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# Shaping and re-shaping the boundaries of working life

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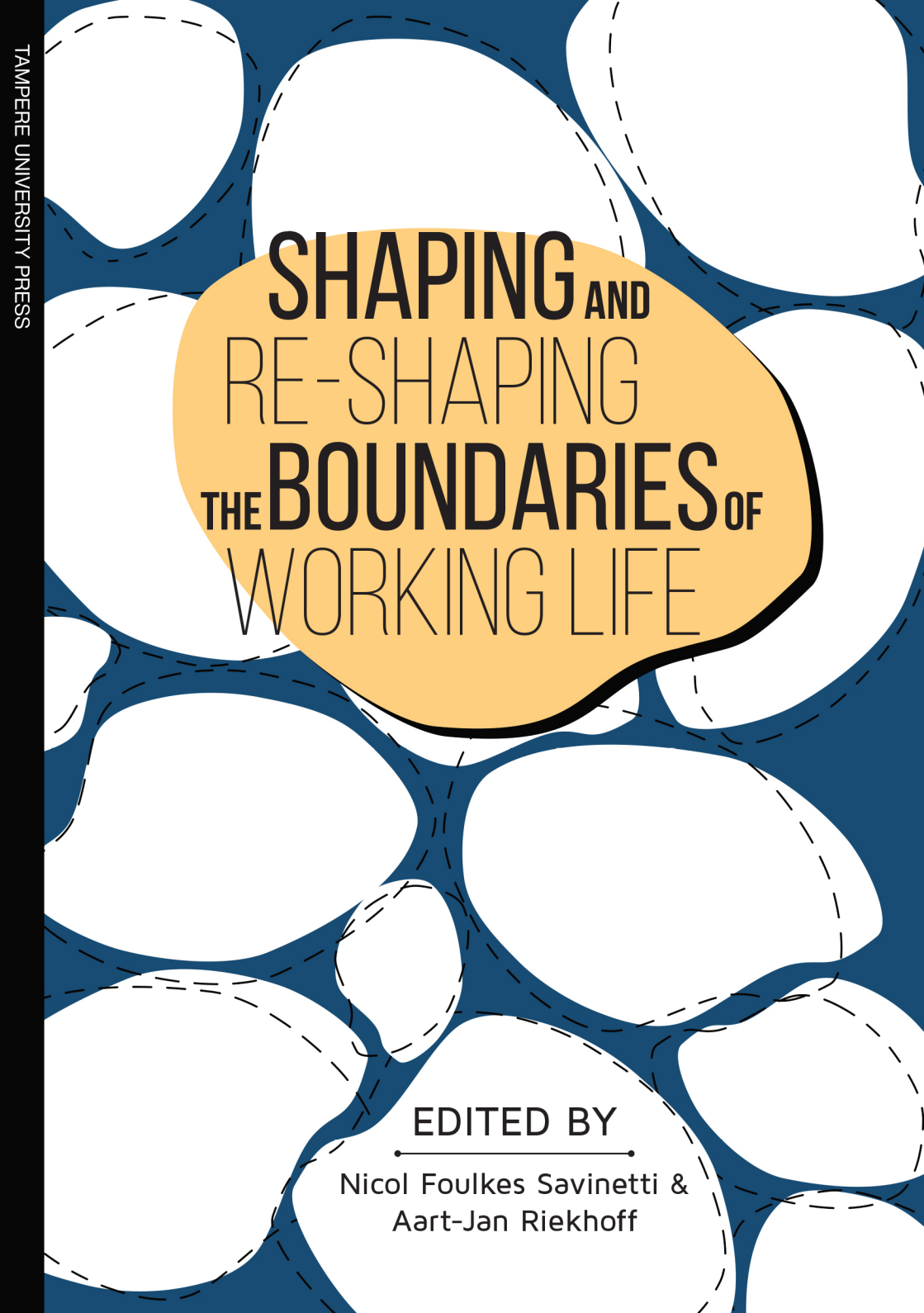
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**SHAPING** AND  
RE-SHAPING  
**THE BOUNDARIES** OF  
WORKING LIFE

EDITED BY

Nicol Foulkes Savinetti &  
Aart-Jan Riekhoff

## **Shaping and re-shaping the boundaries of working life**



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*This book is dedicated to the memory of Jouko Nätti*





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# Preface

*Pertti Koistinen*

Policies to create fruitful conditions for work and life are at the heart of political debates and societal discourse. The tenets of this discourse have changed over time and depend on economic circumstances, but the main interest prevails untouched. Work, and especially gainful work, has been seen as a central issue in an individual's life and essential for the wealth of society. From a historical perspective, there have been good reasons for thinking in this way: technological progress, increases in labour productivity and improving wealth have been positively interconnected since the 1950s and have benefitted the individual's as well society's interest and wellbeing. For the most part, the positive circulation of efficiency and the increase in the wealth of households and nations was secured by simultaneous development and extension of democratic and social rights at the workplace as well as in society at large. The strengthening of the welfare state led to the institutionalisation and mainstreaming of the virtuous circle of economic efficiency, active economic participation and extension of social and democratic rights at work. Over time and with the development of new economic and political power relations,

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this virtuous circle was disturbed, while power asymmetries in the economy intensified. The power asymmetries between economic and social interest, actors of capital and labour, society and environment caused an increase in the inequalities in work and society, which in turn is reflected in the new economic and social structures.

As an outcome of long-term structural changes in the economy and society, the current labour market and working life have been characterised by economic and social restructuring, crisis, recession, increases in inequalities, individualisation of performance and risks and shifting boundaries of work and social activity. These changes in discourse and reality illustrate the importance of the research on work and welfare. Similar to the “golden age” of economic prosperity and social development, in the context of recession, work and welfare, studies are expected to solve the actual dilemmas of working life and economic development. Academic and sectoral research is challenged to meet the expectations by developing quality of working life studies. In Finland, like in many countries, not only has the level and quality of research been upgraded, but a new generation of working life experts has also been educated and special doctoral training programmes have been established to meet the challenges of life and social change. The idea and goal of training a new generation of experts and upgrading the prevailing level of working life research was based on the notion that markets alone are incapable of creating a twenty-first century knowledge society or solving social and political tensions. Societies must realise this and invest more in work and welfare studies not only as an educational and research programme, but also as a public good. This is not only important in terms of solving acute problems of unemployment and inequality, but also in terms of shaping a critical debate about underlying problems and presenting options for the future.

The Finnish doctoral training programme of work and welfare studies (LabourNet), jointly financed by the Academy of Finland and

## *Preface*

a consortium of universities and research institutions in Finland, is a good example of a focused initiative to upgrade the quality and societal relevance of working life research and to develop a new generation of experts who are able to act as change agents. With the increasing complexity and “glocalization” of economic and social life, an important goal was to introduce the early career doctoral students to international networks. This involved internationalising and upgrading their level of theoretical, methodological and empirical knowledge of working life research. To realise this, LabourNet has actively encouraged the international mobility of doctoral students and their supervisors by organising annual workshops, conferences and training programmes in cooperation with various universities, research centres and networks.

The chapters in this publication are based on papers presented at an international seminar organised at the University of Tampere in cooperation with LabourNet and several European universities. The seminar gave PhD students a chance to present their papers to an international audience. More importantly, we offered constructive feedback and advice from senior researchers and specialists in their topics. The presenters were encouraged to further develop their article manuscripts in order to be published and contribute to critical social discourse. The chapters of this book cover various topics and methodological approaches, but the common thread is that they represent the voice and skills of a generation of experts on issues of working life research. With these papers, we also open the door to a fresh debate on current issues and ask, for example, how does economic recession challenge working life? How do we interpret the boom of atypical work? How should the boundary between paid and unpaid work be redefined? Whereas the “typical worker” is entitled to most work-related welfare, those individuals who do not meet the traditional definitions of paid work have difficulties claiming their social rights. We raise the discussion on how work and welfare are

interrelated. What are the implications of these interrelations for various groups of people of working age inside and outside the labour market? What role do gender and social class play in the ongoing restructuring of working life? Based on these chapters, this book demonstrates how working life studies can contribute to a better understanding of societal change. The publication provides an insight into some of the major themes in contemporary working life research and offers new avenues for linking research with policies and policy reforms.



# Shaping and re-shaping boundaries of work

## A framework for analysing complex and multifaceted change

*Aart-Jan Riekhoff*

### Introduction

Many have argued that the nature of work has changed fundamentally during recent decades. The golden years or “trente glorieuses” of full employment and generous welfare states ended by the late 1970s. Instead came neoliberalism, market-oriented reforms and permanent austerity (Pierson 2002). Globalisation, deindustrialisation and ageing populations have been shaping post-industrial economies and labour markets (Häusermann & Palier 2008, 561). Postindustrialism introduced “new social risks” resulting from deindustrialisation, tertiarisation of employment, the massive entry of women into the labour market, increasing instability in family structures and destandardisation of employment (Armingeon & Bonoli 2006; Emmenegger, Häusermann, Palier, & Seeleib-Kaiser 2012; Taylor-Gooby 2004). Globalisation has made capital and labour more

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mobile, increasing pressures for companies to compete, innovate, and digitalise, while increasing the need for labour market flexibility (Buchholz et al. 2009). In Europe, EU integration has enabled more job mobility and harmonised labour standards, while the Euro-project has limited possibilities for fiscal policies. Worldwide, immigration is affecting both the top as well as the bottom segments of labour markets (Sassen 2008). Finally, the recent financial, economic and migration crises have not halted any of these developments but seem to have reinforced them.

Obviously, there is a risk of assuming a “special-times bias” and resorting to “grand narratives”. In other words, we tend to overemphasise that we live in unique times as a result of magnifying specific phenomena while losing sight of the broader historical trends and overall stability. Observations and reflections on how large global processes are changing the nature of work are at least as old as Adam Smith’s *The Wealth of Nations* and Karl Marx’s *Capital*. Especially the influence of the latter continued to be felt throughout the twentieth century in critiques on Taylorism and Fordism and later through theories of the “degradation of work” and segmentation as a result of technological change (Braverman 1974; Piore & Doeringer 1971). In that sense, there is nothing new: work is changing all the time and at the same time, while looking back, past changes might not seem as drastic now as they seemed to contemporary observers. However, that should not stop researchers from observing and explaining changes in work. Still, of course, changes in work and specific labour market phenomena should be seen in their broader historical context.

In this volume, we look at the changes in work from various perspectives by using multiple methodological approaches at different levels of analysis. One shortcoming in the existing literature is that studies focus either on macrolevel changes or on microlevel practices but rarely recognise or make explicit the links between those. Macrolevel studies on changing labour markets and welfare

states often sketch broad developments and present aggregate data on how changes affect particular groups of people but shy away, for example, from telling what this means for a single mother who has to cope with an insecure job on a day-to-day basis. Microlevel studies on changing forms and practices of work are crucial in understanding how individuals are affected but often fail to explicate how individual-level changes are part of broader phenomena.

In this introductory chapter, we attempt to sketch an analytical framework that combines explaining broad developments and understanding everyday consequences. We emphasise the importance of institutional contexts, politics and ideas. Each of the following chapters of the book discusses different topics with different methodological approaches in a great variety of national contexts. The chapters are grouped according to four broad themes: women in the labour market, migration, new forms of work and policy responses to new challenges. However, as emphasised in this introduction, themes tend to overlap and cannot always strictly be separated.

## How are the boundaries of work shaped and reshaped?

### Exogenous pressures, macro-social processes and social mechanisms

There are ongoing processes taking place outside the labour market that are, nevertheless, fundamentally reshaping labour markets. These can be called exogenous pressures. Exogenous pressures appear in the literature as similar concepts under various names. Usually, the concepts have in common that they happen outside the direct influence of individuals or policy-makers and that they are expected to pose some kind of pressure or threat to work in its

current form. They are “exogenous” because they only include those pressures taking place outside the domain of routine policy-making. They cannot be adjusted directly unless rather drastic measures are taken. Sometimes exogeneity is confused with externality, or taking place outside of the country, as opposed to domestically. However, pressures like an ageing population, the feminisation of the workforce and deindustrialisation are exogenous. In other words, they cannot be counteracted with “routine” policy instruments even though they are predominantly domestic processes.

The most obvious cause of fundamental social or institutional change is the “exogenous shock” (Castles 2010; Streeck & Thelen 2005): an international or domestic economic or political crisis that poses a direct threat and opens a window of opportunity for radical changes. The logic behind exogenous pressures is different because pressure is constant and often insufficiently urgent for policy-makers to act upon. The term “pressure” is also different from “threat” or “risk” because a pressure is presumed to be present rather than just a hypothetical future event. Observations tell us that the pressures are there and affecting our welfare, whereas our advanced economic and demographic models can forecast how these pressures will develop. However, even though one cannot speak of “risk”, we are dealing with highly uncertain outcomes (Blyth 2011).

Part of this uncertainty is inherent to exogenous pressures and the reshaping of work because of these being “big and slow moving macro-social processes” (Pierson 2003). Retrospectively, we might say that we did not see many pressures coming or failed to recognise the impact they would have. Exogenous pressures are slow-moving causal processes that are incremental or cumulative. Also, the consequences of exogenous pressures are largely cumulative and path-dependent; little by little, the labour market changes in response to the changing exogenous environment and reforms that were enacted previously. Another possibility is that exogenous pressures have threshold

effects: pressure increases until a certain boiling point, leading to more immediate crisis or change (Pierson 2003, 182).

Problematic with the long-time horizons of causes (exogenous pressures) and outcomes (changing work) is that they obfuscate the causal chains and mechanisms that link them. How do we empirically prove that a macro-social process that started 30, 40 or 50 years ago has led to a certain outcome in the present, while an infinite number of other factors (exogenous or endogenous) might have played a role at the same time? Social scientists tend to think of stability as the standard in the social world and change as the exception, but what if we consider that change is in fact the standard (Blyth 2011, 84–85)?

Part of the problem is that, to quote David Hume, there is “too much action at a distance” (Pierson 2003, 200), meaning that we try to explain outcomes by looking at causes that are too distant, both in time and space (Hedström & Swedberg 1998). This applies to explaining how a macrolevel cause, for example globalisation, results in a macrolevel outcome, such as a restructuring of the labour market. Importantly for this book, this limitation also applies to macrolevel explanations for microlevel outcomes. How to provide the causal and empirical link between an exogenous pressure, such as globalisation, and, for example, a Polish posted worker’s precariousness?

One solution is to focus on the social mechanisms that underlie change. Changes at a macrolevel should be supported by explanations at a microlevel. The literature on social mechanisms suggests that the aim should not be to draw an exclusive list of conditions for social change but to describe the crucial elements causing such change, given certain conditions and context (Hedström & Ylikoski 2010; Mayntz 2004). The aim is to arrive at a theory of the middle range that is clear, precise and simple (Hedström & Ylikoski 2010, 61).

Thinking in terms of “Coleman’s boat” to explain macro-social phenomena might be instructive in this case (Coleman 1990). In Coleman’s social theory, change on a macrolevel occurs according to

a macro-micro-macro scheme (Figure 1). First, factors at a macrolevel shape the situation or context in which individuals operate and which affect their behaviour. This might be, for example, the situation in a globalised world where borders are increasingly open and in which opportunities for cross-national migration arise. Second, individuals interact strategically at a microlevel in accordance with their own beliefs, attitudes and preferences, but also in relation to the behaviour of others. For example, if local firms in country A are not hiring low-skilled workers and a neighbour got a well-paid job in country B, this might be a strong incentive for other low-skilled workers to try their luck in country B. Third, the accumulation of interactions at a microlevel might lead to a transformation and a new equilibrium at the macrolevel. In our example, this may lead to mass migration of low-skilled workers from country A to country B.

Several of the contributions to this book show how situational mechanisms lead to individuals' actions. Matyska (Chapter 6) shows how Polish workers respond to the opening up of European borders and legal and economic constructions of posted work. Other contributions to this book illustrate how changing interactions at the microlevel transform into a new equilibrium at the macrolevel. Chapter 2 by Kangas, Palme and Kainu analyses how changes in employment patterns lead to differences in the sustainability of welfare states in European countries. Jonker-Hoffrén shows how groupthink processes and the focus on issues of economic competitiveness among

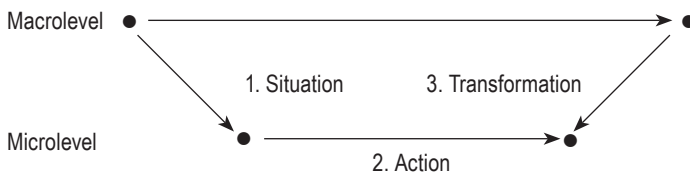


Figure 1. Macro-micro-macro approach to social change  
(Coleman 1990)

trade unions in Finland have structurally weakened their position in collective bargaining structures (Chapter 10). Perkiö, however, shows that changes in microlevel actions are not always sufficient to result in transformation at the macrolevel (Chapter 11). Despite intensive debate throughout several decades on the introduction of a universal basic income, this has not resulted in any concrete change in policy-making in Finland.

## Beyond automatic responses: politics, institutions and ideas

The macro-micro-level scheme helps explain the relations between macrolevel phenomena and interactions at the microlevel. There is a risk, however, of oversimplifying social mechanisms and assuming that they apply universally as automated processes. This approach leaves out one crucial element: politics in their institutional and historical contexts (Emmenegger et al. 2012). Globalisation, technological change and deindustrialisation do not need to result in the deterioration of work or greater inequality. Rather, their outcomes result from decisions that governments and other policy actors make. One common political strategy to respond to exogenous pressures has been to deregulate labour markets and retrench social rights, resulting in some of the growing inequalities that are analysed in this book. Liberalisation is, however, as various authors argue, not the only possible policy response. Instead of Thatcher's famous TINA (There Is No Alternative), perhaps it is time to think in terms of WITA: What is The Alternative?

Riekhoff (Chapter 9) shows that European governments tend to choose similar types of labour market reform in response to globalisation, but that domestic economic, political and institutional factors play a dominant role as well. Jokela (Chapter 5) emphasises the contradictory politics of not regulating migrant labour because

it might be profitable to do so in neoliberal markets. These cases highlight that labour market outcomes are such because governments act or refrain from acting in a certain way. In addition, institutions and history strongly exert influence on the contextual situation, individual actions and transformation of work. In her comparative study on women attorneys' pro bono work, Choroszewicz shows that the incentives to provide such work differ between Poland and Finland (Chapter 7). Kudo investigates whether family policies, on a national level, have an effect on women's economic contribution in the household, concluding that the availability of public education for pre-school children can have positive effects (Chapter 3).

Finally, various contributions emphasise the importance of ideas in the context of the politics of changing work (Béland & Cox 2011). Exogenous pressures might not always be a problem, unless the idea takes hold that they are. Moreover, political actors and decision-makers do not just have objective and material interests, but their interests are being shaped by ideas. Mustosmäki, Oinas and Anttila examine the how the idea of lean management has been transposed from the private sector to the public sector in the Nordic countries, arguing that such practices might be a wrong solution to the wrong problem (Chapter 8). Jonker-Hoffrén critically argues in Chapter 10 that the ideas of neoliberalism and competitiveness are particularly strong in shaping trade union policies in Finland, even if these can be seen to conflict with their direct interests. Ideas are also important for changing the dominant paradigm. However, as Perkiö shows, the political arguments behind the idea of a universal basic income have evolved over the years following trends in the public debate (Chapter 11). Still, this need not be a problem, because over time a radical idea can become a realistic solution to contemporary worries.



## Structure of the book

The chapters of this book are short essay-style contributions with the aim of covering a broad range of themes and reaching a wide reader audience. Many of the contributions are based on theses, articles and other scientific work of the authors that can be consulted if the reader is interested in deepening the topic. All contributions to this volume handle complex and multifaceted problems in work and working life and can, therefore, not easily be grouped under one thematic header. We have grouped the chapters by broad themes but acknowledge that in several contributions the themes overlap. We also consider this part of the strength of this book.

The first part focuses on the life course and gender in the labour market and the consequences and implications of demographic changes in the working population. Kangas, Palme and Kainu (Chapter 2) offer a broad overview on the implications of changing employment patterns on the sustainability of the welfare state. Kudo (Chapter 3) empirically investigates the factors that contribute to women's household economic contribution across countries. The second part of the book focuses on varieties of work and migration. In line with Sassen's (2008) work, the authors show that there are two labour migration circuits. Koikkalainen (Chapter 4) analyses the transnational market for high-level talent within the European Union. Jokela (Chapter 5) analyses the role of national institutions in the regulation of low-skilled and mostly informal types of migration. Matyska (Chapter 6) shows that there is not always a clear boundary between formally and informally regulated forms of labour migration.

In Part Three, the authors analyse how new ways of working are taking shape. Although pro bono work has a long history among lawyers, Choroszewicz (Chapter 7) analyses why women attorneys in Poland and Finland offer part of their services for free. Mustosmäki, Oinas and Anttila (Chapter 8) describe how the introduction of lean practices are changing work in the public sector in Nordic countries.

The final Part Four focuses on the the politics and possibilities of changing work. Riekhoff (Chapter 9) empirically investigates the policy responses to globalisation in unemployment benefits and employment protection legislation in Europe. Jonker-Hoffrén (Chapter 10) critically analyses the trade union movement in Finland and their focus on unit labour costs and competitiveness issues. Finally, Perkiö (Chapter 11) analyses how the idea of a universal basic income has taken root in the Finnish public debate, but how arguments in favour have changed over time along with political trends.

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PART I  
THE LIFE COURSE AND GENDER  
IN THE LABOUR MARKET



# Welfare state entry and exit over the life course

## Employment and the sustainability of the welfare state in different worlds of welfare

Olli Kangas, Joakim Palme & Markus Kainu

### Introduction

The concept of “sustainability deficit”, or fiscal gap as it is sometimes called, pertains to the ability of a welfare state to maintain its current social policy programmes, spending levels, tax and other policies for decades to come (European Commission 2009; 2012). If we look at the sustainability deficit from a life cycle perspective, the role of employment becomes essential for combatting the deficit (Lee & Mason 2011). High employment rates have been a cornerstone of the renowned Scandinavian welfare state model.

One of the most influential books in the field of welfare state studies is *The Three Worlds of Welfare Capitalism*<sup>1</sup> by Gøsta Esping-

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<sup>1</sup> The book has been extremely influential, and according to Google Scholar, it has more than 36,000 citations. There also is a huge number of critical views on the book. The very existence of the three worlds has been questioned (e.g.

Andersen (1990) who argued that the social policy systems and employment patterns clustered countries in a way that made it possible to talk about three worlds of welfare capitalism: liberal, conservative and social-democratic welfare states. Esping-Andersen launched a concept of decommodification that soon became the buzzword in all welfare state studies. The concept pertains to the degree that national social policy solutions can give people freedom from commodifying capitalist markets. Consequently, he argued that employment and stratification follow regime-specific patterns.

Following Esping-Andersen's idea, we ask how the configurations of employment among the advanced industrial nations are interlinked with the welfare state regimes. The focus is on the entry and exit patterns on the labour market where the state, family and market intersect and interact. The process is intimately related to the silent revolutions (Esping-Andersen 1999, 2009; Esping-Andersen, Gallie, Hemerijk & Myers 2002) in post-industrial labour markets where female labour market participation, service employment and new entry/exit patterns challenge the prevailing welfare regimes. However, we introduce some additional welfare state regimes. We classify countries into Nordic, Western Central European, Anglo-Saxon, Southern (Mediterranean) and Eastern European welfare states. Furthermore, we analyse the gender-dimension in social policy, employment and social stratification in particular.

We first give a short summary of the databases used. We start our analyses by looking at transitions from school to work to see how different regimes manage to facilitate that transition. Then follows a longer section where the labour market participation patterns of mothers are examined. The last empirical section looks at the exit

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Castles 1993; Castles et al. 2012), the book has been criticised from the feministic perspective (e.g. Daly & Lewis 2000; Lewis 1992; Orloff 1993) and totally new worlds of welfare have been added (e.g. Ferrera 1996; Gough & Wood 2004; Van Kersbergen 1995).



patterns of the older component of the labour force and stratification risks associated with that phase in the life cycle. In the final section, we discuss our findings in more general terms.

## Data

In the 1980s, there was very little systematic data available about the Southern European countries, Asia and Latin America, not to speak about the former socialist hemisphere. This is now changing. Consequently, the number of identified welfare regimes has increased (see e.g. Castles, Leibfried, Lewis, & Obinger 2012; Scruggs, Jahn & Kuitto 2014). In addition to macro-level data, Eurostat provides individual-level micro data (the European Union Statistics on Income and Living Conditions—longitudinal micro-data EU SILC) (Eurostat 2013). The flipside is that the extensive EU-data excludes non-European countries.

