

iscte

INSTITUTO
UNIVERSITÁRIO
DE LISBOA

The Dynamics of Pro-Outsider Reform in Southern Europe

Pedro Nuno Esteves dos Santos

Master in Human Resource Management and Organizational
Consulting

Supervisor:

Dr. Paulo Marques, Assistant Professor,
ISCTE – Instituto Universitário de Lisboa

November, 2022

iscte

BUSINESS
SCHOOL

The Dynamics of Pro-Outsider Reform in Southern Europe

Pedro Nuno Esteves dos Santos

Master in Human Resource Management and Organizational
Consulting

Supervisor:

Dr. Paulo Marques, Assistant Professor,
ISCTE – Instituto Universitário de Lisboa

November, 2022

Resumo

A teoria *insider-outsider* da política propõe que enquanto os partidos de centro-esquerda se vão aliar aos sindicatos para manter as protecções para os *insiders*, os trabalhadores em contracto permanente, e adoptando uma posição de flexibilização das relações de trabalho temporário, os partidos de centro-direita preferem focar-se em liberalização geral do mercado de trabalho e retirar protecções tanto aos *insiders* como aos *outsiders*, trabalhadores desempregado ou em contracto a termo certo. No entanto, nos anos após a crise financeira de 2008, vários países do Sul da Europa com governos de centro-direita aprovaram reformas laborais *pró-outsider*, como foi o caso de Espanha em 2012, Portugal em 2015, e Itália em 2018. Para estudar estes eventos esta dissertação analisa o contexto social, político, e económico de cada país para desvendar os factores que conduziram às maior regulação de contractos a termo fixo. Esta análise levou à conclusão de que a existência de um grande número de *outsiders*, especialmente quando esse número está em crescimento, pode motivar partidos de centro-direita a adoptar posições *pró-outsider*, visto que uma segmentação excessiva do mercado de trabalho pode prejudicar o seu sucesso eleitoral no futuro. No entanto, mesmo quando medidas *pró-outsider* são implementadas, governos compostos somente por partidos de centro-direita tendem a limitar a magnitude dessas mudanças.

Palavras-Chave: Teoria *Insider-Outsider*; Legislação de Protecção dos Trabalhadores; Partidos Centro-Direita; Reformas *Pró-Outsider*;

Sistema de Classificação JEL : J30, J38

Abstract

The insider-outsider theory of politics proposes that while centre-left parties will ally with unions to increase and maintain protections for insiders, the workers with permanent contracts, and adopt a position of flexibility at the margins, centre-right parties will focus more on across-the-board liberalization and take protections away from both insiders and outsiders, those that are unemployed or in fixed-term contracts. However, the years following the 2008 Financial Crisis saw several Southern European countries with centre-right governments approving pro-outsider reforms, such as Spain in 2012, Portugal in 2015, and Italy in 2018. To unfold these events, this dissertation analyses the social, political, and economic context to uncover which factors played role in the lead-up to the increase in regulation for fixed-term contracts. It seems that the existence of a large number of outsiders, especially if that number continues to grow, can motivate centre-right parties to adopt pro-outsider positions, as excessive segmentation and outsidersness could undermine their electoral chances in future elections. However, even when adopting these reforms, governments formed exclusively of right-leaning parties tend to limit their scope and magnitude.

Keywords: Insider-Outsider Theory; Employment Protection Legislation; Centre-Right Parties; Pro-Outsider Reforms;

JEL Classification System: J30,J38

Index

Resumo	i
Abstract	iii
Chapter 1. Introduction	1
Chapter 2. Literature Review	2
2.1.The Insider-Outsider Theory of Employment	2
2.2. The Insider-Outsider Politics Theory	7
2.3. Under what conditions do political and social actors support pro-outsider reforms?	8
Chapter 3. Methodology and Data	15
Chapter 4. Case Studies of the Countries	16
4.1 Portugal: Austerity Marked by Liberalization	16
4.2 Italy: Deregulation and Re-Regulation	26
4.3 Spain: The Dilemma of Growing Segmentation	35
Chapter 5. Comparing Hypothesis Across the Three Countries	45
5.1 Economy or Decreasing Unemployment	45
5.2 Rising Number of Outsiders or Insiders Feeling Threatned	46
5.3 Weak Government and Inclusive Unions	47
5.4 Rise in Radical Left Parties	47
5.5 Summary	48
Chapter 6. Conclusion	49
References	51

CHAPTER 1

Introduction

While the study of the nature of the modern labour market and its place and relations within wider society has often been a topic of contention and analysis, the appearance of the Insider-Outsider Theory of Employment was able to bring a new perspective to the discussion. Proposed by Lindbeck and Snower (1988), this theory gained notoriety by pointing out that labour legislation, while designed to protect workers from the extremes of the labour market and economic fluctuations, could actually have unintended consequences and instead help to divide workers into two distinctive groups: the insiders and the outsiders. While the former would enjoy a larger amount of job security due to high dismissal costs imposed by work legislation, the latter would face a much different reality, characterized by short-term work, occasional unemployment spells, and limited chances to transition to an insider role.

The new century would see Rueda (2005) take this idea to a new level, with the insider-outsider theory of politics, proposing that centre-left parties and unions would be forced to choose which worker group to prioritize, and would end up siding with insiders due to their larger number and higher levels of political participation. These groups would then champion an increase in worker protection for insiders, leading to a further increased gap between outsiders and the rest of the working society. Rueda (2005) points out that this segmentation can also lead to social exclusion, as the work instability of outsiders will lead them to make fewer contributions to any social welfare systems, and in turn, receive less from them than their insider counterparts. The insider-outsider theory of politics expects that centre-right parties will focus on capturing the vote of the higher middle-class and of business owners, who are antithetical to increases in labour protection legislation, and therefore centre-right parties might unintentionally help outsiders, but they also will not have an interest in reducing segmentation.

While the insider-outsider perspective did come to be widely accepted and to dominate the analysis of many different labour markets, more recent happenings have been revealing new facets to this dilemma. The post-2008 crisis years saw several Southern European countries presided by centre-right governments approve labour reforms that re-regulated the work conditions for outsiders, making steps towards reducing segmentation. This can be first seen in Spain, where in 2012 a majority government from the centre-right Partido Popular (PP) let expire a provision from a previous centre-left labour reform, therefore reducing the maximum period of fixed-term contracts from unlimited back to 2 years. By 2015 a similar case happened in Portugal, when the coalition government of PSD and CDS-PP, both from the centre-right, let a Troika-era regulation expire by 2015, leading to a decrease in the

maximum duration of fixed-term work, which was reduced to a 2-year maximum. At last, a coalition government in Italy made up of the centre-right Lega and the populist Movimento 5 Stelle was inaugurated, and by 2018 it pushed for widespread re-regulation of fixed-term work, restricting the situations in which it could be used, reducing the maximum duration of contracts, and the maximum number of renewals possible.

The first and second sections of this dissertation will deal with the insider-outsider theory and clearly establish its propositions and its expectations for the labour market and its workings, while the third section will outline the hypotheses for the motives that could encourage centre-right governments to take on pro-outsider reforms. Following that, we analyse the context in each of the countries in the lead-up to the reform, and at last verify if the outlined hypothesis were actually present and influence the labour reform process.

CHAPTER 2

Literature Review

2.1 The Insider-Outsider Theory of Employment

When seeking to understand the internal workings of the labour market, and the goals and influence of the different actors, it is essential to understand the labour theory that we are using to guide this study: the insider-outsider theory of employment.

When faced with the mystery of lingering high unemployment across European labour markets in the 1980s, even after the initial economic shock had passed, Lindbeck and Snower sought answers to this adjustment behaviour. This supposed lack of ability of the labour market to adapt to the new economic conditions ended up raising several questions, such as the seeming inability of unemployed workers to re-enter the labour market by underbidding the current workers and leading a wage and labour demand adjustment through these mechanisms, lowering wages and unemployment.

Their answer to this dilemma was presented in their 1988 article, where it was pointed out that to replace their current workers for said underbidding unemployed, the company would accrue turnover costs imposed by Employment Protection Regulation (EPL), and that said costs would make it unprofitable for the company to dismiss their current workers. Since companies are not able to transfer the totality of these costs to their workers, current employees will always enjoy a certain degree of protection and job stability.

An important concept can then be discussed, that of insiders and outsiders. The first refers to the group of workers that enjoys the mentioned protections, and due to them will be able to be relatively protected from unemployment and be the receiver of greater employment benefits. On the other hand, outsiders will find themselves unable to enjoy said labour protection, suffering from greater exposure to unemployment or being unable to attain many of the benefits given to the insiders. It is also important to note that the exact definition of insider and outsider and those who can be included in those labels can vary from author to author, but for practical simplicity, we tend to analyse them as if each group was homogeneous in its composition.

Therefore, this insider-outsider theory presents a shift from previous wage-efficiency theories, by moving away from the idea that all the power rests with companies and presenting the notion that some workers, the insiders, can have a great capacity to influence employment and wages. According to Lindbeck and Snower, insiders will consciously be aware of the turnover costs that the company would face in case of their dismissal and will use this power to push for higher wages, therefore capturing part of the rent of said costs, while at the same time increasing the difficulty of an outsider becoming an insider, and generating involuntary unemployment.

In this perspective, the labour market can be seen as a field of competition between the insiders and outsiders, with each trying to improve their own position, and EPL can be viewed as a barrier to job creation, which largely favours a select group of workers and their benefits at the expense of another marginalized group of workers who will suffer job precariousness and instability. All this power is given to insiders by the turnover costs that companies cannot pass down to workers, and that therefore they do not want to incur, so it is worth it to look further into what these costs are.

As mentioned before, the importance of these costs and the source of insider influence is that they cannot be passed along to the company's employees, and at the same time, these costs are not usually incurred until an insider is replaced by an outsider. In turn, these costs can be divided into two main categories according to Lindbeck and Snower (1998 & 2002), those that are production related, and those that are rent related. The first consists of the costs needed to make outsiders productive within a firm, including relocation and training costs, and are more associated with the hiring process. On the other hand, rent-related costs usually result from the insiders engaging in rent-seeking activities, such as seniority rules, dismissal costs, and other legal protections that are usually associated with firing rather than hiring.

While it is important to understand these costs and their relation to the process of hiring and firing, it is also important to remember that these costs do not make dismissals of insiders impossible. If

turnover costs are low enough, the probability of worker replacement will increase, and insiders will have an incentive to further cooperate with each other and raise their productivity, or to refuse to cooperate or even harass outsiders, in a bid to increase the productivity differential between themselves and outsiders (Lindbeck and Snower, 1988). These authors also point out that any attempt to replace insiders with outsiders might instead result in a significant morale drop within the company, and therefore, in a lowering of productivity and possible lost revenue or opportunities for the firm.

At last, when discussing these costs, it is also important to remember that companies might choose to adjust to cyclical economic fluctuations by adjusting the number of hours worked by their employees, rather than by a process of labour force adjustment. In fact, the higher the turnover costs, the bigger the incentive for companies to engage in this form of adjustment. Furthermore, if insiders attempt to bargain for large salary increases that the company considers too high, the company will also have the incentive to threaten (and possibly follow through) to hire outsiders to replace the current workers.

It is important to understand that in this delicate balance between insiders, outsiders, and companies, it will be the amount and type of turnover costs that ultimately determine the power given to each group and how they will relate to each other. This seems to lead to the question of how these inherent costs of turnover affect wages for both insiders and outsiders, and if any linear relation can be drawn between the two.

When gazing at the problem from a company perspective, it is inferable that if turnover costs are zero or close to zero, insiders and outsiders will be perfect substitutes, and the company will probably opt to switch all its insiders for underbidding outsiders. On the other hand, if turnover costs are prohibitively high, there is very little chance that this turnover process will happen, and insider power in any company negotiation will be greatly increased. Therefore, as stated by Manzini and Snower (1996), "In between these two extremes, the market power of insiders may be regarded as rising with labour turnover costs."

According to Lindbeck and Snower, the wage bargaining process between insiders and outsiders will always require two conditions: "(1) each insider captures some (or all) of the rent inherent in the hiring and firing costs, and (2) the greater this rent, the greater the insider wage. Then it can be shown that the insider wage will exceed the entrant wage by some positive amount which is not greater than the marginal firing costs.". In other words, while insiders will capture some of the benefits that the company has from not performing a labour force turnover, these benefits cannot exceed the costs the company would have had if it had opted for the turnover. It is then possible to conclude that the higher the turnover costs will be, the higher the wages of insiders can be.

In theory, this conclusion would also signify that the higher turnover costs might reduce the reservation wage of entrants, that is, lower the minimum amount that a worker would require to enter the job market. This could be explained by the expectation from those entrants to become insiders over time, and therefore they may be willing to accept lesser benefits in order to secure those larger benefits in the future. However, Lindbeck and Snower point out that this does not play out in practice, due to several factors, be they minimum wage laws, social and cultural norms, or the intervention of organizations like unions. Furthermore, insiders might choose to push for higher wages for entrants, since this would reduce the incentive for the company to hire more entrants, to the detriment of insiders.

All this leads to the conclusion that higher turnover costs will translate into higher wages for insiders through the capture of rent while lowering the reservation wages for entrants who expect to become insiders (although this does not always happen in practice), and making it harder for outsiders to be viable alternatives to fill insider positions.

As employment levels and wages are often closely connected, the insider-outsider theory also provides some insight into the behaviour of employment levels depending on the levels of turnover costs that companies face. When higher turnover costs will lead to higher wages for insiders, and by a supply and demand law of labour, this will reduce the levels of demand for labour from companies, therefore reducing unemployment.

But the effect of turnover costs on employment can go further than that since these costs are usually introduced by EPL with the express purpose of improving conditions for workers. Therefore, during periods of economic downturn or idiosyncratic shocks, these costs can serve as an effective barrier to increasing unemployment, since companies might find it more beneficial to retain the workers and not incur turnover expenses. While this might initially appear to be a success for these types of legislation, Lindbeck and Snower argue that the opposite is also true during moments of economic boom. Being aware of the expenses of downsizing their labour force in times of need, companies can become more reluctant to hire new workers that may eventually attain the status of insider. That is, turnover costs will inhibit both firings after a downturn, and hiring after an economic upturn.

According to these authors, this ability for EPL to have a positive or negative effect on employment, the effects in the long-term might be unclear and dependent on other factors. In an economic scenario where companies face constant shocks, these turnover costs might lead the labour market to an average level of employment, since firing firms have to immediately pay the dismissal costs while hiring firms might only face it in the future. Lindbeck and Snower also point out that in scenarios where recessions are long-lasting and with profound effects, EPL will not be very effective in curbing

dismissals, but it will instead curb hiring after the recovery, therefore keeping unemployment high for a longer period of time, possibly for years.

This can lead to a phenomenon of employment persistence, where current levels of employment will be highly dependent on previous levels of employment, and in cases when downturns have stronger effects than upturns, this can lead to unemployment persistence. Additionally, while insiders might push for unchanging wages during recessions, they will also push for salary increases during times of economic boom and will tend to focus more on their own benefits rather than on the interests of outsiders. Another example of this could also be an insistence by insiders for the company to adopt seniority rules, or to rely on a “last in, first out” for dismissals, disadvantaging outsiders on their entrance to the job market. On the other hand, employers might also choose to adapt to this employment persistence by adjusting the working hours of their employees, rather than resorting to dismissals.

These effects of turnover costs on the persistence of employment can lead to an adverse effect of involuntary unemployment from outsiders, which exists “when workers unsuccessfully seek jobs at wages which fall sufficiently below the prevailing wages to compensate the firm for ability differences” (Lindbeck & Snower, 1986). This effect can be compiled if outsiders start losing important work skills from being unemployed for a longer period, making them even less desirable as employees, and possibly leading to a scenario where outsiders stop looking for new work positions, as their chances of successfully finding a work position decrease (Layard and Bean, 1989).

It is then possible to draw a relation between turnover costs, wages, and employment. A high level of turnover costs will signify a bigger difficulty in labour force adjustment for companies, allowing for insiders to negotiate for bigger wages, but at the same time also making outsiders less suitable as possible substitutes and prolonging their periods of unemployment or under-employment. It is important to note that this distinct treatment of outsiders can happen regardless of age, tenure, or occupation, and that throughout time it can lead to a process of social exclusion, when the exclusion from better employment opportunities spirals into an exclusion “from the mainstream networks of social relations within a society” (Lindbeck & Snower, 2002). In this scenario, it might even become impossible for an outsider to aspire to the status of insider, and to be condemned to suffer from unequal pay for equal productivity.

2.2 The Insider-Outsider Politics Theory

Faced with an unbalanced labour market, seemingly designed to disenfranchise outsiders and keep them in a situation of labour and social insecurity, it would be expected for this group to make attempts to alter the status quo, while on the other hand, insiders will have a clear interest in preserving the current labour market conditions as they are. These contradictory goals and desires lead David Rueda to publish his 2005 article “Insider-Outsider Politics in Industrialized Democracies: The Challenge to Social Democratic Parties”, where he investigates how these two groups would behave in a democratic system, where voters have incentives to change their vote to maximize their benefits, while political parties have the incentive to try to maximize their number of voters. This led to the creation of the Insider-Outsider Politics theory.

The first premise that Rueda presents for his theory is that since insiders and outsiders have such distant goals, labour can no longer be represented as a homogenous voting bloc, as was done in previous models. As stated before, insiders will be protected from unemployment by the high turnover costs that companies would incur to dismiss them, and so they give little importance to policies relating to unemployment or job precariousness, and might in fact oppose them since any increase in active or passive labour market policies will also result in higher taxes for insiders. Furthermore, these policies might also enable outsiders to more easily compete with insiders for job positions, which once again leads insiders away from parties with such political programs. Instead, insiders will show a marked preference for policies that maintain the current levels of employment protection, or even expand them if possible, as that will result in higher turnover costs, and more labour market power to the insiders.

