

Do you feel like an insider? Job security and preferences for Flexibilization across Europe

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Abstract

The paper analyses the determinants of public opinion on flexibilisation of work contracts. While the literature on new labour market divides has rapidly expanded, few contributions directly look at employees' demands for labour market regulation. By using a multi-level data set for 25 European countries, we find that the subjectively assessed job security is an important and valuable predictor of preferences for flexibilisation. In particular, those with very low and very high levels of perceived job security prefer flexibilisation compared to those with medium levels. We also show that the effect is stronger in countries with stricter employment protection legislation. The findings contribute to the literature on new divides of labour market politics in several ways. First, our empirical operationalization is related directly to the core of insider-outsider theory, the protection of work contracts. Second, subjective assessment of employment security yields important complementary insights into a debate usually focusing on objective measures. Third, we find that the (subjective) divide is context dependent; it is much more visible in countries where employment protection regulation is strong.

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1 | INTRODUCTION

The liberalization of work contracts, and its relation to the legislation of job protection, is one of the most controversial and salient political aspects of recent welfare state reforms. While a number of scholars bemoan the lack of flexibility and “rigidity” of European labour markets, others worry about trade-offs between (wage) flexibility and (income) equality (Nickell, 1997; Esping-Andersen & Regini, 2000). Flexibilization of work contracts is a key element in scholarly discussions concerning new divides in labour markets, and the re-emergence of dualization (e.g., Emmenegger et al., 2012). Moreover, such debates have found their way into policy recommendations; many countries, including both old and new EU member states, have decreased the stringency of their protections throughout the 2000s, particularly for temporary contracts.

Even though the political and socio-economic consequences of segmentation and dualization are tremendous, we are only just beginning to understand their political origins. In particular, the resistance of certain groups, which potentially stand to benefit from flexibilization, requires further investigation. Much of the empirical work in the literature on public opinion focuses more on social, or general, job security than on attitudes toward deregulation. Indeed, it is hard to find good proxies for preferences on labour market policies using public opinion data. There are also conceptual differences with respect to how scholars have operationalized such divides among ‘labour’ as a political force (Anderson & Pontusson, 2007; Rehm, 2009).

Our article contributes to existing debates in three ways: first, we examine Eurobarometer data for various European countries on a specific question concerning the flexibilization of work contracts. This question, which shows considerable variation across Europe, arguably rests at the “heart” of the flexibilization debate. Second, we find an interesting curvilinear pattern consistent with our theoretical expectations. Both people with very low and very high levels of perceived employment security¹ are in favour of flexibilization, while those in the middle of the spectrum are much less supportive. We run a battery of empirical tests and find this result to be remarkably stable. Third, we explicitly acknowledge institutional feedback effects, particularly those of employment protection legislation (EPL) on public opinion. In countries with higher levels of EPL, the divide over flexibilization is more pronounced. This could explain why the debate on flexibilization is much more polarized in some countries, as well as why the outcome of flexibilization is sometimes more akin to dualization than to across-the-board deregulation.

In the next section, we briefly summarize the state of the art in the scholarly literature on flexibilization and public opinion. On this basis, in section three, we formulate our theoretical expectations about the demand for flexibilization in European countries. Then, in section four, we introduce the data and present some descriptive statistics. Section five presents our empirical findings from the models, with micro- and macro-level determinants of attitudes toward flexibilization. The final section concludes with further implications of our findings for the scholarly literature.

2 | THE FLEXIBILIZATION DEBATE

From the 1980s onwards, economists identified labour market institutions as the root cause of the simultaneous high levels of unemployment and low levels of job growth in Europe. According to this view, passive labour market policies, rigid employment protection legislation and extensive union coverage distort the functioning of the markets, and lead to poor performance (Nickell & Layard, 1999; Elmeskov et al., 1998). In order to reduce unemployment and boost job growth, they called for across-the-board deregulation of, among other things, work contracts. Yet remarkably, such flexibilization efforts mainly affected the fringes, and not the core, of the work force. For instance, many countries undertook a battery of reforms that deregulated temporary work and fixed-term contracts; only a few, however, such as Spain, reduced protections for regular jobs (Boeri & Garibaldi, 2007; Emmenegger et al., 2012). Moreover, in only a few cases did such reforms follow the logic of “flexicurity”, i.e., the logic whereby (numeric) flexibility increases while social security remains untouched (e.g., Viebrock & Clasen, 2009). Instead, deregulation of

temporary contracts and benefit cutting often went hand in hand, leading to (or increasing the pre-existing) dualization and segmentation of labour markets (for a survey, see Davidsson & Naczyk, 2009).

The earlier theoretical foundation of two-tiered reforms, which protected core workers but deregulated the “fringes” of the labour market, was established by the insider-outsider models (e.g., Saint-Paul, 2000; Cahuc & Postel-Vinay, 2002). According to the insider-outsider theory, the insiders have the power to set wages above the market clearing level. This power stems from the fact that they are legally protected. Firms cannot easily replace insiders because of high turnover costs (Lindbeck & Snower, 2001; Lindbeck & Snower, 1988:75–85). One of the immediate consequences of the insider-outsider divide in labour markets is segmentation between a well-protected sector and an unregulated one.

Accordingly, policy preferences of insiders and outsiders are expected to differ. Insiders are expected to support stricter employment protection legislation and the extension of collective bargaining agreements across the board, to avoid underbidding of wages and other welfare benefits (Saint-Paul et al., 1996). This ought to result in a two-tiered system, deregulating outsiders' work contracts even further, while protecting those of insiders. Such reforms could affect the labour markets in a perverse, if only transitory, manner (Blanchard & Landier, 2002; Boeri & Garibaldi, 2007; Cahuc & Postel-Vinay, 2002). This segmentation might also be politically sustainable, given the outsiders' traditionally low voter turnout and exclusion from the political arenas of redistribution and labour market regulation (Hausermann & Schwander, 2013; Kitschelt & Rehm, 2006; Rueda, 2007).