In the following, we have, when permitted by the data, expanded the number of worlds of welfare to five welfare regimes (e.g. Castles et al. 2012): Nordic (consisting of Denmark, Finland, Norway and Sweden); Continental European (Austria, Belgium, Germany, France, the Netherlands and Switzerland); Anglo-liberal (Ireland and the UK; in some graphs we also depict the Australian (AUS) and the United States (US) developmental patterns); Southern European (Greece, Italy, Portugal and Spain); and Post-Socialist (the Czech Republic, Estonia, Hungary, the Slovak Republic and Slovenia). Depending on the availability of data, the number of countries in each regime may vary. We first use a wide variety of countries and thereafter we move to use OECD aggregate level data and the EU-SILC. Regimes are here used as a heuristic device for descriptive purposes to more easily group countries and make comparisons.

## From education to employment

There are substantial variations in national educational systems, and these differences have important ramifications for the school-leaving age and for the forms and duration of the school-to-work transitions (Brzinsky-Fay 2011; 2014; European Societies 2014). Figure 1 depicts employment rates for males and females who have taken their exams one and five years ago, respectively. When it comes to those who graduated a year ago, the gender gap is negligible. It is only in Southern European countries where there is a visible gender divide. Employment rates in the other countries are relatively gender neutral,

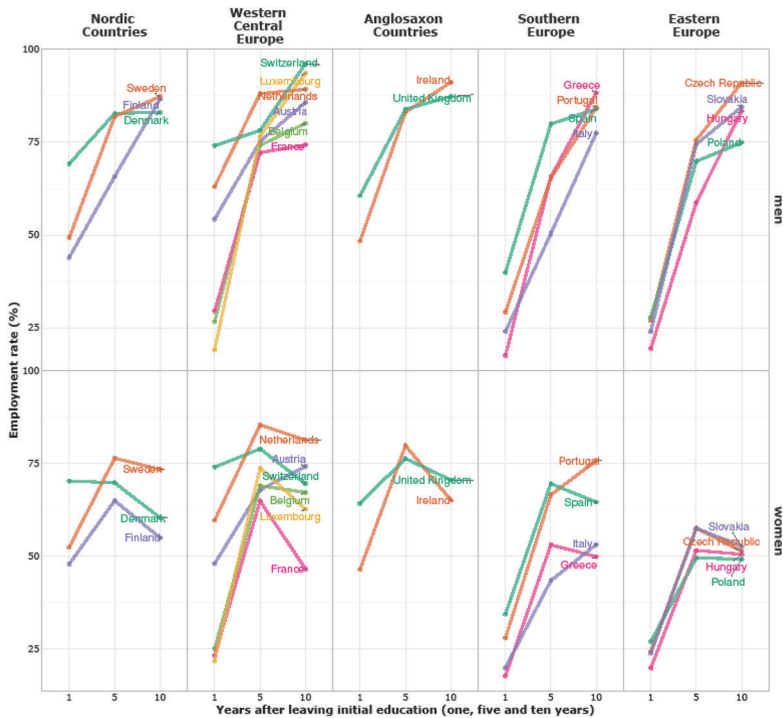


Figure 1. Employment rates (%) by gender, one, five and ten years after finishing education (OECD 2013)

but there are marked differences between countries: the overall employment rates vary from the very low 50 percent in Greece to 80 percent in the Netherlands and Switzerland.

While gender is not an important divide in employment one year after graduation, divisions become more pronounced the longer the time elapsed since graduation. After five years, gender differences are substantial and regime differences visible. Under the Post-Socialist and Southern-European regimes, and to some extent also in France and Belgium, women seem to have problems in combining child-rearing and employment which, in turn, results in either giving up employment or a trend of very low fertility rates. Differences are smaller in the Nordic countries, Switzerland, the Netherlands and the UK. Thus, the gender divide follows regimes to some extent, but not completely.

In addition to gender, educational attainment creates obstacles and sorts youngsters into different positions. Youngsters without upper secondary education have significantly more problems entering the labour markets than the better educated. On average, less than 50 percent of the youth with low educational attainment were without a job one year after finishing school. The situation is the worst in Southern Europe and the Post-Socialist countries.

After five years, the situation is better: employment rates are higher after five years than after one year past graduation, but there still are substantial differences between low and high-skilled labour. Differences are the smallest in Sweden and in the Netherlands. In some cases (Austria and France), employment rates among the highly-skilled are lower after five years than they were after one year—something that is related to raising children and other family responsibilities.

In 2011, almost half of the group aged 15–29 participated in education and close to 40 percent were already employed. There was a group of young people (10–20 percent of the age group), referred to

as NEETs, who were involved neither in employment, nor education or training (Eurofound 2012; OECD 2013). Although we can also here trace country-related variations, there are clear welfare-regime related patterns. The NEET problem is the smallest under the Nordic and Continental European regimes. On the other end of the continuum, we have the Southern European regime with a NEET-rate of 22 percent. The Liberal (19%) and the Post-Socialist (16%) regimes are between these extremes. The best results are achieved in countries that combine school, work through various kinds of apprenticeship programmes and activation measures, such as in Sweden, Austria, the Netherlands, Germany and Denmark.

## Employment of mothers

For the sustainability of the public finances, it is important to increase employment rates not only in the beginning and in the end of the work career, but it is also important to increase labour-force participation rates in the middle of the work career for women in particular. Thus, it is decisive how easy it is to unify work and family (Hobson 2013; Prince Cooke 2011).

When it comes to the overall female employment rates, there is still a more or less clear divide between countries and between as well as within regimes (OECD 2012). The Nordic pattern follows the upside-down U-formation. Traditionally, having children in Southern Europe led to giving up employment, which was reflected in the peak employment figures for females in the 20–24-years age bracket, an employment rate that sharply diminished with age (Esping-Andersen 2009). The pattern is still visible. The previous M-curve for the Anglo-liberal regime indicated that women with family responsibilities were outside the labour force, but once their children had grown up, mothers re-entered employment. The Liberal regime has “gone

Nordic”, and now the female participation rates resemble the Nordic ones, although at lower participation levels (OECD 2013).

An alternative way to look at the impact of motherhood upon employment is to compare employment among women without children and women with children. Whereas in Scandinavia this difference, or motherhood penalty, is negligible, in many other countries the penalty is substantial. In the Czech Republic and Hungary, the motherhood penalty is over 30 percentage points, and in the UK and Germany, it reaches 20 percentage points (OECD 2013). The EU SILC provides us with data to carry out comparisons on longitudinal micro-data and to show to what extent welfare regimes display differences in motherhood-related absences from the labour market (Figure 2). It is important to recognise that not only are childcare responsibilities lying on the shoulders of the mothers, but also all other forms of care are the responsibility of women throughout their life cycles as Figure 2 indicates.

As can be seen in the Czech Republic, Estonia, Finland, Hungary, Poland and the UK, the most intensive periods of care concentrate in the bracket 25–45 years of age. In the Czech Republic and UK, the absent periods tend to be somewhat longer. In Denmark and Sweden, absences are very short, and the care responsibilities are more or less evenly distributed over the life course. Southern Europe and the Benelux countries, particularly Luxemburg, display their own pattern where family-related care tasks substantially increase with age and the periods last longer.

## Labour market exit

Up to the 1990s, there was a common trend of decreasing (male) participation in the labour force across regimes. Since 1990, the trend towards an earlier exit has been broken in many countries, and simultaneously, female labour-force participation has increased.

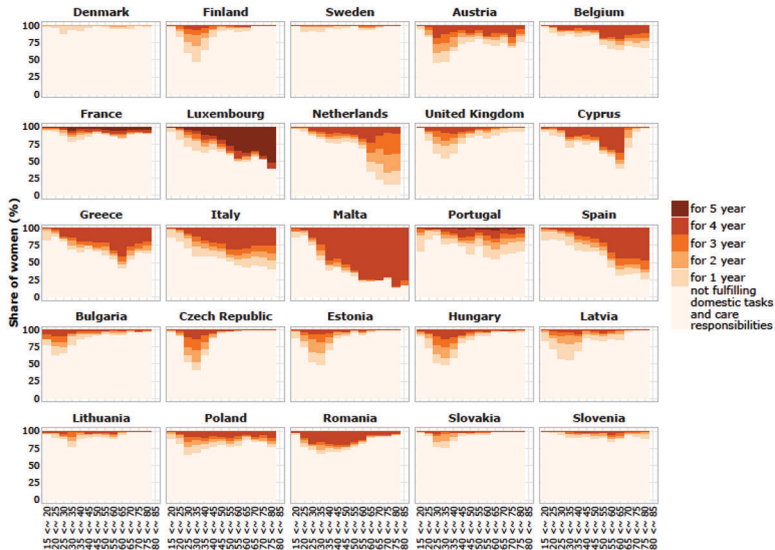


Figure 2. Female labour force status “taking care of family-related care responsibilities” (%); duration of care-related absences from the labour market according to age

Note: Authors’ calculations based on EU-SILC micro-data (Eurostat).

Figure 3 indicates that the new trends are affecting countries in all “worlds” of capitalism. Sweden has maintained the highest overall participation rates during the entire period, with no real decline for the total labour force. However, if it had not been for the increased female participation rate, the participation rate would have dipped until the mid-1990s. The UK and the USA both see recovering participation rates for men and an increasing trend for women during the latter part of the period. The increased participation rates for Germany are remarkable, but also in France we see an increase for the recent period, albeit from lower levels. The negative impact of the 2008 crisis is visible in the Southern European countries, Ireland (only for males) and Iceland.

## Welfare state entry and exit over the life course

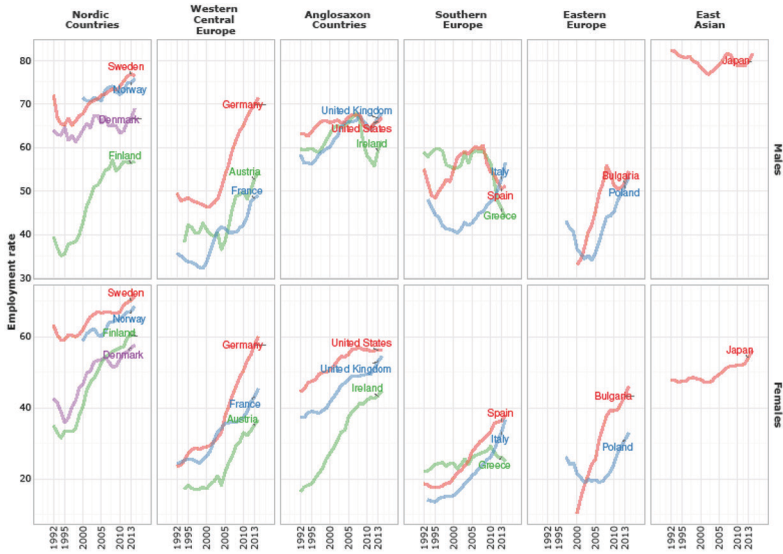


Figure 3. Employment participation rates of elderly (60 to 64 years of age) workers in OECD countries (OECD 2015)

## Conclusions

A few tentative conclusions follow from our explorations. The first one is about the shift in the discursive focus. Economic and demographic challenges for the welfare state have taken the floor, and consequently, the Esping-Andersenian “decommodification” has given way to “recommodification”, or how to put people (back) into employment. Countries are looking for means to increase employment among the young, to give better possibilities for mothers to work and to create incentives for the ageing to continue to work.

Secondly, the notion of “three worlds” of welfare capitalism is less valid today than a quarter century ago. This has to do with two different processes. First, the three “old” regimes have changed in

some important respects due mainly to the modernisation of family policy and activation in labour market policy. Second, the old world of the 18 OECD countries is changing by extension of the OECD and of the EU.

The life cycle deficit inspection still reveals some welfare regime-specific peculiarities. As a rule, in Central Europe the youngsters enter the labour markets earlier than, for example, in the Nordic cluster, but in contrast, the older workers have an earlier exit from employment than do, for example, the Swedes. The specific problem for many post-Socialist countries is the late entry and early exit from the labour markets. Some East-Asian countries suffer from the same problem. In the Nordic countries, the sunny side of heavy investments in publicly provided social services is high female employment rates, which, in turn, effectively combats the sustainability deficit of the welfare state. The level of employment is essential for the solvency of the welfare state. In fact, high employment rates have been a cornerstone of the renowned Scandinavian welfare state model. However, as can be seen in the graphs, employment problems in the Nordic countries are associated with the young. The issue in Central and Southern Europe is the (too) early exit from the labour markets. In addition, a low female labour force participation diminishes the value of production in these countries, which is a challenge for East Asia too.

We have illustrated how countries differ when it comes to critical phases in the economic lifecycle. The fact that countries differ not only suggests that institutions matter but also that there is room for policy learning. A broader understanding of how welfare, education and labour market policies work to produce different kinds of labour market participation patterns for youngsters, parents and elderly people is an important lesson, and we should make good use of that lesson if we want to benefit from best practices in research. In the end, the lesson is about designing policies that can foster high levels of employment in all relevant phases of the lifecycle to ensure equality in society as well as sustainability of the welfare state simultaneously.



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# Cross-national analysis of women's economic contribution

*Saki Kudo*

## Introduction

The recent increase in the number of dual-earner couples has led to a growth in arguments regarding women's economic contribution.<sup>1</sup> Studies on women's economic contribution began with Sørensen and McLanahan (1987), who examined the changes in women's economic contribution from the 1940s to the 1980s in the United States. According to the authors, a women's economic contribution (dependency) is measured by "her contribution to the couple's income" (Sørensen & McLanahan 1987, 66)—namely a woman's income relative to her spouse's income. Since then, there have been some studies on relative earnings within couples in the United States (Raley, Mattingly, & Bianchi 2006), European countries (Arber & Ginn 1995; Van Berkel & De Graaf 1998; Ward, Dale, & Joshi 1996) and Japan (Sangu 2002). Furthermore, with the increase in the availability of cross-national datasets, there has been some recent cross-national

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<sup>1</sup> Some researchers refer to this issue as "economic dependency". The terms vary according to assumptions regarding the role of women. I use the term "economic contribution" in this chapter.

research (Bianchi, Casper, & Peltola 1999; Estévez-Abe & Hethey 2008; Stier & Mandel 2009). According to these studies, the economic contribution of European and American women has increased over the years, even though women tend to depend on their husbands' earnings. Furthermore, some scholars found that the number of women who earn more than men has also risen gradually and they have examined the patterns of those couples (Winkler, McBride, & Andrews 2005; Winslow-Bowe 2006). However, Japanese women's contribution has continually shown high dependency (Sangu 2002).

What are the determinants of the recent increase in women's economic contribution? According to previous studies, the determinants can be divided mainly into individual and institutional settings. First, in terms of the individual level factors, human capital theory (Becker 1975) is one of the leading explanations for women's economic contribution. For example, education and age are considered the main factors of productivity, meaning that when the individual's education or age is higher, the economic contribution also increases. Moreover, the number of children and presence of preschool children are crucial determinants of women's economic contribution from household level perspectives. For example, childcare suspends work for at least some years and decreases the caretaker's economic contribution (Raley et al. 2006).

On the other hand, institutional factors such as family policies that moderate women's worklife balance are important explanations of women's economic contribution. Most studies indicate that family policies, such as maternity leave and the creation of affordable childcare, are influential in increasing women's economic contribution.<sup>2</sup>

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<sup>2</sup> Other explanations are provided by Estévez-Abe and Hethey (2008), who argue that other country level factors such as the degree of employment protection and the size of the public sector affect women's economic contribution. I do not address these factors in this paper, but they are also important in terms of women's economic standing.

The main findings regarding institutional factors are as follows: some researchers advocate the view that family policies enhance women's employment rate (Kenjoh 2005), continuity of employment (Stier, Lewin-Epstein, & Braun 2001) and fertility level (Björklund 2006). On the other hand, others argue that long leave provision and childcare benefits could ultimately have negative effects on the women's career and earning prospects (Rønsen & Sundström 2001). The prevalent conclusion about the impact of public childcare on women's employment is that generous public childcare enhances employment rates among married women and women with young children (Korpi 2000; Pettit & Hook 2005; Uunk, Kalmijn, & Muffels 2005). This is supported by data considering different points in time (Uunk et al. 2005) as well as by crossnational comparisons (Korpi 2000; Pettit & Hook 2005).

However, one determinant has been ignored in these previous studies: women's lifestyle preferences<sup>3</sup>. A central discussion on this issue is represented by Hakim's (2000) preference theory, which posits that there are three types of typical female preferences. According to the theory, a minority of women falls into the work-oriented and home-centred categories, while the majority falls into the adaptive career category, combining paid work with childcare.

Is the economic contribution explained either by women's lifestyle preferences or by the implementation of family policies? Referring to the study of Stier and Mandel (2009), I establish an appropriate model to test this question. According to Stier and Mandel (2009), family policy plays a role in moderating women's economic contribution

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<sup>3</sup> Although preference theory has received attention from many researchers, it also has some critics. For example, some studies argue that women's career decisions and life satisfaction are determined by multi-dimensional aspects, and it is important to consider their interrelation with each other (e.g. Blackburn, Browne, Brooks, & Jarman 2002; Warren 2004). In the view of these critics, for instance, the financial situation, leisure time, social policies and the power of the employer should be taken into account when women's preferences are examined because the female life course is restricted by such factors.

through labour force participation—long maternity leave decreases women’s economic contribution in the short run, whereas higher rates of childcare provision increase contributions. However, Stier and Mandel’s study does not explain the effect of women’s lifestyle preferences; thus, I include women’s lifestyle preferences in my model. Furthermore, there is a need to include countries such as Japan, which have shown a low female economic contribution (Sangu 2002).

## Hypotheses

This chapter addresses the primary question “Is women’s economic contribution explained by family policy implementation or female lifestyle preferences?” The subsequent hypotheses are established in order to test this question. First, I examine the effect of women’s attributes on their economic contribution from individual and institutional level perspectives. According to Stier and Mandel (2009), institution-level factors are expected:

- 1.1) *Long maternity leave decreases women’s economic contribution in the short term.*
- 1.2) *An increase in the percentage of childcare facilities leads to an increase in women’s economic contribution.*

Second, women’s lifestyle preferences are examined. According to preference theory (Hakim 2000), there are different types of lifestyle preferences: home-oriented, adaptive lifestyle and work-oriented. Therefore, I assume that there is a variance in women’s career preferences, and the hypothesis is thus stated:

- 2) *The more a woman’s lifestyle preference is career-oriented, the higher her economic contribution is.*

Last, I expect that family policies might restrict the lifestyle choices of women because women might consider their career in light of the policy conditions. Furthermore, as previous studies show,

women's economic contribution varies from one country to another, and there is no convergent consequence. Thus, I presume that the economic contribution is explained by institutional factors rather than individual lifestyle preferences. Considering these reasons, the hypothesis of the relationship between family policies and lifestyle preferences is thus:

- 3) *Family policies affect women's lifestyle preferences to moderate toward being career-oriented.*

The hypotheses stated above will be examined in the sections below.

## Data and variables

In this chapter, there are two levels of datasets: individual and institutional levels. I use *The International Social Survey Programme* (ISSP 2014) to investigate individual-level determinants. ISSP is a cross-national dataset created by annual surveys on diverse social topics. The data are from 2012; since the theme of that year's survey was *Family and Changing Gender Roles*, I deem the data appropriate to measure the balance within couples.<sup>4</sup> The data used for the main analysis contain 27 countries and 6,449 female respondents with partners.<sup>5</sup> Furthermore, the age of respondents is 25–60 years as a

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<sup>4</sup> In a previous study (Stier & Mandel 2009), the Luxembourg Income Study (LIS) data were used, but they do not include the question of women's career preferences. More precisely, there is a question on "employment situation desired" in the LIS data, but it does not explain the lifestyle preference of the balance between family and work; it indicates the desired career position rather than the current working condition. For this reason, I consider ISSP a more appropriate data source to measure female lifestyle preferences.

<sup>5</sup> Since cohabitation without marriage is common in some countries, I include the respondents with partners. The data for East and West Germany are merged in this paper. The countries used are Argentina, Australia, Canada, Chile, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Iceland, Israel, Japan, Latvia, Lithuania, Mexico, Norway, Poland, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, the United States and Venezuela.

proxy for the workingage population. The institutionallevel data were obtained from an online database from the OECD and UNESCO. The detailed summary of the institutional-level data is shown in the results section.

## Individual-level variables

The main dependent variable is “women’s economic contribution”. I used question 22 from the ISSP: “Who has the higher income?” The question is answered on a sevenpoint scale with the contribution increasing with a rise in the number.<sup>6</sup> Other individual-level variables are education and age as factors of human capital. In addition, the number of children (under 18 years old), the presence of preschool children, and household income were included as household characteristics.

Women’s lifestyle preferences were measured by the statement: “A job is all right, but what most women really want is a home and children,” which was answered on a fivepoint scale (from zero to four) describing to what extent the respondent agreed with the statement.<sup>7</sup> Last, I made the dummy variable of “work,” which indicates whether the woman works or not. The summary statistics of the individual variables are shown in Table 1.

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<sup>6</sup> In a previous study (Stier & Mandel 2009), women’s economic contribution is calculated by the following equation:  $\text{women's economic contribution} = \frac{Fwage}{Fwage + Mwage}$ . However, i) there is no question on the wage of the respondent and the partner in this questionnaire and ii) the answer on income has different scales in each country. Hence, I assume that using question 22 is a more appropriate indicator than the question on income.

<sup>7</sup> It is not fully appropriate to use this question to measure “lifestyle preferences,” as this question might show only the personal values toward public opinion. Future studies should utilise a more precise question that asks directly the preferred lifestyle choices, such as the ideal career and level of family responsibility.



## Cross-national analysis of women's economic contribution

Table 1. Individual-level variables

| Individual-level Variable                | N     | Mean  | S.D. | Min. | Max.  |
|--|-------|-------|------|------|-------|
| Woman's Contribution                     |       | 3,38  | 1,55 | 1    | 7     |
| Woman with BA                            |       | 0,53  | 0,50 | 0    | 1     |
| Woman's Age                              |       | 43,03 | 9,74 | 25   | 60    |
| Difference of Age (male-female $\geq$ 5) |       | 0,25  | 0,43 | 0    | 1     |
| Household Income (Log)                   | 6,449 | 10,02 | 2,71 | 0    | 16,81 |
| Woman in the Labor Force                 |       | 0,73  | 0,45 | 0    | 1     |
| Number of Children                       |       | 0,73  | 1,02 | 0    | 21    |
| Presence of Children (Preschool)         |       | 0,29  | 0,45 | 0    | 1     |
| Preference (Higher: Work-Oriented)       |       | 2,27  | 1,27 | 0    | 4     |

It appears that the women's contribution is slightly less than the men's (mean of women's contribution = 3.38 on a seven-point scale), and many women are in the labour force (mean of work dummy = 0.727). These numbers indicate that the women's average contribution to the household is much closer to that of the men's. It shows that most couples are dual-earners; both partners are in the labour market to some extent in either a part-time or a full-time setting. In addition, the average of women's lifestyle preferences is 2.27, which means that slightly more than half of women really want to work rather than stay home to take care of the children.

### Institutional-level variables

In terms of institutional-level variables, I focused on the length of paid maternity/parental leave (in weeks) and the percentage of public education participation. I also added the proportion of female part-time workers (female entire) in the country as a control variable. The country-level summary statistics are represented in Table 2.

Table 2. Country-level variables

| Macro-Level Variable             | N  | Mean  | S.D.  | Min. | Max.  |
|----------------------------------|----|-------|-------|------|-------|
| Long Maternity Leave             | 27 | 0,45  | 0,49  | 0    | 1     |
| % in Public Childcare(preschool) |    | 71,13 | 0,28  | 1,91 | 99,27 |
| % Women Working Part-time        |    | 23,64 | 10,40 | 5,10 | 45,60 |

According to previous studies, long maternity leave has a negative effect on women's economic contribution in the short term (Stier & Mandel 2009). Thus, paid maternity leave was measured as a dummy variable in terms of whether it was longer than average or not. In the dataset, the average paid leave was 51.27 weeks, thus a dummy variable was created as "long=1" when it was more than 52 weeks, or else "other=0". The percentage of public education for preschool children varied across the countries from a minimum of 2% to a maximum of 99%.<sup>8</sup> Furthermore, the percentage of female part-time workers was considered as a control variable.