On the other hand, outsiders will attempt to defend their interests by voting for parties that intend to address the conditions that cause job precariousness, such as by decreasing the levels of EPL, and that can maintain or expand protections and benefits for unemployed workers. In contrast to the insiders, outsiders will be the direct beneficiaries of both active and passive labour market policies, and will therefore support parties which uphold these policies. At last, outsiders also show a higher preference than insiders for policies of income distribution.

While these goals between the two groups might initially seem irreconcilable, Rueda also points out that there are areas where insiders and outsiders can find common ground, such as an expansion of the welfare state, which can bring equal benefits to both groups. However, Schwander (2018) points out that despite this agreement, the two groups will still show disagreement on how welfare resources should be distributed, with insiders preferring a system allocating benefits according to contributions, which would benefit them, while outsiders prefer a distributive logic, which would in turn benefit them.

Given these preferences, parties will also have to adapt their own strategies and policy goals in order to maximize their number of voters. In his 2005 article Rueda argues that until the 1970s the interests of insiders and outsiders were largely aligned, and largely represented by Social Democratic parties, but the rise of employment protection also gave rise to differing needs. In this context, Powell (1982) points out the importance of “strong, continuing expectations about parties and the interests of social groups not only creates easily identifiable choices for citizens, but it also makes it easier for parties to seek out their probable supporters and mobilize them at election time”. When given the choice between policies that will benefit insiders or outsiders, Social Democratic parties have a strong incentive to prefer insiders who are usually more electorally relevant and more politically active than outsiders. Therefore, these types of parties will often choose to keep or expand employment protections, as pointed out by Rueda (2005), and will abandon initiatives such as active or passive labour market policies that put a higher cost on insiders for programs that will benefit outsiders. It is also important to note that in the push for those mentioned policies they are often supported by unions, who themselves have a high degree of membership from insiders (Botero et al., 2004; Rueda, 2005; Saint-Paul, 1996; 2002; Siegel, 2007).

On the other hand, conservative parties will be more dependent on the upscale groups, such as employers and the high middle-class, and will seek to defend their interests, which can surprisingly align with the interests of outsiders. Employers will seek to increase labour market flexibility, which will benefit them by allowing for easier dismissals with lower costs, which simultaneously also helps outsiders to gain an easier entrance into the job market and to more easily compete as substitutes for insider positions.

In conclusion, the insider-outsider theory of politics outlines that a scenario with a dual labour market will spill over into the world of politics, pushing social-democratic parties to abandon the mantle of defenders of all workers to instead privilege an increase of employment protection that will solely protect insiders. Conversely, conservatives will defend some policies that defend outsiders, but according to Rueda, that defence is not intentional, being instead only a consequence of their pro-position toward upscale-groups.

2.3 Under what conditions do political and social actors support pro-outsider reforms?

Having established the basis of the ideas contained within the Insider-Outsider Theory of Economics and Politics, as established respectively by Snowden & Lindbeck and by Rueda, it is important to recognize that the academic field is not a static monolith, but a constantly evolving field. While these frameworks to

analyse the labour market remain valid, new research and empirical data have revealed new facets of the inner workings of the labour market and contradicted some of the previously made assumptions. This section will analyse the reasons that could motivate a centre-right party to break with Rueda's expectations and to actively pursue an improvement of conditions for outsiders.

Since political parties in democratic regimes will depend upon voters for their political success or unsuccess, the number of voters that each political group can mobilize towards the elections can be crucial, and outsiders are no exception. Rueda (2005) proposed that outsiders will be less politically active than insiders, making the latter a more valuable voting bloc and leading Social Democratic parties to be more inclined towards pro-insider policies. However, this logic has been called into question by new empirical data and research. Marx and Picot (2013) find that atypical workers in Germany are not significantly more likely than insiders to withdraw from political participation, while in the previous year Schwander reached the same conclusion for France and Germany (when data is controlled to remove the effects of age, gender, and class), while pointing to a more significant causal link in Britain.

While these studies contradict Rueda's ideas of political absenteeism from outsiders, they still show that differences in political preferences exist among different groups in the labour market. In fact, Marx and Picot point out that the chances of someone having a political party affiliation decrease with their degree of outsidership, with atypical workers having less identification than insiders, but more than the unemployed. This lack of party identification and loyalty might also signify a bigger likelihood to switch their votes between different parties. Party preferences also show marked differences, as in the German case study, among those who declared a political party affiliation, both atypical workers and the unemployed showed bigger support for leftist and radical left parties than insiders.

Schwander (2012) confirms that in Germany outsiders will show a more leftist preference, with outsiders being more likely than insiders to vote for Social Democratic parties. By contrast in France both groups are as likely to support the Social Democrats (perhaps due to them being the incumbent government), but outsiders are more likely to support the left challengers to the regime. Rueda himself came to point out in his 2012 article analysing the Swedish elections that outsiders will rally for the Social Democratic vote they stress the importance of fighting unemployment and present appealing counter-measures for the issue, but otherwise, they will become drawn to radical left alternatives.

Given this general idea that outsiders will still be active voters that can represent a significant voting bloc, and given that they will be more inclined to vote for leftist parties, and in particular radical left or protest parties, this seems to leave little reason for centre-right parties to adopt a more pro-outsider position. However, it is also important to remember that political parties are not merely passive

players, but that they actively engage with voters and social-cultural trends to produce more desirable results.

In a country that faces a continuous growth in the number of outsiders, or a stable high number of workers with this status, the growing political importance of this voter bloc will necessarily lead all parties to evaluate their position towards this group, or face the possibility of capturing a smaller percentage of the votes each election.

In this scenario, centre-right parties will not be an exception, and such a government might choose to adopt a more pro-outsider position than it usually would, in order to not appear as an antagonist toward outsiders. The growth in outsiders might also have led to the aggressive growth of radical left parties, and possibly to political polarization between the extremes. In this scenario, a centre-right government might adopt more pro-outsider measures to limit the growth of such parties and sway more voters towards the political centre, with which a centre-right government might more easily reach agreements on social and economic issues.

Another issue that is important to consider in this discussion is the problem of unemployment. As discussed in the previous section, standard competitive models predict that more rigid employment protection will translate to an increase in unemployment levels, as the costs of dismissal lead to companies fearing making new hires. Consequently, it is argued that a higher unemployment level will lead to flexibilization at the margins, creating worse conditions for outsiders.

However, although the relationship between these two different variables might appear straightforward, the reality is always more complex. Heimberger (2020) argues that when analysing the different countries within the OECD, very little relation can be found between the levels of EPL found in different countries and their unemployment rate, with the former only explaining 1.6% of the variation in the former. While the relationship between EPL and women's unemployment appears to be clearer, the overall picture implies that there will be other factors that will have much greater importance to the unemployment levels. Similarly, Avdagic (2014) agrees that there appears to be no strong relationship between the two variables, although the reason for this lack of connection is not entirely clear, with the researcher suggesting that perhaps the positive and negative effects of EPL on unemployment balance each other out, or that regulations that truly impose a cost on the economy are ruled out as Freeman (2008) had argued.

Furthermore, Adascalitei & Morano (2016) also find that while the economy is in a contractionary period, any deregulation will have a short-term effect of increasing unemployment, while the same deregulatory reform will have a non-significant effect if approved while the economy is stable or

expanding. This relation points out that the evolution of the labour market plays a much bigger role in the effects of EPL reforms on unemployment, and liberates from the idea that any labour deregulation will decrease unemployment, while any further regulation will increase it. With this idea disbanded, political parties are then freer to further regulate the labour market during periods of economic expansion or stability, without fearing a strong increase in unemployment in the short-term.

Another important point of discussion is the role of unions, and how they can influence the policy choices made by sitting governments. While it is true that unions have had a large role in the history of labour movements and conquests, their declining membership in recent decades has led to a loss of political assertiveness and diminished their importance in the labour reform processes. Tepe & Vanhuyse (2012) and Rathgeb (2018) point out that these circumstances can allow governments to shift in a more pro-employer direction, leading unions to adapt by putting aside their maximalist goals of defending all workers, and instead focus only on their core membership, the insiders, while letting the outsiders pay for the consequences of increased market flexibility, leading to some researchers viewing them merely as conservative actors aligned with dualization (Ebbinghaus 2006; Rueda 2005, 2006). We see one example of this in the Italian case, where unions' preferences for protecting all workers could not be attained due to external factors such as employer reallocation to other countries, and so they opted for their minimalist goals (Keune, 2013; Durazzi, 2017).

However, while the weakening of unions and the abandonment of their maximalist goals would in theory allow governments to more easily pursue deregulation, this is not always the case in reality. Rathgeb (2018) states that minority governments or governments that rely on coalitions (and so may face intra-coalitional divisions), might be unable to gather enough consensus to allow them to pursue their own maximalist goals for deregulation, forcing them to discover new venues for reform. Based on this study of French labour reforms, Vlandas (2013) suggests that governments might adapt to this by only implementing deregulation at the fringes, since this will affect a smaller part of the workforce, and so it will necessitate less political support than a widespread reform, as was also pointed out by Adascalitei & Morano (2016). This path comes with its own drawbacks, as seen in the Portuguese case, where a centre-left government was unable to follow a pro-insider strategy, due to the threat of strong radical left parties using this to capture the outsider vote (Marques & Fonseca, 2022).

There appears to be a balancing act between the different forces, with the relative forces between them leading to different results in the labour market. Unions are weakened by their decreasing membership, being unable to pursue protection for all workers, and weak governments being unable to pursue broad deregulation. If the government is in a strong position while unions are weakened, they will

implement a deregulation strategy in order to increase the competitiveness of their economy in a globalized economy. This will be true even in cases where the number of outsiders keeps growing, as happened in Austria, Denmark, and Sweden (Rathgeb, 2018). However, the government being in a weak position does not by itself ensure that it will follow a pro-outsider strategy, and influence from unions or from other pro-outsider parties might be essential.

In fact, research suggests that when faced with a lack of political consensus on reform, governments will have to rely on the support of extra-parliamentary actors to gather support for their measures, especially unions. This will leave governments unable to contain their demands, since they require “an extra-parliamentary channel of consensus mobilization”, no matter their partisan orientation (Rathgeb 2017, 2018). This interaction then poses the question of what reforms will unions bargain for when put into this position of relative strength.

Some authors have argued that unions will favour insiders even when there is high union density, due to organizational reasons, such as the need to compromise in order to reach viable agreements leading them to accept two-tier reforms (Davidsson and Emmenegger, 2013; Palier and Thelen, 2010: 130–133). However, not all authors agree with this argument, with others pointing to the existence of inclusive unions. They point out that unions connected to communist parties may have goals of advancing a class struggle of all workers, and less interest in defending only the positions of insiders (Marques & Salavisa, 2017; Rojot, 2014). Another factor that is important to consider will be that a higher union density will signify that more outsiders will be included within the ranks of the union, and will be using its structure to push for more protection for these atypical workers (Lindvall & Rueda, 2014; Thelen, 2014; Mosimann & Pontusson, 2017; Rathbeg, 2017). At last, we also need to consider that the dualization of the labour market might also start to threaten the insiders, which will then embolden the unions to resist further attempts at dualization (Eichhorst & Marx, 2020). Marques & Fonseca(2022) use the Portuguese case to show that these motives can lead unions to adopt a more pro-outsider and inclusive attitude, while Durazzi (2017) points to the same happening in the Italian case, showing that collective agreements negotiated by their unions included clear paths towards the permanent employment of outsiders.

It is therefore possible for unions to adopt a pro-outsider stance, rather than simply aligning with centre-left parties to prolong pro-insider reforms and a two-tier labour market. In light of the previous arguments, the inclusiveness of unions can be seen as the mode by which unions come to adopt pro-outsider measures, while government weakness is the tool that allows them to legal implementation of those ideals since by themselves inclusive unions would not be powerful enough to face unilateral government action.

In conclusion, a weak government, be it by not having a majority in Parliament or by being the result of a coalition, will not be able to perform the reforms it desires and will require to negotiate with workers' unions, who can then impose their demands. An inclusive union paired with a weak government can lead said government to implement a pro-outsider strategy, independently of the partisan preference of the ruling party.

Turning to another factor that might impact the positioning of a centre-right party when considering needed labour reforms, it is also important to account for the impact that these measures might have on the general economic performance of the country. Several researchers have viewed the regulation of labour relations as a constraint on the natural market forces, preventing the full and efficient usage of labour, and arguing that the goal of reforms should be to remove these bottlenecks to foster bigger productivity and economic growth (Scarpetta, 1996; Siebert, 1997; Belot and Van Ours, 2004; Solow, 2004; Bassanini and Duval, 2006). Vlandas (2013) argues that in order to face a globalized economy governments will attempt to increase their competitiveness by deregulating EPL, and since implementing deregulation at the margins is easier than implementing widespread deregulation, governments will be inclined towards increasing dualization. In fact, both Vlandas (2013) and Adascalitei & Morano (2016) point out that most labour reforms happen in times of poor economic performance.

Nonetheless, there is no clear consensus on whether deregulation policies lead to widespread macroeconomic benefits (Brancaccio et al., 2018). While studying a group of 20 OECD countries for 44 years, Vergeer & Kleinknecht (2014) found that labour regulations can positively influence several macroeconomic factors, such as innovation, skills training, productivity, and demand. They argue that since higher levels of EPL will also lead to higher labour costs, this can push companies to replace older labour-intensive production methods for newer and more productive capital, while at the same time the increase in costs will eliminate companies that are not able to adapt, in favour of more adaptable and innovative companies. Furthermore, if workers can be easily dismissed, they will also have bigger incentives to hide information that could make their job functions more efficient. Besides these incentives for company innovation, EPL will also lead to workers occupying a certain job position for longer periods, therefore increasing the payback for training within the company. On the other hand, companies will have little incentive to train their workers to be more productive if they will only remain for a short time and only use those skills in future positions in competitor companies. Furthermore, this research duo also points out that these longer working relations and protections against dismissal will create trust, which improves productivity by reducing monitoring costs and reducing leakage of knowledge to competing

companies. At last, they also present the argument that deregulation can decrease aggregate demand in an economy since the lack of job security will lead workers to save more as a precaution.

This study does not stand alone in showing an empirical link between economic growth and EPL rigidity. A previous study of data from the 1970s to mid-2000s in France and Germany also showed a positive relationship between those two factors (Deakin & Sarkar, 2008), while World Bank reports (2013, p. 261; 2016, p. 115) suggest that the impacts of deregulation on macroeconomic variables tend to be not statistically significant. Instead, other researchers point out that there is a significant relationship between deregulation and inequality, with temporary workers earning 20% less than permanent workers even when the data is controlled for differences in skills, seniority, and sector (Vlandas, 2013). Others write that deregulation will “generate tangible effects not so much on employment and GDP, but rather on income inequalities” (Freeman, 2008), and that this labour income inequality will increase with deregulation due to it reducing the bargaining power of workers (ILO-IMF-OECD-World Bank, 2015, p. 21). It seems that whenever these worker protections are reduced, instead of incentivizing growth, there will be long-term damage to a model of innovation within the economy (Dosi et al., 2018).

This relation between macroeconomic factors and EPL can shed new light on the motives of centre-right parties when it comes to regulating or deregulating the labour market. Faced with an economy that is showing signs of increasing income inequality, or in which the aggregate demand is kept low due to fears of job insecurity, or in economies where the centre-right parties wish to foster innovation and skill-training done by private companies, they will have a stronger incentive to increase regulation, especially for outsiders, for whom the effects will be more felt.

At last, it is important to note that while pro-insider and pro-outsider strategies are often discussed as opposites, that is not always the case, and people in both groups can be in agreement about certain policy reforms that can be introduced. Eichhorst and Marx (2011) point out that once Germany’s labour reforms deregulated work at the margins, insiders reacted by showing wage moderation, therefore making themselves more competitive relative to atypical workers. This illustrates that marginal flexibility can undermine the negotiating power of insiders in the long-run since there is now a larger and more cost-efficient labour pool that could be recruited to fill their positions (Vlandas, 2013). This dilemma can then create a situation where a certain labour reform that reduces the gap between insiders and outsiders without closing it completely can be supported by the insider voting bloc, and so in a country with a large cost difference between insiders and outsiders, a centre-right party might support a measure that is outwardly pro-outsider to gain the favour of both of these worker groups.

In conclusion, several factors can be identified as motives that could lead centre-right parties to champion pro-outsider reforms. A rising number of outsiders, especially if accompanied by the rapid growth of radical left parties, can push centre-right parties to adopt pro-outsider measures in order to appear more attractive to this voter bloc, or prevent the growth of parties on the other side of the political aisle. If approved in periods of economic expansion, increasing EPL will not have a statistically significant effect on unemployment, and can actually stimulate innovation and demand for goods within the country, so centre-right parties could rationalize these policies as pro-growth measures. Also important is the role that inclusive unions can play, particularly when paired with weak governments, by forcing them to negotiate reforms that will increase protections for marginal workers. At last, it is important to consider that pro-outsider measures can be desired by both insiders and outsiders, making them appeal to a vast sway of voters.

