

**Gerhard Bosch**

# **The future of the standard employment relationship (SER)**

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***“Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men. “***

**ILO (<http://www.ilo.org/global/topics/decent-work/lang--en/index.htm>)**

## ***„Standard Employment Relationship“***

- is a normative model and a benchmark for decent work and not only for minima standards
- has been successfully institutionalized in some countries
- is partly deregulated and eroding in some countries
- has to be re-institutionalized and modernized to reach the ambitious goals of the decent work agenda of the ILO

# Structure of the presentation

1. The traditional SER
2. SER a contested terrain
3. The role of labor institutions in wage setting
4. Erosion of the SER?
5. A new flexible SER

# 1.1 The traditional SER

## Key dimensions of SER *(Bosch 2004; Rubery 2010; Vosko 2011):*

- security – long-term relationship
- full-time work and decent pay also for time not worked (vacations, public holidays, sickness, accidents, pensions...)
- checks on employers power (standard hours, seniority rules, voice: information, consultation, codetermination)
- Reference point for other forms of work: spillover-effects on non-union sector *(Marsden 2004)*

## SER = market regulation:

- based on regulations – negotiated or mandated
- social citizens rights to insure life-course risks
- creates buffers between market and employment - partial de-commodification of work *(Polyani 1957; Esping-Andersen 1990)*

## 1.2 The traditional SER

### **SER is a main pillar of welfare systems:**

- (1) internalizes social obligations for employers in the labor market (like obligations to pay decent wages, benefits and employers contributions to social insurances)**
- (2) welfare entitlements closely linked to work-history**
- (3) reflects gender regimes at time of construction**
- (4) industrial citizenship: voice and participation**

**To understand the SER need to bring separate literature on welfare states, labor markets, production systems, gender regimes and education systems together (Bosch/Lehndorff/Rubery 2009)**

## 1.3 The traditional SER

### Variety of employment systems = Variety of SER's

#### Main differences in

- levels of wages, security, benefits, standard working hrs and social citizenship
- coverage:
  - more inclusive in countries with multi-employer bargaining, strong participation like in SWE
  - less inclusive in countries with company bargaining like in the US or Japan
- links with welfare state:
  - in residual welfare states SER pays less off in welfare entitlements
  - in developed welfare states continuous work history and decent pay = decent entitlements

## 1.4 The traditional SER

### Traditional SER after WW II was based on

- (1) the (at that time often shared) ideal of male bread-winner with a female caregiver - strong implications for SER
  - full-time work and family wage necessary
  - no equal pay for women
- (2) Nation state the „spatial container“ (*Vosko 2011*)
  - SER based on citizenship – exclusion of foreigners
  - on territorial principal – inclusion of foreigners – but still often precarious status depending on the rights of residence
- (3) Vertical integration of companies increased scope of SER (share of value added produced in car companies in the 70's up to 70%) - internal homogenization created workforce with common interests and strong bargaining power

## 2.1 SER a contested terrain

### Controversial debate on origins of SER and welfare state

Rational choice approach (*Hall/Soskice 2001*): employers the crucial actors

- try to protect their investments in specific skills by long-term ER in CME
- in LME lack of demand of employers and employees for welfare state development – insurance via general skills

*“... the emergence of labor-inclusive political economies does not require worker mobilization let alone class struggle, since generous welfare states are (co)built by, and partly for, employers.” (Bohle/Greskovits 2009)*

## 2.2 SER a contested terrain

VoC in the rational choice tradition has little to say on the generalization of SER

**Example:**

*„We have little said about the role of unions, not because they are unimportant, but rather because we believe that the most fruitful first step is to focus on managerial decision making in order to make the model generalizable throughout the labor market“ (Ostermann 1987, Choice of employment systems)*

