

## Flexibility processes and social inequalities at labor market entry and in the early career: a conceptual paper for the flexCAREER project

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**Flexibility processes and social inequalities  
at labor market entry and in the early  
career**

A conceptual paper for the *flex*CAREER project

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## ABSTRACT

Continuous full-time work is becoming less frequent in modern societies. Instead, flexible forms of employment such as part-time work, fixed-term contracts, and self-employment as well as phases of unemployment are gaining importance. These trends are supposed to be more pronounced at labor market entry, leading to a longer entry process and increasing difficulties in becoming established in the labor market. However, there are vast differences between countries with regard to forms of labor market flexibility and the degree of uncertainty faced by young people.

This working paper provides a theoretical framework for the empirical studies within the *flexCAREER* research program. The aim of *flexCAREER* is to study the consequences of employment flexibility strategies on labor market entries and early careers as well as their impact on structures of social inequality in a cross-country perspective. We explain the reasons behind the rise in employment flexibility and develop hypotheses with special regard to nation-based institutional differences. In particular, we describe what role institutions such as the education system, employment relations, and welfare regimes play in determining the consequences of employment flexibility strategies. We focus on the institutional contexts of Great Britain, the USA, Germany (East and West), the Netherlands, Italy, Spain, Denmark, Sweden, Estonia, and Hungary; these are the countries under study within the project.

The hypotheses in this working paper concern the following aspects: 1) the phase of labor market entry in terms of a) the duration of search for the first job and b) the quality of this first job (with regard to the flexibility of the employment contract and the ‘adequacy’ of the job with respect to the employee’s educational qualification). 2) In view of the early career we outline our expectations in terms of a) the risk of unemployment, b) the chances of re-entering the labor force when unemployed (e.g., with regard to the duration of unemployment until finding a new job), c) upward and downward mobility, d) the chances of leaving precarious work at the beginning of the career, and e) the risk of making a transition into a precarious form of employment.

# 1 Flexibility processes and social inequalities at labor market entry and in the early career

A conceptual paper for the *flex*CAREER project

*Sandra Buchholz, Erzsébet Bukodi, Ellen Ebralidze, Karin Kurz, Ilona Relikowski, and Paul Schmelzer*

## INTRODUCTION

The aim of this working paper is to develop a theoretical framework for the empirical studies within the *flex*CAREER research program. We develop hypotheses about how labor market entry and the early career have changed over the last decades with special regard to employment flexibility strategies and their impact on social inequality dynamics. In particular, we are interested in the role country-specific institutions and policies play for labor market entry and the early employment career. We will focus mainly on the institutional contexts of Great Britain, the USA, Germany (East and West), the Netherlands, Italy, Spain, Denmark, Sweden, Estonia and Hungary, that is, of the countries we plan to cover with the empirical analyses within the *flex*CAREER research network.

*Globalization* is the key concept by which the media, policy makers, and scientists have tried to explain the acceleration of social and economic processes and the changes in employment careers in the recent past (Waters 2001). As outlined by Mills and Blossfeld (2005), globalization can be characterized by four interrelated structural shifts that have transformed the life courses in modern societies during the last two decades: 1) the internationalization of markets and the decline of national borders; 2) the rapid intensification of competition between firms based on deregulation, privatization, and liberalization within nation states; 3) the accelerated diffusion of knowledge and the spread of global networks that are connecting all kinds of markets on the globe via new information and communication technologies (ICTs); and, 4) the rising importance of markets and their dependence on random shocks occurring at any place in the world. Together, these global mechanisms imply that capital and labor have to be increasingly mobile, forcing firms to continuously adjust. Furthermore, these global developments are generating an unprecedented level of *structural uncertainty* in modern societies.

It has been argued that these developments have caused a *rise in employment flexibility* in all OECD countries during the last decades (Castells 2000). The restructuring of firms and organizations, stimulated by the globalization process,

and the associated shift in bargaining power between capital and labor (in favor of the first), are at the core of the macro changes in the labor market. These transformations paved the way for employment flexibility, e.g., in the form of the weakening of dismissal protection and the diffusion of fixed-term contracts, part-time work and semi-independent forms of employment (Castells 2000).

Several studies have noted that the risks of employment flexibility (e.g., unemployment and fixed-term contracts) vary for different groups in the labor market. Whereas mid-career men who are typically the ‘insiders’ are still relatively well sheltered in most countries, the groups that are still or again outsiders of the labor market are much more endangered (OECD 1998; Blossfeld et al. 2005, Blossfeld, Mills, and Bernardi 2006). That is, labor market entrants and, in many countries, women (in particular, after an employment interruption) are most at risk of labor market flexibility.

At the same time, we observe vast differences in employment flexibility and uncertainty between countries, since country specific policies and historically grown institutional systems shape and filter the effects of globalization (Mills and Blossfeld 2005). With regard to employment careers it is the welfare, production, and educational regime that are most relevant. They delineate the direction and the degree of possible innovations within the adaptive processes under globalization pressures, and thereby produce strong national path dependencies. Therefore, the strategies of flexibilization an employer chooses depends on the specific institutional interplay in a country. Similarly, the extent to which labor market entrants are more at risk to end in precarious jobs than employees with work experience also relies on the institutional specifics of a country.

However, we still know surprisingly little about the employment dynamics for labor market entrants during recent decades and their variation between countries with different institutional packages. Most studies compare only a small number of countries (e.g., Brauns, Gangl, and Scherer 1999; Gangl 2003; Scherer 2004) and some of the studies are cross-sectional and are thus not able to capture employment *dynamics* (e.g., OECD 1998; Bowers, Sonnet and Bardone 1998; Schömann, Rogowski, and Kruppe 1998). Finally, Blossfeld et al. (2005) do cover a large range of countries and do use longitudinal methods, but their main goal is to understand how employment insecurities at labor market entry impact on partnership and family formation. Therefore, the variation in flexibility strategies between countries with different institutional packages as well as the study of the full dynamics of the early employment career is beyond the scope of their study. In particular, we do not learn how the early employment career depends on the smoothness of labor market entry.

To study the dynamics of labor market entry *and* the first years of the employment career is highly relevant, since these processes determine to what extent young adults are able to build up and secure a certain standard of living, to establish and maintain their social status, to attain and retain social relationships, and to develop a personal identity (Münch 2001). Not every young adult will experience a smooth transition into the labor market and subsequently a

successful employment career. To analyze which groups are more or less successful and how this has changed across cohorts can give an idea of how the *formation of social inequality structures proceeds over time*.

Therefore, within the flexCAREER research program, we plan to study the *dynamics of flexibilization and labor market risks* by investigating processes of labor market entry and early career paths. We ask how flexibility processes differ between the countries under study and further, whether certain socioeconomic groups are affected by flexibilization to a larger extent than others. Thus, our question is not simply how easily young adults are able to acquire a first employment position, but how their career develops further. A central question is whether a difficult employment entry typically leads to an entrapment or whether it simply represents a stepping-stone towards a smooth employment career. To put it differently, we ask if flexible forms of employment are more or less a *temporary phenomenon* for younger cohorts, concerning only people who have just entered the labor market, or if flexible employment relations are *permanently succeeding* in the labor market with the entry of new cohorts. Changes appearing in the youth labor market could indicate tendencies that could work their way through the entire age structure (Myles, Picot, and Wannell 1993).

We want to tackle our research questions by observing individual career paths over several years after labor market entry and by trying to reveal the factors responsible for either a good or a bad career start. In the country studies we want to investigate 1) *the phase of labor market entry* in terms of a) the duration of search for the first job and b) the quality of this first job (with regard to the flexibility of the employment contract and the ‘adequacy’ of the job with respect to the employee’s educational qualification). 2) *The early career* we plan to study in terms of a) the risk of unemployment, b) the chances of re-entering the labor force when unemployed (e.g., with regard to the duration of unemployment until finding a new job), c) upward and downward mobility, d) the chances of leaving precarious work at the beginning of the career, and e) the risk of making a transition into a precarious form of employment.

The structure of this paper is as follows: In the next section we discuss the reasons behind the increase of labor market flexibility and its consequences for young people at the beginning of their careers. In the section ‘Flexibilization and social inequality structure’ we explain why certain groups of labor market entrants and young employees are more endangered to end in a precarious job than others. Then we give a detailed description of the importance of educational regimes, production regimes and systems of industrial relations, and welfare regimes in filtering the impact of flexibilization on young adults’ labor market entry processes and early employment trajectories (‘Institutional settings’). We conclude with the section ‘Flexibilization and patterns of social inequalities within institutional contexts’: based on the institutional considerations of the previous sections, we consider the different combinations of institutions and develop specific conclusions for the countries under study. We do this with special regard to patterns of social inequalities that we expect to emerge under increasing labor market flexibility.