In conclusion we can point out four possible factors that could lead centre-right parties to champion pro-outsider reforms:

- H1. The presence of economic expansion or decreasing unemployment, can make EPL increases to have a non-significant effect on employment, and can actually stimulate innovation and demand for goods within the country, so centre-right parties could rationalize these policies as pro-growth measures.
- H2. A rising number of outsiders, or a rise in feelings of job insecurity among insiders who fear that employers will replace them by the more cost-efficient outsiders.
- H3. A government in a weaker legislative position might need extre-parlamentarian support, and if confronted with inclusive unions they may be forced to negotiate reforms that will increase protections for marginal workers.
- H4. The rapid growth of radical left parties can push centre-right parties to adopt pro-outsider measures in order to appear more attractive to this voter bloc, or prevent the growth of parties on the other side of the political aisle.

CHAPTER 3

Methodology and Data

To study whether these hypotheses truly have the capacity to influence governmental decisions to further regulate fixed-term contracts, this dissertation will analyse the evolution of three separate countries that implemented pro-outsider reforms and evaluate the presence of these hypotheses and the economic,

political, and social context in which they were inserted. To achieve this we shall make use of secondary bibliography, as well as data from several different sources, in particular, that of Pordata, INE, Istat, OECD, and WorldBank.

Our goal is thus to study the conditions under which a centre-right government in Southern Europe might choose to implement pro-outsider reforms on fixed-term contracts. This focus on Southern Europe, specifically Portugal, Spain, and Italy, allows for a comparison and study that is less subjected to other unseen factors. All three countries were severely affected by the 2008 Great Recession, while Portugal and Italy had already been showing signs of economic stagnation before this event. The aftermath of the Recession also proved to be troubling, as the economic performance for all three countries continued to decline and government attempts to address the economic fallout resulted in a massive increase in public debt, and direct or indirect intervention by external entities. Another factor of note is that these countries already showed high levels of labour segmentation before the beginning of the crisis. By focusing only on these three nations, it is possible to eliminate other unseen cultural, social, and political factors, and obtain more relevant conclusions. This comparison also focuses on reforms made to fixed-term employment, as this is the most common form of atypical employment that can be found in these countries.

The period following the 2007-2008 financial crisis saw centre-right governments come to power in these nations, and each of these governments would implement at least one labour reform measure that can be interpreted as pro-outsider, which will be the focus of the study. Having clarified the possible motives for these reforms in the previous sections, the next section will present the three case studies concerning Portugal, Spain, and Italy, to ascertain which of the motives previously discussed played significant roles in the decision-making, and whether or not they can reasonably explain the reality of these labour market developments.

CHAPTER 4

Case Studies of the Countries

4.1 Portugal: Austerity marked by liberalization

In order to understand how a Portuguese centre-right government allowed for pro-outsider labour reforms, it is important to comprehend the country's context, its pre-crisis period and how society evolved

into the Great Recession and bailout period, and how all these elements conspired to make the reform possible.

Following the end of the Estado Novo dictatorship, Portugal experienced a wave of strong economic growth boosted by an approximation to Europe, with accession to the European Economic Community being completed in 1986. The decade of the 1980s saw an average GDP growth rate of 3.3%, which continued at 2.9% during the 1990s. This economic expansion would come to a halt at the beginning of the 21st century, as the average growth rate dropped to 1.5% between 2000 and 2007, almost half of what it was in the previous decade. In fact, during those 8 years, only two of them registered a GDP expansion of over 2%, while Europe was averaging 2.4%. (World Bank Data)

The economic underperformance in the early 2000s came not through a paradigm shift in the economy or its surrounding international context, but instead due to the underlying and structural faults that had always been present in the Portuguese economy. With its integration into the Eurozone, international competitiveness could no longer be ensured through monetary devaluation, and problems such as education levels, employment insecurity, low-productivity jobs, and others became more relevant than they had been in the past. By 2000, despite the rise in education levels in the general population, only 6,5% of Portuguese aged over 16 had completed their university education, while 67.9% had only an education equalling the 6th grade or less. This high percentage of unskilled labour meant that Portugal deviated from the European average of a labour market dominated by scientific and managerial professions and veered towards a labour market more dominated by services and retail, with less value-added and slow productivity growth. Similarly, while unemployment had been reduced from 8.7% in 1986 to 3.8% in 2000, this was in large part due to the rise of fixed-term contracts, which by then represented around 20% of all dependent work. The reality of the Portuguese labour market in this period is that of low salaries and low productivity, egged on by low levels of education and by work insecurity.

In this context of economic slump, it is important to understand the political and social actors that took the stage and their positions at the beginning of the century. The 1974 Carnation Revolution allowed the creation and dissemination of new political parties and workers' unions, now finally able to participate in the democratic discourse. Among these, some of the most important were the Portuguese Communist Party (PCP), the Social-Democratic Party (PSD), the Socialist Party (PS), and the General Confederation of Portuguese Workers (CGTP). In the post-revolutionary landscape PCP appeared as one of the stronger political forces, due to its opposition of the previous regime and defence of the working class and their rights, managing to capture almost 20% of the electorate by the 1979 elections. Having both been forced underground by the Estado Novo, PCP and CGTP had already created a deep relation of political and

ideological cooperation in promoting a class-oriented struggle and together they held significant sway over much of the working class (Távora & González, 2016).

On the other hand, while PSD is a centre-right party and PS is centre-left, both of them were forced to compete for the same centrist voters, in light of PCP and their hold of the working-class vote. Seeking to challenge this relation, both centrist parties joined efforts to create UGT-P (União Geral de Trabalhadores) in 1978, meant as a more moderate and concertation-oriented labour union that would counterbalance the more ideologically-prone GCTP (Távora & González, 2016). The decline of PCP in the 1980s, led both PS and PSD to compete to capture the workers' vote, and this led to a blurring of divisions between them, with both parties defending an expansion of the social state, while simultaneously class and social divisions became less important to explain party choice (Afonso & Bulfone, 2019).

In fact, Afonso and Bulfone (2019) point out that even PSD, a centre-right party, depends heavily on production and service workers, making up roughly 45% of its electorate. Nevertheless, some electorate differences can still be seen, with these groups of voters making up roughly 60% of the Socialist electorate, and almost 70% of those that vote for PCP. On the other hand, PSD also distinguishes itself by the support it captures among the small business owners, who also make up roughly 20% of its electorate, even though these also make up about 12% of the PS electorate. It is then clear to see that while electorate differences exist between the PSD and PS they are less stark than would normally be expected.

At the same time, it is important to remember that these three political parties were not the only ones competing for voters, and that other smaller players also existed. The Left Block (BE), a extreme-left party, which while usually compared to PCP, tends to be more socially liberal. In their analysis of the electorate of this party, Afonso and Bulfone (2019) point out that it more closely resembles the Green or Social-Democratic parties of Northern Europe, with less support from the working class, and more from social-cultural professions and intermediate professions. Meanwhile the People's Party (CDS-PP), founded in the aftermath of the Revolution, can be classified as a centrist or centre-right leaning party. While by comparison BE was a much younger party, only being founded in 1999, both of these parties would become large players during the labour reforms following the Great Recession.

By 2000, left-leaning parties were in a dominant position within the Portuguese Parliament. BE entered the national legislative body for the first time, electing 2 representatives, and would keep growing during the decade, managing to elect 16 delegates by 2009. By comparison, PCP managed to accumulate 17 parliamentarians in the 1999 elections, but their relative share always hovered at around 15 deputies during the 2000s. PS in the centre-left had 115 by the start of the century, representing 50% of Parliament, but their electoral representation would decrease to 96, rise again to 121, and decrease again to 97 by

2009, following an upturn and downturn cycle. By contrast, PSD always kept its representation at around 80 delegates, except for 2002, when they manage to reach 105 deputies, and CDS-PP saw its representation decline slowly during the decade from 15 to 12, up until a surge of 21 in 2009. In general, the Portuguese political field during the 2000s saw a slow rise in the extreme-left representation, at the cost of the centre-right and centre-left, which saw their Parliamentary representation either remaining relatively stable or decreasing, but had no room for growth.

Other significant factors affected the social and political landscape during this period, constraining its actors and their decisions, such as the creation of the European Monetary Union (EMU), which limited Portugal's capacity for monetary, fiscal, and expenditure-related measures (Balbona & Begega, 2015). This new framework limited how the Portuguese economy could make itself more competitive, eliminating currency devaluation as an option, and elevating the importance of labour flexibilization as a competitive tool for the economy. Social pacts between governments and unions had always been a prominent way to foster political reform and to help transition the labour market when needed, and this new role of EPL in competitiveness could have boosted the relative importance of labour unions in the social landscape, but unions faced their own limitations. Membership had declined from an estimated density of 60.8% in 1978 to a density of only 21.6% in 2000, with a further slow decline during the decade (Távora & González, 2016; ILO data). In this moment of economic slowdown, some instruments for increasing competitiveness were taken away from the government by the EMU, while unions were losing their ability to negotiate on behalf of workers from a position of power.

Portugal had always stood out for its high level of Employment Protection Legislation (EPL), which stood at a 1.77 average for fixed-term contracts (FTCs) in the OECD, but was valued at 2.81 for Portugal, while the difference for regular contracts was even bigger, with an EPL Index of 4.58 for Portugal and 2.24 on average for other OECD countries (OECD data). In contrast, Portugal's EPL on collective dismissals is much laxer, even in comparison with other OECD countries, and so any efforts towards flexibilization have always been focused on individual dismissals (Barroso, 2017). Similarly to other Southern European countries, Portugal opted for a policy of flexibility at the margins, decreasing the protection for FTCs, while leaving regular contracts largely untouched (Cardoso & Branco, 2018). This created a pathway for labour segmentation, with FTCs representing 20% of the labour force by 2000, and Fialho (2016) argues that Portugal displays a particularly clear relationship between EPL and segmentation, as the reduction in EPL for regular contracts during the 1990s was immediately followed by a drop in segmentation.

The strong connection between EPL and segmentation kept them as a source of concern for governments. Concurrently employers were expressing demands for greater flexibility on dismissals,

reduction of associated costs, lower overtime pay, and greater working time flexibility (Távora & González, 2016). The new centre-right majority government in 2002, formed by PSD and CDS-PP, made a bigger labour reform possible but, as Cardoso & Branco (2018) point out, this new government opted instead to do only minor adjustments in regular contracts, while further liberalizing FTCs through the 2003 labour reform, allowing these types of contracts to last up to 6 years through multiple renewals. Instead, the fight against segmentation in Portugal seemed more focused on Active Labour Market Policies (ALMPs), which nevertheless, decreased significantly during the tenure of this government, and would continue to subside during the rule of the following minority Socialist government.

By 2007, a Socialist government had taken power, capturing a majority of seats in the 2005 Parliamentary elections. This government also introduced reformed labour legislation concerning temporary contracts, allowing the duration of individual FTCs to be extended to 24 months, lowering the EPL Index for these contracts from 2.56 to 1.97 (OECD Data).

The following year would see the start of the Global Financial Crisis, followed by the Eurozone crisis, bringing profound change to the social, economic, and political fabric in Portugal. By 2009 GDP dropped by 3.1%, the biggest drop since 1975 in the post-revolutionary period (World Bank data) This crisis led to an increase in spending by the national government, which would register a deficit of 9.9% in 2009 and raise the public debt to 87.8% of GDP, leading down a spiral of rising interest rates that further decreased the country's financial capacities (Pordata data). The labour market also struggled, with Portugal having the second highest share of workers with FTCs in the OECD by 2009, and seeing unemployment rise from 7.6% to 9.4% of the labour force (World Bank data). Alvarez (2015) estimated that FTCs corresponded to 58% of the job destruction in Portugal during 2008 and 2009, comparing negatively to the 45% European average. It was in this context that the Socialist government implemented labour reforms at the start of the year, reducing the maximum duration of FTCs from 6 to 3 years, and forbidding their usage in newly created companies or positions. Despite this re-regulation, the following year saw a slight increase in FTCs and a corresponding decrease in workers under permanent contract (Pordata data).

The Socialist PS government saw its mandate renewed through elections at the end of 2009, but now as a minority government that would depend on broader partisan support to implement its political agenda. As economic conditions deteriorated in 2010, this new government presented the Program for Stability and Growth (PEC), aiming to address some of the issues facing the country. Coming forward in March 2010, this first PEC presented several measures for cutting public expenses for the period from 2010 to 2013, in order to meet the Eurozone's deficit target. This was met with criticism, and the first half

of 2010 saw the beginning of several protest actions, with one of the most important being a strike by public sector workers in March of that year (Accornero & Pinto, 2014). Only two months later, the government saw the necessity of PEC 2, increasing the budget cuts mapped in the first version and increasing the VAT tax. Once again, this was met with objection from several social actors, with nationwide demonstrations being organized in early July by CGTP, but this did not deter the government from presenting a new version of PEC in September, predicting even bigger budget cuts.

It is important to remember that CGTP that UGT-P always had different political leanings and different ways to reach their objectives, with the former being more connected to PCP and defending a class-struggle ideology, while the latter favoured connections to PS and was more open for negotiations and social pacts (Accornero & Pinto, 2014). However, this context of rapidly rising austerity and uncertainty allowed them to set their differences aside and join forces to summon a general workers' strike, marking only the second time in their histories that they took this action. The general strike of the 24th of November 2010, united mainly the public sector workers who protested salary cuts ranging between 3.5% and 10%, with unions claiming an 85% adhesion to the strike, while the government claimed that only 29% did. It is also important to note that it is consensual that private sector workers' participation was very limited. (Costa, 2015).

This wave of protests would continue into 2011, and on the 12th of March an event organized through the Facebook page "Desperate Generation" (Geração à Rasca) brought 200 000 protesters to the street, in one of the largest demonstrations of the post-revolutionary period (Accornero & Pinto, 2014). In that same month, the national government mobilized to form a tripartite agreement with employer confederations and UGT-P, aiming to reform the labour market by decreasing compensation for dismissals and making changes to collective bargaining (Távora and González 2016a). This agreement would never be implemented, as by the 23rd of March the Socialist government came to an end after the fourth version of the PEC was rejected by the Parliament, and new Parliamentary elections were called (Cardoso & Branco, 2018).

The political instability led to successive downgrades from rating agencies, making it impossible for the government to refinance itself, and by April 2011 Portugal was forced to apply for a bailout programme, the third EU member to do so. This assistance programme would become known as the Memorandum of Understanding (MoU), being signed in May of that year by both PS (caretaker government), PSD (main opposition party), and UGT-P (Cardoso & Branco, 2018). The following month would see the elections culminating in the rise of a new majority coalition government, formed by PSD

and CDS-PP. It would then fall onto this centre-right government to implement the MoU, with limited opposition from the Socialist Party, which had negotiated it (Petmesidou & Glatzer, 2015).

The 78€ billion assistance programme was designed by the European Central Bank, the European Commission, and the International Monetary Fund (IMF), which jointly became known as Troika, and its declared aim was to increase competitiveness to secure growth and to ensure the fiscal sustainability of the public accounts (Kougias, 2018). These institutions saw the imbalance within the Eurozone as resulting from the differences in competitiveness between core and peripheral countries, and believed that market rigidities were to blame for an excessive increase in unit labour costs and unemployment. Therefore, the solution to reform these markets would be to perform an 'internal devaluation', that would allow for a rise in competitiveness and export-led growth (Alvarez, 2015; Távora & González, 2016).

In light of this assessment, the MoU included measures for the labour market such as decreasing the dismissal costs of workers and strengthening flexibility in order to fight segmentation, to creating new frameworks for collective bargaining and decentralizing wage bargaining, and implementing ALMP for vulnerable groups (Kougias, 2018; Theodoropoulou, 2015; Cardoso & Branco, 2018). However, Cardoso & Branco (2018) also point out that the initial period focused more on liberalization of the labour market by reducing, since while changes in EPL were soon felt, with reductions in severance pay for new hires, both in FTC and in permanent contracts (Law 53/2011), ALMPs were only designed and implemented in 2012.

Once presented with the MoU, CGTP argued that it was a stratagem by the EU to impose neoliberal policies into the country and was against its implementation, while UGT-P despite arguing against it as a historic moment for employers to walk back labour protections and holding some suspicion of the neoliberal leanings of the IMF, still believed the implementation of the MoU was unavoidable (Távora & González, 2016; Santos, 2019). Despite these common misgivings and common interest in protecting workers and their rights, the two unions would rarely cooperate and articulate their responses, except for some rare moments. One of these occurred on the 24th of November 2011, with a general strike promoted by both unions to protest against the cut of the 13th and 14th months of salary and an increase in labour taxes. This marked only the third time that both unions did a joint public demonstration in their history, only a year after the second occasion. According to Santos (2019), while the goal of UGT-P was to pressure the government to open negotiations that would allow for a middle-ground to be found, CGTP aimed to make the government accountable for agreeing to austerity and to defeat it in its purpose.

The new centre-right majority government started working on a revision of the Labour Code, to close the gap in EPL that separated Portugal from the other OECD countries and through it allowing for quicker labour and wage adjustments (Afonso & Bulfone, 2019). It took the first step in this direction by

signing a Tripartite Agreement in January 2012 with employers' associations and UGT (while CGTP abstained), reiterating many of the MoU goals, and allowing the government to gain some social support for the deep reforms it needed to undertake. (Távora & González, 2016).

This agreement further divided the unions, as while UGT-P criticized the MoU for being a program more concerned with implementing an ideology than actually addressing the structural issues faced by the country, it still agreed to the negotiations, arguing that this was the only way to soften the MoU to the Portuguese reality. While leaving the negotiations claiming to not be fully satisfied, the union justified signing the agreement due to its incorporation of more measures to promote employment and growth, while avoiding adding new reasons for dismissal and excluding other measures proposed by the Government but not in the MoU (Távora & González, 2016; Santos, 2019). Meanwhile, CGTP withdrew from the negotiations, denouncing the agreement as a path towards the exploitation of workers, and claiming that no labour union could compact to it, a criticism directed at UGT-P. Proving their disagreement with actions, on the 22nd of March 2012 there was a new general strike organized by CGTP, demanding an end to these austerity measures and asking for a new policy that would stimulate economic growth and the labour market (Santos, 2019).