**Might be true for the loosely regulated US-labour market but not for other countries**

**Theory building on one country = Ethnocentric approach**  
*(Hyman 1987)*

## 2.3 SER a contested terrain

### **Power resource approach** (Korpi 2006):

- VoC view on the scope of life-course risk very narrow – protection against life risks in welfare states much broader
- Development of welfare state and labour market regulations originating in social conflicts
- SER and welfare state built to contain overt conflicts of earlier periods
- compromises depend on power resources of labor (mobilization, union strength, impact on political parties, building cross-class coalitions)
- Employers mostly not protagonist – but often consenters in subsequent stages of policy makers

## 2.4 SER a contested terrain

### Once established SER - source of competitive advantage

- „Equilibria“ observed by Hall/Soskice not at the origin of institutions but developed afterwards
- Employers strong interests in effective use of existing institutions - important actors in creating virtuous circles between existing institutions
- „Equilibria“ in CME reflect new social consensus on the base of strong labor market institutions which guarantee good work

## 2.5 SER a contested terrain

### Broad literature on the positive impacts of high road strategies with SER and developed welfare states

- create incentives to invest in skills
- reduce turnover and increase commitment of workforce
- increase internal flexibility and teamwork
- encourage innovation and quality competition
- reduce inequality
- increase employment rates through pro-active life-course politics (LLL, childcare, parental leaves etc) (*Anxo/Bosch/Rubery 2010*)

## 3.1 SER a contested terrain

### SER's constrains employers choices

- Requires strong institutions which high coverage across the economy
- variety of architecture of institutions:
- Sengenbergers (1994) distinction between protective and participative standards useful to analyse these architectures - e. g. wage setting

SER with decent wages needs collective agreements and not only MW's

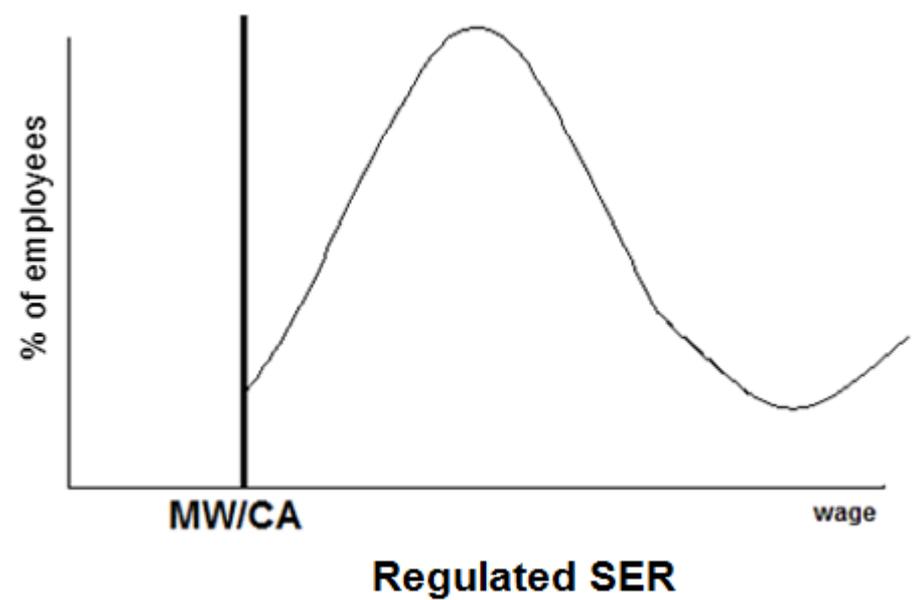
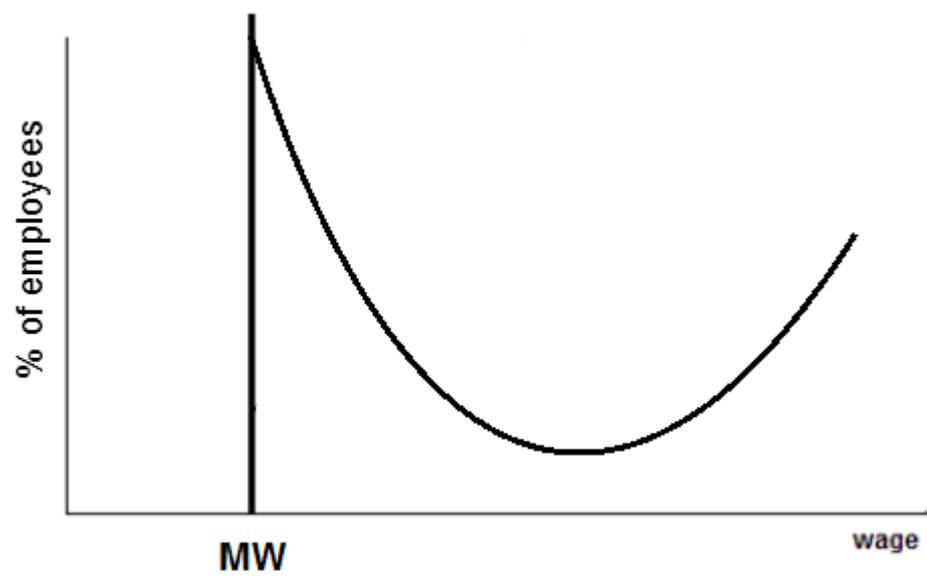
*(Hayter 2015; Grimshaw et al. 2014)*