### **THE INCREASE OF LABOR MARKET FLEXIBILITY AND ITS CONSEQUENCES FOR YOUNG PEOPLE AT THE BEGINNING OF THEIR CAREERS**

Continuous full-time work is becoming less frequent. Instead, 'non-standard' working relations such as part-time work, fixed-term contracts, and marginal work are gaining importance. These trends are supposed to be more pronounced at labor market entry, leading to a longer entry process and increasing difficulties to become established in the labor market (see for example Golsch 2001: 4). How can the rise in employment flexibility be explained? Why does it have a strong impact on young people at the beginning of employment careers? And what does this mean for them?

Companies are managed by people, who can be assumed to be rational decision makers. They work in different departments of a corporation, like the marketing or the human resources department. Their aim is to guarantee that their company succeeds – as a protagonist on international markets as well as in its role as an employer of people who can contribute to further success. Due to the process of globalization, characterized by the accelerating pace of change, or the volatility and unpredictability of economic developments, individuals face three major decision problems (Elster 1989), which companies (i.e., the individuals managing them) also have to deal with: 1) First, there is *rising uncertainty about the behavioral alternatives themselves*. This issue becomes more important when actors have to make rational choices among alternatives that become progressively more blurred. For instance, it becomes more difficult for firms to choose appropriate marketing strategies or to make the right decisions in terms of hiring new employees. 2) Second, there is *growing uncertainty about the probability of behavioral outcomes*. This problem is especially acute when actors are less and less able to assign reliable subjective probabilities to the various outcomes of their future courses of action. This uncertainty becomes particularly severe when a decision requires assumptions about choices to be made by other people. How will the main competitor on a market react? Does a promising employee plan to stay in the company for long, or to give notice as soon as he/she finds a better opportunity somewhere else? 3) Third, there is *increasing uncertainty about the amount of information to be collected for a particular decision*. For the management of a company it is impossible to know if the collected market research results are sufficient enough to be sure that the launching of a new product will be successful or if an assessment center reveals enough of a new employee's characteristics. Collecting information is necessary, but costly and time-consuming, and the marginal costs and benefits for further information searches are increasingly unclear.

As Elster (1979) has pointed out, an effective technique individuals tend to apply in order to reduce choice complexity of long-term courses of action under uncertainty is committing themselves to specific actions in the future. This so-called '*self-binding*' makes one's promises to significant others (e.g., partners, actors in industrial relations) more credible and communication about what one

is going to do under unknown future conditions more reliable. Hence, according to Elster (1979), it follows that such self-binding commitments enhance the *trust* that actors will have in each other, which enables them to interact and cooperate more effectively. Self-binding, however, is also paradoxical, particularly for business corporations having to deal with the *flexibility demands of the world market*. On the one hand, it is a prerequisite for creating certainty as well as credibility and trust in one's interactions with others. On the other hand, it diminishes the ability to react flexibly in the future, though some unpredictable economic developments might require exactly this.

Breen (1997) argues that for employers in modern societies the attraction of long-term commitments declines due to the volatility of labor, capital, commodity, and financial markets. Companies respond to this phenomenon by transferring market risks to their employees. For these processes, Breen uses the notion of '*recommodification of risks*'. With regard to commitment, he speaks of '*contingent asymmetric commitment*', referring to employers having the option to withdraw from employment contracts at any time (and so remain flexible), while employees have no other choice than to accept this decision. Short-term withdrawal from employment contracts by firms is accomplished by means of flexible forms of labor. This is one of the reasons behind the rise in employment flexibility in many industrialized countries.

It is common to distinguish five *types of flexibility strategies* companies can apply to meet a changing demand (see for example Atkinson 1984; Bruhnes 1989; Regini 2000): 1) by means of *numerical flexibility* companies can adjust the number of employees (for example by using fixed-term contracts or layoffs); 2) *externalization* means the outsourcing of certain tasks, this can also be reached by *subcontracting self-employed people* who do not get an employment contract; 3) *wage flexibility* describes the range, which employers have for the adjustment of wages or benefits to changing market conditions; 4) *temporal flexibility* means the option of adjusting working times (e.g. monthly work hours); and 5) *functional flexibility* refers to what extent employees are enabled to take over a wide spectrum of tasks by means of training and further education as well as incentive systems.

Especially the first four flexibilization strategies can lead to a less-favorable labor (market) situation for employees, and some of them also influence the risk of unemployment. We consider such employment forms that are related to a higher level of uncertainty than a permanent, averagely paid, socially secured full-time job to be *precarious* (Kurz and Steinhage 2001; Kim and Kurz 2003; Mills and Blossfeld 2003). People who experience any of these forms of precarious employment face uncertainty. Consequently, we can distinguish different *kinds of uncertainty* (see also Breen 1997; Bernardi 2000; Mills and Blossfeld 2003): a) *economic uncertainty* that may appear when people work part-time or are not paid well; b) *temporal uncertainty* as may be given when working on basis of a fixed-term contract; or c) *social uncertainty*, when public security arrangements such as unemployment benefits are missing. Two of the groups that are likely to become holders of precarious jobs and thus having to



deal with economic and temporal uncertainty are labor market entrants and young employees in their early careers (Blossfeld et al. 2005).

Breen's concept of contingent asymmetric commitment (Breen 1997) is also useful to explain why *young people are likely to experience labor market flexibility*. For several reasons, companies can not transform all their long-term binding commitments to their employees into short-term ones. Some of them are well protected by law (e.g., employment contracts of older employees in Germany), others employers want to retain employees in their own interest (e.g., contracts of skilled employees who are hard to replace). In order to sustain their business in a regulated manner, it is necessary for firms to keep a more or less stable core of experienced employees. Among these people are many men in their mid careers who are relatively well protected from labor market flexibilization measures (Blossfeld, Mills, and Bernardi 2006). On the other hand, considering the increasing dynamics and volatility of outcomes of globalizing markets, being able to promptly adapt its own workforce to changing demands is a strategic advantage for each company.

Consequently, when employers try to shift their market uncertainties to their employees (Breen 1997) they do not treat them alike. There are two main reasons why we believe labor market entrants and young employees are more likely to be in a flexible form of employment: 1) In contrast to more experienced, well established employees, *entrants are outsiders of the labor market*. Their lack of work experience, seniority, a lobby, and networks makes it very difficult for them to get access to the employment system. Thus, to get a first job, labor market entrants (*have to*) *accept* contracts containing any form of labor market flexibility. Many employers will try to implement a combination of numerical/temporal flexibility in the form of fixed-term contracts for them. This issue is more important in so-called 'insider-outsider-labor markets' with 'closed' employment relations (e.g., Italy, Spain). In countries with more deregulated 'open' labor markets, the majority of employees faces labor market flexibility, irrespectively of their seniority or experience: either in all (e.g., USA, Britain), or at least in some (e.g., Scandinavian countries) forms.

2) An additional explanation is given with employers who offer labor market entrants temporary posts in order to *screen their work potential*. This argument is stronger for countries with on-the-job training systems (e.g., USA, Britain), but nevertheless also true in general. It is costly everywhere to dismiss employees who are on permanent contracts. In this context, young people in their early career are more likely to be exposed to numerical flexibility – the last hired, the first fired, especially during periods of economic recession.

Their higher risk to start their career in a precarious job and the related *uncertainty* has consequences for labor market entrants. Apart from the effect on the *timing of marriage and family formation* (Blossfeld 1995; Blossfeld et al. 2005; Mills 2004; Oppenheimer 1988, 2003; Oppenheimer, Kalmijn, and Lim 1997) there is an impact on *social inequality structures*. Compared to people who start in 'normal' jobs individuals starting under flexible employment conditions might be *permanently disadvantaged* throughout their whole working

life. We expect that some groups of labor market entrants and young employees are more endangered to end up in a precarious job than others. This is subject of the following section.