However, this simple narrative is not always borne out by empirical studies using public opinion data. Among others, Emmenegger (2009: 138), for instance, finds little difference between insiders and various kinds of outsiders. There may be three reasons for this non-finding. First, empirical studies often use very indirect proxies for attitudinal variables. Such proxies do not touch the issues which lie at the core of the flexibilization debate: namely, work contracts and employment law. For instance, Rueda (2006: 395) obtains strong support for the insider-outsider argument about people's willingness to pay taxes, if this creates more jobs. Instead, Emmenegger's (2009: 137) findings are based on two different attitudinal items: “governmental interventionism” and job security. Finding good survey questions on the issues – that is, ones that quickly reveal policy preferences – is truly difficult. Guillaud and Marx (2014) on France, and Svalund et al. (2016) on Scandinavian countries are among the few who use direct questions to study the issue of legislative employment protection. To the best of our knowledge, there has thus far been no larger cross-country study that directly links individual preferences for flexibilization and (de-) regulation.

Second, the strategies used to define insiders and outsiders differ significantly (Rovny & Rovny, 2017). Many researchers use a dichotomous categorization of insiders and outsiders, based either on labour market status, or on the division between temporary and permanent contract holders (e.g., Rueda, 2005, 2007; Marx, 2014). Other scholars prefer continuous metrics, based on occupational unemployment rates or social exclusion, when identifying outsiders as people at risk (Häusermann & Schwander, 2013; Rehm, 2009). A third idea, less frequent among political economists, is to look at subjective measures of job and employment security (e.g., Anderson & Pontusson, 2007; Green, 2009; Svalund et al., 2016).

A third problem arises if the existing divide between insiders and outsiders also depends on the existing level of regulation. Since labour market institutions have a huge impact on labour market status, wages and employment probabilities, policy preferences could be endogenous (e.g., Lindbeck & Snower, 1988:15–61; Saint-Paul, 2000). For instance, it is quite plausible that employment protection is responsible for increasing the divide in public demand for employment protection. While there are few studies directly testing this feedback loop on the issue of labour regulation (see, however, author & Berglund et al., 2014), many others have found such effects for social protection (Pierson, 1993; Bussemeyer et al. 2019). With regard to employment protection, several studies have shown that the existing type and level of employment regulation affects the interest of political parties, unions and employers' associations in further reforms (Fossati, 2017). There is also an important empirical literature showing that there are huge consequences for non-typical employees in countries where employment regulation is segmented, or even dualized (Passaretta & Wolbers, 2016; Polavieja, 2003). Thus, policy preferences of labour market insiders and outsiders cannot be expected to be equally strong in all contexts and, particularly, in all types of labour market regimes.

3 | DETERMINANTS OF FLEXIBILIZATION

Let us take up these three criticisms in more detail. Our main interest is to empirically test whether or not there is a labour market divide when it comes to views regarding flexibilization of working contracts. While contract flexibilization can take many forms, we are mainly interested in aspects that relate to the legal protection of employment through restrictions on individual or collective dismissals, as well as through regulation of non-typical forms of employment, such as temporary or agency contracts. The existing studies that look at labour market divides often follow a dichotomous logic: “employed” vs. “unemployed”, or “permanently employed” vs. “temporarily employed”. Rueda's (2006) idea was to add a third group: the “upscale”, or, those who have little to fear from deregulation and flexibilization. In his view, the demand for labour market protection is U-shaped: low-skilled outsiders should prefer any job opportunity to being permanently locked out; medium-skilled insiders should prefer a system of strict employment protection; the high-skilled should prefer low levels of protection, since they benefit from low-skilled workers' access to the labour market. An example would be a well-paid manager hiring a low-paid housekeeper. Both have complementary skills, so they should benefit from each other's labour.

As seen above, the empirical record for this U-shaped relationship between skill levels and demand for flexibilization is not very strong. One reason is that skill is not always a good predictor of job security. In Germany and Poland, for instance, it is not only unskilled employees, but also those with a university degree that have the highest incidence of temporary contracts (Gebel & Giesecke, 2009; Baranowska et al., 2011; see also Blossfeld et al., 2008). Similarly, the distinction between temporary and permanent, useful though it may be, has its limits. For instance, it is not always clear whether holding a temporary contract serves as a steppingstone towards permanent positions (Booth et al., 2002; Gash, 2008), or if such contracts lead to segmentation. If, for instance, firms use temporary contracts to save labour costs, instead of screening suitable employees, the steppingstone model breaks down (Berglund et al., 2017). In a similar vein, some studies have found that workers with atypical contracts also receive lower wages, fewer opportunities for training and limited fringe benefits (author, 2019; Doerflinger & Pulignano, 2015).

Thus, we believe that in a rapidly changing economy, it is better to consider (re-) employability, and hence (re-) employment, rather than job security, as the most important buffer against labour market risks (e.g., Berglund et al., 2013; Svalund et al., 2016). One simple test could be to look at the difference between general and job-specific skills (Iversen & Soskice, 2001). Workers who are able to transfer their skills to different jobs should fear job loss less and may therefore be more likely to favour labour market flexibility (Iversen & Soskice, 2001). However, empirical studies show that personal employment security often depends on many individual, firm-related or macroeconomic factors.