## 3.2 Statutory protective and participative labour standards in five national wage setting systems

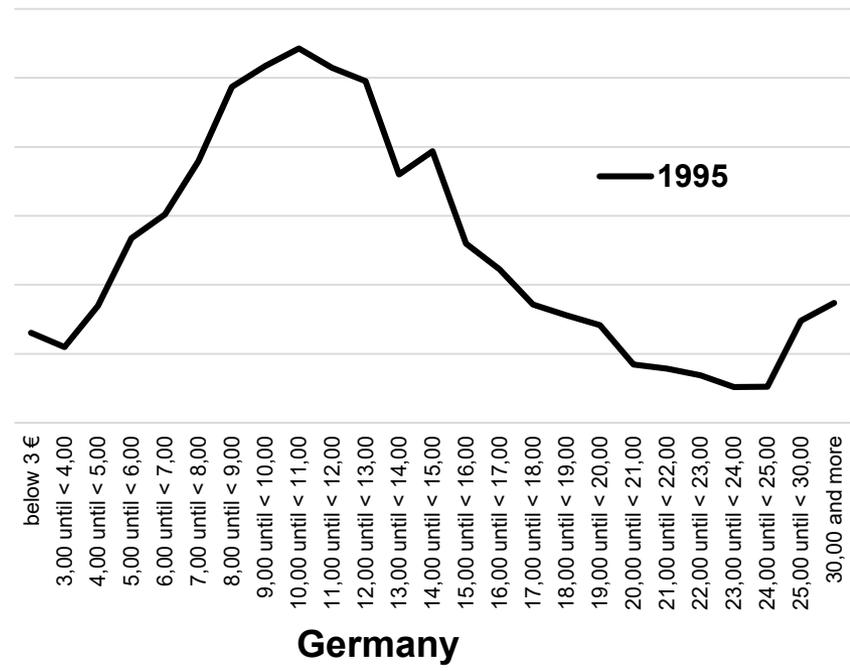
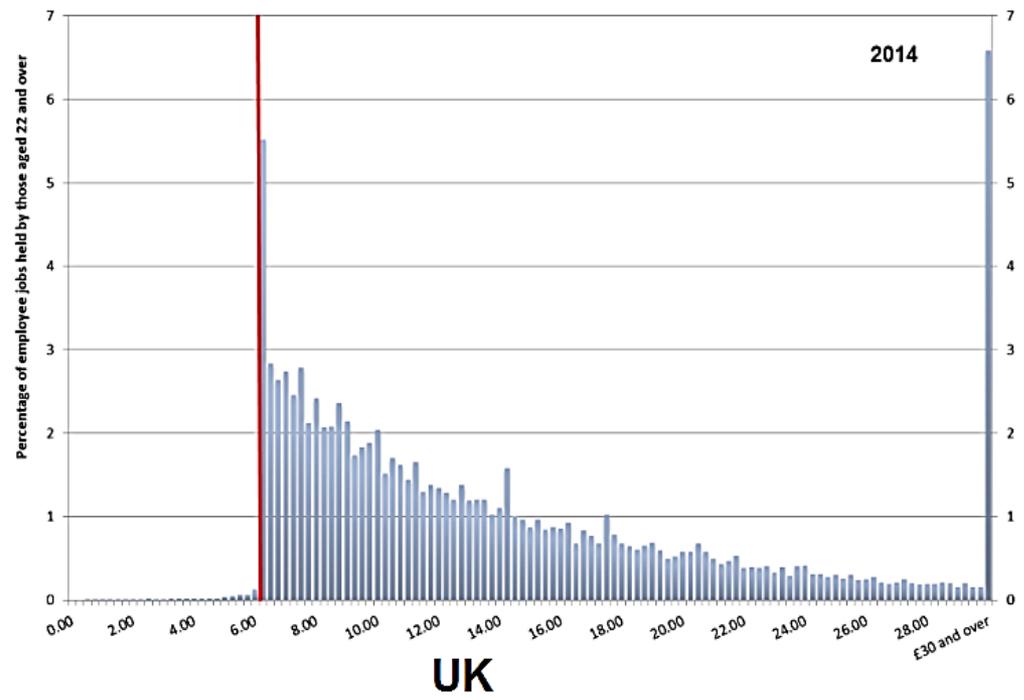
|   | Germany      | Sweden      | United Kingdom | France      | Belgium     |
|---|--------------|-------------|----------------|-------------|-------------|
| <b>Statutory standards</b>                                      |              |             |                |             |             |
| - protective  | X            | -           | X              | XXX         | XXX         |
| - participative   | XX           | XXX         | -              | X           | XXX         |
| <b>Trade union density</b>                                      | <b>18%</b>   | <b>70%</b>  | <b>26%</b>     | <b>8%</b>   | <b>50%</b>  |
| <b>Collective bargaining coverage (employees)</b>               | <b>62%</b>   | <b>88%</b>  | <b>29%</b>     | <b>98%</b>  | <b>96%</b>  |
| <b>Share of low wage workers (&gt;2/3 of median wage), 2010</b> | <b>22,2%</b> | <b>2,5%</b> | <b>22,1%</b>   | <b>6,1%</b> | <b>6,4%</b> |