UGT-P would later come to at least in part regret their acquiescence to the Tripartite Agreement. With pressure from Troika (who disapproved of this social pact) mounting, the government would opt for only a partial implementation of what they had agreed to, leading UGT to threaten to abandon the compromise that had been reached (Távora & González, 2016; Santos, 2019). This marked a turning point for both sides. While the period before the crisis and at its beginning had been marked by a constant effort to involve social partners in any labour reform, from this point on the government increasingly neglected them whenever consensus proved difficult to find, leading to increasing suspicious from these partners towards the government (Távora & González, 2016). In light of this change, UGT-P was also forced to adapt. While feeling that it could not denounce the agreement that it had signed just months before, it also saw itself isolated and exposed to criticism from CGTP, which would lead to a dual strategy of participating in collective negotiations when possible, but also supporting industrial action and protests. (Santos, 2019; Petmesidou & Glatzer, 2015).

By June 2012 the coalition government introduced a new labour reform, relaxing the definition of fair dismissal, extending the termination of contracts that would be expired by the 30th of June 2013, reducing severance payments, decreasing compensation for extra hours, decreasing the number of holidays, and others (Law nº 23/2012, June 25). As a result, the EPL Index for temporary contracts would see a reduction from 1.94 to 1.81, compared to the value of 2.56 just some years before. For their part,

regular contracts would also see a reduction in EPL, going from 3.56 to 3.39. Two aspects that are important to highlight in this labour reform. The first is that while the protections for permanent contracts also decrease, this did little to reduce the legislation divide that separated them from FTCs, and segmentation was not meaningfully reduced (Cardoso e Branco, 2017: 12). Second, it is important to note that many of these changes would soon be reversed as Parliamentarians from PCP and BE would send several articles of this reform to the Constitutional Court, where a number of the articles would indeed be ruled unconstitutional, and therefore could not be put into law. The Socialist Party would also play a role in this when it blocked a revision of the Portuguese Constitution that would allow the liberalization of individual dismissals (Marques & Fonseca, 2022; Petmesidou & Glatzer, 2015).

While this debate about EPL and liberalization continued, the conditions within the Portuguese labour market kept degrading. Unemployment became a major issue, and by 2012 it affected 15.5% of the national labour force, with this value peaking in 2013, at 16.2% (World Bank data). Segmentation also remained high, with FTCs accounting for roughly 20% of the workforce, and average annual wages (at 2021 prices) decreased from 18 979€ in 2009 to 17 650€ in 2012 (OECD data). These worsening conditions would galvanize civil society into action, and on the 15th of September of 2012 a protest organized by the social movement 'Que se Lixe a Troika' (Fuck the Troika) became one of the largest public demonstrations of the democratic period (Costa, 2015; Accornero & Pinto, 2014).

Only two months later, it was CGTP who would take to the streets in protest. The general strike of the 14th of November 2012 was not a joint effort undertaken by both unions, but it still counted with the participation of more than 30 unions affiliated with UGT-P, with the latter also expressing its solidarity with the protest. The main demand of the general strike was once again an end to the erosion of workers' rights and to the austerity policies that were causing the Portuguese economy to be eroded year by year (Costa, 2015; Santos, 2019). In fact, 2012 would see a 4.1% drop in national GDP (World Bank data).

The year 2013 would merely see a continuation of the cycle of protest, and the 2nd of March would see the largest demonstration of the crisis period, once again organized by the 'Que se Lixe a Troika' movement, who claimed that over 1 million people took to the streets in protests (Accornero & Pinto, 2014). While this protest did not have any formal connection to traditional political or social actors, its motto of "Fuck the Troika! We want our lives back!" was an echo of similar demands already by labour unions to end the austerity policies. The 27th of June witnessed yet another protest, marking the third joint action by CGTP and UGT-P, with the former repeating its previous requests and the latter condemning the government for its unilateral behaviour and indifference towards the social partners (Costa, 2015; Santos, 2019). In total, the period of 2010-2013 saw a total of five general strikes, the same

amount as in the entire post-dictatorship period until then, as well as very significant action from new movements such as 'Fuck the Troika', but after the second half of 2013 the protest cycle started to wind down (Begega & Balbona, 2015; Accornero & Pinto, 2014).

Two more incidents of note happened during this period. First, four employer confederations released a joint statement urging the government to "adjust its targets to Portuguese reality" commenting about the austerity plan that "given its results, it would be irresponsible to insist on and to deepen it." (Távora & González, 2016). This year was also marked by a severe political crisis when two key figures within the government resigned on consecutive days. The first of these was the Minister of State and Finance, whose resignation letter criticized the implementation of the MoU, and frictions within the coalition and towards the Constitutional Court, which had blocked some of the labour reforms proposed by the government. This was followed by the resignation of the Minister of State and Foreign Affairs, who was also the leader of CDS-PP, in protest over the Prime Minister's choice to fill the empty post of Minister of Finance. This resignation fragilized the coalition by showing blatant disunity between PSD and CDS-PP, and opened the door to the possibility of early elections. This latter resignation was walked back a few days later, with the former Minister of State and Foreign Affairs being elevated to the position of Vice-Prime Minister (Távora & González, 2016).

Despite this division, the government was still able to pass some new labour reforms, reformulating a law concerning fair dismissals previously dismissed by the Constitutional Court in order to ensure its approval, as well as reducing severance payments, and creating compensations to partly finance the dismissal costs of companies. More importantly for this study, Law 76/2013 of November 7th allowed for additional renewals of FTCs that reached the maximum duration of two years until the 7th of November of 2015, lowering their EPL index to 1.81 (OECD data).

While the previous years all featured heavy labour reforms, by 2014 only a small amendment for open-ended contracts was approved. More significantly, the government started to once again express the desire to mend bridges with the unions and to involve social partners in a revision of the national minimum wage (Balbona & Begega, 2015). Similarly, 2015 would also not witness any new legislative changes, perhaps because legislative elections were fast approaching, with austerity and the previous labour reforms proving to be important talking points for different parties (Branco et al., 2019; Fialho, 2016). By November, the 2013 amendment would indeed expire, and FTCs would once again be limited to a 2-year duration, marking a pro-outsider reform in Portugal instituted by the centre-right government. However, it is important to note that only regulated the maximum duration of FTCs, while leaving many of its other features as liberalized as before, and therefore it was a reform of limited scope.

4.2 Italy: Deregulation and re-regulation

The Italian case shares many similarities with the Iberian countries, showcasing a country that had a burst of economic, social and political development following its experience with an authoritarian regime. This development was only boosted by the creation of the European Steel and Coal Community, of which it was a founding member in the post-war period, and that would eventually transform into the European Union. In fact, during the 1960s Italy achieved an average GDP growth rate of 5.8% per year (compared to 5.7% in France), and 4% in the 1970s, compared with 4.1% in France and 3.1% in Germany during the same period (World Bank Data). The economic tissue of the country also saw great development as this expansion progressed. While in 1957, the agricultural sector accounted for almost 20% of the economy and the service sector for 45.5%, by the year 2000 the primary sector had dropped in importance to only 2.9%, while services now represented 70% of the economic activity. Similarly, purchasing power per capita also saw a strong increase, and by the turn of the century it was 4.4 times higher than it had been in 1960, showing an evolution similar to that of its founding partners (Istat data).

These developments contributed to elevating the Italian economy to its position in the early 2000s, with labour shifting from agriculture into the services sector, while the industrial sector occupied a relevant position within the country, making up almost 30% of economic activity (Istat data). Italy at the turn of the century had a business sector composed mostly of micro-sized companies, employing less than 10 workers, while the country's class structure is made up of a large proportion of production workers and small-business owners (Afonso & Bulfone, 2019; Cruces et al., 2015).

However, many of the underlying issues within the Italian economy persisted throughout this period of progress and would continue to plague the economic reality of the country. Massimo d'Azeglio, a founding father of the kingdom of Italy, famously stated in the post-unification period: "We have made Italy. Now we must make Italians", referring to the deep divisions found in their newly-knitted kingdom, and these differences can still be observed to this day in the Italian labour market. The first of these major splits is a geographical one, dividing the country between the North and the South. While the North is more industrialized and shown growth in terms of employment and productivity, the South lagged behind (Cirillo et al., 2017), with the North having an employment rate 20 points higher than the South in 2013 (Vesan & Sacchi, 2015). Unemployment also showed a stark territorial difference, as by 2001 15.2% of workers in the South were unemployed, compared to only 4.3% in the North.

Age and gender also play important roles in determining the outcomes of workers. Italian women show consistently lower rates of labour participation than their male counterparts, with the rate of

employment showing a 10-point difference in the North and a 30-point difference in the South by 1992. While this difference was partly reduced due to the 2008 economic crisis, by 2013, despite the 30 years of difference from those initial results, the employment differential in the South was still at 23 points in favour of the men, with only 1 in 3 women participating in the Southern labour market (Cirillo et al., 2017; Vesan & Sacchi, 2015). Youth employment rate is also persistently 10 to 15 points lower than the European rate, from 1995 until the start of the Great Recession, which led this difference to increase even further. This pattern is seen even in the more developed North of the country, with youth unemployment reaching levels four times higher than total unemployment, and with the South having 50.5% youth unemployment by the year 2001. Young workers are also unfairly affected by precarious work, displaying a share of FTCs that is 10% higher than the country average (Vesan & Sacchi, 2015; Liotti, 2020; Cirillo et al., 2017).

While Italy certainly is not the only EU country to face these types of segmentations within its labour market, it is important to note that very little progress was achieved in mitigating them, and so it is crucial to understand the social and political actors who faced this scenario and what were their goals.

From 1994, two major groups disputed political power in Italy: the centre-left coalition led by the Democratic Party (PD), and several other small leftist parties, and the centre-right coalition led by Lega Nord (Lega) and People of Freedom (PdL)/Forza Italia (FI) (Afonso & Bulfone, 2019). While PD got most of its support from production workers, unionized workers from large firms, and office clerks, the weakness of the Left in the South also meant that PD failed to capture widespread support from the low-income population, disproportionately present in that region. Meanwhile, the centre-right was mostly backed by the self-employed, small business owners, with sizable support from the North of the country, and some support in the South among those dependent on state transfers (Afonso & Bulfone, 2019).

Despite their struggles to capture the electorate, and their willingness to cooperate within these coalitions, both sides had severe internal weaknesses. The centre-left managed to capture much of the insider and unionized vote, but these groups lacked the representation needed to make this a dominant force, and the coalition would only manage to win elections in 1996 and 2006. While the centre-right was more dominant in the elections, it faced internal divisions on policy, due to its disparate voters. While small business owners and the self-employed wanted lower taxes and budget cuts, the low-income voters from the South wished for more generous state transfers, leading this coalition to an impasse that it chose to reconcile with generous public spending (Afonso & Bulfone, 2019).

Another important aspect in this political setting is the role of labour unions. In the post-war years, several unions groups of different political inclinations united to form the Confederazione Generale Italiana del Lavoro (CGIL), as a bastion against fascist forces. Later on, the start of the Cold War saw the

social-democratic and catholic republican factions break away to form Unione Italiana dei Lavoratori (UIL) and Confederazione Italiana Sindacati dei Lavoratori (CISL), respectively (Marino et al., 2019; Leonardi, 2018). These confederations represent a crucial aspect of the Italian labour market, where the confederal importance is more valued than sectoral importance, with the adoption of a posture of work-class unity that defines the insider-outsider theory and that pushes these confederations to try to protect all workers (Durazzi, 2015). Nevertheless, it is still important to remember that smaller autonomous unions do exist, especially in the sectors of banking, public services, education, and transport (Leonardi, 2018). Regalia & Regini (2018) point out that the presence of unions is almost inescapable within the labour landscape of Italy, being the only organization in civil society (besides the Catholic Church) that is so widespread and systematically organized at both the national, regional, and local level, and their slow decline in membership only led to reinforced efforts to recruit and defend workers, especially those in precarious situations (Pugliano et al., 2016).

While sharing common goals in the defence of labour rights, the three main confederations also present their differences. CGIL has always had a closer connection to the left-wing parties, and while it has opposed deregulation, it has also followed a path of bargaining and negotiation as the means to achieve workers' rights. CISL, while originally more connected to the Christian Democrats, has evolved to encompass members from a wider political spectrum, and while it has never refused negotiation as a tool, it also did not define it as the priority for engaging with employers or the government. At last, UIL has had a closer relationship with Social Democrat left, but it is meaningful to point out that leaders within all three of these confederations are forbidden from any positions within political structures (Marino et al., 2019; Leonardi, 2018).

Union density has declined in Italy, albeit at a slow rate, going from 49.6% in 1980 to 34.8% in 2000 (ICTWSS, 2022). This was still one of the highest rates in the World, only behind those countries that observe the Ghent system (Leonardi, 2018), but it is also remarkable that a large share of union members in Italy are pensioners, and not active workers (Padoan, 2019). However, these union confederations do have the advantage that their coverage far exceeds their membership, with the possibility of collective agreements being extended to unaffiliated workers (Cruces et al., 2015). In this way, union coverage reached up to 80% of workers in 2000 (ICTWSS, 2022).

By the early 1990s, Italy started experiencing an economic slowdown, as during this decade there were only 2 years in which GDP growth went above 2%, with the average staying at 1.5% (World Bank data). This slowdown, in the wake of the 1992 financial crisis, accompanied by a severe devaluation of the Lira and coupled with the previously mentioned issues, motivated the successive Italian governments to

take action in the final years of the century by pursuing deregulation. This fresh direction came from the notion that the rigidity of labour laws was hampering employment and productivity growth, so new temporary contracts were introduced and the motives that could justify their use were enlarged, bringing consequences that would mostly affect young and inexperienced workers (Cruces et al., 2015; Cirillo et al., 2017; Fialho, 2016). Unions would initially agree to abolish the automatic wage indexation mechanism and to reform the model of collective bargaining, but it would not take long for the government to try to increase flexibility by removing protections for those on the margins (Pinelli et al., 2017).

By 1997 the Treu Law (196/1997) was introduced by a left-wing government, in a year when youth unemployment reached 35% nationwide while being at 12% for the general population (Vesan & Sacchi, 2015). Among others, this severely reduced protections for FTCs, with the OECD EPL Index going from 4.75 to 3.63 the following year, while protections for permanent contracts were left untouched, contributing to an increase in segmentation. While several tripartite agreements were signed in the course of the decade, labour unions increasingly showed opposition to this deregulation at the margins (Marino et al., 2019; Vesan & Sacchi, 2015). In response the three confederations intensified their strategies to protect temporary and freelance workers, and by 1998 CGIL launched Nuove Identità di Lavoro (NidL), meant to be a union branch dedicated to the protection of those most vulnerable workers. That same year CISL and UIL launched similar organizations, nowadays known as FeLSA and Temp@ respectively (Pugliano et al., 2016). These organizations work mostly at the decentralized company level to obtain better conditions for outsiders, and unequivocally show the unions' commitment to the protection of the rights of all workers, not only union members or insiders (Martino et al., 2019). While initially representing only a small absolute number of workers, they would rapidly expand (Durazzi, 2015).

The dawn of the new century also saw Italy join the EMU, meaning that Italy would no longer be able to resort to currency devaluation as a means to gain competitiveness within the international trade markets (Balbona & Begega, 2015). This only increased the pressure on labour flexibilization as a source of competitiveness, and by 2001 the list of occupations where FTCs were allowed was expanded, and by 2003 another labour reform followed (Burroni et al., 2019). The Legge Biagi (Law n.30/2003) followed in the footsteps of its predecessors, once again introducing new types of flexible work and reducing legal protections for FTCs while leaving permanent contracts untouched (Durazzi, 2015; Fialho, 2016; Vesan & Sacchi, 2015). According to CGIL the 1997 and 2003 reforms together created 46 typologies of atypical work (Ferragina & Arrigoni, 2021), while the OECD EPL Index from Ferraina 4.75 to 2 in just under 6 years.

It is also important to note that these two reforms were implemented by governments of different political leanings, with the 1997 reform being passed by a centre-left government, and the 2003 reform

by a centre-right government (Durazzi, 2015). By 2007 a centre-left government would approve a legal change limiting the renewals of FTCs, but this did little to fundamentally change the paradigm of the Italian labour market (Ferragina & Arrigoni, 2021), and this reform would be reversed by Berlusconi's centre-right government only a year later (Burroni et al., 2019).

This series of reforms put the Italian labour market on the path to liberalization at the margins from the early 1990s up until the Great Recession, and it would soon have consequences on the wider economy. As the weight of FTCs increased, companies lost their incentives to invest in their workforce, and as Burroni et al. (2019) point out, the failure of the Italian state to create policies that would foster investment in R&D or human capital ended up pushing Italy towards the so-called "low road of development". That is, the Italian economy started to shift towards an economy based on low innovation and low-value-added products that undermine the international competitiveness of the economy, and result in low productivity and low-quality jobs. Similarly, Cirillo et al. (2017) reveal that between 1995 and 2014 labour productivity growth in Italy was consistently below the European average, while public and private investment in R&D went from 0.2% and 0.5% of GDP in 1995 to only 0.19% and 0.72% of GDP in 2014 respectively. This weak investment in innovation only served to further embolden the Italian turn towards cost-competitive strategies and labour cost reductions, and with time would undermine the manufacturing and high-tech sectors of the economy (Mazzucato et al., 2015).