## **FLEXIBILIZATION AND SOCIAL INEQUALITY STRUCTURE**

In the previous section, we have outlined Breen's theory of the transfer of market risks on employees (recommodification). With regard to the topic of social inequality, we are interested in the question of which groups are mainly struck by recommodification processes. There are two opposing perspectives concerning the implications of labor market restructuring on social inequalities: 1) the first perspective traces back to Beck's risk society thesis, which is also partially mirrored in Giddens's work (1994, 1998). According to Beck, a new form of risk breaks up with the logic of class structure. These global risks have a leveling effect on all individuals, irrespective of their status or resources. In his latest work (Beck 1999, 2000c), he argues that globalization has caused a shift from national risks towards those global risks. Beck states that "poverty and unemployment correspond less and less to class stereotypes" (Beck 2000a: 153). According to him new risks will mark the life courses of most people in modern societies – including the apparently affluent middle classes (Beck 1999). Unemployment also surpasses the boundaries between classes: it is not a burden confined to a clear-cut group of disadvantaged workers anymore (Giddens 1994); other groups are also confronted with the risks of becoming unemployed. 2) The second perspective is that of strengthening inequalities. Breen supports this view by arguing recommodification strikes especially socially deprived groups, i.e. already established social inequalities will be reshaped along existing class-lines. Thus, labor market flexibilization fosters further discriminations by concentrating uncertainties on groups that are already used to having a weak position on the labor market, like labor market entrants without a degree or unskilled workers (Breen 1997). But not only the distribution of risk is class-specific, furthermore, depending on the occupational group, individuals discern and cope with market risks differently. Some individuals accept or even opt for the risks believing that they will bring about more rewards, while others have no other choice than to accept the risks without expecting rewards. For example, white-collar workers may not entirely be shielded against flexibility strategies such as temporary short-term contracts. But for them, unstable or inadequate work can serve as a bridge whereas for lower skilled wage-workers, it may become a trap (see Bernardi and Nazio 2005; Layte et al. 2005). This argument differs from Beck's position who claims the new risks transcend the boundaries of occupational classes equalizing the distribution of labor market risks (Beck 1999, 2000a). In the first instance, we expect disadvantages for all young employees since they lack work experience, seniority, a lobby, and networks. However, having got a job, those employees, whose self-commitment is of

greater importance for employers, are expected to be much better off than those who are easily interchangeable.

Following this thesis, we assume that processes of flexibilization intensify the tendency for certain groups of young people to end up in precarious jobs, resulting in the emergence of an inequality structure, *based on already existing patterns of inequality*. We formulate this assumption with regard to 1) *occupational class*, 2) *human capital (educational level)*, and 3) *gender*.

There are several theoretical considerations with regard to the question of how market risks are distributed between different *occupational groups*. Goldthorpe (1995, 2000) distinguishes jobs based on a labor contract and those regulated by service relationships (Breen 1997; Goldthorpe 1995, 2000). Jobs based on a labor contract, he defines as being easily monitored, not requiring extensive costs and time for on-the-job training, and with easily assessable wages for job efforts. Jobs regulated by service relationships, he characterizes as having a high level of autonomy, high know-how of employees, extensive costs and time for on-the-job training and the problem of estimating wages by performance. These characteristics make the relationship between employers and employees diffuse and abiding; trust provides the basis for this kind of employment relationship: they are so-called 'high-trust relationships' (Littek and Charles 1995; Heisig and Littek 1995). Hence, in order to oblige their service class employees permanently, employers provide high wages (efficiency wages, see Akerlof 1982), long-term job affirmations, upward mobility prospects, and a system of incentives and gratifications. Consequently, jobs based on service relations protect young employees against market risks, whereas labor contract jobs expose them to the fluctuations of the market (Breen 1997; Goldthorpe 1995, 2000). Thus, according to which positions in the employment hierarchy will be at higher risk, Breen (1997) and Goldthorpe (2000) expect that the lower the positional level, the higher the risk.<sup>1</sup>

Marsden (1995) introduced a slightly different theoretical argument that assumes the lowest risk of ending up in a precarious job exists for the intermediate groups in the employment hierarchy. Discussing the issue of deregulation, he puts emphasis on the subject of cooperation. Asymmetrical distribution of information compels the companies to cooperate especially with their skilled and junior professional employees in order to maintain or even enhance productivity. Like the 'service relationships theory', Marsden stresses the importance of trust: for him it is a prerequisite and the key to the required cooperation. Thus companies provide some of their employees with incentives, gratifications, and security. Referring to the relationship of wage incentives and cooperation, he argues that "the essence of more cooperative structures is that the managerial role is more diffused among a larger number of people who take responsibility" (Marsden 1995: 78). Hence, wage incentives could be harmful as they would imply a concentration of rewards on key individuals. Marsden's (1995) theory implies a u-shaped relationship by expecting the highest degree of employment stability for those who occupy middle positions within the employment hierarchy.<sup>2</sup>

No matter which position one takes, it depends on the affiliation to an employment class as to whether unstable or inadequate work may serve as a bridge or become a trap. Above all however, it is the national background that defines to what extent variables like human capital, gender, and employment class can unfold their influence.

With regard to *educational level* we believe that with growing competition at labor market entry, the inequality between individuals with different investments in human capital (here mainly education and experience) increases. Young people at the beginning of their career are generally lack experience; thus they have to focus on education. We expect that those lacking human capital, such as young people without a degree, or with lower education are a) more likely to be confronted with long durations of job search, b) face a higher risk to end in more precarious, flexible and uncertain forms of employment (e.g., fixed-term contracts, part-time work, irregular working hours) and thus, c) are more likely to loose their job, once they have found one. Conversely, those with higher educations are also more likely to have or gain more favorable experiences.

The human capital is related to the educational expansion in each country. The high value of education for young people has accelerated an educational expansion across the industrialized world. There has been a prolonged extension of school participation over time (Klijzing 2005).

A *gender hypothesis* anticipates a) that with increasing ‘normality’ of female employment over the life course and similar investments in schooling, inequality between men and women at labor market entry decreases. However, we expect b) that in the early employment career gender is an important variable, depending on the type of welfare regime.

## **INSTITUTIONAL SETTINGS**

Though we have argued that the flexibilization of labor markets is expected to affect the employment careers of young people, we do not assume that such influences will be homogeneous across all countries or that we will find a convergence of labor market entry processes and early employment trajectories across all modern societies. Instead, we expect that national institutional settings will have a mediating effect on how labor market entrants are affected by increasing labor market flexibility and, in this way, how national social inequality structures have developed in recent years. Country-specific institutions and historically grown social structures determine how early employment careers are re-shaped in an era of flexibilization. As Mills and Blossfeld (2003) have argued, institutions and national structures have a certain inertial tendency to persist (Esping-Andersen 1993) and act as an intervening variable between global macro forces and the responses of individual actors on the micro level (Regini 2000; Mayer 2004). An appropriate approach to cross-national differences has to rely on a systematic consideration of national institutional settings and the interplay of different domestic institutions (Mills

and Blossfeld 2005; DiPrete et al. 1997). How labor market entry and early careers are re-shaped under labor market flexibilization strongly depends on 1) the educational system; 2) the production regime and the industrial relations between capital and labor; and 3) the welfare regime.

### **Educational regimes**

The chances and options for entering the labor market and the further course of the early career are strongly dependent on the type of educational system. In the following paragraphs, we introduce Allmendinger's (1989) classification system that refers to the degree of educational 'standardization' or 'stratification'. Using this typology we outline some consequences of different educational systems. Regarding labor market entry and the quality of the first job, we are particularly interested in job search durations, the match between job and qualifications, and mobility processes. We use the second typology to distinguish vocational training systems in order to classify the ten countries included in our analysis.

Modern societies do organize their school and vocational training systems as well as their systems of higher education differently. For the phase of labor market entry and for the early career, this can explain different opportunities and job mobility patterns. Allmendinger (1989, 1997) has introduced a useful typology for the classification of educational systems that meets the requirements of an internationally comparative approach (see also Blossfeld 1992; Shavit and Müller 1998). It is centered on two dimensions: standardization and stratification. *Standardization* denotes "the degree to which the quality of education meets the same standards nationwide" (Allmendinger 1989: 46). *Stratification* refers to the number and type of transitions to the next educational level. On the basis of these dimensions, Allmendinger elaborates a classification according to which she organizes educational systems and vocational training.

Regarding labor market entries and early careers the following implications are of interest: in *standardized systems* generally, *certificates* provide employers with reliable information about the suitability of employees (Allmendinger 1989; Tuma 1985; Müller, Gangl, and Scherer 2002). This results in *smooth transitions* between the educational and the occupational sector. *Stratified systems* provide firms with pre-selections of people performed by schools. Thus, the extent of standardization and stratification affects the *matching processes* between education and work at labor market entry and crucially determines upward and downward *mobility* over the working life. Hence, *unstable entries*, i.e., mismatches of individuals and jobs as well as high rates of occupational mobility are to be expected from *non-stratified and non-standardized educational systems* (e.g., in the United States). Quite the contrary, *stratified and standardized educational systems* (e.g., the tripled educational system in Germany) lead to *stable entries* and reduce upward and downward job mobility (Scherer 2005). Educational systems with a combination of both characteristics lie in between these two extremes.