Indeed, it can be difficult to find valid and exhaustive objective measures of labour market risk and, particularly, of employment security. An alternative idea is to consider subjective measures of employment security as a crucial explanatory variable for the support of labour market policies (Anderson & Pontuson, 2007; Cappeli & Neumark, 2004). Such subjective measures depend, in turn, on a number of objective determinants, like the unemployment rate and the generosity of unemployment benefits, not to mention other individual features – since female, less educated and older workers tend to display greater concerns about employment security (Green, 2009). They also contain a lot of additional, subjective, information which helps us understand the perceived threat of labour market vulnerability. Moreover, several studies show that one's perceived ability to find a job dramatically reduces the detrimental effects of job insecurity on mental well-being, and that negative feelings of job insecurity are mediated through employment and income security (Vulkan et al., 2015; Berglund et al., 2014). Hence, we argue that subjective evaluations of labour market conditions – specifically, perceptions regarding re-employability – are fundamental to one's degree of support for flexibilization. Re-employability captures the feeling of having “another option”, which allows employees to feel strong when negotiating, or bargaining, with employers.

This understanding of employment security will also help us rehash the idea of a hump-shaped relationship between various risk groups and flexibilization preferences (Saint-Paul, 2000; Rueda, 2005). In a similar vein, we also distinguish between three groups; people who feel very insecure about their prospects of finding a new job, people

who feel very secure about their re-employment chances and, lastly, people in the middle range. Our first hypothesis states the following:

H1: Demand for flexibility should be higher at each end of the subjective re-employability distribution, given that highly insecure and highly secure groups have little to gain from stricter employment protection, and high barriers.

First, let us consider employees with very low prospects of finding a new job – that is, those who should be sceptical about the beneficial effects of legal job protection. They are often concentrated in low-skilled occupations, sometimes in temporary jobs from which it is difficult to “break into” a better, protected, segment of the labour market (Polavieja, 2003; Passaretta & Wolbers, 2016). In principle, such people would still have, as a first-best option, the possibility of entering a well-protected job, and thus a different segment of the labour market (e.g., Emmenegger, 2009; Svalund et al., 2016). However, given their very high level of perceived insecurity, they might prefer a system with generally lower entry barriers. At the opposite end are those who do not fear job loss very much, because the demand for their skills and experience is high. This tier includes not only highly skilled workers, but anyone with the belief that his or her position in the labour market is relatively strong. Given their firm belief in re-employability, this group would also not favour harsh regulation limiting practices of hiring and firing. Rather, they might be more concerned about the individual, or collective, benefits of less regulation. Finally, let us consider the third group, which includes people with intermediate levels of perceived re-employment security. Among these, we should expect the highest demand for protection, and the lowest for flexibilization. This group may contain people who have job, or sector-specific, skills that are not very useful outside of their current employment. It may also contain those who feel that, without legal protection, their chances of keeping or getting a similar job would be mediocre. Hence, they feel the need for legal protection to keep their jobs, and fear contract flexibilization.

Assuming a U-shaped relationship between employment security and demand for flexibilization acknowledges that there is a difference between feeling strong because of one's experience, skills or perhaps even some personal trait and feeling strong because of (legal) protection. If you feel secure for personal reasons, your interest in collective rules, like employment protection, might wane. If you feel secure because of the collective rules, then existing institutions clearly matter. For example, in Scandinavian countries with flexicurity policies, the outsiders (as defined by subjective evaluations of job loss and re-employment) do not ask for weaker job protection legislation, whereas, by contrast, highly secure workers prefer deregulation (Svalund et al., 2016). Also, the combination of different flexicurity policies might lead to conflicting views, and workers' concerns about losing their jobs can be compensated for by confidence in their re-employability and income security. This has been the case in Sweden, where perceived risk of job loss increases the affective job insecurity more when there is little belief in the possibility of finding an equal or better job (Berglund et al., 2014; Burgoon & Dekker, 2010). Hence, we suggest that the existing labour market institutions, particularly EPL, should affect the labour market divide. This leads us to the second hypothesis.

H2: The U-shape between subjective (re-)employment security and the demand for flexibilization should be more pronounced in countries with high levels of legal protection.

For our purposes, regulation of employment protection stands out, due to its direct impact on re-employment prospects. In the most trivial case, where there is no legal protection, demand for further flexibilization should be, almost tautologically, low. More importantly, the difference between the three groups of high, mediate and low levels of perceived employment security should be minimal; in such cases, everyone derives employment security through channels other than legal protection. The situation differs in countries with higher existing levels of employment protection. There, losing a job could be much more detrimental, given higher re-entry barriers. In addition, public opinion may also “heat up” in times of labour market reform. This is especially the case in countries that have introduced deregulation, or even dualization (Bentolila et al., 2011; Polavieja, 2003; Passaretta & Wolbers, 2016). In such instances, the differences between those with low, middle or high levels of perceived security may be even sharper. Thus, we would expect the aforementioned U-shaped relationship between subjective assessment of re-employment and support for contract flexibility to be more pronounced in labour markets where existing levels of protection are (relatively) high.

4 | DATA AND DESCRIPTIVE STATISTICS

Our major dependent variable comes from the 2009 Eurobarometer Survey 71.2 (see Papacostas, 2010) which deals, among other things, with employment and social policies. While later surveys also consider this question, we prefer the 2009 edition because it contains the most interesting batch of covariates. For the dependent variable, we use the following question: "Work contracts should become more flexible to encourage job creation". The question is only asked to people who work, and answers are given on a 1 to 4 scale, with 4 being "totally agree". For ease of exposition, we recode this variable into a dummy, with 0 being "totally disagree" or 'disagree' and 1 being 'agree' or 'totally agree'.² Figure 1 shows the variation of the dependent variable for our country sample. We see that there is substantive variation across countries. Flexibilization receives the least support in some Western European countries such as Portugal, Italy and Spain, as well as the Czech and Slovak Republics. On the other side of the spectrum, there are countries from Eastern Europe like Slovenia and Hungary, but also Ireland. The distribution corroborates the general observation that different types of regulated and deregulated labour markets correspond to variations in public opinion. There is also substantive in-country variation, which contributes approximately 75% to the overall variation in the dataset. As can be seen from Figure 1, in only a few countries does a (small) majority of employed people support flexibilization. The country ranking is very stable across time, as seen by comparing our data to the same question, as asked in 2006 and 2011.³