This strategy did bring some short-term benefits, with employment entering a period of expansion, growing on average 1.4% per year from 1997 to 2007, and unemployment reaching the record low of 6.7% in that latter year, below the Eurozone average (Pinelli et al., 2017). However, much of this increase came through the rise in FTCs, which went from 5% in 1990 (in comparison to the 10% of European average) to about 14% in 2012, while the share of FTC workers under 24 years of age increased from 11% in 1990 to 53% in 2012, far outpacing the growth of these types of contracts in other European countries (Vesan & Sacchi, 2015). This increase in segmentation, combined with the fact that temporary workers are more likely to receive lower salaries than their counterparts no matter their qualifications or seniority, has led to Italy having one of the highest rates of in-work risk poverty (Pugliano et al., 2016).

The year 2008 would witness the start of the Great Recession, which would have profound consequences on Italian political, social, and economic life. From 2008 to 2015 GDP deflated by almost 10%, while government debt increased from 103% of GDP to 132.6% in that same period (Leonardi, 2018). Similarly, industrial production would decrease by 25% and investment by 30% between 2007 and 2013, while the crisis would also have a profound effect on the labour market. By 2009 there was a phenomenon of labour-hoarding, with working hours being reduced, but unemployment being less affected, but as the

crisis intensified unemployment soon rose, going from 7.7% in 2009 to 13% in 2014, while youth unemployment doubled to 43% in that period. In total, over 1 million jobs would be destroyed in the 5 years following 2008 (Meardi, 2012; Andretta, 2018; Vesan & Sacchi, 2015).

This worsening of economic conditions also led to further political instability, with the Socialist government losing support in Parliament and giving way to early elections, and by May of 2008 a government led by PdL and Lega was inaugurated, with Berlusconi as Prime Minister (Balbona & Begega, 2015). This new government chose to not initially present any stimulus package, focusing instead on their primary budget surplus target, while in the second half of the year it presented a labour reform package increasing the duration of fixed-term work and the reasons for its usage, while once again leaving permanent contracts untouched (Vesan & Sacchi, 2015). These worsening economic and labour conditions would lead CGIL to call a general strike by December 2008, using the slogan 'against the crisis, more salary, more pensions and more rights', and while the other two large unions did not join, the demonstrations still amassed a significant number of protestors (Andretta, 2018). This would mark the beginning of a new protest cycle, with a rapid increase in public demonstrations between 2009 and 2011, and that would last until 2014 (Pilati & Perra, 2022; Andretta, 2018).

The year 2009 would also see some evolution in the union and political fields. That year witnessed the founding of Movimento 5 Stelle (M5S), proposing a struggle against atypical work and the institution of a flexicurity model (Padoan, 2019). This party would soon prove popular among young voters, the unemployed, small business owners, the self-employed, and those that feared job loss, gathering together a very heterogeneous power base (Afonso & Bulfone, 2019). M5S did underperform among unionised workers, showing distrust of the big unions and lauding smaller unions for truly defending the rights of workers, while for their part the large unions showed scepticism towards their political proposals (Padoan, 2019). On the labour union level, Regalia & Regini (2018) point out that the 2000s were a decade of increasing political hostility towards unions, with the tenure of several centre-right governments and a new head of the largest employers' association. In face of these difficulties unions also had difficulties in coordinating their responses, with CGIL adopting a more confrontational position, while CISL and UIL were more ready to compromise, which would result in the latter two signing a tripartite agreement to replace the one signed in 1993, while CGIL refused the compromise (Meardi, 2012).

The Berlusconi government adopted a posture of not allowing unions to have veto power, and adopting a unilateral approach when agreements proved hard, and the exclusion of PD from the ruling coalition would only limit the unions' capacity to exert influence (Regalia & Regini, 2018; Andretta, 2018). However, by the summer of 2011, with pressure mounting from international financial markets and the

ECB due to Italy's growing national debt, an austerity budget (Decree-Law 148/2011) would be approved, along with a tripartite agreement (Vesan & Sacchi, 2015; Picot & Tassinari, 2017). This new agreement included CGIL, as well as the other two large unions, with the goal of reforming collective agreements and moving them towards a more decentralized approach (Regalia & Regini, 2018; Meardi, 2012).

As the economic downturn progressed, the government started to lack the resources it needed to please all its supporters and fell into internal infighting between its Northern and Southern constituencies, which would eventually lead to its downfall and the rise of the technocratic government of Monti, starting in November 2011. This new coalition was by parties from both sides of the political aisle, with Lega constituting the main opposition party (Afonso & Bulfone, 2019).

It is important to note that since May of 2010 the EU institutions, especially ECB and Troika, had started to exert more pressure on Southern European countries and the policies that they should adopt. This conditionally came in both explicitly and implicitly, directing them to prioritize fiscal consolidation and to proceed with policies of internal devaluation, which were believed to help boost international competitiveness and GDP growth in the long-term (Alvarez, 2015; Branco et al., 2019; Cruces et al., 2015). Jordan et al. (2021) point out that EU-level documentation seemed to focus mostly on easing dismissals in the Italian case, and Andretta (2018) that it was during the tenure of the Monti-led government that Italy received a secret letter from the ECB demanding structural changes.

By March 2012 the new government announced that it would work on new labour reforms, and proceeded to open consultation with social partners, including the three larger labour unions and Confindustria (the largest employer organization). However, the unions could not agree on a common position for reducing dismissal costs, and Monti would eventually decide to proceed unilaterally (Picot & Tassinari, 2017). This further solidified that regulatory discussions were dependent on the willingness of governments to include unions, and the Prime Minister would later vituperate social pacts not only as ineffective but also put into question the legitimacy of unions to help guide public policy (Marino et al., 2019; Balbona & Begega, 2015).

By June 2012 'Legge Fornero' (law 92/2012) was implemented by the new technocratic government, finally breaking away from the policy of deregulation at the margins and introducing some changes to the protections for regular contracts, whose EPL Index fell from 3.02 to 2.93, its first downgrade in over 20 years (OECD data). The main legislative change was the limitation of reinstatement after unfair dismissal, that for years had been an issue of contention, while FTCs over 6 months in length stopped requiring a justification for their usage and their total length was also extended. At the same time, more protections were carved out for those at risk of unemployment (Cirillo et al., 2017; Eichhorst

& Marx, 2021; Fialho, 2016; Vesan & Sacchi, 2015). While the Labour Minister Fornero denied that the measures had been 'dictated by the EU', Meardi (2012) says that their speed and content allude to recommendations from European institutions, and the EU did show strong approval for this package (Jordan et al., 2021).

This new legislation also led to a call for a general strike by CGIL, which still hoped to influence the legislative process (Meardi, 2012). This was not an isolated incident, as between 2008 and 2013 Italy experienced no less than 7 general strikes, and several other protests organized by student movements, grassroots organizations, and leftist parties (Andretta, 2018; Balbona & Bebega, 2015). Unsurprisingly, discontentment was high, with a 2013 Gallup poll showing that 62% of Italians believed austerity was not working, compared to only 3% who affirmed it was indeed working, and 28% who said it would take more time to show results. Similarly, 76% said that austerity only served the interests of other countries, and 92% believed that young people would have fewer opportunities than their parents' generation (Andretta, 2018). In this state of affairs, unions did have an easier time recruiting new members, and their membership rose by 3.4% of the working class between 2008 and 2013, but at the same time they also became the target of heavy criticism by M5S and some popular protests for their cooperation in negotiations with the government (Regalia & Regini, 2018; Padoan, 2019)

The Fornero Act had a significant effect in turning unionized production workers away from PD, while the centre-right started to be seen as incapable to react in the face of the overwhelming crisis, seeing their support decline among the small-business owners and Southern voters that had supported them so far (Afonso & Bulfone, 2019). When it came time to approve the national budget for 2013, Berlusconi's PdL let their parliamentary support falter, and Monti's government was ousted. While PD would come ahead in the February 2013 elections with around 25% of the vote, PdL would lose 178 deputies (out of the total of 630), while the new M5S would gain 109 parliamentarians in its first disputed election. Not long after, a new government led by PD and supported by PdL would be created with Enrico Letta as Prime Minister, but only one year later Renzi would take over after an internal coup, and PdL would splinter with one of the factions supporting the continued coalition while the other faction left and formed Forza Italia (FI) (Balbona & Bebega, 2015; Andretta, 2018; Picot & Tassinari, 2017).

This new political leader would attempt to create a new image for PD. With unemployment at 12,5%, and reaching 40% for young workers, Renzi attempted to portray himself more as the radical reformer, severing ties with labour unions and production workers, while favouring small business owners, skilled outsiders, and the self-employed with his more neo-liberal agenda (Pinelli et al., 2017; Afonso & Bulfone, 2019; Eichhorst & Marx, 2021). Regardless of their intent, the centre-left did end up

supporting both liberalizing reforms, while in the centre-right only part of the main party (Pdl) supported the Fornero Act and later the Jobs Act (Picot & Tassinari, 2017).

The Jobs Act was implemented in late 2014, and despite promises of de-dualization, it much more closely resembled a case of liberalization (Eichhorst & Marx, 2021). Protections for open-ended contracts were reduced, and the power of courts to reinstate workers in case of unfair dismissal (which had already been diminished) was completely eliminated, with monetary compensation replacing reinstatement. Also following in the path of the previous reform, the last cases that required justification for the usage of FTCs were liberalized, and the right to get an open-ended contract if the employer exceeded the limit of FTCs (as a percentage of regular contracts) was also eliminated. While the variety of non-standard contracts was decreased, a new type of open-ended contract was also created. With the 'Contratto a Tutela Crescenti' the dismissal protection would be connected to seniority and was accompanied by a monetary incentive by reducing social contributions for companies who hired or switched to this new type of contract (Fialho, 2016; Vesan & Sacchi, 2015; Cirillo et al., 2017; Afonso & Bulfone, 2019).

This new labour reform caused a social reaction by November of that year, with unions, temporary workers, social institutions, students, and several other interest groups calling for a so-called "social strike" against the neoliberalism of these new policies (Andretta, 2018). In economic terms, the reform seems to have had mixed results. The European Commission estimated that the Jobs Act would result in a 0.5% increase in GDP over the long-term and have positive effects in reducing segmentation (Pinelli et al., 2017). Cirillo et al. (2017) point out that during 2015 the net stock of open-ended contracts had a positive evolution, especially in the final quarter of the year when full monetary incentives were set to end, and Pinelli et al. (2017) point out that while the amount of net new contracts decreased in 2016, that number still remained higher than it had been in 2014. However, these gains did not benefit all equally, and these new open-ended contracts were almost exclusively created for workers over 55 years of age, while young workers mostly saw an increase in their rate of temporary work, which would triple from 20% in 1998 to 60% by the second quarter of 2016. Moreover, FTCs with a duration between 1 and 6 months of duration rose rapidly after the reform, representing 40% of temporary employment in 2015, possibly due to the contracts no longer needing a justification for usage (Cirillo et al., 2017).

Renzi's strategy also had consequences outside of the labour market, as the new posturing of PD led to an alienation of production workers and Southern voters, while small business owners and the self-employed did not switch their support to the centre-left. By December 2016, being seen as massively unpopular, Renzi resigned and Gentiloni held the ruling coalition together as Prime-Minister until the 2018 elections (Afonso & Bulfone, 2019). PD and its coalition of small centrist parties suffered the biggest

losses of the election, capturing only 22% of the vote, while the centre-right coalition attracted 37% of voters, and M5S rose to 32.9%, the biggest result of any individual party. The election aftermath saw the technocrat Giuseppe Conte elevated to the position of Prime Minister, supported by a coalition from M5S and Lega (Afonso & Bulfone, 2019).

These elections positioned labour reforms as one of the topics under debate at the polls. Luigi Di Maio, leader of M5S, released an electoral programme that stressed the need for flex-security to allow workers to escape from poverty and promised to repeal parts of the Fornero Act, with the leader also making promises to 'abolish the Jobs Act' if elected to Prime-Minister. Similarly, Lega's programme prior to the election also emphasized the need for flex-security, stressing the need for 'contractual flexibility that still guarantees employment and social security', while not mentioning the Jobs Act by name.

Therefore, with Luigi di Maio taking over as Minister of Labour, the deregulation of FTCs had been implemented with the previous two reforms was rolled back. The so-called Dignity Decree (decree-law 87/2018) lowered the maximum duration of fixed-term employment from 36 to 24 months, required the employer to justify the need for extending a 12-month FTCs for another 12 months (reaching the maximum of 2 years), and reduced the maximum number of FTCs that could be signed between an employer and a worker from 5 to 4 in total. However, while these new reforms fully reversed the course of the Jobs Act for temporary work, they left the deregulation of open-ended contracts untouched. Branco et al. (2019) speculate that a full reversal of the pension reforms would have proved expensive and agitated financial markets, while re-regulating regular contracts could have alienated small business owners in the North (which were already discontent with the reversals for FTCs), and antagonize the European Union that had praised the Jobs Act reforms. Therefore, while this centre-right government would leave EPL for open-ended contracts largely untouched, it raised the EPL Index for FTCs from 1.63 to 3.13 with these reforms (OECD data), marking a reform with a much larger magnitude than the one previously seen in Portugal.

4.3 Spain: The dilemma of growing segmentation

The current Spanish political and social system had its start after the fall of the Francoist dictatorship that had held power for several decades. While several left-wing forces initially existed, they consolidated to form the centre-left Spanish Socialist Workers' Party (PSOE), which would win an electoral majority in 1982, helped by the decline of Communist forces. Fighting against suspicions of connections to the

previous regime, the centre-right would also eventually consolidate as the Popular Party (PP), which by 1993 would be strong enough to prevent another majority government from the PSOE. While more centrist parties existed, such as the Democratic and Social Centre party, they would soon disintegrate, leaving Spain in a system dominated by two major centre-left and centre-right parties. While disputing elections with smaller parties and with regional nationalist forces, by the 1980s PP and PSOE would concentrate 70% of the vote and reach 85% of voters by the 2000s (Pallarés & Keating, 2003; Lisa & Molina, 2018).

Unions would also make their formal entrance into labour systems in this period. While initially the Trade Union Confederation of Workers' Committees (CCOO) was linked to the Communist party, and the General Workers' Union (UGT) to PSOE, since the late 1980s these connections have degraded, leaving them more room for autonomous action (Balbona & Begega, 2015; Lima and Artiles, 2011). In their fight to preserve workers' rights, both unions created branches to represent young workers (Avalot and Acció Jove), and CCOO Catalonia created Trade to represent the self-employed, but these never had the importance or resources that were given to the atypical workers' federations in Italy. Despite opposing further segmentation, with CCOO often adopting a working-class unity position, these unions always showed a preference towards the protection of insiders' interests, even when at the expense of outsiders (Pugliano et al., 2016). Rather than oppose government action, these unions would more often negotiate new reforms, with UGT signing most social pacts with the government (except the 1998 and 2001 pacts proposed by PP), while CCOO only refused the 1984-86 social pact. That is not to say that protest has not existed, as Spain witnessed 5 general strikes between 1980 and 2008, with most of them being jointly organized and directed at PSOE (Lima & Artiles, 2011). Another important feature of the union system is that they reserve the right to sign collective agreements at almost every level, except the company level, and this industry-wide representation has given them more power to impose wage and employment conditions that rarely adapt to firm-specific productivity while adjusting quickly to inflation (Bentolila et al., 2012; Cruces et al., 2015).

While union affiliation has varied throughout the years, it has rarely gone above 20%, with values of 13.3% in 1980 and 17.4% in the year 2000. While these values might seem low, in Spain there is a principle of application of collective agreements to both affiliated and non-affiliated workers, as long as they respect legal provisions, with an estimated coverage of 84.8% of workers by the year 2000 (Cruces et al., 2015; ICTWSS data).

With the knowledge of who have been the main figures, it is also important to understand what were the trends within the Spanish labour market up until the 2008 Recession. By the early 1980s Spain

found itself facing multiple issues: low international competitiveness, high unemployment, a rigid labour market, and a process of widespread economic and industrial adjustment as the Spanish economy become more integrated with the rest of Europe (Bentolila et al., 2008; Pugliano et al., 2016) With PSOE forming a majority government in 1982, they would soon implement a new reform, using the liberalization of temporary work, allowing FTCs for non-seasonal activities, in hopes to address issues of competitiveness and tackle the mass unemployment. While the 1984 reform was opposed by CCOO, it gained support from UGT due to its connection to the ruling party, it would quickly prove its significance (Pugliano et al., 2016; Dolado et al., 2001; Marques & Fonseca, 2022)

While FTCs numbered only 500 thousand in 1984, they rose to more than 8 million in 1996, representing around 35% of total contracts. In fact, 73% of all contracts signed between 1985 and 1993 were fixed-term (Burroni et al., 2019). This led to increasing concern from unions, and when PSOE tried to further deregulate in 1988, both unions mounted a strong resistance and organized protests, with the government eventually abandoning its proposal.

By the 1990s the level of labour segmentation within the Spanish market seems to have started to concern PSOE as well, and new reforms would be attempted. Bentolila et al. (2012) point out that the centre-left government had incentives to reduce segmentation as the number of outsiders (measured as temporary workers plus unemployed) was surpassing the total number of insiders during most of the decade, putting the party at electoral risk. By 1994 PSOE implemented some restrictions on the usage of FTCs while relaxing the conditions for fair dismissal for open-ended contracts, which saw their EPL Index drop from 3.55 to 2.36. (Bentolila et al., 2008; OECD data). Only two years later, PP would win the elections and form a minority government, presenting a labour reform package a year after taking office. The 1997 reform resulted from a tripartite agreement between the government, unions, and the employers' confederation, creating a new permanent contract with an incentive for its adoption (although 40% of workers were not eligible for it) and reducing severance payments for unfair dismissals. (Bentolila et al., 2008).