## The model

Because cross-national data have a nested structure, as individuals are included in each country, a multilevel analysis is an appropriate method for examining the determinants of women's economic contribution. Multi-level analysis can consider the intraclass correlation—namely, the similarity of observations in the same country, which is a violation of the basic assumption of statistical tests regarding the independence of individual respondents (Hox, Moerbeek, & Van de Schoot 2010). First, the individual characteristics are described:

$$(Women's\ Economic\ Contribution)_{ij} = \beta_{0j} + \beta_{1j} (Preference)_{ij} + \beta X + e_{ij}$$

Where  $\beta_{0j}$  is the intercept,  $\beta X$  is a vector of individual factors and  $e_{ij}$  describes the error term. Using the multilevel analysis, I presume that the intercept varies from one country to another:

$$\beta_{0j} = \gamma_{00} + \gamma_{01}(\text{Maternity leave})_j + \gamma_{02}(\text{Public education})_j + \gamma X + u_{0j}$$

Here,  $\gamma_{00}$  is the country-level intercept, the other  $\gamma$ s are country-level slopes on the individual intercept, and  $u_{0j}$  is the error term. As the equation denotes, individuals in the same country are regarded as having the same country-level factors in this analysis.

Last, in order to examine Hypothesis 3 (Family policies affect women's career preferences to moderate toward being career-oriented), I made the slope of the preference random:

$$\beta_{1j} = \gamma_{10} + \gamma_{11}(\text{Maternity leave})_j + \gamma_{12}(\text{Public education})_j + u_{1j}$$

Therefore, if family policies improve the career prospects as I assume, then both coefficient  $\gamma_{11}$  and  $\gamma_{12}$  will be positive.

## Results

Figure 1 shows the distribution of women's economic contribution on a seven-point scale (from one: "I have no income," to seven: "My spouse/partner has no income". Category four is a middle option: "We have about the same income").<sup>9</sup>

According to Figure 1, in most countries, the women tend to rely on their partner's income. However, the dependency rate varies from one country to another. For example, women in the East Asian and South American regions have a significantly higher dependency rate. On the other hand, couples from European countries have relatively minor differences in their income, indicating that Category 3 is the dominant option.

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<sup>9</sup> In the original data, the order of the scale is the other way around. Moreover, I created Figure 1 using those respondents included in the main analysis.

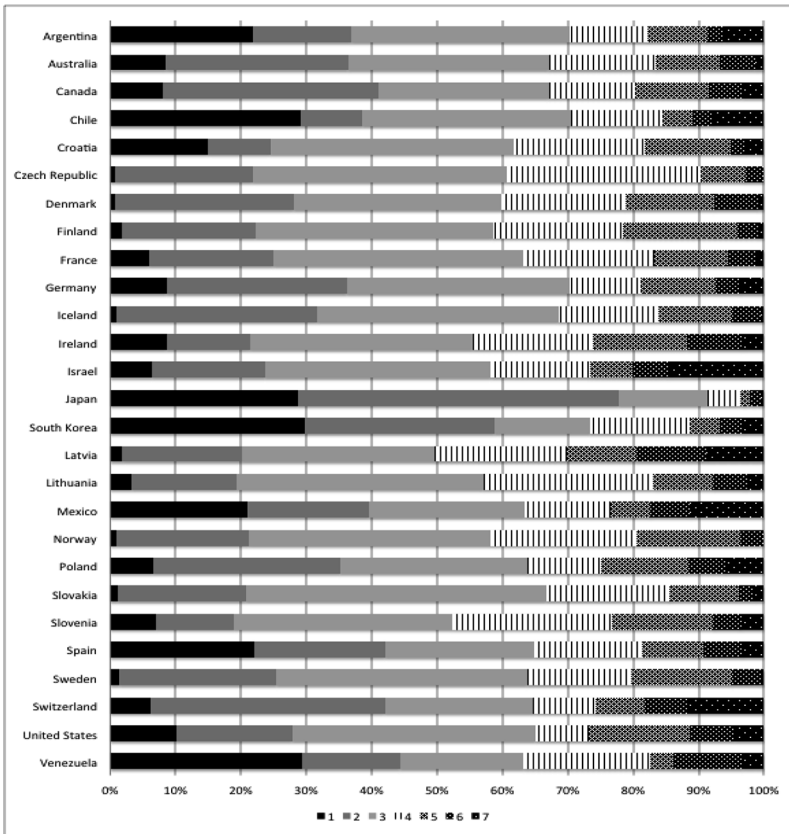


Figure 1. Women's Economic Contribution

Table 3 shows the main variables clustered by country. Women's lifestyle preferences are focused around the mean, but more women have a home-oriented view in some countries (countries with a preference of less than two points). Paid parental leave is included as paid maternity leave because more women tend to take parental leave compared to men. Public education for preschool children varies among countries. The ratios of East Asian countries are relatively small; on the other hand, Europe's ratios are larger compared to those of other countries. Additionally, Table 4 shows the determinants

*Cross-national analysis of women's economic contribution*

Table 3. Main Variables

|                | Preference  | Paid Maternity Leave           | Public Education for<br>Preschool Children  |
|----------------|-------------|--------------------------------|---|
| Source         | ISSP (2012) | OECD Family<br>Database (2012) | World Bank Education<br>Statistics (2012)*a |
| Argentina      | 1,50        | 18*b                           | 68,02                                       |
| Australia      | 2,62        | 18                             | 22,04                                       |
| Canada         | 2,73        | 52                             | 93,39                                       |
| Chile          | 1,55        | 30*c                           | 33,53                                       |
| Croatia        | 1,80        | 56*c                           | 85,77                                       |
| Czech Republic | 1,70        | 110                            | 97,89                                       |
| Denmark        | 3,01        | 50                             | 80,73                                       |
| Finland        | 2,42        | 159                            | 91,52                                       |
| France         | 2,45        | 42                             | 87,16                                       |
| Germany        | 2,96        | 57                             | 34,93                                       |
| Iceland        | 2,81        | 26                             | 87,74                                       |
| Ireland        | 2,65        | 26                             | 1,91  |
| Israel         | 1,96        | 14*c                           | 90,89                                       |
| Japan          | 2,30        | 58                             | 28,68                                       |
| South Korea    | 1,92        | 65                             | 18,89                                       |
| Latvia         | 1,47        | 94*c                           | 94,90                                       |
| Lithuania      | 2,06        | 62*c                           | 99,27                                       |
| Mexico         | 1,38        | 12                             | 86,10                                       |
| Norway         | 2,97        | 87                             | 54,32                                       |
| Poland         | 1,92        | 24                             | 84,28                                       |
| Slovakia       | 1,19        | 164                            | 95,91                                       |
| Slovenia       | 2,10        | 52.1*c                         | 97,14                                       |
| Spain          | 2,54        | 16                             | 68,70                                       |
| Sweden         | 2,95        | 60                             | 82,85                                       |
| Switzerland    | 2,16        | 14                             | 96,16                                       |
| United States  | 2,17        | 0                              | 56,98                                       |
| Venezuela      | 1,69        | 18*b                           | 80,89                                       |
| Mean           | 2,27        | 51,27                          | 71,13                                       |
| S.D.           | 1,27        | 41,02                          | 28,36                                       |
| Min            | 0,00        | 0,00                           | 1,91  |
| Max            | 4,00        | 164,00                         | 99,27                                       |
| N              | 6449        | 27                             | 27  |

a) Enrolment (public / public + private)\*100 The year of data is the ones closest to 2012.

b) ECLAC and UNICEF - Regional Office for Latin America and the Caribbean. (2011, July). Newsletter on Progress Towards the Millennium Development Goals from a Child Rights Perspective, Childcare and Parental Leave. Challenges Bulletin, 12,1-12.

c) Data derived from 2014

of women's economic contribution. In Model 1, I examined the determinants of women's economic contribution without controlling for the effect of the dummy variable of females in the labour market. Model 1 indicates that if women have completed higher education, they contribute more economically to the household. Moreover, all characteristics of households show the effect on women's economic contribution. For example, the increase in the number of children and presence of preschool children affect the female economic contribution negatively, which is explained by the difficulty of balancing the caretaker role and work at the same time.

What are the effects of the main variables, namely family policies and women's preferences? Model 1 shows that if the women's lifestyle preference is work-oriented, the economic contribution will rise. Thus, female preference affects their career choice significantly according to their preference (Hypothesis 2 is supported). Furthermore, public childcare for preschool children has a dramatic effect on the economic contribution between the two family-policy variables (=+.709 to intercept), as suggested in Hypothesis 1.2. It shows that the more a given country provides public education for preschool children, the more women will contribute to the income distribution. Nonetheless, unlike the previous study, long maternity leave does not have a negative effect on the economic contribution (Hypothesis 1.1 is not supported).<sup>10</sup>

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<sup>10</sup> Because the cross-national dataset mixes long-term and short-term effects, I additionally ran an interaction model between parental leave and the presence of a preschool child. However, I could not find the short-term effect of maternity leave on the economic contribution using the dataset utilised in this analysis.

*Cross-national analysis of women's economic contribution*

*Table 4. Determinants of Women's Economic Contribution<sup>11</sup>*

| Individual-level Variable                  | Model 1 |      | Model 2 |       | Model 3 |      |       |      |           |
|--|---------|------|---------|-------|---------|------|-------|------|-----------|
|  | Coef.   | S.E. | Coef.   | S.E.  | Coef.   | S.E. |       |      |           |
| Human Capital                              |         |      |         |       |         |      |       |      |           |
| Woman with Higher Education                | 0,31    | 0,04 | **      | 0,18  | 0,04    | **   | 0,31  | 0,04 | **        |
| Woman's Age                                | 0,00    | 0,00 |         | 0,01  | 0,00    | **   | 0,00  | 0,00 |           |
| Household Features                         |         |      |         |       |         |      |       |      |           |
| Number of Children                         | -0,06   | 0,02 | **      | -0,06 | 0,02    | **   | -0,06 | 0,02 | **        |
| Presence of Preschool Child                | -0,25   | 0,05 | **      | -0,08 | 0,05    | †    | -0,25 | 0,05 | **        |
| Household Income                           | -0,05   | 0,02 | **      | -0,12 | 0,02    | **   | -0,05 | 0,02 | **        |
| Difference of Age (male-female ≥ 5)        | 0,11    | 0,04 | **      | 0,11  | 0,04    | **   | 0,11  | 0,04 |           |
| Other Female Factors                       |         |      |         |       |         |      |       |      |           |
| Woman in Labour Force                      |         |      |         | 1,16  | 0,04    | **   |       |      |           |
| Preference                                 | 0,05    | 0,02 | **      | 0,02  | 0,02    |      | 0,07  | 0,04 | †         |
| Intercept                                  | 3,21    | 0,35 | **      | 3,31  | 0,37    | **   | 3,15  | 0,37 | **        |
| County-level Variable                      |         |      |         |       |         |      |       |      |           |
| Family Policy                              |         |      |         |       |         |      |       |      |           |
| Paid Leave                                 | -0,17   | 0,11 |         | -0,19 | 0,12    |      | -0,13 | 0,13 |           |
| Public Education for Preschool Child       | 0,71    | 0,21 | **      | 0,21  | 0,23    |      | 0,76  | 0,25 | **        |
| % of Women's in Part-time                  | 0,00    | 0,01 |         | 0,00  | 0,01    |      | 0,00  | 0,01 |           |
| Cross-level                                |         |      |         |       |         |      |       |      |           |
| Cross-level Interaction: Career Preference |         |      |         |       |         |      |       |      |           |
| *Paid Leave                                |         |      |         |       |         |      | -0,02 | 0,03 |           |
| *Public Education for Preschool Child      |         |      |         |       |         |      | -0,02 | 0,05 |           |
| n(N countries)                             |         |      |         |       |         |      |       |      | 6,449(27) |

†p<.10, \*p<.05, \*\*p<.01 (Two-sided test)

However, the effects of lifestyle preferences and public education for preschool children are not supported statistically when the “women in labour market” dummy variable is added. As Model 2 shows, when women work in the labour market, the contribution increases

<sup>11</sup> In order to maintain a plausible sample size, I omitted the two variables used in the previous study, “women more education” and “work-time limits”. The former is caused by a lack of information on the partner's education in several countries, and the latter had an indifferent effect on the contribution according to Stier and Mandel (2009).

dramatically ( $=+1.163$ ); on the other hand, the effects of preferences and public education for preschool children disappear. Therefore, the working condition is a parameter of the economic contribution, which means that both women's preferences and public education for preschool children affect women's choice of whether to work or not, and then the work choices of women increase the economic contribution. In short, the choice to work is partly explained by the provision of public education for preschool children and partly by women's lifestyle preferences. Lastly, Model 3 shows the cross-national interaction effect, which examines how family policies moderate women's career preferences. In line with Hypothesis 3, I expected that family policies would improve the career prospects of women, but in this analysis, neither maternity leave nor public childcare for preschool children had a moderation effect. Therefore, the relationship between lifestyle preferences and policies can barely be found in this analysis.

In sum, both lifestyle preferences and the implementation of family policies, especially public education for preschool children, are determinants of women's economic contribution through participation in the labour market. Moreover, there is a possibility that women's lifestyle preferences are affected by the availability of family policies, but this was not observed in this preliminary analysis. This might be explained by an inverse relationship—that is, the collective career preference of women creates the family policy in each country. Thus, a more detailed analysis is needed in order to clarify the relationship between the implementation of family policies and female lifestyle preferences.

## Discussion

Women's economic contribution is mostly explained by whether they participate in the labour market or not. Under what conditions do



women continue to work? First, women consider their career if there are more public facilities for preschool children. Public pre-primary education facilities provide opportunities for women to work rather than remaining at home with their preschool children. Thus, women can decide to continue to work if more public education provision is available for preschool children. This result is relatively consistent with the work of Stier and Mandel (2009), although I take into consideration the East Asian countries, which were represented as countries where women are economically dependent.

Furthermore, women's preferences greatly affect their career choices. According to the descriptive statistics, more than half of women want to work rather than stay home: this is consistent with the preference theory introduced by Hakim (2000), which posits that a majority of women want to take both options—to work in the labour market and do domestic work. However, we should carefully consider the term “gender equality,” which is stated mostly as reducing the gap between men and women, since there is a significant ratio of women who prefer to stay at home rather than work in the labour market. Last, higher education has a significant effect on the contribution: women who have a higher education degree have a greater commitment, which suggests that women's qualifications are properly utilised given the increase in income. Considering that female education levels have risen in recent years, the relative contribution gap might become even smaller in the future.

Finally, I would like to mention some limitations of this chapter. First, the main variable, women's economic contribution, had only a seven-point scale, which should be calculated by both partners' wages as previous studies have done.<sup>12</sup> In addition, many respondents were omitted from this analysis because of the variables used. Hence, a

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<sup>12</sup> Because of the small number of scales, ICC was quite low regardless of applying multi-level analysis. Thus, I needed to re-analyse with a plausible dataset as the next step.

larger sample could be used in order to show more robust results. Second, there are some important outstanding questions, which, for example, could address how policy shifts or geographical features have an effect on economic contribution. These questions could be studied utilising different methodologies, such as panel data analysis or spatial analysis. Lastly, there is a need to consider the partner's cooperation—for example, the division of household work (Brines 1994; Greenstein 2000), father-oriented policies (Eydal & Rostgaard 2015) and equivalent determinants. In the main analysis, the household income and age difference are considered, but the demographics of the partner may have strong effects on the woman's relative contribution. This should be considered carefully in future research.<sup>13</sup>

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<sup>13</sup> I would like to acknowledge the anonymous reviewers for their useful suggestions. Moreover, the data for this secondary analysis, “The International Social Survey Programme” (ISSP Research Group (2014), Family and Changing Gender Role IV—ISSP 2012), was provided by the GESIS Data Archive in Cologne.

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PART II

VARIETIES OF MIGRATION AND WORK





# Crossing the boundary to Europe

## Finns on transnational careers in the European Union

*Saara Koikkalainen*

### Introduction

During the peak of the “European refugee crisis” (2015–2016), over one million asylum seekers crossed the Mediterranean to Italy and Greece or arrived to a European Union (EU) territory via Turkey and the Balkan states (Triandafyllidou 2017; UNHCR 2015). While people fleeing war, desperation and lack of opportunities in their home countries continues to be the most visible migration phenomena of today, there are also other forms of migration that shape our societies and have an impact on the European labour markets. Namely, Europe is home to a globally unique area, where sovereign states have given parts of their legislative power to supranational institutions and have given up one of the fundamental rights that define a nation state—that of deciding who can cross its borders (e.g. Koikkalainen 2011; Recchi 2015). Different groups of migrants are on the move within the European free movement area: posted workers, skilled professionals,

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students and retirees move as European citizens who have the right to reside and settle anywhere within the countries belonging to the EU and the European Economic Area (EEA).<sup>1</sup> This article examines one important form of contemporary migration that has increased in volume and importance in Europe in recent years, namely highly-skilled migration (e.g. Koikkalainen 2013a). The reasons for the increased interest are both economic and political: immigrants who arrive with higher education degrees and valuable professional skills are “not only economically advantageous but also politically acceptable” (Boeri 2012, 1). Based on the experiences of Finnish graduates, this study asks, why do young highly-skilled individuals choose to look for work abroad? Do they end up in precarious, temporary jobs below their skill level, or does their cultural capital transfer easily across borders?

This chapter is based on research on the labour market experiences of 24–45-year-old university educated Finns who lived abroad in 12 other EU member states.<sup>2</sup> Finns follow the lure of London, go to study in Berlin, seize a job opportunity at the Euro-city Brussels or start their career as a trainee in Paris. They move also to many other cities in Europe, depending on their motivations, family situations and sometimes even pure coincidence of being offered a job abroad. Such

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<sup>1</sup> Once the United Kingdom leaves the EU in 2020 and after the transitional period is over, the landscape of intra-European migration will be significantly altered. It is, however, beyond the scope of this article to discuss the possible implications of Brexit for highly-skilled migration in Europe.

<sup>2</sup> The study focused on those living abroad in the so-called EU15 countries that formed the EU when Finland joined in 1995. In my study, there were participants from 12 countries: Austria, Belgium, Denmark, France, Germany, Greece, Italy, Ireland, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. There were no respondents from Greece, and the handful of respondents from Sweden were omitted from analysis because Sweden is historically the most important migration destination for Finns. This is especially true of Swedish-speaking Finns, and therefore, a somewhat different case than the mobility towards farther away Europe that characterised migration from Finland since the mid-1990s (see e.g. Korkiasaari & Tarkiainen 2000).

small and scattered migrant groups are a challenging population to study with survey methodology. Creating a random and statistically representative sample of the target population is not possible because there are no updated address registers. Hence, the participants were contacted via the Internet through expatriate networks. I administered two consecutive *Working in Europe* online surveys: the first in 2008 (n=364) and the second in 2010 (n=194). Because the original survey data was collected before the global economic downturn, I decided to conduct a follow-up survey in 2010 to see whether the recession had a serious negative impact on the labour market situation of the respondents (for an assessment of the impact of the recession, see Koikkalainen 2017). The second survey was sent to those respondents who had volunteered their e-mail addresses in the first survey. In addition, I conducted 18 migrant interviews in 2011 via Skype among selected participants of the two surveys.

The Finns who took part in the study included tertiary-educated consultants, finance managers, ICT-workers, post-doctoral scholars, freelance journalists, and self-employed language specialists, for example. Their intended stay abroad varied from that of a settler to that of a sojourner; from permanent emigration to short-time mobility. Also, the participants' desire to integrate varied, as some were strongly rooted to the current home country, while others contemplated either returning to Finland or moving on to a new destination. Over two-thirds of all respondents in the 2008 survey were female: there were 280 female (77%) and 84 male (23%) respondents. Respondents who were single made up 27 percent, 45 percent were cohabiting, and 28 percent were married. Most respondents (76%) did not have any children. The respondent average age was 32 years and they were fairly recent movers as 78 percent had moved abroad after the year 2000. The educational background of the respondents was varied: 48 percent had obtained their degree in Finland, 20 percent from abroad, and 25 percent had a degree from two countries. Seven percent of

them were still studying. A clear majority of the respondents (87%) were from five countries: United Kingdom, Germany, Belgium, France and Spain.

Finns living in other European countries are a small group in terms of their numbers, but in many other respects, they are similar to the “pioneers of European integration” (Recchi & Favell 2009) originating from the larger EU member states. All intra-EU movers are not highly-skilled, nor do they all come from elite backgrounds. Groups facing discrimination, such as the Roma from Eastern Europe, are on the move along with the well-earning retirees, posted workers, university students and young professionals (e.g. Barslund & Busse 2016; Favell, Recchi, Kuhn, Jensen, & Klein 2011). Yet all European citizens are privileged when compared with migrants and refugees originating from outside Europe: they are entitled to equal treatment regardless of where they live, and at least in principle, they should face no discrimination. The legal rights and sense of belonging provided by European citizenship also makes them stakeholders in their respective countries of residence without the necessity of applying for national citizenship or aiming for full integration (Koikkalainen 2019). An analysis of how highly-skilled migrants, such as the Finns in this study, manage to build their lives and careers abroad can shed light to how the EU works as a transnational space and how mobility features in the working life today. Why did these migrants cross the boundary from a national labour market to Europe, and how did their careers progress as a result?

## Leaving Finland

Mobility from Finland to other European countries increased significantly after Finland joined the EEA in 1994 and the EU in 1995. During the past 10 years, the favourite destinations of Finns have been Sweden, United Kingdom, United States, Germany and

Spain. During this time, an average of 9,400 Finnish citizens moved abroad each year, and more than 6,500 of them (69%) chose one of the EU member states as their destination (years 2007–2016) (Statistics Finland 2018). While at the *micro* level, the motivations and paths of these migrants are highly diverse and individual, various historical processes, cultural phenomena and economic developments influence the reasons *why* particular individuals decided to move, *where* they moved to and *when* they moved. At the background influencing such mobility lie different macro and meso-level processes and factors (Castles, de Haas, & Miller 2014). Most importantly, these include processes related to economic and cultural globalisation and to Europeanisation.

Globalisation played a role in how highly-skilled Finns in the 1990s, along with their peers in many other Western countries, began to imagine their personal futures and working careers spanning outside of their country of birth. The concentration of professional jobs in key nodes of the global economy, and the new career opportunities in multinational companies, offered the promise of a prosperous and exciting life abroad. At the same time, technical advances, such as the Internet with its numerous ways to connect and engage in real time across great distances, have also made the world feel “smaller”. The ease of communication, affordable travel and increased global inter-connectedness significantly influenced the kinds of career choices that were available for Finnish university graduates. The unique European area of free movement was already fully in place when Finland joined the EEA and the EU in the mid-1990s, and the Finnish telecommunication company Nokia was becoming a global player in the mobile phone business. As European citizens, the young graduates were able to look for their fortunes abroad and the numbers of those who did so rose after Finland recovered from the economic recession of the early 1990s (Koikkalainen 2013a).

Many moved abroad for the first time with the help of the European Socrates-Erasmus (currently known as Erasmus+) exchange programme, which has facilitated the mobility of more than 5 million students, apprentices and volunteers since its inception in 1987 (European Commission 2017). Finland typically ranks among the top five sending countries in Europe, when the numbers of outgoing students is compared with the overall student population (European Commission 2016). Starting from the internationalisation boom of the 1990s in Finnish higher education (Garam 2003), the importance of gaining international experience has been frequently repeated in the media. The students and young graduates have the knowledge of possibilities for internationalisation and transnational mobility and an awareness of how to grasp the opportunity when it presents itself. In addition, the numbers of those completing degrees abroad have been rising. In 2006–2007, approximately 4,000 Finnish students were enrolled in degree studies abroad. During the academic year 2015–2016, their numbers doubled and reached nearly 8,000 students, equal to the average student enrolment of a small Finnish university (CIMO 2017).<sup>3</sup>

While the increased mobility from Finland takes place within the larger context of globalisation and Europeanisation combined with the country's unique migration history, there is still room for considerable individual agency. Often the motivation to move because of studies or career progress were combined with love and personal relationships or simply the desire to see the world. Many participants of the study explained that they wanted to move abroad to encounter new things, get a better quality of life or live in the home country of their spouse. Some explained that they ended up abroad as if by

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<sup>3</sup> The Finnish Social Insurance Institution Kela gives financial aid to students who complete degrees in either Finnish or foreign higher education institutions. The figures refer to the numbers of students who have received student aid abroad. There are no other official statistics on degree students abroad.

accident when they took on a job opportunity that suddenly presented itself, while others said they had always known that they would one day move abroad. All participants of the study had lived, worked, studied, or at least travelled abroad before moving to the country where they lived during the first survey. They thus had “mobility capital” (e.g. Findlay, King, Stam, & Ruiz-Gelices 2006; Murphy-Lejeune 2003), which has been shown to increase the likelihood of further transnational mobility. The migration experience itself can also be an important element in enhancing one’s “career capital” (Habti 2012, 31, 92; Jokinen, Brewster, & Suutari 2008).