One important drawback in using this question is that it was only asked to people who are currently economically active. If anything, however, this would speak against our hypotheses. We look at samples in which insiders are in the majority, and over-represented as a percentage of the electorate. Nonetheless, the sample should still include people with non-standard forms of employment. Aggregate studies show that such forms of employment often make up more than one-fifth of the workforce (Schmid, 2010). Temporary, or part-time, work is typically least prevalent in Eastern Europe and, by far, most common in the Netherlands. In this sense, it is clear that the sample does not only

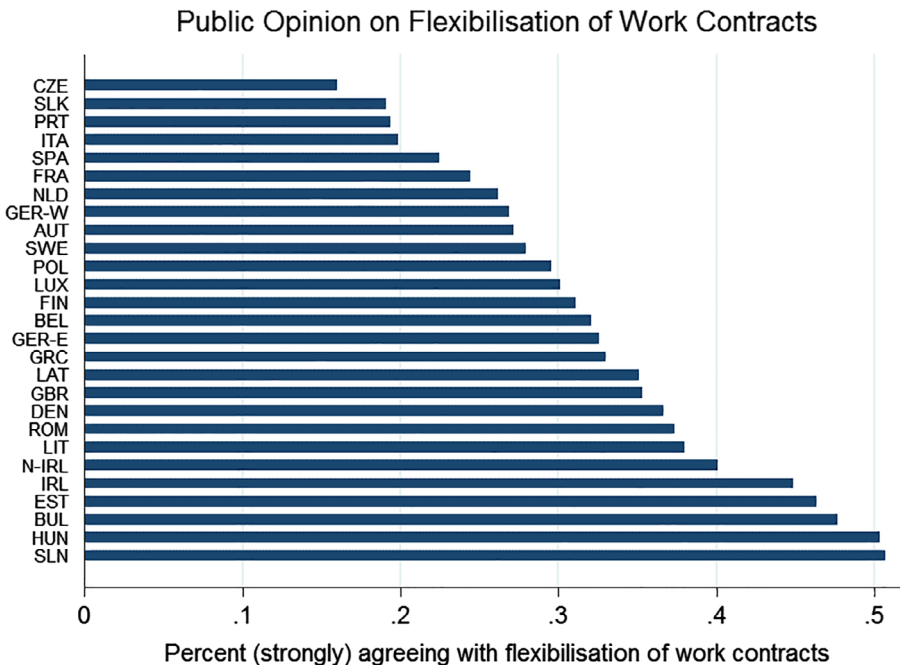


FIGURE 1 Dependent Variable

Note: Own calculations on the basis of Eurobarometer 2009 using population weights [Colour figure can be viewed at wileyonlinelibrary.com]

include insiders. A more important drawback, however, is that the question conflates a preference (“do you want flexibilization”) with a causal belief (“because it creates new jobs”). Ideally speaking, we would like to separate these dimensions from one another; people might be primed into accepting the statement once they see the argument about job creation. To understand how significant this problem is, we ran some ancillary survey experiments with university students. While the real-world validity of these experiments is limited, they can still provide some sense of how strong the priming issue might be. In our case, although we did find a weak priming effect, it is arguably not strong enough to severely impair the validity of our dependent variable.⁴ In addition, we will also use control variables in the estimations, to minimize the risk that we are only identifying a causal belief rather than a political attitude.

Table A1, in the Appendix, shows the summary statistics of our main dependent variable, as well as the summary statistics and sources of our independent variables. Our key independent variable is the subjective assessment of (re-)employment security. Respondents are asked how confident they would be if they had to find a new job (on a scale of 1 to 10).⁵ We use both the simple and the squared term for the analysis, to allow for a curvilinear relationship between the dependent variable and job security. The key variable for the feedback effect is the level of regular employment protection legislation, which is derived from OECD⁶ and European Commission Labour Market Reform (LABREF) databases. Index scores range from 0 to 6, the higher values indicating greater protection. We also include scores measuring the strictness of regulations with regards to employers’ ability to hire temporary employees, duration of temporary employment and its frequency. These are also based on our estimations using the OECD and LABREF databases. Figure 2 presents the EPL for regular workers in each country. As can be seen, there is considerable cross-country variation; on the one hand, we have Portugal – with strict regulations against individual and collective dismissals for regular employees. On the other hand, the UK has relatively laxer rules, which make hiring and firing less costly for employers.

Besides perceived employment security and EPL, other individual and contextual features can help determine flexibility preferences. Therefore, we add several other controls on the individual level: age, education, gender, self-placement on an ideological left–right scale, marital status, the size of the community in which one lives, the number of job changes in the person’s work history, the number of years spent with their current employer, the occupational

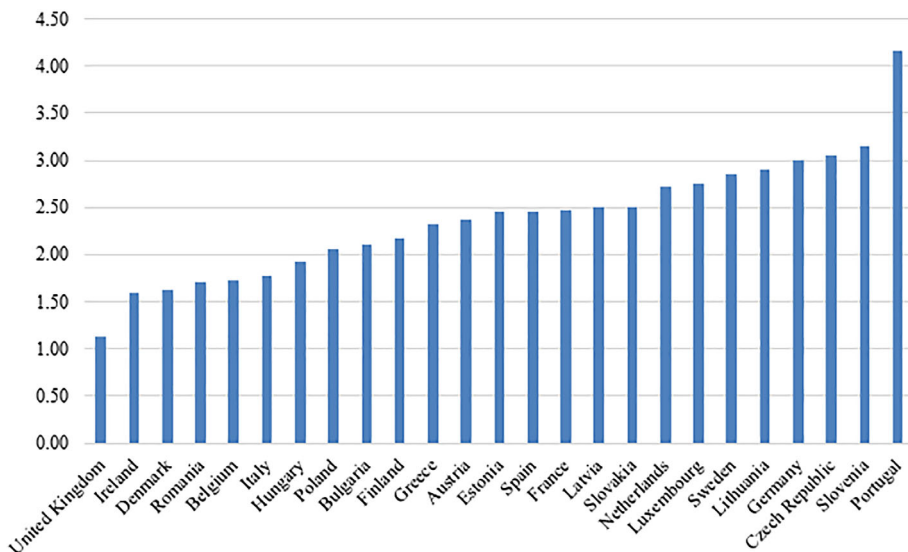


FIGURE 2 EPL for Regular Workers

Source: Own calculations on the basis of OECD and LABREF databases [Colour figure can be viewed at wileyonlinelibrary.com]