While both of these reforms showed attempts at fighting segmentation, the results were limited at best, and FTCs still accounted for over 30% of work by the end of the decade (Dolado et al., 2001, Bentolila et al., 2012). Similarly, while employment also went through a period of rapid expansion in the late 1990s, helped by several years of high economic growth, and successfully managing to integrate a high inflow of immigrants while still decreasing unemployment, the results still cannot be said to be completely satisfactory. Much of this newly-created employment was in labour-intensive and low-skilled

occupations, such as construction and services, which would also trigger a rise in school dropouts (Burroni et al., 2019; Wölfl & Mora-Sanguinetti, 2011).

The start of the new decade brought further change, as the introduction of the Euro as the new Spanish (and Eurozone) currency slashed any hopes of increasing competitiveness through currency devaluation. While this could have elevated unions and social pacts to a new status of importance, the 2000 election gave a majority rule to PP, allowing it to dismiss tripartite agreements when implementing reforms. A new reform would indeed occur in 2001, extending the incentives to the creation of permanent contracts which were due to expire, as well as extending them to workers that had not been eligible so far, while also implementing a severance payment for some FTCs and abolishing the obligation to pay interim wages for unfair dismissals. Both unions opposed this reform on the basis that no substantial changes had been made to improve the position of temporary workers, but the government proceeded with their consent, and would again by 2002, leading to the June 2002 general strike (Balbona & Begega, 2015; Marques & Fonseca, 2022; Bentolila et al., 2008).

The new century also saw the continuation of Spain's rapid economic growth, which would continue until the start of the Great Recession. Joining the EMU allowed for a large expansion in available credit, while also lowering interest rates, resulting in an investment boom that created large amounts of new job positions. At the same time, immigration flows would increase, with this group going from 1% of the labour force in 2000 to almost 15% in 2008, and female participation in the job market almost doubled from what it had been in 1980 (Bentolila et al., 2012; Muñoz-de-Bustillo & Esteve, 2017). From 1995 to 2007 GDP per capita would grow by 112%, while the number of employed workers would rise from 12 to 20 million, especially due to the expansion of sectors such as tourism, and personal services, while the construction sector would account for 14% of total employment. While it is true that the years with the sharpest increases in employment were those following large regularizations of undeclared immigrants, unemployment also suffered a massive reduction, going from 25% in the 1990s to only 8% by 2007, as one in three new jobs in the European Union were being created in Spain (Burroni et al., 2019; Meardi, 2012; Wölfl & Mora-Sanguinetti, 2011; Corujo, 2014).

Despite this period of expansion, some characteristics of the Spanish economy remained as they had been for the past decades. Retail and services continued to dominate, as a gradual process of deindustrialization kept unfolding, and while higher education was more common than in Portugal, unskilled labour still made up a high proportion of the labour market (Barroso, 2017; Banyuls & Recio, 2012). On the employer level, the productive structure was mostly made up of small and medium-sized companies, with over 50% being micro-sized companies with fewer than 10 employees (Burroni et al.,

2019; Cruces et al., 2015). Finally, but perhaps most important, FTCs continued to represent a critical role, having stabilized around one-third of the labour market. Several authors point out that while the EPL Index for open-ended contracts was lower in Spain than in France (2.36 vs 2.58 by 2000), this only reflects *de jure* conditions and not the *de facto* application of the law, and dismissal costs were made more stringent by slow judicial procedures in case of contested dismissals. Similarly, while the law limited FTCs to a total of 30 months, the wording of the law was vague and redefining the job description could be enough to circumvent it, and the limitation that these contracts could only be used for certain objectives was rarely monitored by authorities, and so employers often ignored it. All these factors were not reflected in the EPL Indexes, they made companies more reluctant to opt for permanent employment instead of FTCs, and the conversion to open-ended contracts was only 4%, as it could prove cheaper to simply keep hiring new workers instead of offering a permanent position (Wöfl & Mora-Sanguinetti, 2011; Bentolila et al., 2012; Bentolila et al., 2008).

By 2004 another general election saw the end of 8 years of centre-right rule, with a new minority PSOE government inaugurated with the support of two small left-wing parties (Lima & Artiles, 2011). This provided a chance to reinitiate dialogue with unions, and by 2006 the tripartite Agreement for the Enhancement of Growth and Employment was signed, marking a renewed attempt to tackle segmentation. The 2006 labour reform re-introduced incentives for the conversion of temporary contracts into permanent ones, while the maximum duration of FTCs was reduced to 24 months, lowering dismissal costs for open-ended contracts (Marques & Fonseca, 2022; Bentolila et al., 2008; Lima & Artiles, 2011). While the weight of FTCs would decrease from 34% in 2006 to 32% in the first quarters of 2007 (INE data), it is unclear if this trend would have continued or if it was merely circumstantial.

So was the general state of affairs in the Spanish economy and labour market, which would by 2008 be hit by the global financial crisis, which would have severe consequences in the country and on workers. While the economy had indeed been growing for the last decade and employment was expanding, the warning signs that the Spanish system had fatal flaws had always been there.

One of these flaws was the lack of internal flexibility that companies disposed of when adapting to an economic downturn. Collective agreements in Spain often spelled out a schedule for salary increases that outpaced productivity growth, and wages were rarely adapting to unemployment fluctuations. This meant that in case of a recession companies could not opt for reducing working hours per employee or adjusting wages, and would instead resort to worker dismissals (Horwitz & Myant, 2015; Bentolila et al., 2012). This adjustment through dismissals in turn led to a high level of employment volatility throughout the decades, with the unemployment rate rising by 3% 21% from 1975 to 1985, then dropping 5 points in

5 years, then again rising by 7 points in 4 years, and then beginning a slow reduction that would last until the crisis, whereupon the unemployment rate would quadruple in a few years (Spanish Chamber of Commerce data). When comparing to a fellow European country, France, is not only visible that the unemployment rate has consistently been higher in Spain, but also that its peaks and troughs have been more responsive to economic cycles (Bentolila et al., 2012).

The need to adjust to downturns through dismissals also meant that Spanish employers, combined with the *de facto* high EPL for permanent contracts, also incentivized Spanish employers to keep a high number of employees with FTC, and these numbers were always hovering at around one-third of the labour force, as discussed before. This keeps the workers tied up in situations of job and income insecurity, and therefore social insecurity, while at the same time reducing the incentives for employers to invest in training for their workers, keeping their productivity low (Wölfl & Mora-Sanguinetti, 2011; Horwitz & Myant, 2015).

Yet other issues that were not so closely related to the labour market would also soon come to affect its outcomes. While Spanish public debt remained low at 36.3% of GDP in 2007 and enjoyed 3 consecutive years of surplus before 2008, the EMU inadvertently created a scenario of bad current accounts for capital and trade (Alvarez, 2015; Bentolila et al., 2012). The easiness of credit access provided by the EMU led to an inflow of capital and debt, that was mostly directed at non-tradable sectors of the economy. The construction sector would be one of the greatest beneficiaries, as the new credit stimulated a major episode of mortgage lending, increasing household debt, and helping to create a housing bubble, whose tax revenue then played an important role in funding government expenses (Charnock et al., 2012; Banyuls & Recio, 2012; Corujo, 2014). In short, the capital accessibility had led to high levels of indebtedness for households and companies, while constituting a revenue source for the state, making the Spanish economy dependent on external loans, and very sensitive to increases in interest rates.

All these problems can be seen as part of a larger endemic problem in the Spanish economy, which is a growth paradigm based on the so-called 'low-road of development'. That is, while economic growth did exist, this growth was based on the expansion of low-quality jobs, and low-quality products in low-value-added sectors, which relied on labour-intensive and largely unskilled workers (Burrioni et al., 2019; Banyuls & Recio, 2012). The growth of these sectors also created incentives for young workers to abandon compulsory education, with the dropout rate increasing from 18% in 1990 to 32% in 1997, and the prevalence of FTCs also reduced the incentives for training by the employers, with only 23% of FTC workers receiving training from their firms in 2006 (Barroso, 2017; Bentolila et al., 2012). Therefore, the Spanish economy expanded without any productivity growth, with Total Factor Productivity contracting

throughout the decade, so that just before the crisis Spanish productivity per hour of work stood at \$42, compared with \$47 in Italy, and \$56 in France and Germany. One way to observe this tendency is by noting that labour productivity and real wages are countercyclical, as any recession will destroy the FTCs in low-productivity jobs (Burroni et al., 2019; Bentolila et al., 2012; Éltető, 2011).

These inherent flaws within the fabric of the Spanish economy would soon become more apparent with the start of the Great Recession in 2008, which would have deep impacts on the country. While in 2007 Spanish GDP growth had reached 3.6%, by 2008 it significantly slowed down to 0.9, and by 2009 it went into a 3.8% contraction. Only by 2014 would the Spanish GDP be once again on a firm growth course (World Bank data). This downturn did not restrict itself to economic activity, and in lack of other tools for adjustment, companies reacted by shedding their temporary workers, with Spain suffering the worst employment losses per point of GDP. Between 2008 and 2011 2.6 million jobs would be destroyed, with the construction sector representing more than half of this value, and this loss would combine with still-existing immigration flows and cause unemployment to blow up. Its value went from 8.57% in 2007 to over 25% by 2012 (Spanish Chamber of Commerce data), while the economic downturn also led to a deterioration of the conditions for those still employed, with Spain registering a 12.7% rate of in-work poverty by 2010 (Bentolila et al., 2012; Alvarez, 2015; Pugliano et al., 2016; Meardi, 2012).

As the ramifications of the international financial crisis started to reach Spain, the initial reaction of PSOE (which was re-elected as a minority government in March 2008) was to consider the crisis as a temporary economic downturn, and so its action focused on mitigating the effects through fiscal measures rather than any labour reform. By April of 2008 several tax cuts were approved, and expenditure (such as public works) was increased, while unemployment benefits were widened, and subsidies for self-employment and hiring those in unemployment were created (Wölfl & Mora-Sanguinetti, 2011; Banyuls & Recio, 2012; Corujo, 2014).

Despite these attempts, the situation would soon degrade for the Spanish government. While the country had low public debt before the recession, the fiscal stimulus measures presented by PSOE would turn the financial surplus of 1.9% in 2007 into an 11.1% deficit in 2009, as GDP and tax revenues started to falter. (Charnock et al., 2012; Meardi, 2012). As a result, public debt would soon rise from around 36% in 2007 to over 90% by 2013, and the economy's lack of competitiveness and expected meagre growth, would increase the difficulty of obtaining new loans (Begega & Balbona, 2015; Éltető, 2011). While by November 2009 the risk premium (measured as the difference between a Spanish and a German 10-year bond) stood at 55 basis points, it would quickly jump to 217 basis points by June of 2010, vastly increasing the cost of financing government expense (Bentolila et al., 2012).

As the debt and its costs increased, so did the external pressure for reform, including labour reform. European institutions, as well as several member states, blamed the public debt crisis as the result of the current account imbalances that were experienced in trade and capital, and that in order to return to growth Spain should go through a process of fiscal consolidation and internal devaluation that would allow it to regain international competitiveness (Cruces et al., 2015; Alvarez, 2015). With this view in mind, the Bank of Spain, ECB, and IMF started to demand liberalization in the labour market, especially in the areas of collective bargaining and in the reduction of dismissal costs for open-ended contracts, with added pressure from international rating agencies as other peripheral economies started to threaten to default (Corujo, 2014; Branco et al., 2019; Lima & Artiles, 2011; Meardi, 2012).

This liberalization thrust would certainly not be well-regarded by vast segments of civil society, and the government could have resorted to social dialogue and tripartite pacts in order to give a greater sense of necessity and legitimacy to these reforms. The beginning of the crisis did witness an intensification of efforts to find support from social actors, and by July of 2008 a tripartite pact was signed, although with some discontentment from both unions. However, by 2009 social dialogue would decline, with unions and the employers' confederation failing to renew their Inter-Confederal Agreement on Collective Bargaining, while another attempt at a tripartite pact failed in July of that year due to the government's lack of ability to find a settlement and the President of the employers' confederation showing little interest in any pact (Begega & Balbona, 2015; Lima & Artiles, 2011; Corujo, 2014).

By February 2010, with the risk premium of Spanish debt rising, the government issued the EPL guidelines that would be discussed with the social partners in preparing for an upcoming labour reform (Bentolila et al., 2012). By May 2010 the risk premium rose to 217 basis points, and the IMF agreed to a bailout loan for Greece, significantly increasing the pressure on PSOE to take fast action. Only a few days later PSOE approved the first austerity package under pressure from the Eurogroup, leading to numerous budget cuts, including cutting salaries of public workers (Picot & Tassinari, 2017; Lima & Artiles, 2011; Corujo, 2014). As the employers' confederation seemed to have little interest in finding common ground with the unions, and the negotiations seemed to be stalling, the government chose once again to disregard social agreements and acted unilaterally in approving this labour reform, the Royal Decree-Law of 16th of June (Bentolila et al., 2012; Corujo, 2014; Meardi, 2012).

The 2010 reform followed in the same steps as the 2006 labour reform, with a liberalization of the open-ended contracts, while FTCs saw some restrictions to their usage. In terms of regular contracts, the acceptable reasons for dismissal were clarified and extended, their notice period was reduced from 30 to 15 days, while the eligibility of workers for the incentives to permanent contracts was broadened.

Temporary employment also suffered changes, with a schedule of increases in severance pay being created, while a 3-year limit was imposed on the duration of FTCs between a company and a worker, even if the job functions changed, with the stimulation that after that period a permanent contract should be offered. While these reforms were considered necessary by external entities, they were criticized by the two major unions, who organized a general strike on the 29th of September, their fourth together against PSOE governments. However, the protest was called late and without much build-up and would largely be seen as a failure, as the reform would still be ratified that same month. One silver lining would be that a member of the two main unions would soon be inaugurated as the new Minister of Employment, with the government hoping this would help restore social dialogue (Bentolila et al., 2012; Antentas, 2015; Picot & Tassinari, 2017).

The following year would be marked by both new attempts at negotiations and shows of discontent from civil society. By February 2011 a new tripartite pact took place, uniting PSOE, the employers' confederation, and both UGT and CCOO, despite it coming at the cost of significant internal protest (Begega & Balbona, 2015; Picot & Tassinari, 2017; Lima & Artiles, 2011). However, the rise in unemployment also led to a growing resentment against the Spanish people, and in reaction to the growing unemployment, austerity, and economic decline, by May 15th would see mobilizations across several Spanish cities, organized by the group 'Real Democracy Now'. While not the intention or fault of this group, many of the protesters would encamp and occupy Madrid's Puerta del Sol square, and soon afterwards several other squares across the country. This was not an isolated protest, as in the previous month Madrid had seen a protest from the group 'Youth Without Future', as youth unemployment had reached 41%, and by the 27th of July there would be clashes between the police and protesters, while the 15th of October also witness mass protests in the streets (Charnock et al., 2012; Antentas, 2015). It is also noteworthy that these groups largely viewed unions as part of the problem, blaming them for no longer being able to mobilize society and for not properly representing the interests of workers, especially in the wake of the new tripartite pact (Padoan, 2019; Antentas, 2015).

While the initial February pact had established that employers and trade unions would work together to reform collective agreements, the pressure from these leftist groups blocked unions from making serious concessions, while employers also showed little interest in conceding and even walked back on some of their initial proposals, leading the negotiations to fail by the end of May (Lima & Artiles, 2011; Meardi, 2012). Faced with this scenario, the government chose to once again act unilaterally, and by July the Royal Decree-Law 7/2011 was approved, giving preference to firm-level collective agreements over industry-level ones (Picot & Tassinari, 2017). Only a month later, PSOE would also suspend a clause

of their 2010 reform that restricted the consecutive usage of FTCs, with this suspension lasting until the 31st of December 2012 (Article 5 of the Royal Decree-law 10/2011).

By the end of the year, with pressure mounting due to the deterioration of the national economy and the effects of austerity, early elections were called. The November 2011 elections proved costly for PSOE, dropping 15% compared to the 2008 elections, and witnessing the rise of the PP as the new majority government, with Rajoy as Prime Minister (Marques & Fonseca, 2022; Branco et al., 2019; Begega & Balbona, 2015). Taking functions in late December, this government considered the previous labour reforms to be insufficient, and so it gave a 2-month period for employers' confederations and unions to agree on new measures. By late January a bilateral pact was reached between these two groups, proposing employment adjustment through wage moderation and early retirements, which the PP government considered insufficient in reducing segmentation or introducing internal flexibility. Only a month later a new unilateral reform was introduced by the Rajoy government, the Royal Decree-Law 3/2012 (Begega & Balbona, 2015; Gamberoni et al., 2017; Picot & Tassinari, 2017; Dolado, 2012).

While this new reform can be said to follow the general direction of the reforms of 2010-2011 enacted by PSOE, it also took a deeper approach to increasing flexibility for open contracts and reforming collective agreements (Dolado, 2012; Marques & Fonseca, 2022). Permanent contracts saw the conditions for fair dismissal being expanded, severance payments were lowered, and the right to receive wages during the procedures against unfair dismissals was eliminated, while collective dismissals were also simplified. Despite all these liberalizing changes, it is important to note that the centre-right PP government also eliminated the employers' right to 'express dismissal' for open-ended contracts (that allowed employers to qualify a dismissal as unjustified and pay 45 days' wages to avoid any judicial process), and allowed the amend that authorize unlimited FTCs to expire by the 1st of January 2013.