Economic theories of migration stress the importance of wage differentials and standards of living as the causes of human mobility. However, even though a majority of the respondents estimated their wages in the destination country to be higher than in Finland, a closer look at their motivations reveals that money was not the main or only incentive for migration. For these educated Finns, moving abroad is a possibility, not a matter of survival, or of maximising the family’s income, as it may be for many of those who cross national borders to work in the Global North to send remittances back home to the Global South. Based on his study on mobility within Europe, Hubert Krieger (2004, 36) argues that “increasing national wealth goes hand in hand with an increase in personal and family motives for migration”. This conclusion resonates also with Finnish migration history: while in the 1960s and 1970s, those who moved to Sweden were perhaps mostly attracted by higher salaries and standard of living (e.g. Korkiasaari & Tarkiainen 2000), the Finns who move today may do so more for adventure or lifestyle reasons.

## Finding work abroad

Previous research into the labour market integration of highly-skilled migrants has identified several barriers to finding employment in the

country of destination. These include lack of language skills, non-recognition of foreign educational titles and lack of country-specific knowledge and experience (Schittenhelm & Schmidtke 2011), lack of specific local capital and resources, the difficulty of navigating in a new structural and institutional context (Zikic, Bonache, & Cerdin 2010, 670), unfamiliarity with local labour market rules, and having a foreign habitus (Bauder 2005). Education from abroad has been found to correlate with the difficulties of labour market entry, as it tends to be less valued than local degrees (e.g. Friedberg 2000; Saarikallio, Hellsten, & Juutilainen 2008). Nohl, Ofner and Thomsen (2010) use the concept of “status passage” to describe the transitional period between exiting the labour market of the country of origin, or graduating from an institution of higher education, and integrating into the labour market of the country of destination.

For the participants of this study, however, these factors had not been major obstacles to labour market entry in the country of destination. While the transition through the status passage had been slow for some, a clear majority of the respondents had found a satisfactory job rather quickly. At the time of the first survey in 2008 (n=364), nearly 80 percent of the respondents were in full-time employment, and only three percent were currently unemployed or looking for work. During the two years separating the two surveys, the situation had changed for some of the respondents: they had returned to Finland, moved on, started a family or changed jobs. Despite the global economic downturn, which began in the autumn of 2008, the change was not generally for the worse. Only 17 percent of the respondents explained that their labour market situation had worsened from the spring of 2008, while 25 percent said it had improved and 58 percent reported no remarkable change due to the recession. During the second survey in 2010 (n=194), therefore, over 60 percent of the respondents were in full-time employment, while only



four percent were looking for work. At both times, a sizeable number<sup>4</sup> of respondents were also working as freelancers, self-employed, or in part-time jobs alternating between family duties, studying, and work.

The transition to the destination country labour market had, therefore, mostly been smooth. Those who had encountered problems were a small minority: in the 2008 survey, only four percent stated that they had not found employment in the new country that *matched their degree*, while another four percent said that they had been unemployed and had looked for work for longer than six months. Nearly eighty percent had found work within weeks: either before or immediately after moving or after graduating from a local institution. The respondents were also asked to compare their current country with Finland on a number of claims related to their labour market position. The respondents were rather content with their situation in the new country: 70 percent completely or somewhat agree that their salary is better than it would have been in Finland, 79 percent state that their job fits their qualifications and 77 percent that their degree and previous job experience is recognised. Being foreign had not been a major obstacle in finding work: only 11 percent report having faced discrimination.

The respondents were also asked to evaluate the impact of the move abroad on their career. The responses can be classified into three categories. First, those who thought the move had clearly been beneficial, second, those for whom the move had caused a downturn in their career and third, those who were ambivalent about the effects of the move. About 70 percent of the participants belonged to the first category. New experiences, increased language and intercultural communication skills, interesting job assignments, and the sheer amount of different employment opportunities available were noted as signs of labour market success. Those who stated that

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<sup>4</sup> 10 percent in selected one of these options in the 2008 survey, and 19 percent in the 2010 survey.

the move had negative consequences for their career shared some common characteristics. Stepping off the beaten track that heads for London, Brussels, or the other large European cities that host many international job opportunities had been somewhat risky. Looking for work in the smaller cities of France, Italy, Spain or Austria, for example, makes you compete in a more restricted and national labour market with the local graduates who have the benefit of having an easily recognised degree, perfect language skills, and local networks and social capital that are highly beneficial for finding employment.

Most of the survey respondents were content with the life choices that they had made, and in that respect, they do not differ from the results gained in other studies: all groups of intra-EU movers express a higher level of life satisfaction than comparable samples of nationals of their country of origin (Recchi 2008, 218). The Finns of this study had found several ways in which to communicate their skills and knowledge in the destination country labour market and were thus satisfied with their situation, even if considerable adaptation was often required when they first moved to the new country. There are numerous ways in which to “make it abroad”, to find a good life and a new home for oneself in Europe, where national borders no longer restrict one’s choice of place of residence.

## Conclusions

Recent research has stressed the diversity of motivations for intra-European mobility (Favell 2008; King & Okólski 2019; Recchi 2015; Santacreu, Baldoni, & Albert 2009; Strey, Fajt, Mortimer Dubow, & Siegel 2018; Verwiebe 2014). For internationally minded, relatively young and well-educated European citizens, mobility in the EU/EEA area is one possible labour market path among many and experimenting with living abroad is a choice that may or may not lead to a longer-term settlement. While the European citizens who live and

work abroad in other EU member states are still the exception, living a transnational life in Europe and engaging in various cross-border practices is becoming an accepted way of building one's career and planning one's future because maintaining contact across borders is increasingly easy (see e.g. Favell et al. 2011).

Europe as an area where "international migration" resembles "internal mobility" (e.g. Favell 2008; Recchi & Triandafyllidou 2010) does, therefore, seem to exist for at least some Europeans. The idea is echoed also with the participants of my study: moving abroad was not understood as a *final* decision because a return to Finland was always a possibility if things did not work out in the destination country. Up to a third of the *Working in Europe* survey respondents had already previously lived in three or more countries outside of Finland. Some of the respondents had taken every possible opportunity at internationalisation: going on student exchange while still at school, studying abroad with the Erasmus programme while at university and working at Disneyland Paris or as an au pair in London during the holidays. Such mobile Europeans can at least superficially blend in the new country of residence and take their mobility rights for granted.

International migration often signifies a transitional phase in the work career of the migrant. The mobile individual may have to make a fresh start in her career, and the situation can be perceived either as a crisis or as an opportunity. Especially those who have to make the migration decision without any prior knowledge of a job in the destination country have to take the risk of a possible downturn in their career if they are unsuccessful in finding work that would match their degree and work experience. All types of knowledge are not equally valued: some are more mobile and easier to transfer and translate than others, and the valorisation of different types of knowledge and skills is often linked to occupations, status positions and gender (Kofman 2013; Ryan, Erel, & D'Angelo 2015).

The participants of the study share the experience of looking for work or working in a situation where they belong to a minority and must operate by the rules of a labour market that is largely unknown. To avoid losing out on their career they have had to try to negotiate the best possible value for their credentials and previous work experience. Many chose to highlight the fact that they are different from the local job applicants so that their foreign background could be seen as an asset, and not an obstacle to finding employment. Working in a foreign language in a multicultural context has demanded adaptation and flexibility from all the participants regardless of their educational background or profession (Koikkalainen 2013b).

Despite the fact that most countries are ready to welcome highly-skilled migrants as the only truly accepted migrants of today (Raghuram 2004), tertiary education is no guarantee for a trouble-free entry to the destination country labour market even for the European citizens exercising their right to free movement. As the results of this study demonstrate, highly-skilled Finns do not face insurmountable barriers when they enter the labour market of another EU country, but they are also not welcomed with open arms as *brains gained*: finding a highly-skilled job in the country of destination demands adaptation, perseverance and sometimes even a total re-orientation of one's career.

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# Examining the role of institutions in shaping migrant reproductive labour

*Merita Jokela*

## Introduction

This chapter deals with paid reproductive work, a sector that is strongly linked with the global movement of labour and the changing boundaries of work. The demand for migrant care work has grown rapidly in the past decades. According to the ILO (2018), 67 million people around the globe move inside and across borders to work in private households as nannies, maids and carers for the elderly and disabled, filling the gap between state and market in ensuring households' reproduction in the receiving countries. The emigration and migration of domestic and care workers is, in many countries, encouraged through different state-level agreements and programs specially targeted for recruitment into domestic and care related jobs.

Research on female migration and movement of labour has predominantly concentrated on the questions related to care givers' and care recipients' families and the "global care chains" (Hochschild 2000; Parreñas Salazar 2000) and recently also on the structures and policies that shape the demand and provision of reproductive labour (e.g. Bettio, Simonazzi, & Villa 2006; Carbonnier & Morel

Nicol Foulkes Savinetti & Aart-Jan Riekhoff (Eds),  
*Shaping and re-shaping the boundaries of working life.*  
Tampere: Tampere University Press, 79–96.  
<http://urn.fi/URN:ISBN:978-952-359-020-5>

2015; Kofman 2014; Kvist 2012; Van Hooren 2017; Williams & Gavanas 2008; Williams 2012). However, the impact of the policies on labour markets and migrant reproductive workers has received less attention. This chapter sheds light on the issue by reviewing the insights on studies that connect the politics of labour migration and migrant reproductive labour. Using primarily previous case studies as my sources, I explore the different rationales of migration policies related to paid reproductive labour and the intersecting ways in which these shape the position of migrant reproductive workers. The three rationales I study here are neoliberal ideologies, temporary migration and contradictory politics.

Being a female dominated sector, paid domestic and care work is strongly related to gender norms and the gendered division of social reproduction. Macro-level studies on domestic and care work mostly focus on the social, political and economic structures that shape the inequalities of the women in the sector (Jokela 2015; Kvist 2012; Williams 2012). While gender matters, it does not always matter in the same way. Transnational feminist theories suggest that intersectional identities including class, nationality, ethnicity and race are equally important when analysing ways that inequalities are reproduced (Crenshaw 1991; Mohanty 2003). Intersectional analysis has been applied not only to identify inequalities among migrant domestic workers but also to understand their agency and personal experiences and aspirations (e.g. Gibson, Law, & McKay 2001; Näre 2014). The main focus of this chapter is not on the micro but the macro-level, that is, the institutional mechanisms that enable millions of migrant women to move across borders and the interplay between migration policies and the inequalities related to the position of migrant domestic workers on a global scale. The chapter is structured as follows: firstly, I describe the social, demographic and economic structures of migrant reproductive labour. Secondly, I discuss the role of institutions and policies in shaping migrant reproductive labour

and thirdly, I present concluding remarks on the issue and discuss alternative policy choices.

## Female migration and paid reproductive labour

Migration of paid domestic labour is not a recent phenomenon. In the mid-20<sup>th</sup> century, it was common in European cities to recruit migrants from rural areas to work as maids and nannies in urban households. This is still a current phenomenon in many less affluent countries where rural-urban migration continues to exist on a large scale (D'Souza 2010; Razavi 2007). However, the migration flows of present day increasingly move across borders, often following the historical colonial patterns and feeding the supply of paid domestic labour (Tronto 2006).

Migrant reproductive work has traditionally been analysed in the context of global movement of labour, gendered division of social reproduction and the global inequalities that are (re)produced in these processes. The “transnationalisation of care” (e.g. Yeates 2011) refers to a social process that connects people, institutions and places across borders and creates a mobile workforce for domestic services (Yeates 2011; see also Mahon & Robinson 2011; Parreñas Salazar 2001).

The literature on care migration usually highlights theories on push and pull effects to explain the movement of migrant care workers. The push effects of women's migration from East to West and from South to North are said to rise from economic reasons, such as low wages, unemployment and poverty, but also violence (see Triandafyllidou 2013). The pull factors consist of several social, demographic and economic developments. Previous studies suggest that both the increase in women's labour force participation and population ageing create demand for migrant labour (Anderson 2000; Estévez-Abe 2015; Lister et al. 2007). In addition, cuts in public provision of care

services have forced households to seek for other alternatives, such as private domestic and care services, thus contributing to the rising need for migrant reproductive workers. Furthermore, it has also been shown that paid domestic labour is still strongly related to economic inequalities within countries that create both demand and supply for private domestic and care services (Jokela 2015; Milkman, Reese, & Roth 1998).

While female migration is often linked with economic hardship, in reality, the individual decisions to migrate are often more complex than simply a sum of push and pull factors. Instead of seeing female migrant workers as passive victims, alternative feminist approaches emphasise the different situations of migrant women and the possible positive changes of migration, such as increasing autonomy, following individual aspirations and gaining international experience (Gibson, Law, & McKay 2001; Näre 2014; Pratt 2005a, 2005b).

## The role of institutions and policies in shaping migrant reproductive labour

A growing number of scholars in the social sciences examine the role of institutions and policies in shaping migrant reproductive labour, suggesting that the sector is shaped by different policy areas, including employment, care, gender and migration policies (Bettio et al. 2006; Hellgren 2015; Shutes & Chiatti 2012; Williams & Gavanas 2008; Williams 2011). In many affluent countries, paid domestic work is supported through specific policies to either attract foreign domestic workers, or to regulate the already existing migrant domestic labour force. While the policies seek to create new jobs and reduce unemployment, especially among marginalized groups, they are criticised for legitimising the commodification of care and emphasising families' responsibility (Kvist & Peterson 2010; Williams 2011; Carbonnier & Morel 2015). Furthermore, some studies highlight

the role of institutions in sustaining the precariousness of domestic workers through unequal policy measures (Hellgren 2015; Jokela 2017; van Hooren 2011; Williams 2012).

The politics of migration policies that are the focus of this chapter are complex, and there are a number of political and institutional dimensions that are viewed as contributing to the status of migrant workers. I concentrate here on three particular rationales (Figure 1): neoliberal ideologies, temporary migration and contradictory politics. These rationales are not separate categories but overlapping: neoliberal ideologies, such as flexibilisation of labour markets and privatisation of social and care services, create demand and opportunities for temporary migration. Contradictory politics may be derived from a situation where temporary movement of migrant workforce is encouraged through “no policy”, and contradictory politics may also be seen as outcome of neoliberal ideologies.

| Neoliberal ideologies  | Temporary migration   | Contradictory politics   |
|--|---|--|
| <ul style="list-style-type: none"><li>• Global expansion of capital</li><li>• Decentralisation and flexibilisation of labour markets</li><li>• Privatisation of social and care services</li></ul> | <ul style="list-style-type: none"><li>• Circular migration</li><li>• Caregiver-programmes</li><li>• Tied visa -systems</li><li>• Regularisation of undocumented workers</li></ul> | <ul style="list-style-type: none"><li>• No policy: demand for (migrant) workers but no regulation exists</li><li>• Work permit programmes only cover high status care work</li></ul> |

*Figure 1. The role of institutions and policies in shaping migrant reproductive labour*

## Neoliberal ideologies and temporary migration

Neoliberal ideologies of receiving countries are seen as the main drivers of the labour migration of low-skilled workers, such as domestic workers. Neoliberal ideologies generally emphasise the market, financial liberalisation, deregulation, flexibilisation of

labour markets and privatisation of welfare services (Standing 2014; Kalleberg & Hewison 2012). Literature highlights the state's role in facilitating transnational capital accumulation, with irregular migration as an element of this process (De Genova 1998; McNevin 2006; Sassen 2008). Irregular migrants fit particularly well in the setting as they often accept lower wages and working conditions and are also easily deportable if market fluctuations change (McNevin 2006). According to Sassen (2008), globalisation together with national interests, has produced global markets at the top and bottom of the economic system: at the top is located the transnational market for high-level managerial and professional talent across economic sectors, while the bottom is occupied by a variety of (mostly) informal flows, including migrant domestic and care labour and the "global care chains" (Sassen 2008). At the national level, Bettio et al. (2006) point out that neoliberal policies also shape the care markets through deregularisation, marketisation and privatisation of social and care services. Thus, states shift the responsibility of reproduction back to families and facilitate the use of a cheap migrant workforce. In countries such as Italy and Spain that favour home-based care, the migrant-in-the-family model has become a preferred solution for households (Bettio et al. 2006).

The temporary movement of workforce is seen as a part of transnational labour processes that entail a variety of migratory flows, such as workers sent to the host country by their employers that are often international companies, seasonal workers (especially in agriculture) and migrants who commute between countries. One form of temporary movement is the concept of circular migration, which is used in migration research to refer to regular and systematic movement of migrants who move back and forth between countries to seek work (Skeldon 2012). In paid reproductive labour, a growing number of women circulate between their home and host country without permanently moving abroad. This is particularly the case

between the neighbouring countries of Eastern and Western Europe (Lutz & Palenga-Möllennebeck 2012; Marchetti 2013; Triandafyllidou 2013).

Due to the increasing movement of labour across borders, the concept of circular migration has gained attention in policy debates especially in Europe. This type of migration is often promoted as a “triple win” by the receiving and sending countries as well as the migrant workers themselves, who are able to circulate due to specific agreements such as free movement in the EU. This policy discourse emphasises the positive impact of circular migration because it can simultaneously act as a buffer during periods of economic volatility and provide employers with a flexible labour force. However, critics often warn that circular migration should not be integrated in the policy arena because it is difficult to separate from other forms of temporary migration (Skeldon 2012). Despite the regular demand for migrant reproductive labour, it is feared that states would emphasise the temporary nature of migration and push policies that limit the rights of migrant workers.

There are a number of policies targeted specifically to recruit migrant reproductive workers, often on a temporary basis. These programmes are most prevalent in South-East-Asia, Europe and Canada. Historically, migrant care worker programmes in Canada were initiated to respond to temporary demand for a foreign labour force (Michel & Peng 2012). The characteristics of the programmes vary. However, they all entail a number of rules and regulations that restrict the recruitment of migrant domestic and care labour. Canada continues to recruit migrant care workers through the Live-in Caregiver programme; however, domestic workers are not necessarily required to live in the employer’s household.<sup>1</sup> Furthermore, it is

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<sup>1</sup> This requirement was partly removed from Canada’s Live-in Caregiver programme in 2014, see <http://www.cic.gc.ca/ENGLISH/work/caregiver/index.asp>

currently possible for a domestic worker to apply for permanent residency after 24 months. Contrary to Canada, migrant domestic workers in other countries, such as Taiwan, are only allowed to live with their employer and to work in the domestic and care service sector.

This kind of “tied visa” system also exists in the UK, where domestic workers who enter the country with their employers (mostly from the Gulf countries) are not allowed to change the employer nor extend their six months visa while in the country (Anderson 2015). Japan and Korea have introduced migrant care worker programmes in recent years to attract workers from other Asian countries. However, the programmes are still modest in their size, especially in Japan where entry rules for migrant care workers are restricted (see Michel & Peng 2012). Similarly to other countries, migrant care workers in Japan and Korea are mainly seen as temporary workers who eventually will return to their home countries, not as a potential future labour force (Song 2015).

Another example of immigrant policies is Italy. With at least half a million foreign care workers, the country adopted an ex-post facto regularisation of undocumented workers to provide them access to formal labour markets. In 2009, asylum was granted to 200,000 paperless migrants working in the domestic and care sector (Finotelli & Arango 2011). Still, the regularisation campaigns have only covered part of the workers and many others remain undocumented and informal (Bettio et al. 2006; Shutes & Chiatti 2012). Parallel to the non-EU migrants, many Italian households employ women from Eastern-European countries who often work in Italy as circular migrants (Marchetti 2013).



## Contradictory politics

Despite the demand for migrant labour, states may not always directly promote the inflows of foreign workers due to contradictory political interests. As neoliberal markets profit from temporary and precarious migrant labour, policies may even deliberately be designed to not regularise migrant labour. For example, Castles (2004) argues that in order to balance the preferences of different interest groups, governments may even provide anti-immigration rhetoric, while at the same time supporting policies to encourage labour migration. These “hidden agendas”, as Castles suggests, explain the contradictory outcomes of some immigration policies, including migrant reproductive labour. Michel and Peng (2012) call this type of policy a policy of “demand and denial”: demand for paid domestic and care work is created mostly due to insufficient policies, but the entry to formal labour markets is denied through strict regulations (Michel & Peng 2012; see also Song 2015). The “no policy” approach has for years been a common way to respond to the growing demand for paid household services not only in the US but also in many countries that recently have introduced programmes to regulate the sector, such as Germany and Italy (see Jokela 2017). While regulation exists, welfare states are criticised for deliberately overlooking the existence of undeclared work performed by migrant care workers (Lutz 2012). May et al. (2007, 162), whose study concentrates on the UK, consider the state taking a direction in the immigration policy “in which migrant workers are treated less as potential citizens than units of labour, the supply of which can (in theory at least) be turned on and off”.

Most of the studies mentioned above highlight the precarious position of migrant reproductive workers and their status as partial citizens. Migrant workers in many countries often remain undocumented and perform their work without any access to legal benefits. Furthermore, paid domestic labour is viewed as low skilled

and “easily done by anyone”, which makes the status of migrant domestic workers particularly vulnerable and easily replaceable (Anderson 2015). Policies, such as the migration programmes presented earlier in this chapter, are generally viewed to enforce the precariousness of migrant reproductive workers.

It is often noted that while workers and their families benefit from higher salaries and better quality of life in the host country, restricted legal rights and lack of recognition still force migrant reproductive workers and their families to vulnerable situations (Parreñas Salazar 2001; Tronto 2011). For example, in the US, work permits offered for foreign workers of specific occupations only cover higher educated health and care workers but exclude low-skilled jobs, such as domestic and care workers (Song 2015). According to Dwyer (2013), the division of care labour into skilled and unskilled is intentional and strongly linked to ethnic inequalities: in the care sector, migrant workers are specifically recruited for low-skilled jobs while native workers usually occupy the care work jobs that require higher skills and are better paid (Dwyer 2013, see also Duffy, Albelda, & Hammonds 2013). It has been shown that workers in low-skilled care jobs and with migrant backgrounds are more likely to work under precarious working conditions and receive lower wages compared to other workers (Jokela 2019; Lightman 2019). Hence, the work permit system favouring high skilled care workers enforces the racial and ethnic division of reproductive labour (Glenn 1992) as it divides the sector in professional and skilled and nonprofessional unskilled jobs, the latter having less labour market power or opportunities to improve their wages. Furthermore, Geraldine Pratt underlines in her study (2005b) on the Canadian Caregiver programme Filipina women’s own experiences and the ways that social networks and familial obligations—not economic or individual factors related to occupational status or wages—shape migrant workers’ lives. She concludes that despite the financial and personal gains and the

permanent status provided for migrant reproductive workers after 24 months, the personal costs are often too high for many women. Here, Pratt mainly refers to the negative consequences of family dislocation in the lives of the migrant women living abroad.

## Discussion

This chapter has explored different rationales of migration policies and the ways these shape the status of migrant reproductive workers and particularly contribute to their unequal position in the labour markets and in society in general. As shown in the review of previous literature, a number of programmes are designed to regulate migrant reproductive labour in different countries. Due to limited space, it was not possible to present the programmes more thoroughly; however, general conclusions on global trends may be drawn based on previous studies. Firstly, neoliberal ideologies are commonly criticised on the macro-level for creating policies that are designed to benefit the households while migrant workers are only seen as replacements during temporary labour shortages. Secondly, country-level case studies show how strongly migrant care worker policies tend to emphasise the temporary position of migrant reproductive workers by practices such as the tied-visa system. Thirdly, the anti-immigration attitudes of different interest groups and citizens contribute to the precariousness of migrant workers as they make governments reluctant to officially promote labour migration. Still, due to high demand for a migrant labour force these practices of “no policy as policy” allow the inflow of migrant workers without regularisation processes.