TABLE 1 Regression Results for Work-Contract Flexibilization

	Baseline	With occupational UR	Additional macro control variables	Additional micro control variables	Interaction effect
Age	-0.008 (-0.99)	-0.001 (-0.06)	-0.009 (-1.03)	-0.012 (-1.42)	-0.011 (-1.33)
Age2	0.000 (0.84)	0.000 (0.04)	0.000 (0.86)	0.000 (1.26)	0.000 (1.25)
Education	-0.011 (-1.44)	-0.008 (-0.93)	-0.015* (-1.92)	-0.003 (-0.31)	-0.007 (-0.99)
Gender	0.078*** (2.75)	0.095*** (2.80)	0.069*** (2.60)	0.043 (1.24)	0.081*** (2.98)
Ideology	0.030*** (3.14)	0.030*** (3.05)	0.025*** (2.80)	0.032*** (3.35)	0.030*** (3.00)
Married	-0.022 (-0.43)	0.001 (0.01)	-0.023 (-0.44)	-0.031 (-0.56)	-0.032 (-0.63)
Finding a job	-0.178*** (-5.39)	-0.19*** (-4.84)	-0.178*** (-5.35)	-0.184*** (-4.79)	-0.016* (-1.72)
Finding a Job2	0.015*** (5.25)	0.017*** (4.87)	0.015*** (5.27)	0.016*** (4.76)	
Community	0.009 (0.33)	0.005 (0.18)	0.010 (0.33)	0.009 (0.27)	-0.003 (-0.09)
Regular EPL	-0.196** (-2.44)	-0.219*** (-2.64)	-0.185** (-2.08)	-0.166* (-1.89)	-0.035 (-0.39)
Temporary EPL	0.002 (0.04)	-0.021 (-0.44)	0.026 (0.57)	-0.012 (-0.23)	-0.020 (-0.43)
Occupational unemployment rate		0.085 (1.13)			
Part-time employment rate			-0.004 (-0.47)		
Unemployment rate			-0.000 (-1.57)		
Interventionist				-0.215*** (-4.49)	
Market approach				-0.153*** (-5.75)	
Number of job changes				0.018 (0.53)	
Years with the employer				-0.002 (-0.75)	
					-0.175***

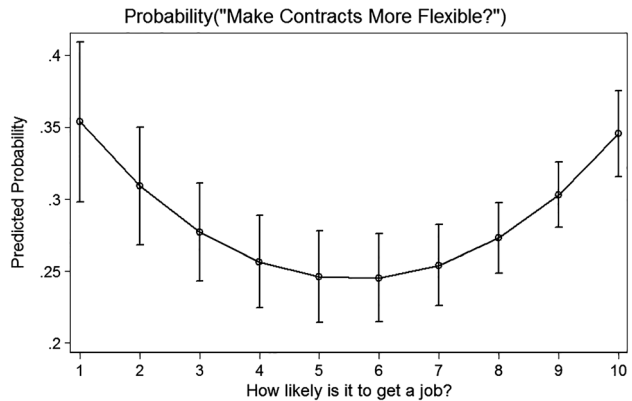
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TABLE 1 (Continued)

	Baseline	With occupational UR	Additional macro control variables	Additional micro control variables	Interaction effect
Interaction between regular EPL and finding a job					(-3.76)
Interaction between regular EPL and finding a Job ²					0.018***
					(4.23)
Constant	0.304 (1.02)	0.150 (0.51)	0.405 (1.42)	0.288 (0.77)	-0.179 (-0.63)
r2_p	0.016***	0.020***	0.020***	0.043***	0.017***
N	9,439.000	7,505.000	9,439.000	7,618.000	9,439.000
k_eq_model	1.000	1.000	1.000	1.000	1.000
chi2	89.231	91.609	160.470	198.310	111.350
df_m	11.000	12.000	13.000	15.000	12.000
LI	-5,767.649	-4,556.842	-5,745.729	-4,526.414	-5,762.748
ll_0	-5,861.103	-4,649.905	-5,861.103	-4,730.943	-5,861.103

Notes: The dependent variable is a dummy, “(strongly) agree” to “(strongly) disagree”, in response to a question on whether the individual wants to see more flexible contracts.
 p* = .05, p** = .01 are one-tailed tests of significance.

FIGURE 3 Support for Work-Contract Flexibilization as a Function of Job Finding Probability
 Figure is based on Model 1 in Table 1. Bars show 95% confidence intervals. Marginal effects calculated with Stata margins command



unemployment rate and two factor scores. Younger workers might tend to favour flexibilization, since it can be considered an opportunity to enter the labour market. However, older workers are also expected to be more supportive – either because they already hold secure positions, or are closer to retirement. Education can also be an important determinant at the individual level, although, for reasons stated above, the direction of its effect is not always clear. Holding a left-wing ideological stance should decrease support for deregulation. The size of one's community, and being a migrant, can also be influential because both can increase the chances of getting an atypical contract (Sa, 2008). Being single might be negatively related to flexibilization demand, as, in such cases, there may be no additional buffer against potential risks (Neugart, 2008).