We propose an *educational system hypothesis*, stating that the organization of education has far-reaching implications for job beginners, for a) the duration of job search, b) the matching quality of the first job and the individual's qualifications, and c) the mobility processes in their early careers (Shavit and Müller 1998). Additionally, the organization of education has consequences for the capability of companies to cope with economic changes and the ability of employees to adjust to different forms of flexibility (CEDEFOP 1993).

Apart from their system of general education, countries can be differentiated by the way they organize vocational training (Blossfeld and Stockmann 1998/99; Shavit and Müller 1998); this can be: 1) *'theoretical' vocational training mainly in schools* (e.g., in the Netherlands, Sweden, Hungary, Estonia), 2) a *dual system* that includes both school training and job experience at the work place (e.g., in Germany, Denmark), and 3) *on-the-job training* (e.g., in the United States, Great Britain, Italy, Spain).

Based on this typology of vocational training systems, we state our expectations regarding a) the duration of job search, b) the matching of the first employment and the employee's qualifications, and c) mobility processes in the early career for each training system:

In countries where training is merely limited to *theoretical learning in vocational schools* (e.g., in the Netherlands, Sweden, Hungary, Estonia) labor market entrants are lacking practical experience and networks, so that they are at a disadvantage compared to employees who have been in the labor force for some time yet. a) Thus, labor market entrants engaged in training from these systems may increasingly have to deal with relatively long phases of job search before they are able to make the transition from vocational training to employment. On the other hand, theoretical vocational training promotes a broad theoretical understanding of a specific job and provides general skills. b) Hence, with regard to the matching of the first employment and the employee's qualifications, our anticipation is that – after a relatively difficult labor market entry – young people should be able to find an 'adequate' position in these systems. c) Their broader understanding of occupational activities should also make it easy to transfer young employees between firms within the same vocational field, i.e., job mobility rates should be relatively high here.

In contrast, the *dual system* of vocational training combined with practical experience (e.g., in Germany, Denmark) a) enables a large number of adults to make a smooth transition to the employment system (Blossfeld and Stockmann 1998/99). Ideally, the duration of job search should be minimal in such systems. b) Additionally, the dual system supervised by national institutions, provides a highly standardized qualification with corresponding certificates that prevents unintended mismatches: since its standards are partly set in accordance with companies' requirements, employers can refer to these certificates as signals for the employees' key qualifications, whereas employees can use them as a basis for negotiations. This system, however, responds relatively sluggishly to new and rapid changing technologies, and the labor market is segmented by occupational skills. c) Thus, a close coupling between vocational skills and

occupational opportunities confines job mobility and is disadvantageous for those individuals whose vocational skills have become obsolete on the labor market.

Unstandardized *on-the-job training* (e.g., in the United States, Great Britain, Italy, Spain) displays advantages insofar as the employees are not restricted to narrowly defined occupational fields, at least because of “fewer structural barriers in terms of recognized certificates” (Mills and Blossfeld 2005: 11). a) The transition from school to work will be relatively easy in these systems (short duration of job search) if they are combined with open employment relations (e.g., in the United States, Great Britain). In the context of closed employment relations and insider-outsider labor markets (e.g., in Italy, Spain) however, we expect the duration of job search to be relatively long. b) The disadvantage of non-standardized on-the-job training is that neither employers nor employees can rely on certificates, which results in a high degree of mismatches between individuals and jobs, i.e., a weaker link between the type of qualification young employees possess and the type of job they obtain. Therefore, we expect a long duration for youth to find a suitable and permanent job match. With regard to the subject of mismatch, the phenomenon of so-called ‘stop-gap-jobs’ is of particular interest. Oppenheimer and Kalmijn (1995) were able to demonstrate that young Americans increasingly start their career in relatively unskilled and temporary jobs. Yet most of them are able to move to ‘normal’ career-entry positions after a while.<sup>3</sup> c) Finally, we anticipate high mobility in general and intra-firm mobility in particular within this type of vocational training system.

Prolonged stays in the (higher) educational system can also be seen as an option for otherwise unemployed youth (Offe 1977). The *tendency among young adults to opt for the role of student instead of being unemployed* is increasingly strong in Southern European countries like Italy and Spain (Guerrero 1995). As Róbert and Bukodi (2005) have pointed out, the increased demand for higher education in post-socialist countries could also be at least partially attributed to the larger proportion of young people opting for extension of their studies in order to escape increasing youth unemployment and postpone labor market entry. With regard to inequality there is a relation to the national support systems for young adults who prefer to stay in education. Some countries such as Germany, the Netherlands, Denmark, and Sweden have a more generous system of education grants or loans, which is in contrast limited (e.g., in Great Britain, post-1990s Estonia), highly insufficient (e.g., in the United States) or virtually non-existent in other countries such as Italy, Spain, and Hungary. On the other hand, the non-existence of tuition fees can put rather poor national support systems into perspective.

Referring to the different vocational training systems discussed above, all systems more or less re-confirm inequalities in their own ways: the system of *theoretical learning in vocational schools* as well as the *dual system* insofar as some youth do not pass the training system or do not get the necessary certificates because of missing abilities or financial resources. These young people will be disadvantaged. *On-the-job training* may theoretically offer more

equal opportunities at the beginning, but whether a young employee really has the opportunity to use an unskilled and temporary entry position as a bridge, will be strongly dependent on his/her previous investments in human capital.

### **Production regimes and systems of employment relations**

Production regimes determine industrial relationships in many ways: types of work councils, collective bargaining systems, the power of unions versus employer organizations, labor legislation or administrative regulations (Streeck 1984; Soskice 1999; DiPrete et al. 1997). The rigidity of the employment relation system defines opportunities, but also sets limits for firms to implement different types of flexibility. The differences between production regimes and systems of industrial relations, respectively, have been captured by characterizing them as 'coordinated' and 'uncoordinated' market economies (Soskice 1999), 'individualist' or 'collective' regimes (DiPrete et al. 1997), or 'open' and 'closed' employment relations (Sørensen 1983). We summarize the differences between coordinated and uncoordinated market economies before outlining the impact of open and closed employment relations on labor market entrants.

According to Soskice (1991, 1999), *coordinated market economies* are characterized by trust transactions (e.g., expressed by long-term financing of firms, functional flexibility of employees, cooperation between employees and firms, etc.) that foster employers to commit to long-term relationships with their employees. As a consequence, trade unions in coordinated market economies are relatively strong.<sup>4</sup> The corresponding type of employment relations are closed ones. (An exception to this is Denmark, a coordinated market economy with open employment relations and a high degree of labor market flexibility.)

In contrast, in *uncoordinated market economies*, workers have a limited scope for participating in firm-internal decisions and can easily be substituted; open employment relations are dominant in these systems. Consequently, trade unions have less bargaining power.

We suppose that the type of employment relations and the degree of openness of employment relations have consequences for the early labor market experiences of labor market entrants and young employees in different countries. In the following paragraphs of this section, we outline our expectations regarding these consequences. In this context, we will position the ten countries included in our analysis according to their employment relations.

*Most Western European countries (with the exception of Great Britain)* are coordinated market economies with highly qualified workers, strong labor unions and centralized procedures for negotiating wages (Marsden 1995; Regini 2000; Soskice 1991, 1999; DiPrete et al. 1997), which results in relatively *closed employment relations* (exceptions are *Denmark and the Netherlands* where the idea of 'flexicurity'<sup>5</sup> has been promoted for a while now).

Sweden and Germany are usually described as countries with particularly strong labor unions; Southern European countries like Spain and Italy are regarded as extreme cases of so-called '*insider-outsider*' labor markets. But



labor markets in economies with closed employment relations tend to separate the insiders from the outsiders: on the one side, there are insiders in the labor market who are privileged to enjoy certain outcomes of negotiations between unions and employers, on the other side, there are outsiders (labor market entrants and re-entrants, e.g. women after a career break, as well as unemployed people looking for work) who are deprived of seniority and experience and who do not have strong ties to work organizations and work environments. For these outsiders, it is very difficult to get access to the labor market. Additionally, closed employment relations protect insiders relatively well against labor market flexibility, whereas outsiders such as youth are likely to be exposed to it – once they find a job.