As both micro and macro-level studies have shown, the inequalities and precariousness of migrant reproductive labour are multi-faceted phenomena. While this chapter concentrated on the role of institutions in shaping the situation of migrant reproductive

workers, I also acknowledge the complexities of migratory processes and consider the agency of migrant reproductive workers that is emphasised in transnational feminist approaches. Not all migrant workers are victims and not all of them are equally vulnerable. Policies that encourage migrant reproductive labour may be targeted to households, but it would be too simplistic to argue that on the individual level, households are the only ones who benefit from them: migrant care worker programmes, enable a change for many women who also view domestic and care work as a stepping stone into the labour market. In the absence of state support, many women rely on social networks that often also act as recruitment channels.

However, on the policy level, the question of inequality becomes crucial and as the discussion above shows, there exists a paradox related to the status of migrant reproductive labour that is difficult to overcome: improved conditions in the domestic work sector would require professionalisation, but migrant workers are specifically wanted for their “unskilled” labour and thus have to deal with limited rights and insecurity. This paradox raises questions not only on migrant women’s rights as citizens and workers but also, as noted in many studies before, on the quality of domestic and care work.

In this chapter, I only used a few examples to illustrate the nature of migration policies related to paid reproductive labour. Many other countries have introduced policies not necessarily targeted to the supply, but to the demand of paid domestic and care work. Recent policy reforms, particularly in Northern European countries, such as tax reductions or service vouchers for households purchasing domestic services, have been widely criticised for “bringing back” the traditional maids and for only benefiting wealthier households. However, I argue that especially in countries where direct and informal relationships are common, policies aimed at households, if well designed, could act as enforcement strategies for domestic and care workers’ labour rights. Widespread informality is described as

one of the greatest challenges in domestic services as migrant workers working in low-skilled occupations remain in informal jobs. Offering incentives for households to comply with the law could contribute to more formal job contracts and more security for domestic and care workers in general. This is only one example of how institutions may shape the position of migrant reproductive workers. I suggest that in future research, more attention should be paid on institutional strategies in order to reduce inequalities related to paid domestic and care work. Moreover, to promote the rights of migrant reproductive workers, researchers and policymakers should consider the diverse situations of migrant women in different social, economic and political contexts.

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# Polish posted workers in the transnational space of subcontracting

## Making ethnographic sense of new employment relations

*Anna Matyska*

### Introduction

“So for whom do you work?” I asked Adam<sup>1</sup>, a Polish quality-control specialist posted at one of Europe’s biggest construction sites, the Olkiluoto 3 power plant in Finland. “Well, we are all working for Energia, but we are actually employed by Constructor”, Adam told me. I had a rough idea of the company Adam might work for, but was curious about how he saw his employment relations: Olkiluoto has been notorious for its complex and controversial subcontracting arrangements (Lillie & Sippola 2011). Adam specified two of his Polish employers but did not mention two other companies that operated on top of Energia and thus were his indirect employers: a French–German consortium that was managing Olkiluoto and the

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<sup>1</sup> All the names of research participants and companies are pseudonyms.

Finnish nuclear power company TVO, which subcontracted work to that consortium.

In the classical Marxist notion of class struggle inherent to the capitalist system, workers remain in relations of exploitation with a clear-cut employer. The employer extracts the workers' labour effort and asserts dominance over them through the ability to hire and fire, among other ways (Wright 2005). Subcontracting dilutes the class relations between labour and capital by creating a chain of employers who are in employment relationships with each other while also in a work relationship with the labourers. Transnational subcontracting, entailing employment of workers from abroad through subcontracting companies, dilutes class relations even further (Lillie 2006, 2012; Lillie & Sippola 2011). It casts doubt on who the real employer is and what that employer's obligations and responsibilities to the workers are. Adam signed the contract without clear knowledge of what a posting in Finland legally entails. He knew that the contractual salary exceeded his monthly income in Poland several times over and did not enquire further. He suspected, however, that the subcontracting chain is created to favour the company "bosses" and not the employees.

In this article, I discuss various aspects of posted workers' relations with their direct and principal employers. The analysis aids in understanding both how the workers themselves try to make sense of the power relations behind the transnational subcontracting and their subjective ideas about what exploitation and justice are in a transnational space. The article thereby shows what the workers see when they do not see the full employment picture and when direct interaction is dispersed across their various employers.

There is a substantial body of scholarship on the legislative and social-policy framework of posted work and transnational subcontracting. The discussion focuses on the ways in which transnational subcontracting allows the companies to externalise risk and shift the costs of flexible adjustments to the subcontracting

party and how the subcontractor, in turn, attempts to circumvent regulations (alongside Lillie's work, see Cremers 2011). Workers' perception of these complex employment relations and the heterogeneity of cultural and employment contexts to the workers' experiences are given less attention.

I argue here for a more in-depth and culturally nuanced picture of posting, in which, firstly, the transnational context of living affects workers' sense of exploitation and their perception of the employment relations (Sayer 2004) and, secondly, workers' moral estimation of their employers is complicated by the diffused responsibility inherent to the subcontracting system. In my account, I draw on ethnographic fieldwork I have conducted intermittently since 2007 among Polish posted workers in Finland. I also refer to three interviews done in Poland with workers posted to Norway. My interlocutors include blue-collar workers in shipyards and the construction industry along with engineers and technicians. In geographical terms, the paper focuses on the Nordic context, especially Finland, but I make reference to other countries too, following my interlocutors' global work experience.

## The moral map of posting

The regime of mobility for posted work in the European Union was created to let workers take less protective regulatory regimes with them and hence encourage competition and internal-market integration (Leczykiewicz 2014). This implies transnational mobility from one precarious context to another; however, my interlocutors notice that sites differ in the amount of precariousness workers take with them. Through personal and second-hand knowledge, they draw what could be called a moral map of posting, indicating Norway and Finland as having the best-quality contracts, while Germany and the Netherlands have the worst. Although workers never use

the term “principal contractor”, I would argue that they apply this moral mapping as a mental shorthand for the hierarchy of principal contractors who contribute to good or poor contractual working conditions. Caro, Berntsen, Lillie and Wagner (2015) noticed similar country preferences among interviewees in their study of posted workers in Finland, Norway and Germany. The authors ascribe these to the well-enforced, extended collective agreements in the Nordic countries, with implied importance of salaries. However, my fieldwork indicates that more enters in than the pay. Salaries boost the already positive image of Finland and especially of Norway, but low salaries are not the reason Germany and Holland are particularly disliked by my interlocutors. I will start with the account of three men who worked at Olkiluoto 3 and whom I met early in my fieldwork in 2007. We talked when they visited the nearby small town of Rauma to go shopping.

Michał, Leszek and Staszek had different amounts of posting experience. Michał was on his first contract, while the other two had worked on contracts for at least two decades. I asked them how they liked being in Finland. They immediately brought up the topic of work:

Leszek: The working conditions are very good. There is no such workload as in Poland or in other countries. You can work peacefully here.

Staszek: Yes. I agree. I decided to prolong the contract, above all comparing to the conditions and the work culture here. They really care about safety rules and personal relations at work [pozycie miedzyludzkie].

Michał: Yes. The same with me. I was surprised because I had heard a lot of horrible stuff about contract work.

Leszek: We experienced it personally with Staszek when we worked together in Germany or in other countries.

Staszek: [There] you could hit the ceiling. Here it's peaceful and stressless.

Leszek: It's a jungle there. [Tam jest dzicz.]

Anna (interviewer): And Finland?

Leszek: A "Promised Land". [Ziemia obiecana.]

Initially, I thought the men had exaggerated the positive picture on my account—as a representative of a Finnish university, I was often thought to have hidden ties to trade unions, which made me a potential liability. However, my fieldwork confirmed various aspects of the above image. Meeting with Marek, one of my closest interlocutors, took it one step further.

Marek had been posted to Finland for two years when we met in 2014. Because I was helping him with institutional matters, we talked at least once per week. Marek worked at a middle-sized construction site, his third site in Finland. Every time we met, he had some anecdote to share about his latest workplace. It often conveyed what he considered to be Finns' relaxed approach to work. He mentioned frequent coffee breaks taken by Finnish workers even if the job was not done yet and the relative freedom of work on the site. When we met on the Labour Day long weekend, he told me cheerfully that, yes, they had worked on Saturday but did not overwork themselves because the Finnish crew was gone, and there was almost nobody to delegate more tasks. Although Marek told his stories with a mix of amusement and moral superiority (implying that Poles are hardworking, at least when they have to be, while Finns are lazy), he concluded that working conditions of this sort should exist on all sites.

Marek's story helps to elucidate the posted workers' concept of a good workload. Marek worked fewer hours than many posted workers do (some work 12 hours a day), but this is not what left him with such a positive impression; in fact, he was rather disappointed

that there was not more work, since fewer work hours meant less money and more idle time. What he enjoyed was the freedom of the work, trust and respect: nobody disciplining him at every step and mistreating him for his foreign origin. Marek did not see this as related to his posting company. It was the Finnish local employer that made the difference. He felt, as Leszek and his workmates did, that he was treated as a person, not just a commodified labour resource. In Germany or Holland, on the other hand, Polish workers seem to face much harsher working conditions. “In Germany, [a] Pole is just meant to work, work and work. And it is never enough”, I was told by Mirek, an industrial painter. When I asked whether he was referring to long hours, he stressed, “No, it’s not that. When you are abroad, you want to have long working hours because you want to earn more. It’s rather about mental pressure [*presja psychiczna*], mobbing if you wish [*taki mobbing*]”. With the reference to mobbing, Mirek was speaking of lack of trust in the workers and exerting discipline through strict supervision. He cited his recent posting to Norway as a contrast. There, for instance, his principal employer (a Norwegian company) expected regular written comments on possible improvements to the work. “I didn’t know what to write”, Mirek told me, bemused.

The above narratives add another layer to Marx’s notion of exploitation as unequal exchange of labour. Writing about exploitation as degradation, philosopher Ruth Sample (2003, 57) states that exploitation involves “interacting with another being for the sake of advantage in a way that degrades or fails to respect the inherent value in that being”. In these terms, workers seem to suggest that employers in Finland and Norway recognise and respect their inherent value more than employers in other places. Good money is among the manifestations of this respect, rooted in several decades of Nordic social-welfare policies and class compromises between employers and employees (Korpi 2006). The welfare policies empowered the working



class in the Nordic countries, and now—at least partially—they empower the posted workers too.

This is not to say that the workers disregard the larger role of principal contractors in the subcontracting system. In the Nordic countries, posting itself may be considered as a sign of a declining commitment to labour-market agreements of the welfare state (Kananen 2014, 163–176; Kettunen 2006). Workers are keenly aware that, in Finland and Germany alike, they are posted abroad because principal contractors find them easier and less costly to hire and fire than local labour, and when their short-term contracts end or when they are left hanging until the last moment without any assurance of the contract's extension, it is the principal employer who has the final say. "Let's face it: we are just a cheap labour force for them", one of the workers told me, where "them" implies all the Western production and construction companies that use Polish labour. Workers thus can be left with a sense of being elevated and denigrated by the principal employer at the same time.

### The posting companies: "Because the Polish boss has to make money"

Inherent to the transnational subcontracting logic is that even if workers' legal rights are abused, the principal contractor can still be a good employer in the workers' eyes. For instance, the positive image enjoyed by Norway and Finland does not mean that transgressions do not occur in the Nordic countries. In fact, Olkiluoto itself became infamous for non-compliance with Finnish wage standards. From the perspective of the workers and the law, though, the subcontractors are first in line to be made accountable for any irregularities. In the extract at the beginning of this article, Adam dissected his employment chain and commented that it is made to favour the "bosses" and not him. However, he pointed not to all the bosses in the subcontracting

chain but to Polish ones specifically. He characterised their priorities sarcastically: “Obviously, it’s the Polish boss who has to make money” [Wiadomo, Polski prezes musi zrobic]. He suggested two things here: that the company that posts him is directly responsible for his situation and that because it is a Polish company, it is likely to exploit its employees. He echoed the words of another interlocutor, Jan, who on our second meeting acknowledged that his daily allowance is less than it should be but “this can be expected from the Polish company”. The suspicion of Polish subcontracting companies is formed in extension of the bad experiences workers have had with Polish companies at home and the bad image Polish companies have in the Polish media.

The suspicion of misconduct is centred on financial arrangements: workers assume (in light of various legal cases, rightly so) that even if the principal employer provides the subcontracting company with sufficient funds for good contracts, there is always room for mishandling those funds. Polish companies can gain money at the expense of higher salaries, better accommodation or more trips home paid for by the employer. Rapidly changing transnational and national regulations complicate matters because workers often are uncertain about what they are entitled to legally. Informal networks often lead them to guesses, but information remains scattered, and more formalized steps such as joining a trade union may result in the contract being terminated (see also Matyska 2019). At the same time, official claims require a basis in the law, and various aspects of posted work are a grey area that perhaps will never be regulated, no matter how important they are to the workers. These include the quality of accommodation and use of a worker-friendly system for rotation of work. In the absence of known, uniform, and objective rules, workers’ subjective perceptions dictate which expectations are ‘legitimate’ and hence where the line for employers’ transgression lies. Throughout the fieldwork, I have heard numerous complaints

and exclamations that point to “good” and “bad” posting companies. A “good” employer provides good pay and tools for transnational contact, such as frequent visits home, and allows workers to renegotiate dissatisfactory conditions. Workers are aware that not everything depends solely on the direct employer (for instance, trips home may be related to the production rhythm established by the principal contractor), but a good employer tries to maximise the benefits and reduce the costs (financial, moral and emotional) borne by the worker. A good employer also offers a safety net to some extent against the flexible employment strategy of the principal employer, mitigating the uncertainty of life between contracts.

Such mitigation can occur in two ways: if the company operates as a temporary staffing agency, it can offer the worker a new contract (transnational or domestic) almost immediately, or, if the company, in addition to transnational subcontracting, carries out business in Poland, it can employ the worker on a permanent basis. The latter arrangement is discussed the least in the literature because temporary staffing agencies dominate the posting business, but many Polish companies that act as subcontractors do conduct regular business in Poland too. This arrangement can seem the least precarious for the worker, who is granted the continuity of employment after the contract abroad is over. However, it has its pitfalls since a worker may be pressured to go abroad at a specific time, even if not wanting to do so, in the knowledge that refusal to go may result in no longer being posted abroad. For instance, one of my interlocutors refused only once in 10 years to go abroad, when his wife was about to give birth. Thus, I would argue, the posted workers’ sense of being exploited may cover both being laid off unexpectedly while under a short-term contract and being pressured to go abroad on demand under a permanent contract.

## Concluding remarks: The disappearing act

Transnational processes bring about new labour relations. They make the threads of workers' exploitation and employers' responsibilities more complex and empirically trickier to disentangle. Labour-capital power relations behind transnational subcontracting can be described as a disappearing act: the exploitation is sometimes visible to the workers, while at other times it disappears along with its agent. Posted workers point to different tangible and non-tangible elements of exploitation: wages, accommodation, the length of contracts, trips back home and attitude towards the workforce. Responsibilities and transgressions of direct employers are the most visible. Principal contractors remain in the wings, setting the stage, and their liability is not always clear. They may, as my data suggest, appear to the workers as more ethical and respectful than the direct employers do. This bears traces of the Marxian/Gramscian idea of false consciousness whereby workers misidentify the sources of their exploitation. However, not all is opaque. My interlocutors are aware that they are posted because principal employers consider them a low-cost, dispensable alternative to the local workforce, with intermediary companies helping to meet demand. Although workers do not always see the full employment picture, these workers can put the pieces together and are fairly conscious of their position in the global division of labour. The question remains to what extent fragmented employment relationships pertinent to subcontracting undermine the workers' ability and desire for a collective and organised action which would equally challenge both principal and direct employers.

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PART III  
NEW WAYS OF WORKING





“It is also about helping people”

Women attorneys’ commitment to  
public service and incentives for pro  
bono work in Finland and Poland

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## Introduction

Lawyers’ voluntary work, referred to as pro bono work, has recently attracted prominent attention among researchers of the American legal profession as the result of a growth in the pro bono activities of lawyers and law firms (e.g. Cummings & Sandefurt 2013; Dinovitzer & Garth 2009; Granfield 2007). The issue of lawyers’ commitment to public service through their legal services to the indigent has been regarded as lawyers’ professional obligation. This commitment can be undertaken through state-sponsored legal aid and free of charge through the pro bono work of lawyers. Legal aid refers to a legal service that is provided to individuals who cannot afford it and thus it is partially or fully covered by a state (Bojarski 2003). By contrast, pro bono work is completely free of charge—it is a legal service that lawyers undertake individually or within their law firm on behalf

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of underprivileged clients and/or organisations on a voluntary basis (Bojarski 2003, 19). While voluntary work among lawyers has always been present, its current popularity is linked to the institutionalisation of pro bono activities by law firms (Cummings 2004).

In this chapter, I am specifically concerned with the issue of pro bono work among Finnish and Polish women attorneys. The issue of legal service to indigent people or/and organisations is also on the rise among lawyers and law firms in Finland and Poland (Latham & Watkins 2012, 72–75, 236–240). However, the phenomenon has not received enough attention among scholars in these two countries, and thus there is little knowledge about the conditions that encourage attorneys and other groups of lawyers to engage in services for the public good. The findings of this study can foster discussion on lawyers' and law firms' engagement in the provision of access to justice for the disadvantaged in Finland and in Poland.

This chapter rests upon two theoretical perspectives towards pro bono work, specifically pro bono as lawyers' professional ideal and obligation as well as a way to strengthen lawyers' own positions in the market for legal services. The first perspective is advocated by lawyers' associations, lawyers themselves and scholars. Researchers link the origins of this obligation to lawyers' merits of professionalism and their monopoly over provision of legal services granted to them by the state (e.g. Bennett 2001; Sossin 2008). In exchange for their prestigious social status and self-regulation, lawyers have been expected to contribute to the wellbeing of society through their provision of justice for disadvantaged individuals. The second perspective focuses on pro bono work as a source of professionally valuable resources, such as gaining legal skills and expanding networks, which are particularly important to novice and minority lawyers (Cummings 2004; Dinovitzer & Garth 2009; Granfield 2007). Thus, pro bono activities can reflect and reinforce structures of hierarchy in the

legal profession because they are more likely to benefit elite lawyers' professional standing (Dinovitzer & Garth 2009).

The chapter continues with background information on the organisation of legal aid in both countries, which provides important context for understanding women's experiences with voluntary work. Following this, I present the data and methods. The analysis is organised around three main incentives for pro bono work found among the interviewees, specifically a fulfilment of a professional ideal, an opportunity to do socially meaningful work and as a way to accrue professionally critical resources. In the conclusion, the implications of the findings and ideas for further research are discussed.

## Legal aid in Finland and Poland

Finland and Poland differ in the organisation of legal aid. In Finland, legal aid is provided by 27 legal aid offices, which are divided among six districts: Turku, Vaasa, Eastern Finland, Helsinki, Kouvola and Rovaniemi (Latham & Watkins 2012, 73–74). Lawyers employed by these offices are called public legal aid attorneys and they give legal aid in all kinds of legal matters, such as in the area of contract law, family law, employment law and criminal law. In addition, private attorneys provide legal aid only in court cases and are reimbursed for their work on an hourly basis by clients or by a state (Latham & Watkins 2012, 73–74). Their provision of legal aid requires a contract with any of the legal aid offices.

By contrast, in Poland legal aid is provided by private legal advisors and attorneys through the so-called *ex officio* system (Bojarski 2003, 38). *Ex officio* cases can be of a civil, labour, family or criminal nature. Attorneys or legal advisors are appointed by a court made up of the members of the local Council of the Bar or the Council of Legal Advisors; however, only attorneys can provide legal aid in criminal

cases. While legal advisors have full legal jurisdiction over civil, labour and commercial cases, their representation in *ex officio* system covers only one percent of cases because most *ex officio* cases are criminal cases (Bojarski 2003, 17–19). Thus, attorneys provide most of the legal aid in Poland as they are required to take on *ex officio* criminal cases assigned to them by the court (Latham & Watkins 2012, 236–237).

## Methodology

This chapter draws on interview data with 25 Finnish and Polish women attorneys from law offices located predominantly in Helsinki and Warsaw. The data was collected for a doctoral dissertation on women attorneys' careers in Finland and Poland in 2011 (Choroszewicz 2014). The interviews lasted from 35 minutes to two and a half hours. The interviewees practiced in law firms which differed in size and legal specialty. The majority of the Polish interviewees practiced law as generalists in their own solo practices. The majority of Finnish interviewees worked in middle-sized or large law firms as partners or senior associates. The Finnish interviewees were more likely to be specialised compared to their Polish counterparts. The interviewees ranged in age from their early 30s to their 80s.

The data was analysed drawing on thematic content analysis (Silverman 2006) around the following questions: How do the interviewees talk about voluntary work? What types of activities do they classify as such? Why do they engage in pro bono activity? The themes were then identified analysed in the light of theoretical perspectives on lawyers' pro bono work. Finally, the findings were compared among interviewees to explore the similarities and differences in their engagement in voluntary work. The interviewees' nationality is marked by the first initials, "F" for Finnish and "P" for Polish interviewees.

## Empirical findings

### Legal aid as a less popular form of commitment to public service

“Basically it [legal aid] is kind of safe income that we are not dependent on that what our client pays or not, but the fee is a lot less”. [F]

“Every month I get some ex officio cases which are very poorly rewarded. We get minimal fees for them [...] regardless of how much work or how many visits to the court they require. If I am not able to be present at court, I need to send a replacement, and the costs of an apprentice are two or three times higher than the fee of such a case so there is no monetary gain in such cases, only expenses. So I treat them as my pro bono work”. [P]

Polish and Finnish interviewees have different experiences with legal aid that is assigned to them by a court (Poland) or by a legal aid office (Finland). Polish interviewees report receiving ex officio cases of different kinds, such as criminal, civil, family or labour, on a monthly basis. Although any member of the Bar can be appointed in an ex officio case, the criteria of distribution are not clear to the Polish interviewees and thus invoke critique as they notice that some attorneys are more likely to be appointed legal aid cases than others. This feeling of inequality and frustration is shared not only by the interviewees but also by larger group of Polish attorneys (Bojarski 2003, 55).

In addition, Polish interviewees perceive their obligation to provide legal aid as distressful because of the arguably inadequate financial compensation of ex officio cases from the Polish state. These interviewees also relate their dislike of ex officio cases to the low status of clients and rather unwinnable character of their cases. Thus, they consider their work on these cases as the fulfilment of their

professional commitment to public service. However, if they have the opportunity, they delegate *ex officio* cases to their apprentices who, as they argue, can practice their legal skills. By contrast, the Finnish interviewees' accounts demonstrate that the provision of legal aid can be beneficial for some law offices in terms of regular and predictable income from these cases, even though the fees from legal aid are lower than that of legal services charged by private practices in Finland.

## Pro bono as a more popular form of commitment to public service

### *Pro bono as a professional ideal*

"I would even say it is our obligation [to do pro bono work] because there are so many bad things happening in this world. [...] If you have achieved a lot in your life you have a good opportunity to give something to others". [F]

"I learnt it from my older colleague with whom I used to work that you need to always have a case you work on not for money but in order to help someone. After all, it is a profession aimed at helping people even though it is nowadays mainly treated in terms of services. Therefore, one cannot forget that it is also about helping people". [P]

Interviewees of both nationalities stress specifically a sense of professional duty to serve their communities, which they argue that they have learnt from their mentors. This indicates that the interviewees have successfully embodied the professional ideal of lawyers' commitment to public service, which legitimises the profession itself (Bennett 2001; Dinovitzer & Garth 2009). Pro bono work seems to provide the interviewees with a sense of job satisfaction (Choroszewicz 2014, 82–85).