This reform was allowed to cut deeper than preceding ones, as the new government enjoyed an absolute majority and had the support of the ECB and European Commission on one hand, while on the other hand financial institutions were once again threatening a downgrade of Spanish debt unless significant reforms were pursued (Bentolila et al., 2012; Cuerpo et al., 2018; Corujo, 2014). In the post-reform period, the Ministry of Employment and European Commission would claim that the reform allowed for a faster recovery from the crisis, and the OECD performed an evaluation that concluded very positive results in ensuring wage moderation and increasing hiring, but nevertheless, it also led to a strong reaction from Spanish society (Horwitz & Myant, 2015). Left-wing parties, including PSOE and United Left, alongside the unions, would take legal action in the high courts to restrict the application of these reforms and would succeed in producing some reversals. CCOO and UGT also organized a general strike on the

29th of March, and later on the 14th of November, while surprisingly the Governor of the Bank of Spain also declared that this reform would lead to job destruction in the short-term, even if it considered it positive on the long-term (Branco et al., 2019; Antentas, 2015; Meardi, 2012).

Nonetheless, by the 1st of January 2013, the total duration of FTCs stopped being unlimited and returned to the previous maximum of 24 months, marking a pro-outsider reform during an absolute majority government from the centre-right. Once again, it should always be noted the limited scope and magnitude of this reform, which restricted itself to the maximum duration of FTCs while leaving unchanged many other parameters of these contracts.

CHAPTER 5

Comparing Hypotheses Across the Three Countries

Having analysed the economic, political, and social context of each country and their evolution in the lead-up to the pro-outsider reforms carried out by centre-right parties, it is now possible to return to the four main hypotheses that had been set. These pointed to the importance of factors such as economic growth, increases in the number of outsiders, the weakness of the government, and the rise of extreme-left parties. To analyse these hypotheses and their contribution to the occurrence of the reforms, this section will verify whether or not they were present in the years of these reforms: 2012 for Spain, 2015 for Portugal, and 2018 for Italy.

5.1 Economy or Decreasing Unemployment

One of the arguments set out by the literature would be that an increase in EPL would not bring harmful effects on unemployment during a period of economic expansion, and therefore economic growth or low unemployment could be a factor that allows centre-right governments to be pro-outsider.

For Portugal and Italy, these conditions seem to have been present. By 2015 Portugal was experiencing its strongest Real GDP growth since before the Recession began, and the previous year had marked the first since 2010 with positive GDP growth. Similarly, Italy was also going through an economic expansion in 2018, having seen positive Real GDP growth for the last 3 years, even if that growth was slowing down. While neither country possessed a low unemployment rate at the moment of reform, they were both demonstrating a rapid improvement after the worst years of the recession. Portugal's unemployment rate decreased from 17.2% in 2013 to 13% in 2015, while Italy's had gone from 12.7% to

10.6% from 2014 to 2018, with both countries expecting further improvements. Therefore, it can be said that the economic and employment conditions existed to allow for pro-outsider reforms (Eurostat Data).

However, Spain presents a different case. By 2012 the effects of the global recession were still deeply felt within the country, with GDP dropping by 3% that year, the second worst year of the whole crisis. Similarly, unemployment had jumped by 3.4 points when compared to the previous year and would continue to rise into 2013. (Eurostat data)

Therefore, we can say that Portugal and Italy present favourable economic and unemployment conditions that could help to explain their reforms, while Spain does not.

5.2 Rising number of Outsiders or Insiders feeling threatened

Another factor that literature takes into account is that an increase in the number of outsiders will create a more powerful voting bloc, and so pressure policy-makers to take actions that benefit them. Similarly, insiders might feel threatened and feel being replaced by workers in FTCs, which could also lead a centre-right party to take action. For this case, let us consider as outsiders only those employed under a fixed-term contract.

The European Centre for the Development of Vocational Training (CEDEFOP), which collects data on temporary work, shows that Portugal had been experiencing a rise in outsiders, who had gone from 20.5% of the workforce in 2012 to 22% by 2015, the year of the reform. Similarly, the number of workers on FTCs in Italy had risen from 14% in 2014 to 17% in 2018. While the rate of outsiders had decreased from 25.2% to 23.8% in Spain from 2011 to 2012, this was mainly due to job destruction, and not to any alteration of the economic fabric of the country.

Furthermore, Bentolila et al. (2012) performed a survey which demonstrated that the Spanish public registered more resistance than the EU-15 average to the idea of liberalizing open-ended contracts, even if this effort was better received among low-skilled workers and the unemployed. Insiders were more averse to any liberalization of their work situation, with Muñoz-de-Bustillo and Esteve (2017) pointing out that from 2007 to 2015 almost half of the workers with an open-ended contract in the initial year would have been fired by the final year, casting doubts on the level of protection of these types of contracts, and helping to explain why 71% of those workers said that were concerned with job security by 2011.

Thus, it can be said that all these countries can be said to have a high rate of outsiders, which was continuing to rise in Portugal and Italy, while in Spain insiders felt that their job security was being threatened.

5.3 Weak governments and inclusive unions

Another possible explanation that the literature proposes for these reforms is that government in a minority capacity or made up of a fragmented coalition may not have the strength to resist demands for more pro-outsider measures, especially when confronted with inclusive unions, who will prioritize the defence of all workers, not just insiders.

Both Portugal and Italy had strong and inclusive unions in their society, which could have applied pressure for pro-outsider reforms. In the case of Portugal, it can be concluded that the biggest union confederation (CGTP) always took a more inclusive approach, and never traded measures that would protect insiders at the expense of the outsiders, while also demonstrating its strength by organizing as many general strikes during the four-year tenure as the total number of strikes organized in the previous 30 years. However, the Portuguese government was in a position of strength, despite being a coalition government, as they still held majoritarian power.

Similarly, in Italy all major unions had shown their commitment to the protection of outsiders, even going so far as to form new branches especially dedicated to the organization of this type of precarious workers. But once again, the coalition government was also able to form a majority in Parliament and could proceed with any reforms it wished to implement, even if labour unions opposed them. Therefore, it cannot be said that these are cases of weak centre-right governments being driven to support pro-outsider measures due to their need for extra-parliamentarian support from inclusive unions.

Spain's case also consists of a majoritarian single-party government, and furthermore, Spanish unions had been willing to sacrifice outsiders' protections in order to safeguard the rights of insiders, approving of deregulation at the margins, so the initial hypothesis cannot be applied to this case as well.

Hence, none of the three countries can be said to have a weak government that was confronted by an inclusive union, and therefore, this hypothesis cannot explain the pro-outsider reforms.

5.4 Rise in Radical Left Parties

At last, the literature previously mentioned also pointed to the rise of extreme-left parties, as these types of political parties would tend to attract the votes from outsiders, which could motivate the centre-right to make pro-outsider reforms in order to limit their growth and maintain voters in the political centre.

The Portuguese case had seen a clear rise of radical left parties, BE and CDU, which had gone from controlling 22 seats in the Portuguese Parliament before the start of the crisis to a total of 36 by the 2015

elections, gaining ever more space in the left-wing of politics. CEDEFOP also provides the important context that while the European FTC average is 24% for people with low education levels and 13% for people with high education levels, Portugal shows a distortion of this trend, with these values being 20% for low-education workers and 23% for workers with higher education. This shows that the latter are disproportionately affected by temporary work, and considering that in Portugal it is the younger generations that show these higher levels of education, and that BE already attracted the youth vote, a pro-outsider reform by the centre-right could do a lot to limit the growth of these parties.

In Italy, a similar case can be found in the rise of M5S, which while defying classifications of either left or right wing, can nevertheless be considered a radical populist party aimed at attracting the vote of outsiders. This party did see rapid growth, capturing 109 seats in its very first election, and more than doubling its results 5 years later. This party also benefited from a similar effect as Portugal, where the younger population that is more affected by temporary work also have been steadfast supporters of M5S, so by allowing for a pro-outsider reform, Lega could have wished to curb the growth of this party through the support of outsiders.

At last, Spain faces a very different situation, since in the 2011 elections the two major political parties had managed to capture over 70% of the total vote, while the biggest extreme-left opponent managed only 7% of the vote and only 11 seats out of a 350 total. On the other hand, the centre-right PP managed to achieve the biggest result in its history, and the second-largest majority in Spain's democracy.

Thus, a rise in radical parties could indeed be considered an important factor in Portugal and Italy, but not in Spain.

5.5 Summary

Having analysed these four possible explanations proposed by the existing literature, we can find some commonalities. Portugal and Italy exhibited the presence of most of the hypotheses, as they saw an increase in the number of outsiders and in the power held by radical parties, while economic and employment conditions were propitious to pro-outsider reforms. On the other hand, Spain shows a contrasting case, lacking the rise in populist parties and the economic conditions that the literature considers to be needed for these types of reforms. What all three countries share is the presence of majoritarian governments, either single-party or through coalitions, and a clear rise in the number of outsiders during the years preceding the reforms.

Another factor that is important to note is the magnitude of the reforms, as they also vary greatly among the selected countries. Portugal and Spain's reforms were much more limited in their scope, limiting only the maximum extension of FTC while not increasing its direct costs or limiting the situations in which it could be applied. By contrast the Italian reform had a deeper reach, limiting not only the maximum duration but also the maximum amount of renewals and requiring that employers provide a legal justification for any renewal after the first 12 months.

Therefore, some conclusions can be drawn. Among the four initial hypotheses, the only one that can be universally found is the rise of outsiders in the years leading up to the reforms, marking this as a necessary condition for the occurrence of increased pro-outsider EPL. For their part, the rise in radical parties and propitious economic conditions were present in Portugal and Italy, but not in Spain, and more research would be needed to verify if by themselves they would have been able to produce similar results. The magnitude of the reforms also seems to be important as the two governments, Portugal and Spain, constituted only by centre-right parties approved reforms that were smaller in magnitude. By opposition, the Italian government approved more gargantuan changes, but it also include the M5S party, famous for not clearly fitting into a right-wing or left-wing ideology. This seems to hint that centre-right parties will only act on the concerns of outsiders when these become a growing force within the societal and political discussion, and even then, only minor reforms will be implemented.

CHAPTER 6

Conclusion

The goal of this dissertation was to study the reasons that might lead a centre-right government to enact pro-outsider labour reforms, with a focus on Southern Europe and on fixed-term contracts. Through the study of articles from different academics it was possible to construct four hypotheses, detailing the set of conditions that might influence the decision of the centre-right to pursue these policies.

The comparison between cases of pro-outsider reform in Southern Europe illustrates that contrary to the expectations of the insider-outsider theory of politics, while centre-right parties focus on capturing the vote of the high middle-class and business owners, this does not always imply that they will focus only on liberalization of the labour market. Instead, this dissertation illustrates that centre-right parties, even when holding a majoritarian government position, can still adopt a pro-outsider stance if certain conditions are met. The most important of these conditions seems to be that the number of outsiders will already be large and facing a quick expansion in the time preceding the reform, as this

growth can threaten the electoral chances of the centre-right parties in future elections since these workers tend to support left-leaning parties. Factors such as a positive economic context or a rise in populist parties are also highlighted by the literature as having a positive effect on the likelihood that right-leaning parties will indeed proceed or support these reforms, but more research would be needed to properly evaluate the weight of these factors.

Coupling the growth of outsiders as an explanatory factor for these changes, with the fact that governments composed solely of centre-right parties tend to only perform minimalistic reforms, the analysis suggests a rationale of these parties to the way they approach the issue of segmentation. While believing that labour liberalization will indeed solve or alleviate many economic issues and that it will please their core electoral supporters such as business owners, an excessive rise in segmentation and growth in outsiders can also pose a threat to centre-right parties in future elections, as these voters will tend to support left-wing political parties. In other words, centre-right parties have an ideological belief in liberalization but do not wish for the number of outsiders to grow too much, and so if segmentation does reach excessive levels they will implement minor pro-outsider measures that intend to limit the growth of outsiders. Therefore centre-right parties may be able to support pro-outsider measures by prioritizing practical and rational political necessities over ideology, and take up a reformist position to decrease segmentation.

While these conclusions help to shed more light on the inner workings of the insider-outsider models for the labour market, they are also limited in their scope as the focus of study was solely Southern Europe and the regulation of fixed-term contracts within these countries. In the future, research could also focus on whether these re-regulations of FTCs led to the liberalization or growth of other forms of precarious work, or whether the growth of outsiders in countries outside of Southern Europe could still lead to the legislative changes that were observed. At last, other countries would need to be analysed in order to understand if the hypothesis of the rise of radical left parties and of economic growth and decreasing unemployment could lead to a re-regulation of FTCs, even in contexts where the number of outsiders is low or is not rising.

References

- Afonso, A. and Bulfone, F. (2019) “Electoral coalitions and policy reversals in Portugal and Italy in the aftermath of the eurozone crisis,” *South European Society and Politics*, 24(2), pp. 233–257. Available at: <https://doi.org/10.1080/13608746.2019.1644809>.
- Adascalitei, D., Pignatti Morano, C. Drivers and effects of labour market reforms: Evidence from a novel policy compendium. *IZA J Labor Policy* 5, 15 (2016). <https://doi.org/10.1186/s40173-016-0071-z>
- Aina Gallego & Paul Marx (2017) Multi-dimensional preferences for labour market reforms: a conjoint experiment, *Journal of European Public Policy*, 24:7, 1027-1047, DOI: 10.1080/13501763.2016.1170191
- Antentas, J. M. (2015). Spain: the *indignados* rebellion of 2011 in perspective. *Labor History*, 56(2), 136–160. <https://doi.org/10.1080/0023656x.2015.1029813>
- Avdagic, S. (2014). Does deregulation work? reassessing the unemployment effects of employment protection. *British Journal of Industrial Relations*, 53(1), 6–26. <https://doi.org/10.1111/bjir.12086>
- Balbona, D. L., & Begega, S. G. (2015). Austerity and Welfare Reform in South-Western Europe: A Farewell to Corporatism in Italy, Spain and Portugal? *European Journal of Social Security*, 17(2), 271–291. <https://doi.org/10.1177/138826271501700207>
- Barroso, Margarida Martins (2017). “Crisis and Work: An Analysis of Emergency Labour Market Policies in Portugal, Spain and Greece”. *Revista Española de Investigaciones Sociológicas*, 158: 3-22. (<http://dx.doi.org/10.5477/cis/reis.158.3>)
- Branco, R., Cardoso, D., Guillén, A. M., Sacchi, S., & Balbona, D. L. (2019) Here to Stay? Reversals of Structural Reforms in Southern Europe as the Crisis Wanes, *South European Society and Politics*, 24:2, 205-232, DOI: 10.1080/13608746.2019.1640966
- Branco, R., & Cardoso, D. (2020). The politics of change. Coalitional politics and labour market reforms during the sovereign debt crisis in Portugal. *Journal of Social Policy*, 51(1), 39–57. <https://doi.org/10.1017/s0047279420000653>
- Bentolila, S., Dolado, J., & Jimeno, J. F. (2012, January 20). The Spanish labour market: A very costly insider-outsider divide.
- Bentolila, Samuel; Dolado, Juan Jose; Jimeno, Juan F. (2008) : Two-tier Employment Protection Reforms: The Spanish Experience, *CESifo DICE Report*, ISSN 1613-6373, ifo Institut für Wirtschaftsforschung an der Universität München, München, Vol. 06, Iss. 4, pp. 49-56 <https://doi.org/10.1177/0309816811431937>
- Bentolila, S., Cahuc, P., Dolado, J. J., & Le Barbanchon, T. (2012). Two-Tier Labour Markets in the Great Recession: France Versus Spain. *The Economic Journal*, 122(562), F155–F187. <https://doi.org/10.1111/j.1468-0297.2012.02534.x>
- Bentolila, Samuel; Dolado, Juan J.; Jimeno, Juan F. (2012) : The New New Labour Market Reform in Spain: Objectives, Instruments, and Shortcomings, *CESifo DICE Report*, ISSN 1613-6373, ifo Institut - Leibniz-Institut für Wirtschaftsforschung an der Universität München, München, Vol. 10, Iss. 2, pp. 3-7
- Bentolila, S., Dolado, J.J. & Jimeno, J.F. Reforming an insider-outsider labor market: the Spanish experience. *IZA J Labor Stud* 1, 4 (2012). <https://doi.org/10.1186/2193-9012-1-4>