We also add information on the type of occupation, transforming respondents' current occupations into ISCO88⁷ categories, and adding the occupational unemployment rates at the 1-digit level. In doing so, we follow Rehm (2009), but use the level of aggregation which is suitable for Eurobarometer data. Finally, we used a battery of eight questions about people's opinion of what constitutes an effective measure for job creation.⁸ Among these are improving childcare facilities to ease the double burden of work and family life, or the promotion of geographic mobility. We ran a factor analysis that revealed two main factors⁹; an "interventionist" factor, which correlates high on questions that assign the state more responsibility (improving child care, training, helping with start-ups); and a "market-oriented" factor, which correlates high on questions related to enhancing incentives (e.g., geographic mobility and discouraging early retirement). The factor analysis and scores are presented in the Appendix.¹⁰ At the macro level, we consider national level unemployment and part-time employment rates. Labour market conditions, such as the general level of unemployment, can work in both directions; that is, positively (by making people more accepting of atypical jobs) and negatively (by increasing insecurity). The relative share of temporary and part-time jobs can also be explanatory, because very low or very high levels of such jobs would affect the size of the decisive groups (Ichino et al., 2005). In the regression analysis, we used the 5-year averages before the survey year, 2009, for the macro-level variables, since labour market institutions and policies are expected to have affected preferences after a certain time.

5 | FINDINGS AND DISCUSSION

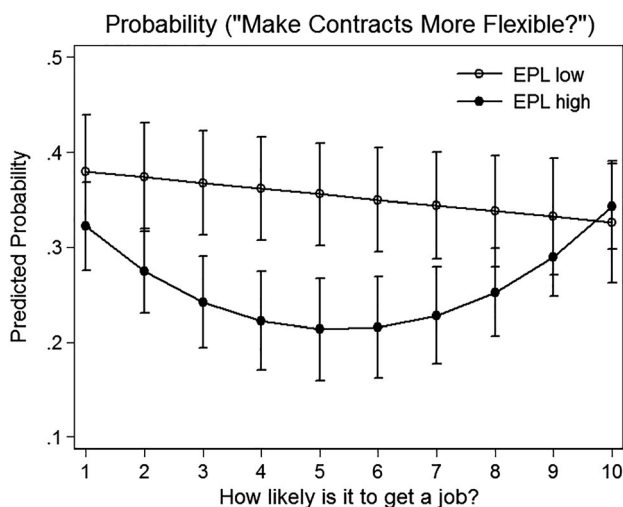
As described above, our dependent variable is the dummy we constructed from the question on work contracts for those (strongly) disagreeing (0) and those (strongly) agreeing (1) with flexibilization. This allows us to use a relatively simple econometric specification, a probit model with country-clustered standard errors. In the robustness checks later, we also include an ordinal probit model, with the original dependent variable based on four values. Table 1 presents the results for five different models: the baseline model, a model including occupational unemployment rates, a model including additional macro-level controls, a model with additional individual-level variables, and a final model with an interaction effect between subjective job security and regular EPL.

Starting with the first model, we see that our main variable, subjective employment security, indeed shows a curvilinear relationship with flexibilization preferences. In other words, support for flexibilization first decreases in tandem with respondents' increasing confidence in finding a new job, and then increases again. To illustrate this logic better, we present a graph plotting the predicted probabilities as a function of the subjective assessment of finding a job. Figure 3 illustrates the findings of the first column in Table 1. We see that the probability of supporting flexibilization drops from more than 35% (for those who think it is extremely unlikely that they would find new jobs) to around 25% (for those in the middle of the spectrum). As we continue towards those who believe it extremely likely that they would find a new job, the probability once again increases to 35%. From the other individual-level variables, we see that none of the socio-economic variables can strongly explain the variation. The one exception is gender, as women seem to be more open to flexibilization than men. People who place themselves on the right of the political spectrum also show more support for flexibilization. Looking at the two macro variables, we see that only the EPL for regular employees is statistically significant. As expected, EPL matters a lot; moving from a country with very low EPL, like Great Britain, to a country with very high EPL, like Portugal, reduces the predicted probability of supporting flexibilization by almost 20 percentage points. On average, people living in countries with high EPL prefer high EPL.

The second model in Table 1 includes a measure on occupational unemployment rates. As stated above, we do this to test whether "objective" employment risk is a better predictor of preferences for flexibilization than our subjective measure. A look at the results shows that higher occupational unemployment rates make people more likely to support flexibilization; however, the finding is not statistically significant. This leads us to believe that our subjective job measure is not spuriously catching variation in 'objective' unemployment risk. We also experimented with

FIGURE 4 Interaction effect between EPL and Job Security

Figure is based on Model 5 in Table 1. Bars show 95% confidence intervals. Marginal effects calculated with Stata margins command



other operationalizations for “objective risks”. For instance, a model containing dummies for the occupational categories, instead of occupational unemployment rates, does not produce very different results (see Appendix).¹¹ Our subjective measure of job security is virtually untouched by the inclusion of any of these categories.

In Model 3, we test the stability of our results when including further macro-level controls. We experimented with several context factors but show here only two additional macro-level variables: the national rates for part-time employment and the national unemployment rate. A priori, labour market conditions, such as the general level of unemployment, can work in both directions; positively (by making people more accepting of atypical jobs) and negatively (by heightening insecurity). Neither of the two adds much to the model, leaving the main effects untouched. In Model 4, we include further individual-level variables to test the stability of the findings for re-employment security. In particular, we include the number of the respondents' prior job changes. “Years with the same employer” shows how long someone has worked for the same employer. Even though both measures do not give exact information about the employee's contractual situation, they clearly relate to it. And they also give information about individual-level characteristics that might reduce the utility of our subjective measure. However, the model shows that neither of these two variables matter.