In addition, some interviewees' accounts demonstrate that larger law firms tend to provide an organisational infrastructure for pro

bono work by delegating particular employees to do some pro bono on behalf of a firm so that other lawyers can focus entirely on generating profits. In other firms, employers might encourage all employees to do some voluntary work which they can later report in rankings of law firms with regard to charity work. The following interviewees' accounts are indicative of this:

“It is rare that a law firm as a whole is engaged in pro bono work because honestly speaking someone needs to earn so that someone else can do some pro bono work. Generally it is so, at least in our firm, every one of us tries to do something pro bono even just for the sake of ordinary human decency. In other firms there are employees who are in charge of pro bono work, but honestly they are sustained by the rest of firm. The rest of firm earns money so that they can work pro bono”. [P]

“The firm has a commitment to do a certain amount of pro-bono work and we do that. We have been also giving free legal advice for the Bar Association for individual persons. But that is sort of done within the firms, but it is not like you do something individually and not in the name of the firm. Typically you do it in the name of the firm, and this is of course part of what we do”. [F]

### *Pro bono as an opportunity to do socially meaningful work*

“Sometimes—maybe I should not admit it so openly—I take some cases for free. Those are people who do not have money for legal advice”. [P]

“Actually I started to do a little of it [pro bono] because I think now at this point I can even afford to do it, but I think once the kids are few more years older, then it will even become easier. [...] It makes you feel good, it gives a good conscience in a different way than just finalising a new transaction”. [F]

The accounts of some interviewees of both nationalities also indicate that they treat pro bono as a way to balance the pressure that is prevalent in their current workplaces to generate profits. One of the frustrations of corporate lawyers is linked to the shift in orientation of the legal profession from public service towards business service (Bennett 2011, 86–92; Wallace & Kay 2008, 1039–1040). This shift is more prominent in the case of corporate lawyers who serve predominantly corporate clients and thus have fewer opportunities to feel that they are making difference to others' lives. Pro bono work appears to provide the interviewees from large law firms with a sense of doing socially valuable work, which they do not necessarily have when serving corporate clients. Both Finnish and Polish interviewees emphasise their satisfaction with the opportunity to help others through pro bono activities. However, some interviewees from large law firms emphasise that doing pro bono work was impossible early in their careers when they needed to juggle a demanding career and family life (Choroszewicz 2016).

### *Pro bono as a source of professionally critical resources*

“But once at my department, I found some information that an association needed volunteers to help accident victims. I got there in this way. [...] I worked there as a volunteer and at some moment we established a civil-law partnership outside that association. [...] I do not deny that I counted on the fact that some of the people I would meet there would later come back to me as my clients in this office”. [P]

Three Polish interviewees from small law offices mention that pro bono has opened up new career prospects. They started to give free legal counselling in law schools with an expectation of acquiring practical legal skills and accessing networks of potential clients and employers, which later they utilised to advance their careers. This finding supports the results of other studies that point to pro bono as



a source of professionally important resources, specifically to lawyers who are more likely to face limited opportunities for training and career development (e.g. Granfield 2007; Mather, McEwen, & Maiman 2001). The motivation for pro bono activity can be specifically prominent in cases of novice lawyers who want to practice their skills and thus gain professional recognition among their colleagues and potential clients (Dinovitzer & Garth 2009).

## Conclusion

The findings demonstrated that the women attorneys show more positive attitude towards their commitment to public service when they have more control over it. The analysis also indicates that some voluntary activities such as individually chosen recipients of pro bono are more popular among the interviewees because of differences in prestige and job satisfaction they provide for lawyers. The Finnish interviewees seem more likely to endorse and engage in pro bono work because they are not obliged to give legal aid. They also experience the Finnish system of financial compensation for legal aid more positively than their Polish counterparts.

Pro bono appears as a more favoured form of lawyers' commitment to public service compared to legal aid. The motivation for pro bono among the attorneys of larger law firms includes an opportunity to fulfil a professional ideal and to engage in socially meaningful work. Lawyers' commitment to pro bono work is increasingly an issue of whole law firms that want to be able to demonstrate their commitment to public service in annual rankings of firms (Cummings 2004). Employers might also perceive pro bono activity as a part of novice lawyers' training (Cummings 2004). The incentives among the attorneys of small law firms for pro bono include, besides the ones mentioned above, an accrument of professionally critical resources.

The insights into the women attorneys' incentives for pro bono also provide better understanding of the paradox of women lawyers' high career satisfaction despite their disadvantages in career advancement in the legal profession in general (e.g. Chiu 1998; Hull 1999) and in the studied countries (Choroszewicz 2014). Pro bono allows women to fulfil their interest to serve their communities, which seems to be positively reflected in their job satisfaction. This finding needs further research in order to analyse whether this interest of women motivates them to make career choices that carry professional and financial sacrifices or whether they are channelled by their employers to make these career choices which are often perceived as more appropriate for women lawyers due to the work nature and perceived work-life balance achieved in pro bono work (Biese & Choroszewicz 2018; Hearn, Biese-Stjernberg, Choroszewicz, & Husu 2016, 64–65). Finally, further studies on pro bono activities also need to examine men lawyers' incentives to do voluntary work in both countries to test whether the findings of other studies (Dinovitzer & Garth 2009; Granfield 2007) on women lawyers' greater endorsement and practical commitment to pro bono work hold in the European settings.

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# The rise of lean organisations in Nordic countries

## How recent changes in public sector management are shaping working life

*Armi Mustosmäki, Tomi Oinas & Timo Anttila*

### Introduction

Organisation of work has long been at the core of sociological debates of working life: how working life is changing, why and what implications these changes have on the organisation of work, employees and society. Work organisation is also a central scene where the management and the employees, theories and everyday practices confront one another. From a managerial perspective, the main interest is in increasing the productivity and efficiency of the processes, whereas employees tend to resist the continuous intensification and erosion of working conditions. Consequently, questions of autonomy and control are inherently intertwined in these discussions of the organisation of work.

At the era of industrialisation in the late 1880s and 1890s, scientific management—better known as Taylorism—was introduced

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to analyse manual labour (process) piece by piece and to reorganise to maximise productivity. These ideas have been criticised widely during more than one hundred years of degradation of work: increasing managerial control, routinising and stripping tasks from skills, making jobs dull and employees unsatisfied (e.g. Braverman 1974). Management theories and various ideas for increasing productivity travel across the borders but also across sectors, from manufacturing to services and from private to public sector organisations. Taylorism was born and considered to belong to factories; however, similar elements of formalisation and control of work have been applied to white-collar work in offices (Crompton & Jones 1984) and services, such as call centres (e.g. Taylor & Bain 1999).

Similarly, to increase efficiency and productivity, the lean production model was born and developed in the Japanese car industry and American consultancy, but its main principles have recently gained wide interest, including in Nordic countries, for the processes of restructuring the public sector organisations such as hospitals (Björkman 2013; Laursen, Gertsen, & Johansen 2003). More broadly, New Public Management (NPM) is the common heading for the public sector managerial reforms aiming at increasing efficiency by relying on adopted ideas from the private sector (Emery & Giaqu 2005). Public organisations are facing increasing demands for constant structural rationalisation and result-based resource allocation. New demands concerning accountability have turned into increased usage of auditing and evaluations (Hall 2013; Movitz & Sandberg 2013). These ideas have become widely articulated and disseminated by consultants, think tanks and international agencies such as the IMF, the World Bank and OECD (see e.g. Hebdon & Kirkpatrick 2005).

Consequently, the public sector has been in considerable turbulence: organisations are being reorganised and restructured, functions are outsourced and new technologies and new work processes are being introduced. This travelling of managerial ideas

shapes and reshapes working life as ideas born in different contexts are imported and implemented to national platforms and specific sectors and organisations. The suitability of imported managerial models in different contexts, especially success of NPM inspired organisational reforms from employee point of view has been questioned in various studies (e.g. Björkman 2013; Hvidman & Calmar Andersen 2013). In Scandinavian countries, research around lean production models has remained active (Sederblad 2013), yet in Finland, NPM and especially invasion of lean production models into managerial and organisational reforms have attained surprisingly little academic attention (also Heikkilä & Martinsuo 2015). Especially the consequences of these reforms for employee relations and organisation of work have remained largely untouched in academic debates in Finland. Subsequently, in this chapter we discuss, in the light of recent studies, how the organisation of work has changed and what possible implications these changes have for employees. The chapter is based on the research made in the Work Environment funded project “Organisation of work, co-determination and employee wellbeing in Finland and in Europe” led by Timo Anttila at the University of Jyväskylä from 2013–2015.

## Management and change in organisation of work in Nordic countries

Workplaces in the Nordic countries, including Finland, have been most active in organisational restructuring compared to other European countries: over 70% of Nordic workers report restructuring impacted their immediate working environment during the three preceding years. Health and public administration have been among the sectors where the largest proportion of workers report having been exposed to organisational change (Eurofound 2012, 31). The public sector has been in turbulence and the target of large

restructuring pressures due to the drive to curtail expenditure on public services. Reasons for public sector restructuring lie in the changes in the demographic structure and worries concerning the sustainability of the cost structure of the welfare states. Critical tones have emphasised, that public organisations are inefficient, and the public sector employment model was characterised as inflexible and hierarchical, producing a poorly motivated and overprotected workforce (Hebdon & Kirkpatrick 2005).

Radnor and Osborne (2013) state that “lean thinking” has especially become a recent prominent and popular approach to public service reform. New public management has made an entry also to the Nordic public sector, leading to restructuring of organisations and work practices and a strongly present tradition of lean thinking. Sederblad and colleagues (2013) identified a “second wave” of lean management in Nordic countries, also visible in the public sector. The core idea of the lean concept is effective resource management that will be achieved with a flow-based production layout, reducing waste and increasing standardisation.

In the situation of constrained public spending, lean thinking has been promoted as enabling to maintain service quality and at the same time even to increase service productivity and to improve resource utilisation. Lean thinking in public sector may be seen to include various related management models, such as management by performance and objectives, total quality management and business process reengineering (e.g. Hall 2013; Hvidman & Calmar Andersen 2013).

At the work-place level, these management and production models increase the need for organisational capabilities for standardising, documenting, reporting and assessing the quality of their functions (see e.g. Meagher & Szebehely 2013). For the organisation of work and workers, this means increased accountability and control of work processes, using of working time and compliance to various



standardised processes. These processes naturally restrict autonomy of the employee. Certain level of freedom is seen to be required in order to create innovations and reversely, hurriedness, standards and predefined procedures might limit the time and space to create innovations.

If restructuration of the public sector has been politically promoted and publicly accepted in order to sustain—and renew—the Nordic welfare state, another dogma for success and competitiveness of the national economy is innovation. Innovation is seen as a central requirement for the success and competitiveness of a business (Kantola 2006), but also that of national economy. Fostering of national performance has been a national interest in Finland on many occasions through the 1900s, and work and production have from time to time been connected to political issues (Kettunen 2001).

In recent years, innovation-focused approaches to management have been recognised and promoted greatly in Finland, both nationally and at the organisation level. Centrality of innovations has been promoted to the extent that it is seen as a new paradigm in management theories (Seeck & Kuokkanen 2010; Seeck & Laakso 2010). The core aim of the innovation paradigm is to increase the productivity of workers by getting them to constantly improve products and processes, and to develop new ones in order to improve the competitiveness of organisations; in this respect it does not fall far from principles of lean management, which also rely on constant improvement.

Innovation and new forms of work organisation are closely linked: they are seen as a key for employee wellbeing and competitive performance. Adoption of new forms of work organisation have also been on the European political agenda since the Luxembourg Employment Summit and the launch of the European Commission Green paper on new forms of work organisation (CEC 1997).

Within innovation research, autonomy has probably received the most attention as a feature of the working environment that enables creativity and innovation (Gilson & Shalley 2004; Shalley, Gilson, & Blum 2000). Capabilities for innovation have been best developed in work organisations characterised as “learning organisations”. At the workplace level, it refers to an organisational culture where employees are encouraged to learn, take initiative to improve processes and services and solve problems independently. Autonomy encompasses personal control over how time is allocated and determination of how the work is carried out. Learning organisation is seen to represent “the opposite” of Tayloristic organisation of work, which is characterised by separating the planning of the work process from the execution of the task. Tayloristic work organisation may be described in terms of low autonomy, direct control by the boss, a work pace externally determined by the boss, customers, colleagues or production line and low possibilities for learning at work. In the next section, we discuss some recent results concerning the changing organisation of work in Nordic countries. The chapter is concluded with discussion concerning the possible implications of observed changes.

## Changing organisation of work in Nordic public and private sector organisations 2000–2010

In our study (Anttila, Oinas, & Mustosmäki 2018) we have applied a two-phase methodology<sup>1</sup> developed by Lorenz & Valeyre (2005) for

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<sup>1</sup> First, multiple correspondence analysis (MCA) is used to identify the underlying associations that exist among the individual variables measuring work organisation and to synthesise the responses to several categorical questions which have a common theme. Second, the results of MCA are used as a basis for clustering individuals into distinct types of work organisation using hierarchical cluster analysis. After deriving results from MCA and hierarchical cluster analysis, we use crosstabs to examine differences between sectors and countries with regard to the prevalence of different forms of work

deriving different types of work organisation. We have analysed the change in organisation of work in Denmark, Finland and Sweden both in public and private sector organisations covering the years 2000, 2005 and 2010. The analyses are based on the European Working Conditions Survey (EWCS) collected by The European Foundation for the Improvement of Living and Working Conditions (Eurofound 2012). EWCS is an employee-level survey, thus the forms of work organisation are based on individual reports. We adopted this methodology to compress information and build “ideal types” of work organisation from large data and to see how different types of work organisation have increased or declined. Based on 15 categorical variables, four “ideal typical” forms of work organisation are derived: learning, lean, simple and Tayloristic.

High levels of autonomy, significant task complexity, learning, and independent problem solving at work characterise the *learning organisation type*. *Lean* type of work organisations also entails similar characters of decision latitude and task complexity, yet various types of controls and norms are more prevalent. Lean organisations have autonomous teams, but employees also have more responsibility over quality control and working up to quality norms. In addition, lean type of work organisation involves more horizontal controls (work pace determined by colleagues). Norm-based constraints (numerical production targets or performance targets) characterise both the Japanese as well as *Tayloristic* forms of work organisation. Measures of hierarchical (direct control by the boss) and automatic (automatic speed of machine or movement of product) work pace constraints are characteristic of Taylorist work settings. Measures

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organisation. We use regression analysis on the dimensions derived from MCA to analyse which factors might explain country and sector differences in work organisation. Interaction effects between country and sector with survey year are tested to gain insight into whether the general trend in the prevalence of different forms of work organisation varies between countries and sectors. For more details, see Anttila et al. 2019.

of task repetitiveness and task monotony capture typical features of Taylorism. *Simple* type of work organisation involves low autonomy, task complexity and learning possibilities and less external controls compared to lean and Tayloristic types (see also Arundel, Lorenz, Lundvall, & Valeyre 2007; Holm, Lorenz, Lundvall, & Valeyre 2010; Valeyre et al. 2009). Somewhat similar typologies on job types (Holman 2013; Vidal 2013) have also been applied in other studies.

We were especially interested in analysing how the organisation of work changes: Does the actual change correspond to the assumption that could be made based on the recent political and business trends? Do we find a) convergence between private and public sector organisation which could be expected due to the “management fashions”, such as second wave of lean which have inspired organisational change processes in the public sector? Consequently, the organisation of work in the public sector would increasingly resemble to that of the private sector. Or do we find b) an increase in learning organisations? This could be expected as a result of both popularity of innovation management as well as political endeavours to promote the success of businesses and economic growth through learning organisations and their ability to create innovations.

*The rise of lean organisations in Nordic countries*

*Table 1. Prevalence of types of work organisation (%) by country and sector 2000–2010*

| Type of work organisation             | Year | Denmark |        | Finland |        | Sweden  |        |
|---------------------------------------|------|---------|--------|---------|--------|---------|--------|
|                                       |      | Private | Public | Private | Public | Private | Public |
| Lean organisations                    | 2000 | 23.8    | 25.2   | 23.2    | 24.5   | 21.1    | 24.2   |
|                                       | 2005 | 32.8    | 36.4   | 27.6    | 36.7   | 26.2    | 34.2   |
|                                       | 2010 | 30.0    | 39.8   | 26.6    | 35.8   | 32.0    | 29.5   |
| Simple traditional work organisations | 2000 | 19.9    | 15.7   | 19.3    | 22.2   | 23.8    | 19.9   |
|                                       | 2005 | 17.8    | 9.1    | 21.0    | 13.6   | 16.3    | 11.4   |
|                                       | 2010 | 19.9    | 7.1    | 17.1    | 14.8   | 14.1    | 14.9   |
| Learning organisations                | 2000 | 33.3    | 44.9   | 18.0    | 25.2   | 28.1    | 39.4   |
|                                       | 2005 | 27.1    | 39.2   | 16.6    | 27.3   | 36.1    | 44.3   |
|                                       | 2010 | 31.4    | 42.1   | 20.4    | 27.8   | 29.9    | 38.0   |
| Tayloristic organisations             | 2000 | 22.9    | 14.2   | 39.5    | 28.2   | 27.0    | 16.6   |
|                                       | 2005 | 22.2    | 15.4   | 34.9    | 22.4   | 21.3    | 10.1   |
|                                       | 2010 | 18.7    | 11.0   | 35.9    | 21.6   | 24.1    | 17.5   |

Interestingly, our findings do not exactly correspond to either one of these assumptions. It is evident that the general trend in all Nordic countries has been the increase in work formalisation, in other words, the lean type organisation of work. Put another way, work processes where employees are involved include more standardisation, production and performance targets than 10 years earlier, they have to look up for quality norms, and colleagues determine work pace. However, this process has not resulted in convergence between public and private sector work organisation, although the direction of change has been similar moving towards the lean type in each Nordic country, both in public and private sector organisations.

When comparing public and private sectors, lean type is more prevalent in the public sector even after controlling for sectoral differences in structural factors. This finding indicates that lean has been adopted widely into public sector organisations and is currently at a higher level than it is in the private sector. In addition, lean type of work organisation was more prevalent in larger establishments.

Contrary to the expectations that only lower level occupations and jobs could be subjected to controls and standardisation, our results show how work formalisation (lean type) became more prevalent in upper occupational groups; in other words, knowledge work has not been insulated from these trends.

When comparing countries, it was revealed how lean types of work organisation were at the same level in all three Nordic countries in 2000, but in 2010, the lean was most popular in the Finnish and Danish public sector. Learning forms are clearly more common and Taylorist forms are less common in Sweden and Denmark in both sectors when compared to Finland. These differences are quite notable and large, especially with regard to the private sector. This indicates how the cultures and ways of organising work are quite different in Finland. The new forms of work organisation associated with productivity and innovation are not as common as in other Nordic countries.

## Implications for the wellbeing of employees, working life and policy making

Implications of various management fashions and different ways of organising work may be studied from various perspectives: interest could be placed for instance on organisational matters such as operations and processes, innovative capabilities or employee wellbeing. Previous literature reviews and studies show that lean inspired management and organisation of work have been associated with both negative and positive consequences for employee well-being. Lean has been associated with intensification of work, standardisation and, consequently, with decreased health and well-being. On the other hand, there is also evidence of positive outcomes, such as improved processes and job contents and increased opportunities for participation and learning (see e.g. Hasle, Bojesen, Langaa Jensen,

& Bramming 2012; Landsbergis, Cahill, & Schnall 1999; Seppälä & Klemola 2004).

More precisely, it has been concluded that different elements of lean production models have different consequences on employee well-being (see e.g. Schouteten & Benders 2004; Toivanen & Landsbergis 2013). The consequences are also related to what kind of job these principles are applied. For instance, there has been discussion on whether principles of lean, especially the control and measurement models, are suitable for all kinds of work, especially in public sector work; studies have found that in more easily standardised processes, such as laboratories and routine operations in a hospital, employees benefit from lean management by improved work practices and work processes. However, employees with complex tasks and processes, such as social workers or nurses in care work, perceive lean as controlling their autonomy, increasing hurriedness, disturbing the possibilities for good care, or even posing problems to work according to ethical standards (e.g. Hasle 2010; Nielsen & Edwards 2010; on NPM lead reforms see also Hirvonen 2014; Mänttari-Van der Kuip 2015).

Implications of increasing lean inspired organisation of work for innovation are also somewhat unclear and dependent on the implementation. Research literature differentiates between enabling and coercive bureaucracies which either support or restrict innovation (see e.g. Lovén 2013). Coercive organisations restrict innovative capabilities by concentrating on rules, standards, productivity and continuous improvement, and consequently, time and space for creativity might be wiped out of the organisation. On the other hand, by reducing waste and improving processes, lean ideology might also lead to more innovation through saving time and space for creativity and innovation. In the study of Arundel et al. (2007), the lean type of organisation of work was associated with innovation strategies related to modifying and adopting from others, whereas learning forms were coupled with radical and creative in-house innovation.

This gives reason to presume that although lean involves learning and problem solving, opportunities for innovation might be limited by higher prevalence of constraints and limited autonomy.

Do these results on the increasing formalisation of work have implications for national policy making in Finland? Our results underline how Tayloristic forms of work organisation are clearly more common in Finland compared to Sweden and Denmark, and the differences were not due to structural factors (such as differences in shares of industry and services). Thus, there is demand for organisational development and policy support for further work life development, especially in Finland. However, recent political efforts to create a “productivity leap” have concentrated on rather old-fashioned resolutions, such as increasing working time without increases in wages. Less emphasis is put on developing the (quality of) working life or seeking increases in productivity from new forms of work organisation. In addition, unions and labour legislation are accused of becoming barriers to innovation and productivity, even if vast research evidence emphasises the success of the Nordic model from various perspectives (e.g. Ulkoasiainministeriö 2006). There is research evidence on how unions in Nordic countries have not rejected new management ideas, such as lean management. On the contrary, employee organisations have played an active role in diffusing and shaping a Nordic version of lean management. The Nordic employment model has especially been successful in yielding job quality and employee well-being (e.g. Gallie 2013; Oinas, Anttila, Mustosmäki, & Nätti 2012), partly explained by strength of the unions and labour legislation (e.g. Esser & Olsen 2012). Research has informed our knowledge on the relationships between new forms of work organisation, autonomy, innovation and productivity although—at least on a rhetorical level—there is a growing need for policy-making.



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PART IV  
THE POLITICS AND POSSIBILITIES  
OF CHANGING WORK



# Labour market reforms in times of globalisation

*Aart-Jan Riekhoff*

## Introduction

Globalisation<sup>1</sup> is commonly considered to have major effects on labour market performance and outcomes in advanced industrial societies. The internationalisation of markets for goods and capital has brought about increased competition between firms on a global scale. The need for creating competitive advantage has pressured countries into creating business and investment-friendly environments. Deregulation and privatisation of labour, capital and goods markets are aimed at improving competitiveness and efficiency of the economy, but at the same time increase the vulnerability of

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<sup>1</sup> In this chapter, when referring to “globalisation” what is meant is economic globalisation, i.e. the opening up of markets for goods and capital. Obviously, there are other forms of globalisation, such as social, cultural and technological, but these are not studied here.

labour markets to economic shocks and increase the exposure of workers to labour market risks (Buchholz et al. 2009; Genschel 2004).

In the literature on globalisation and the welfare state, there are two main hypotheses on how governments react to these challenges of globalisation (Koster 2009; Meinhard & Potrafke 2012). The “globalist” or “efficiency” thesis, on the one hand, claims that under increasing international openness, the welfare state will contract because of pressures to reduce taxes in the world-wide competition to attract investors. With capital being more mobile, firms tend to reallocate away from regulated and unionised sectors (Potrafke 2013). The “compensation” hypothesis, on the other hand, states that globalisation and economic openness are generally expected to enhance feelings of economic insecurity among the population and will lead to increased demands for redistribution and protection (Agell 2002; Rodrik 1998). Empirical evidence has been provided for both hypotheses with no definite conclusion in favour of either (Koster 2009). In fact, Meinhard and Potrafke (2012) have interpreted this as a possibility that both effects co-exist: governments both compensate globalisation losers as well as try to improve efficiency. Given the data and methods used so far, most studies have only addressed the question of which effect offsets the other, rather than which hypothesis is true (Meinhard & Potrafke 2012, 273).

Quantitative comparative studies on the nexus of globalisation and labour market protection have used either (changes in) spending on unemployment benefits (UB) or UB replacement rates in year  $t$  as dependent variables (Allan & Scruggs 2004; Gaston & Nelson 2004; Jensen, Knill, Schulze, & Tosun 2014; Potrafke 2010; Swank 2005). Analyses of absolute levels of these indicators are, however, problematic given the path-dependency of government programmes: the absolute level of UB in  $t$  is highly correlated to its level in  $t-1$  (Kittel & Winner 2005, 280). Changes in expenditures and replacement rates are not necessarily policy reforms in themselves, but rather the



results of reforms. There might also be a time lag effect: a reform and a change in outcomes do not always follow each other in the same year (Green-Pedersen 2007). The net outcome of a reform can be that expenditures and replacement rates remain unchanged within a certain year, whereas actually major shifts in entitlements, eligibility, or accessibility do take place, but perhaps over a longer period.

