, governed by center-right parties, and determine the enforcement of any type of labour market reform regulating temporary employment contracts.

As previously mentioned, future research could also investigate the degree of unionization in the countries we studied and search for agreements between unions and governments, in order to assess the possible influence played by unions in the enforcement of such reforms. Also, as an extension to our work, further research could evaluate the electoral impact these reforms had in the elections after coming into force and analyse if *outsiders* tended to vote for the parties that composed that government or if, on the contrary, they voted for the opposition parties.



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