- Brancaccio, E., Garbellini, N., & Giammetti, R. (2018). Structural labour market reforms, GDP growth and the functional distribution of income. *Structural Change and Economic Dynamics*, 44, 34–45. <https://doi.org/10.1016/j.strueco.2017.09.001>
- Burroni, L., Gherardini, A., & Scalise, G. (2019). Policy Failure in the Triangle of Growth: Labour Market, Human Capital, and Innovation in Spain and Italy. *South European Society and Politics*, 24(1), 29–52. <https://doi.org/10.1080/13608746.2019.1575571>
- Campos Lima, M. da P., & Artiles, A. M. (2011). Crisis and trade union challenges in Portugal and Spain: between general strikes and social pacts. *Transfer: European Review of Labour and Research*, 17(3), 387–402. <https://doi.org/10.1177/1024258911410806>
- Cardoso, D. and Branco, R. (2018) “Liberalised dualisation. labour market reforms and the crisis in Portugal,” *European Journal of Social Security*, 20(1), pp. 31–48. Available at: <https://doi.org/10.1177/1388262718763668>.
- CEDEFOP, Temporary Employment Data from 2011 to 2020, Accessed at: <https://www.cedefop.europa.eu/en/tools/skills-intelligence/temporary-employment?year=2011&country=EU#1>
- Charnock, G., Purcell, T., & Ribera-Fumaz, R. (2012). ¡Indígnate!: The 2011 popular protests and the limits to democracy in Spain. *Capital & Class*, 36(1), 3–11.
- Cirillo, V., Fana, M. & Guarascio, D. *Labour market reforms in Italy: evaluating the effects of the Jobs Act*. *Econ Polit* 34, 211–232 (2017). <https://doi.org/10.1007/s40888-017-0058-2>
- Costa, H. A. (2015, June). Do contexto das reformas laborais às respostas do campo sindical . *Cadernos do Observatório*.
- Cuerpo, C., Geli, F., & Herrero, C. (2018). Some Unpleasant Labor Arithmetics: A tale of the Spanish 2012 Labor Market Reform. Independent Authority for Fiscal Responsibility.
- Dino Pinelli & Roberta Torre & Lucianajulia Pace & Laura Cassio & Alfonso Arpaia, 2017. "The Recent Reform of the Labour Market in Italy: A Review," *European Economy - Discussion Papers* 2015 - 072, Directorate General Economic and Financial Affairs (DG ECFIN), European Commission.
- Dolado, J. J. (2012). The Pros and Cons of the Latest Labour Market Reform in Spain. *Spanish Labour Law and Employment Relations Journal*, 1(1-2), 22-30. Retrieved from <https://e-revistas.uc3m.es/index.php/SLLERJ/article/view/1549>
- Durazzi, N. (2015). Inclusive Unions in a dualised labour market? the challenge of organising Labour Market Policy and Social Protection for Labour Market Outsiders. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2684519>
- Durazzi, N. (2017). Inclusive Unions in a dualized labour market? the challenge of organizing labour market policy and Social Protection for Labour Market Outsiders. *Social Policy & Administration*, 51(2), 265–285. <https://doi.org/10.1111/spol.12287>
- Eichhorst, W., & Marx, P. (2011). Reforming German labour market institutions: A dual path to flexibility. *Journal of European Social Policy*, 21(1), 73–87. <https://doi.org/10.1177/0958928710385731>
- Eichhorst, W. and Marx, P. (2021) “How stable is labour market dualism? reforms of employment protection in nine European countries,” *European Journal of Industrial Relations*, 27(1), pp. 93–110. Available at: <https://doi.org/10.1177/0959680119899199>.
- Éltető, Andrea, The Economic Crisis and its Management in Spain (August 2, 2011). *Eastern Journal of European Studies*, Vol. 2, Issue 1, pp. 41-55, June 2011 , Available at SSRN: <https://ssrn.com/abstract=1903981>

- Emmenegger, Patrick and others (eds), *The Age of Dualization: The Changing Face of Inequality in Deindustrializing Societies*, *International Policy Exchange Series* (2012; online edn, Oxford Academic, 24 May 2012) <https://doi.org/10.1093/acprof:oso/9780199797899.001.0001>
- Emmenegger, P., Marx, P., & Schraff, D. (2015). Labour market disadvantage, political orientations and voting: How adverse labour market experiences translate into electoral behaviour. *Socio-Economic Review*, 13(2), 189–213. <https://doi.org/10.1093/ser/mwv003>
- Emmenegger, P. (2009) “Barriers to entry: Insider/Outsider Politics and the political determinants of job security regulations,” *Journal of European Social Policy*, 19(2), pp. 131–146. Available at: <https://doi.org/10.1177/0958928708101866>.
- EPdata, Evolution of the Unemployment Rate in Spain since 1975, Accessed at: <https://www.epdata.es/evolucion-tasa-paro-espana/2fc3fced-0264-4a55-bca8-d8c79509f4ae>
- Ferragina, E., & Arrigoni, A. (2021). Selective Neoliberalism: How Italy Went from Dualization to Liberalisation in Labour Market and Pension Reforms. *New Political Economy*, 26(6), 964–984. <https://doi.org/10.1080/13563467.2020.1865898>
- Fialho, P. (2016, September). Employment Protection Legislation and labour market dualism: France, Italy, Portugal and Spain, from 1975 to nowadays. London; University College London, IFS, CeMMAP.
- Gamberoni, Elisa and Gradeva, Katerina and Weber, Sebastian, Firm Responses to Employment Subsidies: A Regression Discontinuity Approach to the 2012 Spanish Labour Market Reform (October 21, 2016). *ECB Working Paper No. 1970*, Available at SSRN: <https://ssrn.com/abstract=2898876> or <http://dx.doi.org/10.2139/ssrn.2898876>
- González Begega, S. y D. Luque Balbona. 2015. «Crisis económica y deterioro de los pactos sociales en el sur de Europa: Los casos de España y Portugal». *Revista Internacional de Sociología*, 72, 2, DOI: <http://dx.doi.org/10.3989/ris.2014.03.17>
- Guya Accornero & Pedro Ramos Pinto (2015) ‘Mild Mannered’? Protest and Mobilisation in Portugal under Austerity, 2010–2013, *West European Politics*, 38:3, 491–515, DOI: 10.1080/01402382.2014.937587
- Gyes, G. van, Schulten, T., Cruces, J., Álvarez, I., Trillo, F., & Leonardi, S. (2015). Impact of the Euro Crisis on Wages and Collective Bargaining in Southern Europe - a Comparison of Italy, Portugal, and Spain. In *Wage bargaining under the new European Economic Governance: Alternative Strategies for Inclusive Growth* (pp. 93–137). essay, European Trade Union Institute ETUI.
- Heimberger, P. (2020). Does employment protection affect unemployment? A meta-analysis. *Oxford Economic Papers*. <https://doi.org/10.1093/oep/gpaa037>
- Horwitz, L., & Myant, M. (2015). Spain's labour market reforms: The road to employment or to unemployment? *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2628065>
- Ida Regalia & Marino Regini (2018) Trade Unions and Employment Relations in Italy during the Economic Crisis, *South European Society and Politics*, 23:1, 63-79, DOI: 10.1080/13608746.2018.1430608
- ILO, Annual Growth Rate of Output per Worker (GDP constant 2010 US \$) (%) – Annual, Accessed at: https://www.ilo.org/shinyapps/bulkexplorer33/?lang=en&segment=indicator&id=SDG_A821_NOC_RT_A

- ILO, Trade Union Density Rate (%) – Annual, Accessed at:
https://www.ilo.org/shinyapps/bulkexplorer55/?lang=en&segment=indicator&id=ILR_TU_MT_NOC_RT_A
- INE, Workers by Type of Contract, Gender, and Type of Work, Accessed at:
<https://www.ine.es/jaxiT3/Datos.htm?t=3961#!tabs-grafico>
- Istat, Sixty Years of Europe: Labour, Accessed at:
<https://www.istat.it/60yearsofeurope/labour.html>
- Jimeno, Juan F. and Dolado, Juan Jose and García Serrano, Carlos, Drawing Lessons from the Boom of Temporary Jobs in Spain (July 2, 2001). *FEDEA Working Paper* No. 2001-12, Available at
 SSRN: <https://ssrn.com/abstract=286714> or <http://dx.doi.org/10.2139/ssrn.286714>
- Jordan, J., Maccarrone, V., & Erne, R. (2020). Towards a Socialization of the EU’s New Economic Governance Regime? EU Labour Policy Interventions in Germany, Ireland, Italy and Romania (2009–2019). *British Journal of Industrial Relations*, 59(1), 191–213.
<https://doi.org/10.1111/bjir.12522>
- Katia Pilati & Sabrina Perra (2022): The insider–outsider divide and contentious politics: the tripartite field of the Italian labour movement, *West European Politics*, DOI: 10.1080/01402382.2022.2030593
- Kougias, K.G. (2018) “Comparing Greece and Portugal: Common employment trajectories but divergent outcomes?,” *Economic and Industrial Democracy*, 42(3), pp. 667–691. Available at: <https://doi.org/10.1177/0143831x18802925>.
- Koukiadaki, A., Tavora, I., & Martinez Lucio, M. (2016). Joint Regulation and Labour Market Policy in Europe during the Crisis: a seven-country comparison. In *Joint regulation and labour market policy in Europe during the crisis* (pp. 1-128). European Trade Union Institute. <http://www.etui.org/Publications2/Books/Joint-regulation-andlabour-market-policy-in-Europe-during-the-crisis>
- Lehndorff, S., Banyuls, J., & Recio, A. (2012). Spain: the nightmare of Mediterranean neoliberalism . In *A triumph of failed ideas: European models of capitalism in the crisis* (pp. 199–217). essay, European Trade Union Institute (ETUI).
- Lehndorff, S., Dribbusch, H., Schulten, T., & Leonardi, S. (2018). Trade unions and collective bargaining in Italy during the crisis. In *Rough waters: European trade unions in a time of crises* (pp. 88–116). essay, European Trade Union Institute.
- Leonardi, S., Pedersini, R., Leonardi, S., Concetta Ambra, M., & Ciarini, A. (2018). Italian collective bargaining at a turning point. In *Multi-employer bargaining under pressure: Decentralisation trends in five European countries* (pp. 186–224). essay, European Trade Union Institute (ETUI).
- Lindbeck, A., & Snower, D. J. (1986). Wage Setting, Unemployment, and Insider-Outsider Relations. *The American Economic Review*, 76(2), 235–239.
<http://www.jstor.org/stable/1818771>
- Lindbeck, A. and Snower, D.J. (2001) “Insiders versus outsiders,” *Journal of Economic Perspectives*, 15(1), pp. 165–188. Available at: <https://doi.org/10.1257/jep.15.1.165>.
- Lindbeck, A. and Snower, D.J. (2002) “The Insider-Outsider Theory: A Survey,” *SSRN Electronic Journal* [Preprint]. Available at: <https://doi.org/10.2139/ssrn.325323>.
- Lindvall, J., & Rueda, D. (2012). Insider-Outsider Politics: Party Strategies and Political Behavior in Sweden. *The Age of Dualization*, 277–303.
<https://doi.org/10.1093/acprof:oso/9780199797899.003.0012>

- Liotti, G. (2020). Labour market flexibility, economic crisis and youth unemployment in Italy. *Structural Change and Economic Dynamics*, 54, 150–162. <https://doi.org/10.1016/j.strueco.2020.04.011>
- Marino, S., Bernaciak, M., Mrozowicki, A., & Pulignano, V. (2019). Unions for whom? Union democracy and precarious workers in Poland and Italy. *Economic and Industrial Democracy*, 40(1), 111–131. <https://doi.org/10.1177/0143831X18780330>
- Marques, P., & Fonseca, D. (2022). Understanding the positions taken by moderate union confederations and centre-left parties during labour market reforms in Portugal and Spain: Why the configuration of left parties and trade union confederations matters? *European Journal of Industrial Relations*, 28(1), 65–84. <https://doi.org/10.1177/09596801211005765>
- Marx, P., & Picot, G. (2013). The party preferences of atypical workers in Germany. *Journal of European Social Policy*, 23(2), 164–178. <https://doi.org/10.1177/0958928712471222>
- Massimiliano Andretta (2018) Protest in Italy in Times of Crisis: A Cross-Government Comparison, *South European Society and Politics*, 23:1, 97-114, DOI: 10.1080/13608746.2018.1434456
- Meardi, G. (2012). Mediterranean Capitalism’ under EU Pressure: Labour Market Reforms in Spain and Italy, 2010–2012. *Warsaw Forum of Economic Sociology*, 3(5), 51-81. Retrieved from <https://econjournals.sgh.waw.pl/wfes/article/view/463>
- Moreira, A., Domínguez, Á. A., Antunes, C., Karamessini, M., Raitano, M., & Glatzer, M. (2015). Austerity-Driven Labour Market Reforms in Southern Europe: Eroding the Security of Labour Market Insiders. *European Journal of Social Security*, 17(2), 202–225. <https://doi.org/10.1177/138826271501700204>
- Myant, M. R., Piasna, A., Esteve, F., & Muñoz-de-Bustillo, R. (2017). The neverending story. Labour market deregulation and the performance of the Spanish labour market. In *Myths of employment deregulation: How it neither creates jobs nor reduces labour market segmentation* (pp. 63–82). essay, ETUI.
- OECD. (2013, December). Estudio de la OCDE Sobre la Reforma Laboral 2012 en España: Una Evaluación Preliminar.
- Padoan, E. (2019). “part of the elite”? anti-austerity populism and trade unionism in Italy and Spain. *Revista De Estudios Políticos*, (186), 137–170. <https://doi.org/10.18042/cepc/rep.186.05>
- Petmesidou, M. and Glatzer, M. (2015) “The Crisis Imperative, Reform Dynamics and rescaling in Greece and Portugal,” *European Journal of Social Security*, 17(2), pp. 158–181. Available at: <https://doi.org/10.1177/138826271501700202>.
- Picot, G., & Tassinari, A. (2017). All of one kind? Labour market reforms under austerity in Italy and Spain. *Socio-Economic Review*, 15(2), 461–482. <https://doi.org/10.1093/ser/mww042>
- Pordata, Dependent Workers: Total and by Type of Contract, Accessed at: <https://www.pordata.pt/portugal/trabalhadores+por+conta+de+outrem+total+e+por+tipo+d+e+contrato+-844>
- Pordata, Public Administration: Expenses, Revenues, and Decifit/Surplus in Percentage of GDP, Accessed at: <https://www.pordata.pt/portugal/administracoes+publicas+despesas++receitas+e+defice+excedente+em+percentagem+do+pib-2788>
- Pordata, Public Administration: Gross Debt in Percentage of GDP, Accessed at: <https://www.pordata.pt/Portugal/Administra%C3%A7%C3%B5es+P%C3%BAblicas+d%C3%ADvida+bruta+em+percentagem+do+PIB-2786>

- Pordata, Resident Population Between 16 and 89 Years of Age: Total and by Highest Education Level Completed, Accessed at:
<https://www.pordata.pt/portugal/populacao+residente+com+idade+entre+16+e+89+anos+total+e+por+nivel+de+escolaridade+completo+mais+elevado-2101>
- Pulignano, V., Ortíz Gervasi, L., & de Franceschi, F. (2016). Union responses to precarious workers: Italy and Spain compared. *European Journal of Industrial Relations*, 22(1), 39–55. <https://doi.org/10.1177/0959680115621410>
- Rathgeb, P. (2018). When weak governments confront inclusive trade unions: The politics of protecting labour market outsiders in the age of dualization. *European Journal of Industrial Relations*, 24(1), 5–22. <https://doi.org/10.1177/0959680117713785>
- Rathgeb, P. (2018). 6. Strong governments and precarious workers in the era of liberalization. *Strong Governments, Precarious Workers*, 161–182. <https://doi.org/10.7591/9781501730597-009>
- Rovny, A.E. and Rovny, J. (2017) “Outsiders at the ballot box: Operationalizations and political consequences of the insider–outsider dualism,” *Socio-Economic Review*, 15(1), pp. 161–185. Available at: <https://doi.org/10.1093/ser/mww039>.
- Rueda, D. (2005) “Insider–outsider politics in industrialized democracies: The challenge to Social Democratic parties,” *American Political Science Review*, 99(1), pp. 61–74. Available at: <https://doi.org/10.1017/s000305540505149x>.
- Santos, C. (2019, October). As Greves Gerais em Portugal entre 2011 e 2014. Lisbon; ISCTE-IUL.
- Schwander, H. (2018) “Labor market dualization and insider–outsider divides: Why this new conflict matters,” *Political Studies Review*, 17(1), pp. 14–29. Available at: <https://doi.org/10.1177/1478929918790872>.
- Schwander, Hanna, Hanspeter Kriesi, and Silja Häusermann. “The Politicisation of the Insider–Outsider Divide in Western Europe : Labour Market Vulnerability and Its Political Consequences.” Universität Zürich, 2012. Web.
- Simonazzi, A., Ciampa, V., & Villamaina, L. (2019). Italy: How could industrial relations help a return to economic and social convergence? *Towards Convergence in Europe*, 205–249. <https://doi.org/10.4337/9781788978071.00012>
- Theodoropoulou, S. (2014) “National Social and Labour Market Policy Reforms in the shadow of Eu bail-out conditionality: The cases of Greece and Portugal,” *Comparative European Politics*, 13(1), pp. 29–55. Available at: <https://doi.org/10.1057/cep.2014.40>.
- VERGEER, R., & KLEINKNECHT, A. (2014). Do labour market reforms reduce labour productivity growth? A panel data analysis of 20 OECD Countries (1960–2004). *International Labour Review*, 153(3), 365–393. <https://doi.org/10.1111/j.1564-913x.2014.00209.x>
- Vesan, P., & Sacchi, S. (2015). Employment policy: Segmentation, deregulation and reforms in the Italian labour market. *The Italian Welfare State in a European Perspective*, 71–100. <https://doi.org/10.51952/9781447316893.ch003>
- Wölfl, Anita and Mora-Sanguinetti, Juan S., Reforming the Labour Market in Spain (February 17, 2011). *OECD Economics Department Working Paper No. 845*, Available at SSRN: <https://ssrn.com/abstract=1780066> or <http://dx.doi.org/10.2139/ssrn.1780066>
- WorldBank, GDP Growth (Annual %) – European Union, Accessed at:
<https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=EU>

WorldBank, Unemployment Total (% of Total Labour Force) (National Estimate) – Portugal,
Accessed at: <https://data.worldbank.org/indicator/SL.UEM.TOTL.NE.ZS?locations=PT>