In Model 4, we also add two factor scores called “interventionism” and “market approach”. We do this to directly control for that part of the question about flexibilization that one might interpret causally: “... to encourage job creation.” As stated above, the question mixes an attitude with a causal belief. Hence, it may well be that we measure the belief, rather than the attitude. By including information on related questions with a strong component of causal belief, we (partially) control for the belief, and can focus more directly on the attitudinal part of the question. We use the previously described factors, “interventionist” and “market-oriented”, which are calculated using the factor analysis of eight questions related to people's views about effective job creation. Looking at the results of Model 4 we, perhaps unsurprisingly, find that those factor scores are significant in explaining attitudes towards flexibilization. However, we do not see that the factor scores crowd out (re-)employment security. Hence, our results do not seem to be driven merely by this latent belief.

Models 1 to 4 tested the robustness of the curvilinear relationship. In Model 5, we explicitly test our second hypothesis, the hypothesis on feedback effects. To do so, we go back to Model 1, and add an interaction effect. For the interaction effect, we separate countries into two groups: those with low EPL, and those with high EPL. Low EPL countries are those that fall below the median EPL score in the sample; high EPL countries are those above this threshold.¹² We ran a model with an interaction effect between curvilinear employment security and the dummy variable, for both low and high EPL. The last column of Table 1 shows the results. To illustrate the differences

between the two subsamples, we produced a graph similar to the above one (see Figure 4). We see remarkable differences between the two country groups. In countries with low EPL, re-employment security generally matters less, and the relationship is linear. In other words, there is little difference between people with low and high cognitive

TABLE 2 Robustness Checks

	Ordered probit	Random effects	Bootstraps	Western Europe only
Age	-0.022*** (-3.29)	-0.012 (-0.90)	-0.008 (-0.86)	-0.020** (-2.23)
Age ²	0.000*** (2.96)	0.000 (0.77)	0.000 (0.75)	0.000* (1.87)
Education	-0.017** (-2.56)	-0.024** (-2.37)	-0.011 (-1.40)	-0.009 (-1.35)
Gender	0.110*** (4.46)	0.118** (2.54)	0.078** (2.55)	0.049 (1.57)
Ideology	0.044*** (4.39)	0.039*** (3.55)	0.030*** (3.76)	0.035** (2.16)
Married	-0.025 (-0.62)	0.001 (0.01)	-0.022 (-0.44)	0.015 (0.21)
Finding a job	-0.077*** (-3.00)	-0.278*** (-8.06)	-0.178*** (-6.83)	-0.170*** (-4.50)
Finding a Job ²	0.007*** (2.84)	0.025*** (8.28)	0.015*** (6.34)	0.015*** (4.85)
Community	0.002 (0.06)	-0.030 (-1.01)	0.009 (0.30)	-0.029 (-1.03)
Regular EPL	-0.240*** (-2.95)	-0.285* (-1.93)	-0.196* (-1.80)	-0.173*** (-3.51)
Temporary EPL			0.002 (0.03)	-0.033 (-0.90)
Constant		0.552 (1.17)	0.304 (0.91)	0.525* (1.67)
Cut 1 constant	-2.453*** (-9.07)			
Cut 2 constant	-1.662*** (-6.22)			
Cut 3 constant	-0.431 (-1.61)			
Random effects		-0.809*** (-5.32)		
R2 (pseudo)	0.013*** 9,077.000		0.016*** 9,439.000	0.018*** 6,042.000
Chi2	111.843	100.307	107.373	820.843
Log likelihood	-10,703.512	-5,625.498	-5,767.649	-3,564.570
Log likelihood 0	-10,844.830		-5,861.103	-3,631.751

Notes: The dependent variable contains four categories, ranging from “agree” to “disagree”, in response to a question on whether the individual wants to see more flexible contracts. $p^* = .05$, $p^{**} = .01$ are one-tailed tests of significance.

employment security. In countries with high EPL, employment security matters much more, and its U-shape is more pronounced than the countries with low levels of EPL. Hence, we see that the divide between different classes of job security perception is much stronger in countries like Portugal than in countries like the UK, despite the fact that, on average, the Portuguese are more sceptical of flexibilization than the British.

An alternative approach to using a dummy for EPL is using a dummy for those countries that have clearly dualized their labour markets; for instance, by deregulating job protection only for those with temporary contracts. Boeri and Garibaldi (2007) provide such a list. When we use their indicator, we see a picture relatively similar to that of Figure 4, not least because the two country groups overlap (see Model 4 of Table A2, in the Appendix). Given that we only have 25 countries, we cannot further disentangle whether our result shows the effect of high levels of protection in general or the effect of dualization in particular.

All in all, the results across the five models of Table 1 are very stable. This holds for both the variables of substantive interest (employment security and EPL) as well as the controls. To ensure that our results are not sensitive to econometric assumptions, we performed various robustness checks (see Table 2). The first model reports an ordered-probit regression using the full range of options, from 1 ("disagree strongly") to 4 ('agree strongly'). The substantive findings of the previous table hold; both the coefficient for finding a job and EPL remain significant and of comparable size. The only difference is that now, some of the controls (notably age and education) are significant. Model 2 reports a multi-level model with random effects on the country level.¹³ Again, the results are substantively similar to Model 1 in Table 1. Model 3 reports the same model as Model 1 in Table 1, but bootstraps the results clustered on the country level. This effectively takes care of the problem that, because we only deal with 25 macro-level entities, outliers may drive the macro-level results (Cameron et al., 2008; Stegmüller, 2013). Again, according to Model 3 in Table 2, we do not see this to be the case. Model 4 shows the results for Model 1 of Table 1, but only using Western European countries. We see that the results for the coefficient for regular EPL become more significant. The coefficients for the micro-level variables are very similar to those findings in Table 1. In addition to these robustness checks, we experimented with numerous different specifications (see Table A2 in the Appendix). In no case were our substantive findings affected. Hence, we feel comfortable concluding by discussing some of the broader implications of our findings.