In countries with closed employment relations the main consequences for labor market entrants and young employees are that: (1) the entry into the labor force is problematic for labor market outsiders, especially if the general level of unemployment is high; (2) entrants are paid less for similar performance (e.g., juniors, or even trainees who have project responsibility); (3) precarious employment forms (i.e., fixed-term contracts, part-time work, seasonal labor) are highly concentrated on specific groups seeking access to the labor market (labor market entrants, young women after a career break, unemployed youth); (4) the rate of job mobility is relatively low; (5) the duration of unemployment is usually longer; and (6) individual human capital plays a minor role for market outcomes, such as income and career opportunities (DiPrete et al. 1997).

In contrast, *the United States of America and in the last decades also the United Kingdom* (starting with Margaret Thatcher) can be classified as uncoordinated market economies with decentralized and dualistic systems of industrial relationships, where protective forces such as labor unions or legislation related to job security and stability are quite weak, and therefore, *open employment relations* dominate (Sørensen and Tuma 1981). Workers are barely shielded against market mechanisms and individuals' labor market resources such as education and labor force experience are crucial (DiPrete et al. 1997). We expect flexibility to be used by firms in many ways in these countries. Young labor market entrants, like other employees, are relatively unprotected against uncertainties here.

For example, in liberal countries with these types of employment relations, young people at the beginning of their employment career might expect that: (1) their entry into the labor market will be fairly easy; (2) wages for most jobs are comparatively low; (3) precarious employment forms are spread relatively evenly across various social groups; (4) their rate of mobility in general, and upward mobility in particular will be high; (5) the duration of unemployment will usually be very short (following the principle of 'hire-and-fire'); and (6) individual human capital resources will be important in the further course of their career.

People in *former socialist states like Hungary and Estonia* have experienced severe political and economic changes as their countries turned into more market driven economies. While older cohorts grew up in a system where employment

was literally guaranteed with extraordinarily high job security, even for women, youth, and older workers, younger cohorts have entered the labor market after this ‘shock’ during a period of economic depression and turbulent change (Mills and Blossfeld 2005). Generally speaking, the transformation period in former socialist countries can be divided into two parts: the early transformation and the stabilization period (see Cazes and Nesporova 2003; Kogan and Unt 2005; Bukodi and Róbert 2006). In the first years of economic transformation, reforms stimulated restructuring connected with massive job destruction and reallocation of labor. For Hungarians and Estonians this meant a *rapid shift from extremely closed to more open employment systems*, coupled with the sudden exposure to the accelerated and volatile global market at the beginning of the 1990s. An aggravating circumstance for labor market entrants in post-socialist states is that open employment relations are combined with a *labor market* that displays strong features of insider outsider labor markets. As Saar (2004) emphasises, the main problem for youth in Estonia is to gain entry into the labor market. If they have succeeded, they can compete with experienced mid-career workers. However, the full consequences of the evolution of new production regimes and systems of industrial relations, especially on young people in post-socialist countries, still have to be investigated.

The labor markets of these countries are less flexible than that of U.K., but certainly not as rigid as those in Southern Europe. Nevertheless, there is variation between these countries with this respect. While employment protection is very low in Hungary, it is highest in Slovenia; Estonia is somewhere in-between (Cazes and Nesporova 2003). In Hungary for instance, an increasing proportion of newly created jobs are temporary in their nature, and individuals in fixed-term jobs are over-represented among young people (Róbert and Bukodi 2005). As far as the socio-economic composition of fixed-term employees is concerned, this type of working arrangement is the most widespread among less educated unskilled workers. Like in the other post-socialist countries, in Hungary and Estonia economic transformation as well as increasing flexibility in the labor market resulted in a ‘boom’ of job mobility, downward as well as upward (Bukodi and Róbert 2006).<sup>6</sup>

Considering these results from earlier studies, the main consequences for labor market entrants and young employees are: (1) their entry into the labor market will be difficult; (2) if they have managed to enter the labor market successfully, their wages will be similar to more experienced employees; (3) precarious employment forms are concentrated in certain social groups (low educated); (4) their rate of mobility will be relatively high, especially upward mobility; (5) the duration of unemployment will usually be long; and (6) individual human capital resources will play an important role.

As stated in the section ‘Flexibilization and social inequality structure’, we think processes of flexibilization intensify already existing patterns of inequality. We expect that the exigency of flexibilization and increasing rates of unemployment will especially worsen the situation for labor market entrants in countries with insider-outsider labor markets (i.e., in Germany, the Netherlands,

Italy, Spain, Hungary, and Estonia). The insider-outsider logic confirms inequality in terms of the general higher risk of outsider groups to be unemployed or to end up in the flexible, precarious forms of employment. However, young people in coordinated market economies with closed employment relations (i.e., in Germany, the Netherlands, Italy, Spain) may be better off than those in the post-socialist countries (i.e., in Hungary, and Estonia), which are uncoordinated market economies with open employment relations; they have experienced tremendous transformation processes and economic depression. In these countries, like in liberal systems with open employment relations (i.e., in the United States and Great Britain), inequality is strongly related to the level of individual human capital.

### **Welfare regimes**

Apart from educational systems and production regimes, modern countries also have different types of welfare regimes based on national ideologies concerning social solidarity (Flora and Alber 1981) and engagement for social equality and gender-specific issues (Esping-Andersen 1990). Educational and production regimes are main forces behind the distribution of risks. Therefore, these institutional systems influence the level of social inequality and the degree of uncertainty certain groups of young people are facing. As a third important institutional force, welfare regimes are responsible for the degree of protection for those groups affected by employment risks by offering a more or less developed safety net and/or active labor market policies.

Consequently, we propose a *welfare regime hypothesis* that via different policies, welfare regimes filter the impact of increasing uncertainty and social inequality for young people differently. They have the power to reduce social inequality and uncertainty – but they can also increase them by refusing protection measures for those in need. The differences between welfare regimes become manifested in their various priorities for *policies concerning labor market, social equality, and gender issues* (DiPrete et al. 1997): a) commitment to employment results in *active employment-sustaining labor market policies* in order to allocate labor market entrants and other people seeking work to employment (i.e., unemployed, women after a career break, or employees looking for a job change); b) *welfare-sustaining employment exit policies* are intended to unburden the labor market (and to reduce the number of people officially counted as unemployed) by offering support like social benefits, pensions or other public transfers to unemployed, ill, disabled, poor, older people, and care giving women and men; c) the *share of the public sector* is important for the supply of social services and the employment rates of women (who in all countries are mainly responsible for ‘family activities’ at home, like taking care of children and the elderly, if such services are not offered by the state); and finally, d) the *scope and generosity of family allowances and services* (i.e., maternity/paternity leave, childcare) also has a huge impact on the issue of female employment.

With respect to the countries included in our study, we outline the main characteristics of five welfare regime types: 1) the liberal, 2) the social-democratic, 3) the conservative, 4) the family-oriented, and 5) the post-socialistic regime by referring to the policies mentioned above. Further, we discuss the impact of each regime on the situation of labor market entrants and young employees. In this context we will also pick up the gender issue with regard to its influence on the early employment career of women in different national contexts.

The USA and to a lesser extent Great Britain are known as *liberal welfare states* with a) passive labor market policies, b) moderate support for those who are outside the labor market, c) relatively low employment in the public sector, and d) means-tested family benefits.

A high employment level for young people is prevailing due to the high flexibility. However, for liberal systems *higher inequality and poverty can be predicted for young employees*, among other factors due to greater exposure to the competitive private sector: the more the market reigns, the higher the risk of inequality and uncertainty for already disadvantaged social groups. In addition, passive employment policies and a marginal safety net *confirm existent social inequalities*. Unemployment benefits that are relatively low, highly conditional, and of short duration can serve as a good example for this.

With regard to the *gender issue*, the level of integration of women in the labor market is high. This is despite the fact that the public sector is relatively small, provides only limited public childcare services and the generosity of family allowances (e.g., child allowance and parental leave) may be mixed and family benefits means-tested (Mills and Blossfeld 2005). Since welfare benefits are restricted and relatively low, there will be an increasing necessity for a second family income, because average wages are generally low, and one income is often insufficient to maintain the living standard. Single mothers will be forced to work for the same reasons. Anti-discrimination policy also facilitates an employment of young women. Focussing on different cohorts of labor market entrants, we expect higher employment rates for younger female cohorts of job beginners. Thus, *gender is a variable that matters less* in these countries when it comes to integration in the labor force. However, the form of employment varies among the liberal countries: while in the United States full-time jobs are prevailing, in Great Britain part-time jobs dominate (Blossfeld and Hakim 1997).