Notes: State-imposed standards: - none, X weak, XX moderate, XXX strong

### 3.3 Wage distribution in a liberal market economy with MW and in coordinated market economy with mandated or negotiated SER



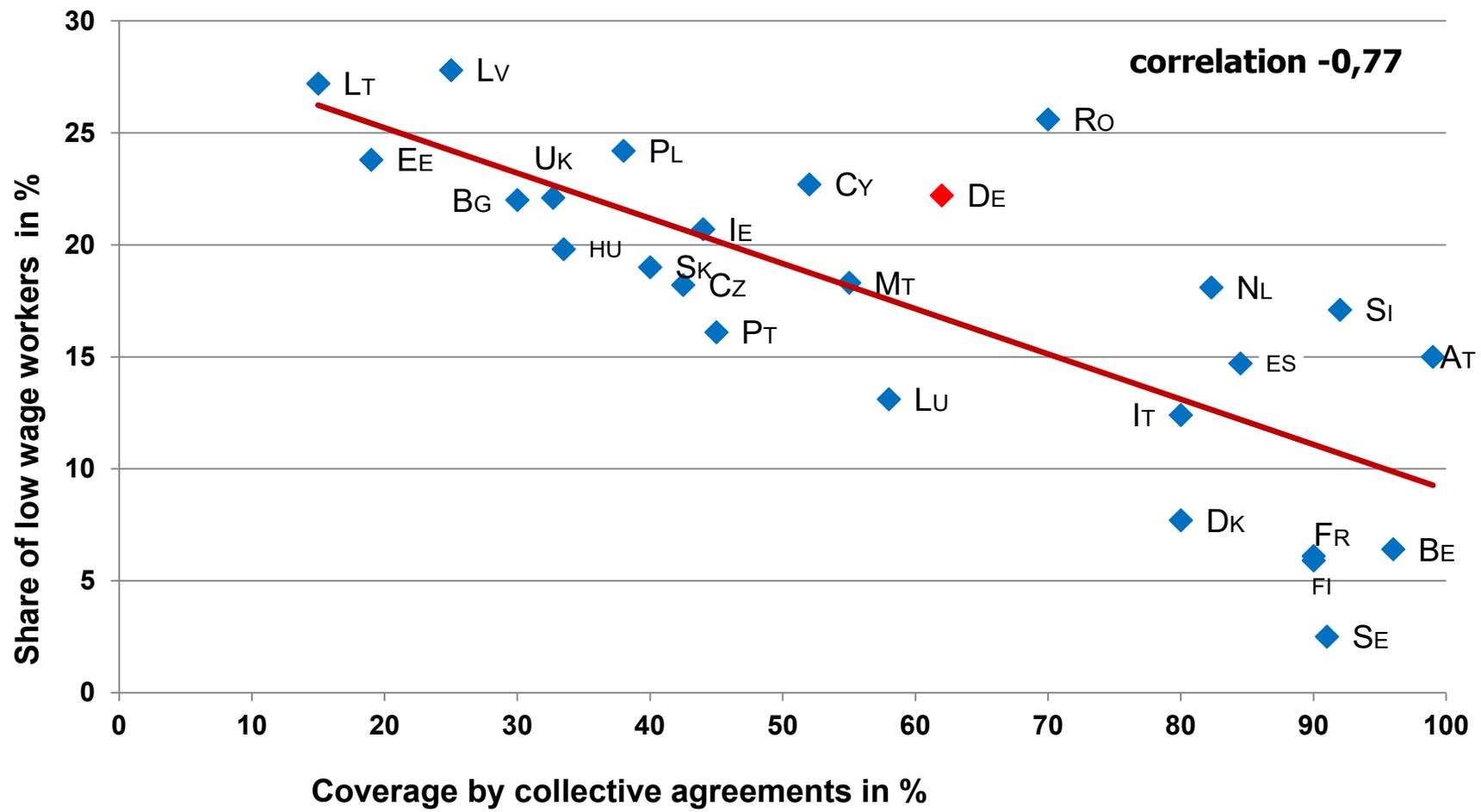
# 3.4 Two real cases: UK and Germany



Source: : SOEP 2012, own calculations; Dickens (2015): The Low Pay Commission and the National Minimum Wage. Presentation to NEDLAC

Offen im Denken

# 3.5 Coverage by collective agreements (2008) and low wage share (2010)



Source: Bosch/Weinkopf 2013; Visser 2011; Bezzina 2012

## 4.1 Erosion of SER?

### Main challenges to the traditional SER:

1. Increasing participation of women
2. Deregulation of protective and participative labor standards for both SER and non-SER (*Schulten 2015*)
3. Creation of new „exit options“ from the SER (e.g. cross-border posting in EU, mini-jobs in DE) (*Bosch/Gautié/Mayhew 2012*)
4. New employer strategies: focus more on institutional avoidance than compliance (*Jaehrling 2013*)
5. Fragmentation of companies – downsizing of core employees by cost-driven outsourcing/subcontracting/franchising (*Marchington et al. 2005; Weil 2014*)

### Different impacts on SER:

- (1) emergence of new life courses - questioning the full-time norm of SER
- (2)-(5) re-commodification, smaller coverage of SER and limiting spillover-effects on non-SER