An additional shortcoming in the empirical literature on globalisation and labour market policies is that most studies focus on changes in UB as the only indicator of social protection, ignoring that fact that other policies and institutions can perform as “functional equivalents” (Boeri, Conde-Ruiz, & Galasso 2003; Bonoli 2003). The effects of globalisation on employment protection legislation (EPL) have been especially under-researched (for exceptions, see: Fischer & Somogyi 2009; Potrafke 2010; 2013). EPL, however, performs a very different role in the labour market than UB. First, it is commonly viewed as more distorting and less efficient as a protection mechanism than UB (Blanchard, Jaumotte, & Loungani 2013; OECD 2013; Saint-Paul 2002). Second, in terms of labour market protection, EPL provides some degree of *job security* to workers, whereas UB provides a certain level of *income security*. Third, while the terms “institution” and “policy” are used interchangeably in this article, EPL resembles the concept of an “institution” more closely. Elmelund-Præstekær and Baggesen Klitgaard (2012) argued that policy retrenchment (i.e. cutting back on expenditure or benefit levels) follows a different logic than institutional retrenchment (i.e. changing programmatic rules and procedures). Taking these differences into account, there exists the additional possibility that one policy is used to offset or compensate the negative outcomes of the other in the face of globalisation (Jensen, Knill, Schulze, & Tosun 2014).

In order to address some of these above-mentioned shortcomings in the literature and to re-test both hypotheses on the basis of new data, in this article I identify how globalisation affects the likelihood

for different types of labour market reforms. To do so, I make use of a new dataset based on the *Social Reforms Database* that was collected by the *Fondazione Rodolfo DeBenedetti* and the *Institute for the Study of Labor* (fRDB-IZA 2010). On the basis of this data, it is possible to take into account expansion and retrenchment of unemployment benefits as well as the regulation and deregulation of employment protection for a set of 14 European countries for the period of 1980–2007. This data allows focusing on the reforms as discrete policy events, analysing the effects of globalisation on each type of reform, as well as controlling for the economic, political and institutional settings at each point in time.

## Data

### Dependent variables

This chapter makes several innovations in relation to the existing literature. First, it treats reforms as discrete policy events and not as changes in policy outcomes, such as expenditures and replacement rates. Second, it analyses reforms in both UB and EPL with the assumption that not all labour market policies are affected similarly by globalisation. Third, it treats expansionary and regulatory reforms as separate from retrenching and deregulatory reforms in order to identify any offsetting effects.

For operationalising the dependent variables that suit the aims of this study, I made use of the fRDB-IZA Social Reforms Database (2010) to identify the variation in reforms in UB and EPL for 14 European countries over the period of 1980–2007. This database records and describes adjustments and reforms that have been implemented in UB systems and EPL for Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.

Using the descriptions and classifications in the dataset, I recoded each of the reforms in order to make quantitative analysis possible. For details on how the recoding was done, I refer to my previous work (Riekhoff 2015; 2017). The result is a series of indicators with different levels of comprehensiveness of the reforms. Distinguishing levels of comprehensiveness is important because small and corrective policy changes occur on a continuous basis, but in this study, the aim is to explain the implementation of labour market reforms that are intended to have a significant impact. Since this is a new dataset and there is no established or tested cut-off point for what makes a reform comprehensive, I create a set of dependent variables with various comprehensiveness levels for analysis.

UB expansion and EPL regulation are considered as reforms in one direction (increased compensation, decreased economic efficiency), whereas UB retrenchment and EPL deregulation deviate in the opposite direction (decreased compensation, increased efficiency). The dependent variables are dichotomous categorical variables, expressing whether, in a specific year and in a specific country, a reform took place and whether this reform classifies as 1) any reform, 2) a reform having at least one comprehensive feature, 3) having at least two comprehensive features, 4) having at least three comprehensive features or 5) having all comprehensive features. If in the same year more than one reform takes place, the more comprehensive reform is taken into account for analysis.

## Independent variables

For the selection of the independent variables for the model, I largely followed Allan and Scruggs's regression specification from their 2004 study. Their article is commonly used as a benchmark of robust findings, which have been reproduced by others in related studies (Jensen et al. 2014, 537). Apart from two variables measuring the exposure to globalisation (trade and financial openness), economic

control variables include GDP growth rate, the government balance and the unemployment rate. Political and institutional control variables include a corporatism indicator (level of collective bargaining, “veto points” (the extent to which a government might face institutional obstacles in decision-making) and the percentage of left-wing cabinet seats in a given year. Table 1 describes the independent and control variables (see also Riekhoff 2015; 2017).

Table 1. Summary statistics independent variables

| Indicator                   | Source  | Mean  | SD    | Min.   | Max.  |
|-----------------------------|---|-------|-------|--------|-------|
| Trade openness              | OECD: Trade-to-GDP-ratio  | 74.05 | 32.51 | 31     | 184   |
| Financial openness          | Quinn & Inclan (1997): Capital openness indicator                                   | 86.58 | 16.08 | 38     | 100   |
| Unemployment rate           | OECD: Annual unemployment rates   | 8.42  | 4.03  | 1.62   | 24.17 |
| Change in unemployment rate | OECD: Change in unemployment rates (Ut-Ut-1)  | 0.03  | 1.13  | -3.32  | 5.06  |
| Government balance          | IMF, World Economic Outlook Database: General government balance as % of GDP        | -3.15 | 3.84  | -15.70 | 6.90  |
| GDP growth rate             | OECD: Annual GDP growth rate  | 2.58  | 2.03  | -6.00  | 10.92 |
| Corporatism                 | Visser (2011): Level of wage coordination   | 3.42  | 1.11  | 1.00   | 5.00  |
| Left cabinet portfolios     | Armingeon et al. (2014): Percentage of left-wing cabinet seats                      | 41.07 | 38.64 | 0      | 100   |
| Veto points                 | Armingeon et al. (2014): Veto points composite indicator                            | 1.23  | 1.26  | 0      | 4     |
| UB replacement rates        | Van Vliet & Caminada (2012): UB net replacement rates for average production worker | 56.48 | 19.99 | 2      | 92    |

## Methods

The likelihood of each type of reform taking place in each particular year was analysed using times-series-cross-section analysis for binary data with discrete-time logit models (Allison 1982; Beck, Katz, & Tucker 1998). Because there are recurrent events, for example, each country can have more than one reform during the period of 1980–

2007, it is likely that the occurrence of one event is dependent on the event history of a particular country. The likelihood of a reform taking place is assumed to depend on the duration of the period of non-reform. In other words, the observations are temporally related. Therefore, to prevent artificially inflated t-values, I followed Beck, Katz and Tucker's (1998) strategy of treating the data as grouped duration data and including a series of dummy variables for each of the number of years since 1980 or since the last reform occurred. In total, 15 dummies were included, taking into account the duration effects of 15 years since the start or last event. All economic independent variables (trade and financial openness, unemployment, government balance and economic growth) have been lagged with one year. Country dummies were added to all models to account for unobserved country heterogeneity.

Logit-regression analysis was applied separately for each of the reform types at varying levels of comprehensiveness, starting with the least comprehensive reform (1) and continuing to the most comprehensive type (5). This was done in order to test for the sensitivity of the models to the coding of reforms and cut-off points. Because the number of events of reform comprehensiveness 4 and 5 were so rare, these were excluded from the reporting of the findings. The likelihood of each reform type at the different comprehensiveness levels was analysed in two steps. In the first models (a), only the globalisation variables (+ time and country dummies) were entered to analyse the direct effects of trade and financial openness. In the second models (b), the economic, political and institutional control variables were entered.

## Findings

Tables 2–5 show the results of the logit-regression analyses. Overall, models performed rather well, with Pearson's Chi-squared (not

reported) being significant at the  $p < 0.05$  level for most models apart from models for regulation 2a and 3a and deregulation 1a and 2a (significant only at a  $p < 0.1$  level), whereas deregulation model 2b was not significant even at a  $p < 0.1$  level. Hence, the models explaining reforms in EPL generally performed worse than those for UB reforms.

Trade openness was found to have a significant negative effect on the likelihood of reforms aimed at UB expansion, while no effects of financial openness were found (Table 2). This suggests that UB expansion was more likely to take place when the economy was more closed to trade. This effect is consistently significant throughout all models. These findings are not so much in support of the efficiency hypothesis, but rather a rejection of the compensation hypothesis: when more exposed to foreign trade, there is less room for expanding labour market protection in the form of UB (although not necessarily leading to retrenchment). Moreover, UB expansion was found to be more likely to occur in times of fiscal surpluses (expansion models 1b and 2b); also, the significance of this effect does not hold for the more comprehensive type of reform (3b). Hence, with more resources in their budgets, governments have more possibilities to increase spending on UB.

*Labour market reforms in times of globalisation*

Table 2. Results logit-regression for reforms aimed at UB expansion

| Dependent variables               | UB expansion     |                   |                  |                   |                    |                   |
|-----------------------------------|------------------|-------------------|------------------|-------------------|--------------------|-------------------|
|                                   | Expansion 1a     | Expansion 1b      | Expansion 2a     | Expansion 2b      | Expansion 3a       | Expansion 3b      |
| t                                 | 0.21<br>(0.03)   | -0.01<br>(0.03)   | -0.05<br>(0.04)  | -0.08*<br>(0.04)  | -0.08<br>(0.09)    | -0.19*<br>(0.10)  |
| Trade openness <sub>t-1</sub>     | -0.03*<br>(0.02) | -0.04**<br>(0.02) | -0.04*<br>(0.02) | -0.06**<br>(0.03) | -0.16***<br>(0.06) | -0.19**<br>(0.08) |
| Financial openness <sub>t-1</sub> | 0.00<br>(0.02)   | 0.00<br>(0.02)    | 0.02<br>(0.02)   | 0.03<br>(0.02)    | 0.00<br>(0.03)     | 0.04<br>(0.03)    |
| Unemployment rate <sub>t-1</sub>  |                  | 0.08<br>(0.05)    |                  | 0.07<br>(0.07)    |                    | -0.11<br>(0.19)   |
| Government balance <sub>t-1</sub> |                  | 0.18**<br>(0.07)  |                  | 0.19**<br>(0.08)  |                    | 0.11<br>(0.17)    |
| GDP growth <sub>t-1</sub>         |                  | -0.03<br>(0.08)   |                  | -0.05<br>(0.09)   |                    | -0.03<br>(0.87)   |
| Corporatism                       |                  | -0.12<br>(0.22)   |                  | 0.12<br>(0.26)    |                    | -0.95<br>(0.15)   |
| Left cabinet share                |                  | -0.00<br>(0.00)   |                  | 0.00<br>(0.01)    |                    | 0.00<br>(0.01)    |
| Veto points                       |                  | 0.36<br>(0.48)    |                  | 0.77<br>(0.78)    |                    | 5.83*<br>(3.29)   |
| N                                 | 392              | 392               | 392              | 392               | 392                | 392               |
| Number of events                  | 92               | 92                | 62               | 62                | 20                 | 20                |
| Log likelihood                    | 379.25           | 368.20            | 283.59           | 272.19            | 103.83             | 93.32             |

Note: Indicated are coefficients (standard errors). 15 temporal dummies and 14 country dummies not reported. \* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

Table 3 shows that financial openness has consistently significant positive effects on the likelihood of UB retrenchment. It means that when capital markets are more deregulated, governments are more likely to retrench. This is in support of the efficiency hypothesis. Trade openness was not found to have any significant effects on UB retrenchment. Higher unemployment rates did increase the likelihood of UB retrenchment. Hence, in times of growing unemployment, governments will more often cut down on UB. The fiscal situation does not directly play a role here, unlike in the case of UB expansion. Moreover, a significant effect was found for the share of left cabinet seats in the case of the least comprehensive UB retrenchment reform type

(1b), suggesting that left-wing governments did compensate more in terms of unemployment protection. This effect disappeared, however, in the models for more comprehensive reforms. The corporatism indicator had a negative effect on the likelihood of retrenchment in the case of the more comprehensive reform type (3b). This indicates that when collective bargaining structures are more centralised, more comprehensive UB retrenchments are less common.

Table 3. Results logit-regression for reforms aimed at UB retrenchment

| Dependent variables               | UB retrenchment       |                   |                   |                   |                   |                 |                   |
|-----------------------------------|-----------------------|-------------------|-------------------|-------------------|-------------------|-----------------|-------------------|
|                                   | Independent variables | Retrenchment 1a   | Retrenchment 1b   | Retrenchment 2a   | Retrenchment 2b   | Retrenchment 3a | Retrenchment 3b   |
| t                                 |                       | 0.00<br>(0.03)    | 0.02<br>(0.03)    | -0.02<br>(0.03)   | -0.02<br>(0.04)   | -0.01<br>(0.05) | 0.00<br>(0.99)    |
| Trade openness <sub>t-1</sub>     |                       | -0.01<br>(0.02)   | 0.00<br>(0.02)    | -0.02<br>(0.02)   | 0.00<br>(0.02)    | -0.02<br>(0.54) | -0.02<br>(0.04)   |
| Financial openness <sub>t-1</sub> |                       | 0.04***<br>(0.02) | 0.04**<br>(0.02)  | 0.06***<br>(0.02) | 0.06***<br>(0.02) | 0.06*<br>(0.03) | 0.08**<br>(0.04)  |
| Unemployment rate <sub>t-1</sub>  |                       |                   | 0.16***<br>(0.06) |                   | 0.13**<br>(0.06)  |                 | 0.16<br>(0.10)    |
| Government balance <sub>t-1</sub> |                       |                   | -0.03<br>(0.07)   |                   | -0.05<br>(0.07)   |                 | -0.09<br>(0.11)   |
| GDP growth <sub>t-1</sub>         |                       |                   | -0.10<br>(0.09)   |                   | -0.06<br>(0.09)   |                 | -0.02<br>(0.15)   |
| Corporatism                       |                       |                   | 0.08<br>(0.25)    |                   | -0.25<br>(0.26)   |                 | -1.64**<br>(0.78) |
| Left cabinet share                |                       |                   | -0.01**<br>(0.00) |                   | 0.00<br>(0.00)    |                 | 0.00<br>(0.01)    |
| Veto points                       |                       |                   | -0.14<br>(0.50)   |                   | -0.20<br>(0.60)   |                 | -1.17<br>(1.09)   |
| N                                 |                       | 329               | 329               | 329               | 329               | 329             | 329               |
| Number of events                  |                       | 106               | 106               | 85                | 85                | 36              | 36                |
| Log likelihood                    |                       | 374.93            | 355.21            | 329.97            | 317.29            | 192.17          | 173.66            |

Note: Indicated are coefficients (standard errors). 15 temporal dummies and 14 country dummies not reported. \* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

Globalisation was not found to have any effects on the enhancement of EPL (Table 4). The relations with trade openness and financial openness were positive in all models but failed to reach any level



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of significance. Hence, there is no evidence for compensation for globalisation through regulatory reforms. The only significant effect was found for the share of left cabinet seats in the government, which was relatively consistent throughout all three models. Left-wing governments are more likely to enhance EPL, hence some mechanism of compensation might be at work here.

*Table 4. Results logit-regression for reforms aimed at EPL regulation*

| Dependent variables               | EPL regulation        |                |                 |                 |                   |                 |                  |
|-----------------------------------|-----------------------|----------------|-----------------|-----------------|-------------------|-----------------|------------------|
|                                   | Independent variables | Regulation 1a  | Regulation 1b   | Regulation 2a   | Regulation 2b     | Regulation 3a   | Regulation 3b    |
| t                                 |                       | 0.04<br>(0.03) | 0.03<br>(0.04)  | -0.01<br>(0.04) | -0.06<br>(0.05)   | -0.01<br>(0.05) | -0.08<br>(0.06)  |
| Trade openness <sub>t-1</sub>     |                       | 0.01<br>(0.02) | 0.02<br>(0.02)  | 0.02<br>(0.02)  | 0.01<br>(0.03)    | 0.02<br>(0.02)  | 0.00<br>(0.03)   |
| Financial openness <sub>t-1</sub> |                       | 0.00<br>(0.02) | 0.01<br>(0.02)  | 0.01<br>(0.02)  | 0.03<br>(0.03)    | 0.02<br>(0.03)  | 0.03<br>(0.03)   |
| Unemployment rate <sub>t-1</sub>  |                       |                | -0.02<br>(0.06) |                 | -0.13<br>(0.09)   |                 | -0.15<br>(0.11)  |
| Government balance <sub>t-1</sub> |                       |                | 0.01<br>(0.08)  |                 | 0.06<br>(0.11)    |                 | 0.10<br>(0.13)   |
| GDP growth <sub>t-1</sub>         |                       |                | 0.03<br>(0.10)  |                 | -0.02<br>(0.13)   |                 | -0.02<br>(0.15)  |
| Corporatism                       |                       |                | -0.39<br>(0.25) |                 | 0.00<br>(0.33)    |                 | 0.40<br>(0.45)   |
| Left cabinet share                |                       |                | 0.01*<br>(0.00) |                 | 0.02***<br>(0.01) |                 | 0.02**<br>(0.01) |
| Veto points                       |                       |                | -0.27<br>(0.51) |                 | -0.28<br>(0.73)   |                 | -0.79<br>(0.86)  |
| N                                 |                       | 329            | 329             | 329             | 329               | 329             | 329              |
| Number of events                  |                       | 74             | 74              | 39              | 39                | 26              | 26               |
| Log likelihood                    |                       | 330.33         | 324.41          | 211.67          | 197.05            | 149.52          | 137.75           |

Note: Indicated are coefficients (standard errors). 15 temporal dummies and 14 country dummies not reported. \* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

Increased financial openness was found to have a positive significant effect on the likelihood of EPL deregulation (Table 5: models 1a, 2a and 2b). This is in support of the efficiency hypothesis: greater openness to international capital forces governments to deregulate labour markets

in order to attract investors. No effects of the openness to trade were found. Other indirect economic, political and institutional variables also did not show any significant effects, apart from a positive effect of unemployment rates on the least comprehensive deregulatory reform (1b). This means there is some evidence that governments are more likely to deregulate in times of higher unemployment.

Table 5. Results logit-regression for reforms aimed at EPL deregulation

| Dependent variables               | Independent variables | EPL deregulation |                  |                  |                 |                 |                 |
|-----------------------------------|-----------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|
|                                   |                       | Deregulation 1a  | Deregulation 1b  | Deregulation 2a  | Deregulation 2b | Deregulation 3a | Deregulation 3b |
| t                                 |                       | -0.01<br>(0.03)  | 0.00<br>(0.03)   | -0.02<br>(0.03)  | -0.02<br>(0.04) | -0.06<br>(0.04) | -0.05<br>(0.05) |
| Trade openness <sub>t-1</sub>     |                       | 0.01<br>(0.02)   | 0.02<br>(0.02)   | 0.00<br>(0.02)   | 0.00<br>(0.02)  | 0.02<br>(0.03)  | 0.02<br>(0.03)  |
| Financial openness <sub>t-1</sub> |                       | 0.03**<br>(0.02) | 0.03<br>(0.02)   | 0.03**<br>(0.02) | 0.03*<br>(0.02) | 0.03<br>(0.02)  | 0.02<br>(0.02)  |
| Unemployment rate <sub>t-1</sub>  |                       |                  | 0.12**<br>(0.06) |                  | 0.07<br>(0.06)  |                 | 0.03<br>(0.07)  |
| Government balance <sub>t-1</sub> |                       |                  | -0.04<br>(0.06)  |                  | 0.02<br>(0.07)  |                 | 0.00<br>(0.08)  |
| GDP growth <sub>t-1</sub>         |                       |                  | 0.00<br>(0.08)   |                  | -0.03<br>(0.09) |                 | -0.01<br>(0.11) |
| Corporatism                       |                       |                  | 0.27<br>(0.24)   |                  | -0.10<br>(0.30) |                 | -0.01<br>(0.34) |
| Left cabinet share                |                       |                  | 0.00<br>(0.00)   |                  | 0.00<br>(0.00)  |                 | 0.00<br>(0.01)  |
| Veto points                       |                       |                  | 0.85<br>(0.53)   |                  | 1.18<br>(0.77)  |                 | 0.89<br>(1.15)  |
| N                                 |                       | 329              | 329              | 329              | 329             | 329             | 329             |
| Number of events                  |                       | 95               | 95               | 66               | 66              | 49              | 49              |
| Log likelihood                    |                       | 390.91           | 379.87           | 313.81           | 307.98          | 237.55          | 237.93          |

Note: Indicated are coefficients (standard errors). 15 temporal dummies and 14 country dummies not reported. \* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

## Conclusions

By looking at the effects of globalisation on the likelihood of specific labour market reforms taking place, this article has cast some new light on the compensation and efficiency hypotheses of globalisation. The findings partly supported the efficiency hypothesis: greater openness to international capital has led governments to retrench and deregulate more. Greater openness to trade has reduced the likelihood for UB to be expanded. There is no direct evidence for a “race to the bottom”, but greater exposure to globalisation does seem to lead to a deterioration of labour market protection. The particular effect of financial openness might be on the one hand explained by the influence of international capital over national governments. On the other hand, it should be noted that the financial openness indicator measures the degree to which capital flows are regulated (Quinn & Inclán 1997). It might be that deregulation of capital and labour markets are both the result of a third factor, such as the political party in power or the “variety of capitalism” in a certain country. The latter would be in line with Swank’s (2002) findings that the effects of globalisation depend on national institutional features, where decentralised “liberal” economies have chosen a pathway of deregulation and retrenchment, whereas more “coordinated” economies are more likely to keep existing market regulations and welfare structures intact.

In addition, this study confirmed the importance of domestic economic, political and institutional factors, serving either as links between globalisation and reforms or as independent determinants. Conform with earlier studies, high unemployment rates increase the need for UB retrenchment (Allan & Scruggs 2004; Gaston & Rajaguru 2008; Hicks & Zorn 2005; Saint-Paul 1996). Budget deficits did not necessarily trigger retrenchments (Hicks & Zorn 2005; Gaston & Nelson 2004) but did put a brake on further UB expansions. There was also some evidence that left-wing parties will reinforce job

security for their key constituencies (Emmenegger 2009) and in some cases will halt UB retrenchment (Allan & Scruggs 2004; Jensen et al. 2014; Swank 2005). More centralised collective bargaining was found to be an institutional obstacle to the most comprehensive type of UB retrenchment only.

As with other studies using panel data methods in comparative political economy, results are still sensitive to the definition of the dependent variables and the selection of methods and data (see for example Kittel & Winner 2005; Wenzelburger, Zohlnhöfer, & Wolf 2013). This study aimed to address the “dependent variable problem” by analysing reforms as discrete policy events and applying discrete-time logit models. As a first attempt to use this new dataset, these innovations are obviously not free from concerns about validity and reliability, especially regarding the coding of the reforms and choices of cut-off points. To address such concerns, the sensitivity of the models to dependent variables with various cut-off points was explored. In spite of all caution, the models still yielded some robust results.

This study differed from previous studies in the way the dependent variables and methods were selected. First, treating reforms as discrete policy events enabled establishing a more direct link between globalisation and the moment of the implementation of the reform. Using this method, the models performed well in explaining UB reforms, but less so in explaining reforms of EPL. It is not unlikely that it takes a longer time for an economic shock to be felt before governments decide to reform legislation, whereas the need to cut spending on benefits is often a more urgent and automatic policy response. Second, by distinguishing between reforms in UB and EPL, it was possible to scrutinise a “variety of reforms” in the face of globalisation and other economic shocks, taking place against a background of varying political and institutional settings. Third, this article shows that there is no single labour market policy response

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to globalisation. In a complex globalised economy and political environment, governments can both compensate as well as enhance efficiency in the labour market, even simultaneously.

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# Decentralisation in the context of competitiveness discourse

## The Finnish labour market relations system since 2008

*Paul Jonker-Hoffrén*

### Introduction

Finland saw quite dramatic changes to its system of labour market relations between 2008 and 2018. In 2007, the main employers' federation *Elinkeinoelämän keskusliitto* (EK, Confederation of Finnish Industries) announced that it would not conclude centralised incomes policies anymore, which was the official position in 2008 (Esmerk 2008). These *tulopoliittinen kokonaisratkaisu*, or *tupo* in brief, used to be the cornerstone of Finnish labour market policy since 1968. In that year, the so-called *Liinamaa I*-agreement was concluded, which is seen as the start of the “tupo-era”. In that agreement, the labour market partners and the Finnish state agreed that the employer would collect union dues directly from employees' salaries and that these dues would be tax-deductible. The partners to these agreements are the labour union federations, employers' federations

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and the state. A centralised incomes policy usually consisted of general wage increases, labour market policy issues as well as tax policy changes. According to Kauppinen (2005), all labour market partners had their own reasons to negotiate a centralised incomes policy, especially since the 1990s: the employers' federations favoured centralised agreements because it would allow the flexibilisation of the labour markets, prepare the entrance to EMU and make the Finnish economy competitive through wage moderation. The state favoured this model as a way to control inflation. Finally, the labour movement favoured the centralised model to "manage" the economy and, in particular, employment (Kauppinen 2005).