Scandinavian countries like Denmark and Sweden are considered as examples for the so-called '*social-democratic*' *welfare regime model* (Esping-Andersen 1993). In this welfare regime, the government tries to achieve high employment rates, and a fair income distribution. The first aim is attempted by means of a) active labor market policies. Pursuing high employment rates, governments apply Keynesian demand policies and mobility stimulating measures such as mobility grants, retraining, and fixed-term contracts. The fair income distribution with a high degree of wage compression is only possible by relatively high levels of individual income taxes that are also necessary to finance b) the generous social security system. All citizens have the same rights vis-à-vis the welfare

state, since public welfare benefits are not contingent on earlier contributions by the individual person (Grunow and Leth-Sørensen 2006). c) An expanding public service sector with relatively low wages for public employees, a high rate of female employment, and gender equality at the workplace and at home is another characteristic of the social-democratic regime type. d) Generous family allowances and services correspond to this. Our expectation is that *uncertainty and social inequality among labor market entrants and young employees should be lowest here*, compared to the other welfare regime types. We predict relatively low unemployment rates for them, and like other groups, young people can fall back on the generous safety net.

The *participation of women in the labor market is high*. One reason is the growing social service demands (kindergartens, schools, hospitals, etc.) that have caused an increase of job opportunities in the service and public sector. Another reason is the relatively high level of individual taxation that has made a second household income essential for most families. Thus, we expect a *fast re-integration of young mothers* in the labor market.

States regarded as *conservative welfare regimes*, like Germany and the Netherlands, a) provide fewer incentives for integration and reintegration in the labor market. Compared to countries of the social-democratic cluster, active employment-sustaining policies play a secondary role here. b) Instead, this type of welfare regime is strongly transfer-oriented; the policies are focused on protecting the living standards of those employees who are not active members of the labor force. Among these individuals are, for example, people who were forced to leave their jobs, are disabled, or are members of an early retirement program. Countries like Germany and the Netherlands therefore guarantee support for relatively long durations of unemployment as well as generous compensations for early retirement. This costly welfare system has to rely on tax increases during periods of high unemployment (Mills and Blossfeld 2005). c) The share of the public sector is not as big as in Scandinavian countries, especially with regard to the supply of care services (kindergartens, day care centers, nursing homes, etc.). With regard to d) the scope and generosity of family allowances and services it should be mentioned that welfare state provisions (e.g., day care) are far less developed than in the social democratic model, and fiscal policies regarding family allowances support the 'male breadwinner model'.

Despite the provision of a relatively high level of financial social security we believe that, in conservative welfare regimes a certain pattern of social inequality is likely to occur: these countries have labor markets with closed employment relationships causing *strong inequality between insiders and outsiders*, especially in times of high unemployment. For those labor market entrants who have difficulties gaining access to the labor market, our anticipation is that they will be increasingly exposed to labor market flexibility once they get a job. Social transfers cannot substitute the benefits of a secure, permanent job or the protection from permanent unemployment that more developed (re-)integration policies could offer. Thus, some young people will face uncertainty here.

With regard to *gender*, conservative welfare regimes supported by the provision of incentives and generous benefits especially to female family care workers (male bread-winner model), which corresponds to the lack of infrastructure of care services. Together, these factors intensify the need of wives and mothers to stay at home or to only take part-time jobs (see Blossfeld and Hakim 1997) and impede the reintegration of young mothers in the labor market, regardless of their occupational position. Thus, on the one hand in comparison to the liberal and the social-democratic welfare states regimes, we expect *lower employment rates for women* – especially for mothers – as well as *long-lasting phases of entry and re-entry* in the labor market. On the other hand, within the conservative regime (like in any other regime type), the employment rates of women of younger cohorts should have grown.

Southern European countries like Italy and Spain follow a *family-oriented welfare state model* (Guerrero 1995). In some aspects they are similar to liberal welfare states: They offer a) rather passive labor market policies, and b) only moderate support for those who are outside the labor market. Additionally, c) the share of employment in the public sector is low, and d) family allowances and services are meager or non-existent. The reasons for these similarities are different: in liberal welfare regimes the state gives way to the rules of the market, whereas in Southern European countries the minor importance of the state is related to a specific ideological and practical involvement of the family and kinship networks. Instead of a public safety net (like in social-democratic and conservative welfare regimes), people rely on these networks when in need of protection against market and social risks. Thus, the family-oriented welfare state model owes its informal institutional character to the deeply cultural view of morally reciprocal attitudes.

Youth stay in the parental home relatively long in Southern European countries, because of *high labor market risks* (Guerrero 1995). *These risks are not distributed equally*, and – like in other welfare systems – educational level, gender, and occupational class are relevant factors. The state does not provide protection against these risks and the uncertainty related to them, and the question is to what extent families are able to shield young people against them. At best, they can provide financial support.

*Gender plays a key role for inequality in these countries.* Based on family-oriented values, Southern European countries display similar features as conservative states with respect to female employment: an occupational career is regarded as severely conflicting with family tasks, so mothers are forced to stay at home, especially since part-time jobs are rare (Bernardi and Nazio 2005). As Mills and Blossfeld (2005: 14) point out, this “leads to exorbitantly low fertility levels in Spain or Italy, for example. Thus, a paradoxical result in the family-oriented Mediterranean welfare regime appears to be that the extended family is rapidly disappearing.”

After the breakdown of the Eastern Bloc and the following far-reaching transformation processes, a corresponding and uniform classification for *post-socialistic* welfare regimes is hardly feasible. The trajectory of the welfare

regimes of former socialist countries is still in evolution, and they are moving in different directions. The following is important to know about Hungary and Estonia in our study: Hungary is similar to the social-democratic regime, characterized by both egalitarianism and de-familialization. There is relatively generous support for the family, with the dual-earner family model favored by fiscal arrangements. On the other side, the degree of support for unemployed youth is highly conditional to limited (Róbert and Bukodi 2005). Estonia has taken a more liberal direction with limited or next to non-existent unemployment and family benefits for youth (Katus et al. 2005). All post-socialist countries have in common that, compared to the rest of the EU, they spend significantly less on measures of active and passive labor market policies (Riboud et al. 2002). While various programs clearly aim to make the transition from school to work easier and smoother and also to increase job stability among the most disadvantaged young people in these countries, there is no empirical evidence confirming their success (ILO 1999). In addition, over the decade, unemployment insurance systems have increasingly become less generous in almost all transitional countries. This tendency can be demonstrated by the reduction of the level of benefit payments in real terms and in their duration, as well as the tightening of eligibility conditions (Cazes and Nesporova 2003).

Hence, Hungary and Estonia will experience a relatively *high degree of uncertainty and social inequality*. The characteristics of employment regulations described above contribute to the development of the insider-outsider labor market in post-socialist countries, and under these circumstances the youth might be extremely vulnerable, particularly at employment entry. Moreover, in these countries the moderate support for those who fall out of the labor market is combined with open employment relations, with employees being barely shielded against market mechanisms, and an individual's labor market resources or human capital being crucial (DiPrete et al. 1997). This puts specific groups of them at high risk.

*Gender has become an issue after the fall of the Iron curtain.* The situation for young women has gotten worse with the formation of an insider-outsider labor market. There are country-specific differences though: *In Hungary inequality between men and women at labor market entry and in the early employment career should be relatively low, whereas in Estonia we expect it to be higher* due to missing family benefits. However, compared to conservative welfare systems where the 'male-bread winner model' is prevailing we anticipate a higher level of integration of women in the labor market, similar to those in liberal welfare regimes.

It has become obvious that the extent to which rising labor market flexibility intensifies already existent social inequalities depends on the type of welfare regime. The social-democratic regime type seems to be the only one that is clearly reducing the risk of social inequality (and uncertainty) for young people. The remaining four welfare regime types (i.e., the liberal, conservative, family-oriented, and post-socialistic), more or less, all re-confirm already existing

inequalities. Gender matters most in family-oriented and conservative welfare regimes for inequalities in the early career.

Now that we have discussed the influence of educational, production, and welfare regimes on labor market entry and early careers, we are able to draw more specific conclusions. In the following section, we consider the different combinations of these institutions. We do this with special regard to patterns of social inequalities that we expect to emerge under increasing labor market flexibility.