6 | CONCLUSIONS AND IMPLICATIONS FOR THE POLITICS OF LABOUR MARKET REFORM

In this article, we have discussed the determinants of public opinion concerning regulation vs. deregulation of employment contracts. Given the issue's high political salience and sensitivity, it is of direct interest for scholars studying dualization and new divides in European labour market politics. Our analysis of Eurobarometer data has revealed two major findings. First, we have seen that considering subjective data on job security and people's prospects of finding new jobs adds an additional dimension to the measurement of insiders and outsiders. One advantage of this is that it helps us to model the cutoff points between insiders and outsiders, rather than assuming them on an *ex ante* basis, or using a classification scheme. More importantly, subjective indicators catch a lot of experienced insecurity, which is difficult to anticipate with standard objective measures. We find that there is a considerable amount of gradualism on the subjective scale, and in many countries, there is a curvilinear relationship between employment security and people's attitudes towards flexibilization. Our findings reveal that support for flexibilization first decreases if the employees are more confident about finding a new job and then it increases again with higher levels of subjective insecurity. Hence, while yielding some important complementary findings to the existing literature, our results also support some previous claims. In particular, we show that there is a non-linear relationship in the degree of insidership.

Second, and perhaps more importantly, we demonstrate that endogeneity issues and context dependence play an important role in the existence of labour market divides. By empirically checking the feedback effects of labour market institutions on people's attitudes about flexibilization, our findings indicate that, in countries with stronger

levels of protection for the regularly employed, public attitude is more sceptical towards flexibilization. As shown in our results, the curvilinear relationship between subjective insecurity and labour market flexibility is more accentuated in countries that have high degrees of employment protection. We think that making these endogenous loops more explicit will help us to more clearly understand the rise and fall of both insidership and labour market divides. Existing institutions polarize opinions on liberalization, and make it arguably harder for politicians to suggest further reform measures.

Naturally, our study has important shortcomings, arising mainly from the data that we use. For example, Eurobarometer does not ask the same questions to non-employed people as it does to those employed. The survey also lacks some important and relevant covariates, which would better tease out differences in responses. Despite these shortcomings, however, we believe that our findings are relevant for a larger audience. We think that questions about labour market regulation need to feature much more prominently in mainstream political science. Even now, these extremely politically salient issues receive relatively little attention in the general literature on party and electoral politics. How, and to what extent, governments should regulate labor markets introduces an important dimension of political competition, which has, thus far, received somewhat less attention compared to issues of redistribution and insurance.

Moreover, our findings have non-trivial policy implications. Given their accuracy, it seems that two-tiered reforms tend to reinforce, rather than attenuate, public opinion on labour market deregulation. This is bad news for a neoclassical economist: *ceteris paribus*, the labour markets that might need it most are those least likely to implement liberalization. For political scientists, the issue runs much deeper. To identify the effects of regulation, flexibilization and dualization, we need to understand the psychology of labour market reforms in greater detail. Any successful reform needs to affect and accommodate the belief systems of people; otherwise, it will be easily overturned in the next elections, or wind up doing more harm than good.

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ENDNOTES

¹We use subjective data on (re-) employment security to understand the insider-outsider divide, rather than pre-defined, often dichotomous categorizations such as whether or not someone is unemployed (see for example, Rueda 2005). While our approach also has weaknesses, which we will address later on, it allows us to deal more comprehensively with the problem of causal complexity in labour market divides. In this sense, employment status is only one of the factors shaping the formation of this cleavage (author).

²In the robustness checks, we also use the dependent variable with its original four values; however, we find few differences by comparison to the models that use the dichotomized version.

³What we do see, however, is that across all countries, support for flexibilization increased slightly between 2006 and 2009, perhaps indicating that the European debt crisis took its toll on those resisting deregulation. However, there was no further increase in the share of respondents supporting flexibilization in later survey years, like 2011, and the country rankings remained fairly stable.

⁴We did an experiment with some 100 students from two universities, asking variations of the Eurobarometer questions. We also asked students, *ex post*, why they gave the answers they gave. Results are available on request.

⁵The exact wording of this question is: "If you were to be laid-off, how would you rate, on a scale of 1 to 10, the likelihood of you finding a job in the next six months? 1 means that it 'would not be very likely', and 10 means it 'would be very likely'".

⁶The OECD EPL database does not include data on Bulgaria and Romania, and the information on Latvia and Lithuania is only available since 2010.

⁷ISCO is the International Standard Classification for Occupations.

⁸The exact wording for this question is: "For each of the following measures, how effective do you think they are in getting more people into work and staying at work longer in their life?"

⁹More precisely, we used a principle-components model (STATA command `factor` with `pcf` option). Appendix table shows the results.

¹⁰As the appendix shows the internal consistency of the second factor is not very high. For this reason, we also present a regression with the full battery of independent variables in the appendix.

¹¹Only two occupational categories turned out to be statistically significant, but with the opposite signs. While being a farmer or fisherman increases support for flexibilization, being a desk worker decreases it.

¹²The median index score of EPL for regular workers is 2.12. High EPL countries include Belgium, Spain, Estonia, Latvia, Slovenia, Lithuania, Greece, Romania, Sweden, France, Luxembourg and Portugal while low EPL countries are the United Kingdom, Ireland, Slovakia, Denmark, Hungary, Italy, Poland, Austria, Bulgaria, Finland and Czechia.

¹³We use STATA's `xtmelogit` procedure for this purpose.

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SUPPORTING INFORMATION

Additional supporting information may be found online in the Supporting Information section at the end of this article.

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