## 4.2 Erosion of SER?

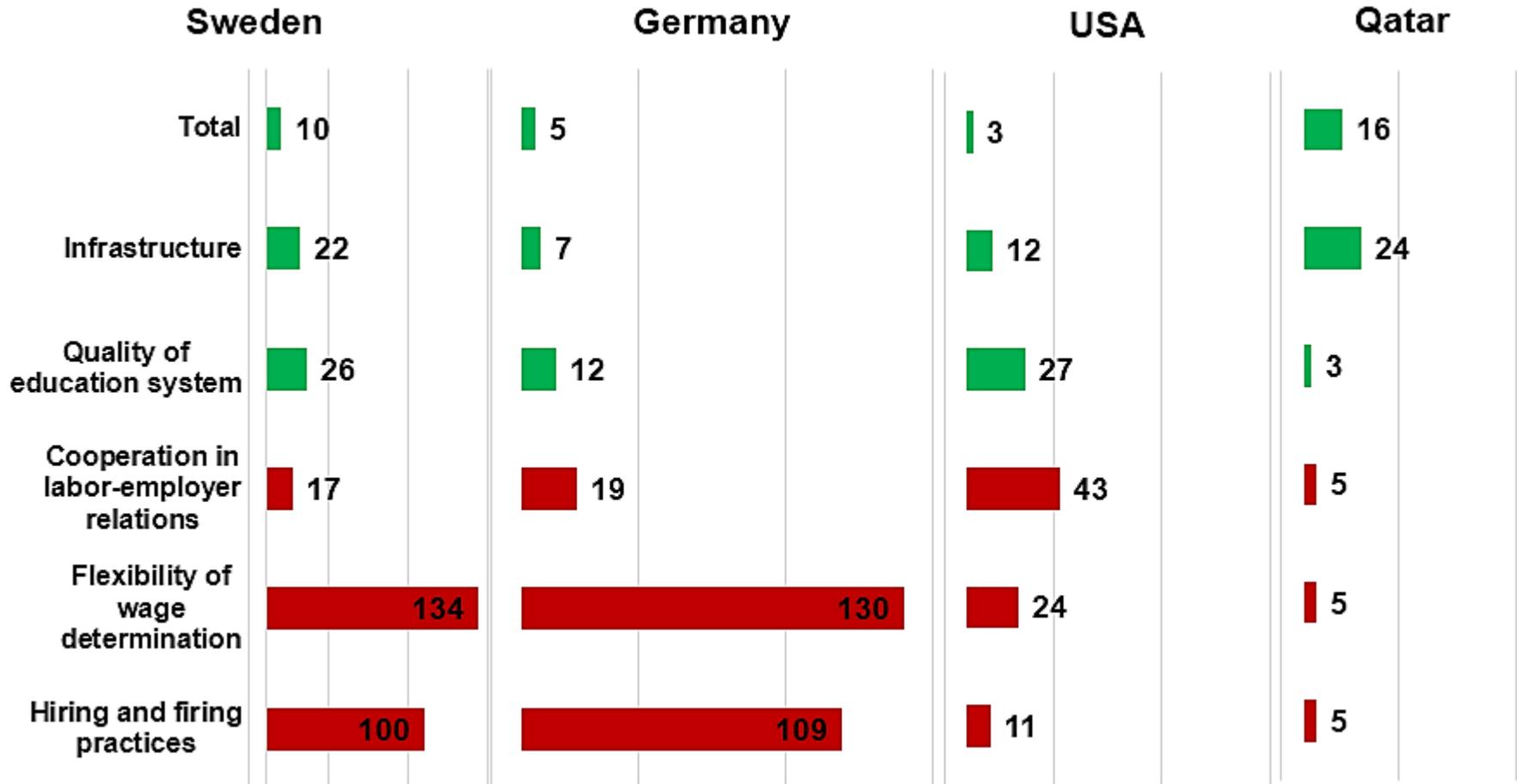
### Bulk of research on the erosion of the SER. Main points:

- Higher risks of low pay and insecurity for non-SER (*Kalleberg et al. 2000*)
- Bulk of growth of non-SER in continental Europe increase of part-time – often voluntarily - high scar effects of part-time, but not in all countries like in SE (*Berg et al. 2014*)
- permanent FT no longer a guarantee for good work - in countries with less inclusive labour standards high shares of low wages workers among FT (FT „degraded facsimile of the original“, *Vosko 2011*)
- Decreasing shares of SER especially among young workers and low skilled - increasing costs of low skills

**Also clear signals that further de-commodification of the SER is on the agenda of strong actors (Troika, World Economic Forum ...) – in spite of all lamentation of the same people on increasing income and wealth inequality.**

# Rank in the Global Competitive Index of the World

## Economic Form



## 5.1 A new flexible SER

### Return to the old SER not an option

- traditional gender contract crumbling
- increasing needs for LLL in work-life
- continuous employment with rigid workers hours more difficult with flexible production systems
- more diversity of ER's today and to be expected in future

### Good reasons to be critical of the old SER, but

- one should not throw the baby out with the bath water
- dangerous to give up the labour standards of the SER - to de-commodify work

We have to differentiate between the form (e.g. “permanent full-time”) and the substance of the SER (de-commodification).

- the form can be changed without eroding the substance
- demands like „a right to be commodified“ for women (*Orloff 1993*) mistakable – meant is „right to work“

## 5.2 A new flexible SER

### Proposal of a modernized SER - more open to a diversity of lifecourse patterns (Bosch 2004 and 2015) – Key dimensions:

1. As in the past coverage by Collective Agreements
2. Full-time work for men and women with varied intensity over the life course:
  - drawing rights for temporary part-time or leaves for care (children/elderly care) and for retraining
  - wage compensation for leaves for care and LLL
  - rights to return to former job
  - public childcare and all day schools
3. New working time norms to avoid scar effects of PT and sharing domestic responsibilities:
  - FT with less overtime as in traditional SER (like in SE, DK, NO)
  - German Debate on „substantial“ PT or short FT (30-35 hrs)
  - Probably development of different working time norms

## 5.3 A new flexible SER

### 4. Using SER as a reference point for equal pay and benefits:

- to reduce gender pay gap
- to improve working conditions for non-SER
  - some progress in EU with directives on equal pay for PT and temporary workers / no equal pay regulations in many other countries like the US
  - but substantial enforcement problems and posted workers not covered

### 5. Increase of internal flexibility (functional and numerical) to stabilize employment: working-time accounts, short-time schemes, multi-skilling – example: German job miracle in the financial crisis

- tensions between employers and employees demand for working time flexibility – examples of good negotiated compromises

## 5.4 A new flexible SER

**Insider-outsider/dualism theories** argue that there are no actors to lobby for building more inclusive labour market institutions.

**Main arguments** (example Palier/Thelen 2010 on Germany and France):

- recent reforms have mostly spared the core workforce
- insiders with SER are defending employment protection over more flexibility to ease reentry of outsiders in decent work and outsiders prefer the opposite
- stable dualism – no generalization of labor standards

## 5.5 A new flexible SER

### Static concept:

- (1) deregulation and erosion does not spare the core
- (2) mobility between SER and non-SER over life course
- (3) interest formulation in household and wider community
- (4) bounded rationality: outsider may well understand that deregulation of SER increases power of capital – the real insiders – with further deterioration of their working conditions (*Emmenegger 2010*)

**Good examples of successful coalition building for a new SER – like recently in Germany (extension of parental leave, new working time options, MW and re-regulation of temp agency work).**

## 6. Conclusion

- Flexible SER higher coverage than old SER – open to a diversity of life-course patterns
- Stronger regulations than in the past necessary – to secure compliance in an environment with fragmented companies and strategies of institutional avoidance
- With segmented workforce - more difficult to formulate joint interests: Divide et impera (divide and rule) more precise than „insiders vs outsiders“ which overlook the real „insiders“
- Coalition building for decent work possible – many common interests – requires pro-active coalition building
- Flexible SER has to be embedded in other policies (full-employment, gender equality, investment in education and training)