### **FLEXIBILIZATION AND PATTERNS OF SOCIAL INEQUALITIES WITHIN INSTITUTIONAL CONTEXTS**

We focus on labor market entry and early employment trajectories for two reasons. 1) First, the *labor market entry* is a crucial phase for the further career which has changed under globalization. We have proposed that younger cohorts are generally more affected by processes of labor market flexibilization and their negative consequences. This is because companies try to establish loose employment relationships particularly with job entrants since they lack a lobby, networks, seniority, and work experience. Thus, by studying the vulnerable group of labor market entrants, the magnitude of labor market flexibility in each country should become visible. 2) Second, extending the investigation on *early careers* will reveal whether disadvantageous labor market entries in the last decades have increasingly ended in permanent detriments, and if so, which groups especially face this problem. In other words: exploring early careers will give an idea about the emergence and stabilization of new social inequality structures.

As stated above, globalization has caused a rise in employment flexibility in almost all modern societies in the last decades. Nevertheless, some of them already have very flexible labor markets while in others firms have just started to implement flexibilization. The interplay of the given *level of labor market flexibility* and the '*institutional package*' of each country evolve a particular influence for both labor market entries and early careers of young people.

This section is a synthesis of all the previous ones. We outline our expectations regarding the process of labor market entry and early career trajectories in the context of different institutional settings. We particularly refer to the countries that are included in our study with special focus on the subject of social inequalities. Table 1.1 shows the institutional packages of the ten countries we analyze.

Labor market entry in *liberal welfare regimes* with *uncoordinated market economies* (United States and Great Britain) is uncomplicated for two main reasons. Dismissal protection is relatively low and enables employers to fire employees in difficult economic times. Secondly, due to the unstandardized on-the-job training, entrants are not restricted to narrowly defined occupational



Table 1.1 Institutional contexts and their impacts on labor market entry processes and early career trajectories

<i>Country showcases</i>	<i>Welfare regime</i>	<i>Educational and vocational system</i>	<i>Employment relations</i>	<i>Level of labor market flexibility</i>	<i>Labor market entry</i>	<i>Early career</i>
United States, Great Britain	liberal	on-the-job training	open	very high	smooth, short duration of job search	unstable, high job mobility
Denmark, Sweden	social-democratic	Denmark: dual system, Sweden: vocational schools	Denmark: open, Sweden: opening up	high (higher in Denmark than in Sweden)	relatively smooth, with longer duration of job search in Sweden than in Denmark	relatively high instability and job mobility (both higher in Denmark)
Germany, the Netherlands	conservative	Germany: dual system, the Netherlands: vocational schools	Germany: closed, Netherlands: opening up	low in Germany, higher in the Netherlands	relatively smooth, especially rapid in Germany due to the dual system	stable, low job mobility
Italy, Spain	family-oriented	on-the-job training	Closed insider-outsider labor market	low	very difficult, with very long durations of job search	stable, low job mobility
Hungary, Estonia	post-socialist	vocational schools (increasing emphasis on general education in Estonia)	Hungary: insider-outsider labor market with open employment relations, Estonia: more open employment relations	high	increasingly difficult, with growing durations of job search	during early transformation phase: unstable, high job mobility; now: more stable

fields. Since low dismissal protection concerns all generations equally, we do not expect any significant changes for the job search phase across cohorts.

In liberal welfare regimes, the likelihood to start in a precarious form of employment is very high as well as the risk for unemployment because protective factors such as labor unions or legislation related to job security and stability are quite weak. Furthermore, the system of unstandardized on-the-job training leads to a high degree of mismatches between individuals and jobs. In the course of growing market competition, we expect growing *social inequality between different groups*. Entrants with low education will increasingly be confronted with precarious employment and the risk to become unemployed. Therefore, *individual labor market resources* will even gain more importance. In addition, the liberal welfare system barely shields those workers against market mechanisms which are the central force here.

*Early Careers in liberal welfare regimes are unstable* as unstandardized educational (USA) and vocational system (USA, Great Britain) enhance the likelihood of initial mismatches enormously. Hence, the rate of leaving the first job is relatively high because companies lacking standardized certifications hire a larger number of entrants than they can keep. Due to on-the-job training many entrants start their jobs in unqualified positions, therefore, precarious employment forms are common (Grubb 1999). The lack of valid perceivable signals of the quality of education and fear of poaching intensifies the reluctance of employers to invest in occupational training. Though employment risks are partly compensated by high job mobility and high upward mobility rates with relatively good chances of leaving precarious jobs, not all entrants will experience upward mobility.

*Human capital* in form of basic skills, cognitive and social competences determine the chances of leaving precarious jobs and unemployment (Bynner 1999). We expect that economic changes will intensify the importance of individual resources and will deepen social inequalities: those with sufficient human capital will be able to work their way up to a high position in the employment hierarchy and can set their hopes on getting private social security benefits (e.g., health insurance) provided by their employer.

*Gender is a variable that matters less* in these countries when it comes to integration in the labor force, despite the fact that the public sector is relatively small, and provides only limited public childcare services. Since average wages are generally low and welfare benefits are moderate, a second family income is necessary for most families.

*Labor market entry in social-democratic welfare regimes* like Denmark and Sweden might take a little longer than in liberal countries, but it is *first of all marked by high security*. The interplay of the high degree of flexibility, active labor market policies, and a standardized educational system allows a rapid labor market integration of young people, and those who are not employed can rely on the generous social security system where public welfare benefits are not contingent on earlier contributions. Denmark and Sweden are *coordinated market economies*. This also reduces labor market risks because of strong labor

unions and other regulative factors. Due to the fact that *Denmark* combines this with *open employment relations*, whereas *Sweden* can be regarded as a ‘classical’ type of a coordinated market economy with *closed employment relations*, we expect some differences. In Denmark, the entry in the labor market should be easier than in Sweden. On the other hand, the likelihood to start in a precarious form of employment is higher in Denmark, as well as the unemployment risk, which should be relatively low in Sweden. Both countries also differ in terms of their vocational training systems. In *Denmark*, *dual vocational education* is facilitating the short duration of job search, while in *Sweden*, theoretical learning in *vocational schools* may extend the phase of job search, because labor market entrants usually have no practical job experience. However, we expect that in both countries labor market entrants are likely to find a first job that matches their qualifications, and *the social-democratic welfare regime will remain to assure a secure career start.*

Compared to countries with other institutional compositions, uncertainty and *social inequality among labor market entrants should be very low* in Denmark and Sweden.

*Early careers in social-democratic welfare regimes might not be stable, but secure.* In both countries, Denmark and Sweden, we expect the early career to be similar to the phase of labor market entry in many aspects: duration of unemployment (low in both countries), risk of flexible, precarious jobs and unemployment (lower in Sweden, higher Denmark). Because of the open employment relations in Denmark, the chances of leaving precarious jobs and unemployment should be higher there. As there are no obvious reasons for an increasing number of mismatches for recent cohorts, we do not expect a rise in (upward) mobility for younger cohorts.

With regard to the specific institutional packages of Denmark and Sweden, *employment risks for young people in their early career are relatively low.* In the worst case, *they can fall back on the generous safety net* - like other groups of employees. *Social inequality among people in their early careers is likely to remain low in both countries*, especially in comparison to countries with other institutional backgrounds. In social-democratic welfare regimes all policies are based on a strong ideology of equality, e.g. aiming at a fair income distribution, and gender equality at the workplace and at home (Esping-Andersen 1990). Yet, in the very flexible Danish labor market, *human capital* might matter more for the risk of unemployment than in Sweden. Unskilled workers can more easily be hired and fired because their jobs usually require little knowledge and training of a specific person. Employers in the Danish setting might see layoffs as an easy and inexpensive way of adjusting to market changes. However, apart from the risk of losing one’s job, which is counterbalanced by short unemployment durations and financial compensation through unemployment benefits, employees with lower educational levels should be shielded better against social inequality than in countries with different institutional packages.

*Labor market entry* in countries with *conservative welfare regimes* depends on the degree of flexibility and the standardization of the educational system.

Exigency for flexibilization but lack of deregulation will split society in *Germany* into two groups: on the one hand, labor market insiders whose jobs are relatively well protected; on the other hand, there are outsiders (labor market entrants and re-entrants, like women after a career break, or unemployed people looking for work) who are deprived of experience and who do not have strong ties to work organizations and work environments. For these outsiders it is difficult to get access to the labor market and market risks will be transferred to them. Due to their missing bargaining power, they have to put up with the employers defining the conditions of their employment contracts – if they are lucky enough to get a job. Since *Germany* displays a low degree of flexibility, dismissals are very costly. Therefore, due to the growing volatility of markets, particularly young job beginners will increasingly have difficulties of smoothly entering the labor market; they will have to face longer durations of job search, and their situation will be even worse if there is high competition due to economic cycles and/or huge cohort sizes. In *Germany*, *dual vocational education* should greatly reduce the job search period. The *main scheme of social inequality is the insider-outsider problem*: those educational groups with none or lower educational certificates, and/or without any vocational training will become permanent outsiders. With regard to the matching quality and precariousness of the first employment, our anticipation is that in *Germany* beginners are increasingly confronted with precarious positions.

In contrast, in the *Netherlands* with a deregulated labor market and a low unemployment rate, the emergence of an insider-outsider labor market is ruled out. There, we also expect quick entries but for other reasons. In contrast to *Germany*, the highly deregulated labor market allows companies to dismiss employees in economically difficult times. Additionally, *theoretical training in vocational schools* diminishes the costs of on-the-job training. These factors enhance the chances of young job searchers to gain quick entries. An introduction of a set of laws since 1980s has been focused basically on numerical flexibilization and has provided a set of rules for limiting the effects of precarious flexible work contracts.

*Early careers in conservative welfare regimes do also depend on the insider-outsider problem*. We believe that in *Germany* not all precarious jobs can be evened out by employees in their further careers and that the chances of doing so are lower for younger generations. Compared to older, more experienced employees, young employees will also be increasingly put at risk for unemployment. Relatively low mobility rates on the German labor market correspond with long durations of unemployment and comparatively low chances of leaving precarious jobs. *Inequality among employees in their early careers* will be between *educational levels* and *occupational classes*, as well as a *gender* issue. The share of the public sector is rather small, and the lack in infrastructure of care services intensifies the need of mothers to stay at home or to take part-time jobs. This is also supported by the provision of incentives and generous benefits. These factors impede the reintegration of young mothers in

the labor market. Like labor market entrants, they belong to the outsiders on the labor market.

Since *Dutch* entrants are mainly high qualified and the labor market is quite flexible, we expect similar early careers as in Sweden and Denmark.

In *Southern-European countries with family-oriented welfare regimes labor market entry is difficult*. The insider-outsider labor market is even more rigid than within conservative welfare regimes. This welfare regime displays features of the liberal type in terms of passive labor market policies and only moderate support for those who are outside the labor market. Instead of a public safety net, people rely on kinship and family networks when in need of protection against market and social risks. Hence, youth stay relatively long in the parental home in Southern European countries, and many of them opt for the role of a student instead of being unemployed. Nonstandardized on-the-job training in insider-outsider labor markets intensifies the outsider situation for young labor market entrants since they are devoid of practical experience and vocational training, and employers lack any reliable signals to appreciate skills and qualifications of employees (Müller et al 2002). Growing volatility of markets and increasing unemployment rates will intensify the closure of insider labor markets and worsen the situation for young entrants. Thus, we expect that the duration for search of the first job will rise across cohorts. But also, the existing high rate of young job beginners who start in precarious jobs will increase across cohorts, because in times of economical uncertainties companies try to reduce investments in vocational training of new entrants.

*The high labor market risks are not distributed equally among labor market entrants* in Italy and Spain. In this context, we expect inequality between *educational levels* with regard to the option of studying instead of being unemployed as well as with regard to access to the labor market, duration of job search, and the risks of precarious work and unemployment. In family-oriented welfare regimes, the state does not provide protection, and the question is to what extent families are able to shield young people against these risks and the uncertainty related to them.

*Early careers in the family-oriented welfare regimes will increasingly be unstable due to the insider-outsider issue*. Rising exigency for flexibilization but lacking deregulation of the labor market destabilizes entry processes in Italy and Spain and has far reaching consequences for early careers. Young employees will have to deal with precarious jobs and long phases of unemployment. Since these countries with their closed employment relations are regarded as extreme cases of 'insider-outsider' labor markets, mobility rates will be rather low, with low chances of leaving precarious jobs.

Early careers in the family-oriented welfare regimes of Italy and Spain are highly dependent on *gender, educational level, and occupational class*. These variables separate the insiders from the outsiders on the labor market. Gender is especially relevant, because of a strong male-breadwinner ideology as well as a share of employment in the public sector in the family-oriented welfare system (of course, the latter has to do with the former). An occupational career is

regarded as severely conflicting with female family duties; mothers are forced to stay at home. But also educational level and occupational class are important for the risk of employment flexibility and unemployment.

*Labor market entry in post-socialist countries might increasingly become as severe as in Southern European countries* since the majority of post-socialist countries has been gradually moving away from the model of obligatorily regulated inclusion to the model of competitive regulation (CEDEFOP 2001). Dramatically increasing unemployment rate coupled with the withdrawal of the state from its role as mediator between the educational and employment systems divided the labor market into insiders and outsiders. Curricula of the educational institutions also became more general, thereby weakening the matching quality between qualification and the first job and aggregating school-to-work transitions (Róbert and Bukodi 2005). The transformational period in the early nineties, characterized by devaluation of education and qualification obtained in socialist times, provided a window of opportunity for all entrants irrespective of their educational level (Kogan and Unt 2005). We assume that especially many of the formally low-educated job entrants used this unique chance to get jobs for which they were under-qualified. Despite the similarities, there might be slight differences between post-socialist countries: in *Hungary*, where a major part of school-leavers acquire occupational qualification, either in vocational schools or in more theoretically oriented technical secondary schools, the transition to the labour market is expected to be a bit smoother than in *Estonia* where increasingly more people leave the educational system without completing any vocational training. We predict that educational qualifications, above all vocational, might play a more significant role in finding the first significant job in Hungary, but less so in Estonia.

*Early career process in post-socialist countries can be marked by emergence of insider-outsider labor market and can be characterized by increasing social inequalities.* Although, the political and economic changes in the early nineties resulted in occupational status loss for most people, the likelihood of moving up also increased sharply in the early period of the transformation process, but mainly for the younger cohorts. Thus, we predict that for those entering the labor market as over-educated and as adequately employed in the late socialist time, the mobility 'boom' of the early nineties offered the opportunity of upward mobility. After the mid-nineties, labor market closure created insider-outsider labor markets reducing job mobility rates.

We suppose that after labor market closure the rates of these entrapments increased significantly and that they are mainly structured by *human capital endowments* and *occupational classes*. We believe that entrapped middle and high-educated entrants in the stabilization period are unlikely to compensate initial mismatches. We also believe that young individuals with lower formal education entering the labor market in 'bad jobs' (as temporary worker, unskilled service worker, etc.) after the mid-nineties are entrapped in these positions and exposed to a high risk of unemployment, and by re-entering the labor market, they will get only other 'bad jobs', which in turn lead to unemployment again.

Such workers will supposedly constitute a group of outsiders compared to highly qualified young individuals with secured employment who constitute the 'core' of the labor force (as the insiders). In other words, we believe that *mismatches between education and occupational status* are an important driving force of early career shifts in this period.

## NOTES

- 1 According to the classification scheme by Erikson and Goldthorpe (1992), the I-II service class, consisting of young managers and professionals, will be the least endangered group, while young unskilled workers (VII) in industry and service (IIIb) will be the most exposed group. Young routine white-collar (IIIa) and qualified manual and non-manual workers (V) are supposedly the next groups to be jeopardized by the rise of employment flexibility. Lacking job experience and a back up of labor unions, these employees will have to put up with unfavorable contracts not only at the beginning of their first job, but also later in their working life.
- 2 That means Erikson's and Goldthorpe's classes IIIa and V face the lowest risk in this theory. Marsden argues that, while skilled and professional workers are more likely to enjoy permanent contracts and are better protected against salary cuts, low-skilled workers are more likely to receive fixed-term contracts and are more endangered by salary cuts, because they can be easily substituted and have less support by trade unions.
- 3 Oppenheimer and Kalmijn (1995) call these unskilled occupational activities at entry into the labor force 'stop-gap-jobs', because they have the character of temporary bridges (Myles et al. 1993). As our study does not only include the entry into first job but also the first years of the early career, we will be able to examine this important issue in detail.
- 4 Therefore, it is not surprising that global economic changes have not weakened trade unions in coordinated market economies yet.
- 5 This term refers to labour market policies aiming at a balance between employers and employees in terms of 'fixed' employment becoming more flexible while the security of flexible employees increases.
- 6 There was a rapid increase in downward and upward shifts for all cohorts in the first half of the nineties, but older cohorts generally faced much higher risk of downward mobility, while the likelihood of moving up increased mostly only for the younger cohorts. It should be noted that by the second half of the nineties career mobility flows became less turbulent in post-socialist countries and the slight increase in the upward mobility chances indicates that forced moves of the first period of transformation are getting to be replaced by voluntary shifts.

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