Since 1968, there have been quite a few years without centralised incomes policies. In those years, it was not politically feasible to reach such an agreement because either the employers or the labour unions preferred negotiation at the sectoral level. Nonetheless, the announcement in 2008 by EK did come as a shock, although its stance was not by itself new (see Bergholm & Bieler 2013). Earlier, the President of the Bank of Finland, in 2002, questioned whether the solidaristic wage policy hinders the creation of jobs in sectors with weaker productivity growth. Furthermore, he questioned whether the centralised incomes agreements hindered the allocation of resources to those sectors where productivity growth is stronger (Taloussanommat 2002). These considerations were based on the instrument of the "wage norm": a way to calculate the potential for wage increases based on average productivity growth (Sauramo 2004).

The entrance of Finland into the Euro might also have been a catalyst towards a reappraisal of the institute of centralised incomes policies because Finland's preferred competitiveness-boosting mechanism (devaluation) was not available anymore. Furthermore, the focus on the Maastricht criteria regarding public debt and budget deficits connected economic growth and public sector wage growth through

regulation. The public sector, like in many European countries, is female-dominated and in Finland there is a significant gender wage gap of roughly 17% (European Commission 2018a). Koskinen Sandberg (2016) has shown that in a highly segregated labour market, sectoral collective agreements can contribute to the gender pay gap, even in the context of centralised incomes agreements. In a sense, disconnected sectoral collective agreement negotiations may provide an easier way to moderate public sector wage growth compared to centralised agreements, where also the public sector receives the same general wage increases. Therefore, the logic of European economic governance also provides an argument for decentralising collective agreement negotiations.

The Finnish labour market relations system is in its essence still corporatist, which means that through tripartite consultation, the interests between labour and capital are mediated through e.g. collective bargaining. The developments that started in 2007 reduced its scope because they enabled transferring core decision-making processes on labour market policy away from the corporatist actors to the open political arena. The “new” centralised agreements are characterised more flexibility to implement the agreement at the sectoral level than through the *tupo*. In this chapter, I view the institutional changes from the point of view of the “competence trap”. This has the benefit of highlighting the role of labour unions and labour union federations in relation to their institutional position and policy-making. At the same time, these institutional changes also show that Finland is following Nordic developments (Andersen, Ibsen, Alsos, Nergaard, & Sauramo 2015). Bergholm and Bieler (2013) explain that this “delayed” decentralisation may be due to a weaker structural power of the employers.

Lilja (1998) introduced the concept of “competence trap” in labour market relations research. A competence trap means that existing or otherwise dominant procedures that lead to positive results will

become entrenched because actors are profiting from experience within the organisation (Levitt & March 1988). In other words, a competence trap occurs when a union's internal organisation and the skills of their officials are less suited to handling questions of work organisation, skill development and management (Alasoini 2004). This phenomenon has been shown to occur both in the use of new technologies and new processes of work (e.g. Zucker 1987). The idea of a competence trap is also relevant labour market relations research because labour unions are organisations with a strong institutional memory (Huzzard 2000; Huzzard, Gregory, & Scott 2004).

The main problem concerning the competence trap of labour unions, according to Lilja (1998, 183), is that “there are no mechanisms at the industry collective bargaining level to intervene in the actual world of work and skill development in a proactive way”. In short, Lilja argues that because most union activities relate to institutions (collective bargaining, work safety, union managed unemployment funds), there is more focus on these specialties rather than involvement with actual working life. In particular, the centralised agreements “dictated” the content of collective agreements regarding the main issues, thus not allowing much flexibility at the sectoral or local levels. This means that although labour unions have a strong local presence through shop stewards and collective agreements, they may be more vulnerable to changes in either institutions or working life than assumed through their institutionally entrenched position. Dølvik (1997) argues that labour unions can have a “logic of representation” or a “logic of influence”, which is different way of explaining the relation between institutions and labour unions. In the Finnish case, the “logic of influence” may be the primary deterrent of action, because the rules and conventions regarding collective bargaining worked predominantly top-down until the “new” centralised agreements.

To clarify this last point, it is useful to show the general pre-2008 process of centralised collective bargaining (Jonker-Hoffrén 2019). In the Finnish system, even if a collective agreement has expired, its provisions remain valid until a new agreement is concluded (the *sopimukseton tila*). The only difference is that the so-called peace clause is not valid anymore—strikes are allowed to put pressure on the negotiations. Usually before this phase, labour union federations and employers’ federations have indicated their willingness to negotiate a centralised agreement, although sometimes this willingness has to be found through policy promises by the state on, for example, tax reductions. The most important negotiation at the centralised level is the general wage increase because this is binding for the collective agreements based on the centralised agreement. The issues relating to the content of centralised agreements are to a large extent non-negotiable at the sectoral level. Other issues agreed between labour union federations, employers’ federations and the state are labour market policy directions, which may also include social policy issues such as pension. Furthermore, the state promises what it will do when the sectoral phase of collective bargaining is successfully completed. The threshold for successful completion recently has been the implementation of the centralised agreement by 90–95% of collective agreements, which is a much higher coverage than in the former “tupo” era (Jonker-Hoffrén 2019). The basis for this process is the so-called “January Engagement” of 1940, when employers acknowledged labour unions as part of democratic society. This agreement also led to legislation on collective bargaining, industrial action and conflict mediation. Through a voluntaristic agreement, the labour market partners became a central part of labour market policy-making. This is the essence of Finnish labour market corporatism.

The main negotiation problem at the sectoral level is how to translate the general wage increase into the various wage levels and shift systems existing in the sectors. Applying a general wage increase

is easier in collective agreements that feature hourly wage (such as for cleaning personnel) than for manufacturing collective agreements that often have highly complex shift systems. For this reason, some sectors prefer wage increases in eurocents, while others prefer percentages. At the sectoral level working time issues and social provisions are also negotiated unless included in the centralised agreement. For example, general working time reductions were agreed in the centralised agreements of 1984 and 1986, and in 1992 issues regarding income-dependent pensions were negotiated (SAK n.d.).

The core idea of this chapter is that Finnish labour unions have had to deal with sustained attacks on their main role as collective agreement negotiators since 2008 while being pressured to accept negotiation outcomes that were not necessarily positive for their membership. These negotiation outcomes derived from an analysis of Finnish competitiveness based on the metric of Unit Labour Costs, and in relation to that discourse, they exemplify the “competence trap”. This metric disregards sectoral and local difference, as well as the impact of changes in demand. Because the focus on ULC was the only legitimate discourse from the start of the financial crisis, labour unions had to focus on labour costs rather than on the quality of working life, in particular since 2013, as explained below. After 2016, the labour unions additionally had to withstand the pressure emanating from the state to deliver certain outcomes, lest the state not intervene through legislation. The successful drive towards decentralisation (to the sectoral level) may lead to a change in focus on part of the labour unions because the institutional environment compels them to do so. The next section discusses the developments since 2008 in more detail.

## Labour market relations developments since 2008

Finland has had a positive period of growth since its economic and financial crisis of the 1990s, and the system of labour market relations did not have a serious test during the euro membership. In fact, the last centralised incomes agreement (of 2005–2007) was concluded in calm circumstances and had a record duration of three years. In fact, only the pulp and paper industry witnessed a protracted industrial conflict in 2005, but this sector had explicitly stayed out of that centralised incomes agreement (Jonker-Hoffrén 2011).

After the centralised agreement of 2005–2007 Finland had a period of sectoral agreements between 2007 and 2011. In practice, this consisted of two sectoral bargaining rounds and an attempt (in 2009) to introduce a “wage-anchor” in manufacturing that no subsequent collective agreement should exceed. Table 1 shows a summary of developments (see also Jonker-Hoffrén 2019).

*Table 1. Duration and main elements of centralised and sectoral agreements since 2005*  
(SAK n.d.; Jonker-Hoffrén 2012)

|           |   |   |
|-----------|---|---|
| 2005–2007 | centralised agreement (paper industry separate sectoral agreement, 2005–2008) | longest centralised agreement in tupto history; in negotiations for next agreements there was a peculiar labour conflict in the public health sector involving a threat to collectively resign                                |
| 2008–2011 | Sectoral  | yearly pay review, in practice two sectoral rounds (2007–2009 and 2010–2011); 2009 (failed) attempt at manufacturing-led wage-anchor  |
| 2012–2013 | “new” centralised agreement (“Framework agreement”)                           | focus on training, position of temp workers, other working life issues  |
| 2013–2015 | “new” centralised agreement (“Employment and Growth Agreement”)               | focus on improving employment, competitiveness, potential reforms of labour market relations system, extreme wage moderation, 3 year agreement  |
| 2015–2017 | “new” centralised agreement (“Competitiveness Agreement”)                     | focus on competitiveness and economic growth, creating jobs, consolidating government finances, wage freeze, working towards local bargaining. Originally 2015–2016, option for extension through 2017, which was implemented |
| 2017–2018 | Sectoral  | Full implementation of EK’s rule change led to decentralisation to the sectoral level. Sectoral round mostly based on first manufacturing agreement (informal wage anchor)  |

The tensions between employers’ organisations and labour unions, especially in the public sector, stem from the collective agreements signed for the period 2007–2009. Many sectoral agreements featured relatively high wage increases. Figure 1 in Delahaie, Vandekerckhove, and Vincent (2017, 71) confirms that in 2007, there was indeed a sudden upwards trend in both collectively agreed (nominal) wages, although also before 2007, the nominal wage increases had outstripped increases in labour productivity. With the onset of the financial crisis shortly after the agreements for 2007–2009 had been finalised, a correction was needed in the “competitiveness” of Finland. This was also a theme for Finland in the European Semester’s country-specific recommendations where general wage moderation, in line with real productivity development, was recommended (Van Gyes & Schulten 2015, 16).



For a pilot study on labour market partners' views on the European economic governance system, expert interviews were held in early 2013. The experts were exclusively senior labour market negotiators of labour unions, employers' federations and labour union federations. The interviews were transliterated and coded. The analysis used content analysis, because this was an exploratory study of the issue. The respondents (N=7) were generally unanimous regarding their view of the wage increases in collective agreements in the period 2007–2011. As one researcher from the Service Union United PAM states:

“It kind of got out of hand, competing about collective agreement wage increases”.

His colleague stated:

“The public sector reached agreement last [in 2007], and they got the biggest wage increases”.

A former negotiator of SAK, the Confederation of Finnish Trade Unions commented:

“I still remember, in 2007, when the sectoral agreements were negotiated, they were spread over several years and they were far too expensive on every level from the perspective of the crash of the economy in 2008, and in part the competitiveness of the Finnish economy still suffers from this period”.

The former National Conciliator stated:

“Fantastic collective agreements were concluded then [in 2007], wage increases to the tune of 11–15% over two years. So we had the agreed wage increases and then came the 2008–2009 recession. Wages went up and production went down. [...] It affects the competitiveness even today”.

The Finnish National Conciliator is the labour market mediator that becomes involved in collective agreement negotiations when

either party announced industrial action (strike/lock-out). Formally independent, he or she is a civil servant to the Ministry of Labour. When the National Conciliator is involved, his or her task is to produce a draft agreement that both parties to the conflict can agree on (Jonker-Hoffrén 2019).

The depth of the economic recession that started in Finland in 2008 immediately changed the context of the valid agreements, as the comment by the National Conciliator shows. The experts of the Services Sector Union explicitly state that the employers' view changed rapidly in the light of the "scary economic situation". Also the National Conciliator stated in the interview that it was a "pragmatic, practical decision" to again engage in a centralised agreement.

The "new" centralised agreements differ from their forebears in that these new agreements have much less focus on general wage increases than before and more focus on what is done at the firm level. In this sense, they continue the developments set in motion in 2008. Moreover, one former negotiator of the Technology Industries Federation (employers) tells that the old centralised incomes agreements would dictate "some 90 percent of the content, form and conditions of the wage agreement [for the sectoral level] while the new Framework Agreement only dictates 50%". His point is that the new agreements are significantly different in that these give the sectoral level more flexibility to implement what is agreed.

The Framework Agreement, according to the National Conciliator, did not improve Finnish competitiveness, nor did it weaken it. The negotiator of the Technology Industries Federation states that many of the "quality of working life" issues that were agreed on in this agreement were specific wishes of the labour union federations and not appreciated by the employers' federations. He alludes to a break between EK and the sectoral employers' federations because EK had not sufficiently consulted the sectoral federations. EK's member

organisations repaired this breakthrough dismissing its chairperson and selecting a successor in 2012 (see also Bergholm & Bieler 2013).

In 2013 the Employment and Growth Agreement was concluded. According to the negotiator of the Technology Industries, the sectoral unions of both labour market partners were highly involved, although this time the wishes of the employers' federations set the tone. This resulted in a centralised agreement with extremely moderate wage increases, which was a reaction to the (continued) economic crisis. Furthermore, in 2015, the Confederation of Finnish Industries announced a change in its statutes. EK would no longer be able to negotiate binding agreements on its members' behalf. Later, it resigned from most of the federation agreements that it had signed over the years. The Competitiveness Agreement (2015–2017) continued extreme wage moderation but was born in complicated circumstances: the Finnish state threatened with legislation that would alter the system of labour market relations unless sufficient coverage would be achieved for the Competitiveness Agreement. This agreement envisioned, among other things, a reduction in wage costs of 5% (Dølvik et al. 2018). From late 2017, Finland has thus been in a structurally new situation, where negotiations take place at the sectoral level.

## Unit Labour Costs and the competitiveness discourse

Starting from the so-called Employment and Competitiveness Agreement of 2013, the employers' federations and EK were united in demanding extreme wage moderation and issues relating to “structural reforms”. According to the Technology Industries negotiator, the reason for this focus was the downwards turn the Finnish economy took in 2012. Although EK had already earlier made a comparison between Finnish and German Unit Labour Costs, in the period after 2011, the employers' federations and EK frequently mentioned the

difference as an indication of Finland's worsened competitiveness. Also the Bank of Finland reported and reports frequently about unit labour costs (e.g. Euro ja Talous 2016). It should also be noted that historically Finnish corporatism always had a strong focus on wage moderation (Kosonen 1998).

However, the new European Economic Governance rules, the so-called "Two-Pack" and "Six-Pack", have probably strengthened the discourse of the employers' federations (European Commission 2017). Part of the "Six-Pack", the so-called Alert Mechanism Report, has been a part of the European Commission's Macroeconomic Imbalance Procedure (MIP). This report is a preparation for in-depth country reviews (Eurofound 2014). In the first two reports of 2012, the review of Finland especially singled out the rise in Unit Labour Costs in 2007–2009. The Country-specific Recommendations (which also belongs to the "Six-Pack), policy recommendations that follow from the European Semester process", are to be adopted by the national finance ministers. In 2012, the Finnish recommendations regarding the period 2008–2010 stated:

"These excessive wage increases are reflected in the unit labour cost increase reported in the Alert Mechanism Report at 12.3% over the period 2008–2010. [...] Finland will have to ensure that wage developments do not endanger future competitiveness and will have to facilitate necessary structural changes over the longer term" (European Commission 2012).

Subsequent in-depth reviews continue to stress the unit labour cost metric. The country report for 2018 states that Finland has made progress:

"implementation of the CSRs since 2014. Progress has been made in aligning wage growth with productivity developments which has resulted in a slower increase of unit labour costs and improved cost competitiveness relative to competitor economies" (European Commission 2018b).

The reports single out the centralised agreements that have helped limit the growth of unit labour costs:

“Since 2015, the country’s real effective exchange rate has fallen each year, reflecting the moderate wage increases reached in the 2013 wage settlement. In 2016 and 2017, the Competitiveness Pact enabled unit labour cost to decrease. [...] The positive trend is expected to continue in 2018 and 2019 (9). Overall, this has resulted in improved cost competitiveness” (European Commission 2018b).

This detour through the European Economic Governance shows one regulative reason why Unit Labour Costs (ULC) are an important measure of competitiveness. On this basis, they have a significant role in the national context, at least for the Euro area countries. Nonetheless, this measure has been criticised, for example by Knibbe (2015) and Kajanoja (2015). Knibbe (2015) argues the main reason ULC is an unsuitable measure of competitiveness is that ULC in fact does not measure much else than “a crude approximation for the share of GDP going to workers”. This is due to the fact that Eurostat (and by extension the national statistics bureaus) defines unit labour costs as the “nominal labour costs per employee divided by real average value added (GDP) per worker”. Furthermore, variables used in the nominator and denominator use employees and all labour respectively. This definition shows that because of the inclusion of GDP, this indicator is influenced greatly by changes in the economic fortunes of a country. Similarly, Kajanoja (2015) argues that nominal unit labour costs are unsuitable because of the peculiar price developments in Finnish manufacturing industries compared to competitor countries. He argues that for the “open sector” (export sector), Real Unit Labour Costs are a suitable measure, and for the “closed” (domestic) sector, Nominal Unit Labour Costs would fit. The main problem, however, even with the distinction between open and closed sector, is that these measures do not take developments

in the various sector sufficiently into account. As Knibbe argues, “an increase of the production of natural gas in the Netherlands will lower the RULC, an increase in construction will increase RULC” (2015, 7). Analysis of ULC depends on careful examination of sectoral developments. European Commission (2012) acknowledges this with a (short) analysis of ULC in the manufacturing, construction, market services and financial and banking services (15). It is interesting to see that also in European Commission (2013), the ULC of the manufacturing sector quickly decrease again, in contrast to the market services sector. In this sector, which covers services excluding public administration, ULC have steadily risen since the late 1990s.

In this context, it is interesting to see that in the Finnish Finance Ministry’s economic reports, there is little attention to other sectors than the export sectors. Already in 2008, the Ministry’s report connected wage negotiations with the rise of ULC in industry:

“Stopping the weakening of competitiveness and turning competitiveness to an improving path sets especially tight limits on wage formation” (VM 2008, 43).

In the report from Spring 2010, the Ministry explicitly mentioned that the increase in ULC was due to the sudden drop in production in industry (due to weakened European/global demand) and the wage agreements of 2008–2009:

“The increase of ULC that started in the beginning of 2008 reached an exceptional 29% in last year [2009], when industrial production declined more than the rest of the economy and wages continued their agreed growth. Unit Labour Costs in industry increased more in one year than they declined in the ten years before” (VM 2010, 50).

Although the Ministry identifies the two main factors in the increase of Unit Labour Costs, the public discussion quickly turned to the effects of the collective agreements. For example, EK in 2009 stated that to keep competitiveness at the same level as the previous year, wage costs

should decline (YLE 2009a). The chairperson of the Confederation of Salaried Employees (STTK) stated that its unions would be ready to have a three-year centralised zero-increase agreement because “we have to save the fatherland” (YLE 2009b). The leaders of the industrial unions nonetheless dismissed this idea (YLE 2009c). The employers’ federation EK also dismissed this idea as being not enough while restating a refusal to return to centralised agreements (YLE 2009d). Slightly later, the new chairman of SAK dismissed the employers’ goal of zero percent increases and wage reductions and he expressed worry about purchasing power and unemployment (YLE 2009e).

These positions are consistent with the broader economic discussion in Finland. As Harjuniemi, Herkman, and Ojala (2015) find, there is not much support for alternative solutions in the context of the euro crisis, such as stimulating domestic demand. In 2015, a senior Bank of Finland economist even stated that stimulus had reduced exports in Finland, especially through wage increases (YLE 2015).

These examples show that in Finland, the economic crisis has been seen explicitly through the lens of labour market relations and collective agreements. The willingness of STTK to stick to the zero-increase policy and later the acknowledgment of SAK that the “new” centralised agreements had helped increase Finnish competitiveness through keeping a lid on ULC increases both show that significant parts of the labour union federations share this focus (SAK 2016). In this context, it is useful to mention that in particular the (female-dominated) public sector unions have quite consistently demanded wage increases in the view of the wage gap (YLE 2007; 2017). The 2007 nurses’ strike is a clear example (Koskinen Sandberg 2016, 14). From the point of European Economic Governance, this has been difficult, especially in economic bad weather because, both domestically and at the EU-level, there has been pressure on Finland to stick to the Maastricht criteria, which do not necessarily allow wage increases.

## Conclusion: Competence trap and post-2017 developments

The previous sections have shown the changes in the Finnish system of labour market relations. The “organized decentralisation” has happened primarily from the initiative of the employers’ federations. Organized decentralisation in the Finnish context means that issues previously negotiated at a higher level can be decentralised through stipulations of collective agreements (see Jonker-Hoffrén 2019). Regarding the substantial changes in collective agreements, especially the “new” centralised agreements, it is important to acknowledge the pressure the state put on the labour market partners in 2016, and in particular the labour unions, to conclude a deal that would satisfy the requirements of the state. The state wanted to force the labour market partners to conclude a deal that would improve the competitiveness of Finland. For the unions, this episode perhaps epitomises the “competence trap” because their focus had to be on the negotiations and dealing with the pressure from both state and employers rather than “[intervention] in the actual world of work and skill development in a proactive way”. The core objective was doing its part in restoring Finnish competitiveness.

Finland is bound to the economic governance architecture of the Eurozone, which means that both state and labour market partners do not necessarily have much flexibility, especially in downturns. The new Finnish labour market system, which enables only sectoral bargaining, has effectively decoupled the domestic, public and export sectors. Giving up the traditional tri-partite bargaining may have been a blow to especially the labour movement because it has been focused on the solidaristic wage policies for so long. On the other hand, it can also be argued that the new model better reflects the regulatory and competitive pressures these sectors face—the Maastricht criteria influence the labour market relations in a way that



the export sector does not experience and vice versa regarding global market developments.

An interesting question regarding economic discourses is still open: how and why did ULC come to the forefront when it did? In the 2000s, it seemed that the discourse was rather on R&D and quality. This question requires more research and interviews with, for example, labour union economists and actors from the employers' federations.

The current situation in 2020 is that Finland has successfully completed a sectoral bargaining round with moderate wage increases and openings to more local bargaining on wages following the first agreement of the technology industry (manufacturing). A casual glance shows positive signs towards the general mood regarding local bargaining. For example, the Service Union United PAM earlier stated that local bargaining is a way of quickly improving working conditions (PAM 2018). The union AKAVA Special Branches reports of a membership questionnaire, which asked about important issues for local bargaining. Members regarded issues like work-life balance, possibilities to have influence, motivation and general working conditions as most important for local bargaining (Akavan Erityisalat 2018). Further empirical research should show whether labour unions actually have increased their local influence. What conditions enable this influence to become established? It is reasonable to expect that this requires strong local union representation. It is possible that the dramatic changes in the labour market relations system have thereby reduced the risk of the “competence trap” by forcing the unions to turn their gaze to the local level. Unions have worked skilfully at the local level through co-determination procedures, as Sippola (2012) shows. In recent years these procedures have nonetheless often looked like “redundancy management procedures”. The current process of renewal of this law could help unions to achieve stronger

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local influence. Furthermore, it will be interesting to follow how and where the metric of ULC will be used in the future.

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# Alternative for work, low-income supplement or investment?

## Exploring the idea of basic income in the Finnish public debate

*Johanna Perkiö*

### Introduction

The idea of an unconditional basic income granted to all members of society on a regular basis<sup>1</sup> has gained growing global attention in recent years. However, the idea has a long history in both academic (see Widerquist, Noguera, Vanderborght, & De Wispelaere 2014) and political discussions (see Van der Veen & Groot 2000; Caputo 2012) in various countries. The idea has risen on the agenda in countries such as Finland, the Netherlands and Canada, whose local or national governments have recently carried out basic income related experiments.

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<sup>1</sup> See Basic Income Earth Network <http://www.basicincome.org/basic-income/>

Finland is one of the countries in which the public and political attention to basic income has been intense and long-lasting. The idea has been featured in manifestos of political parties (Koistinen & Perkiö 2014), in parliamentary debates (Perkiö 2020) and eventually in the platform of the 2015–2019 centre-right coalition government of PM Juha Sipilä as a commitment to experiment the scheme. The aim of the two-year trial that ran from January 2017 to December 2018 was “to explore whether basic income could be used to reform the social security system so as to reduce incentive traps relating to working” (STM 2020). The trial consisted of giving a basic income of €560 a month (that is equivalent to the level of minimum unemployment benefit after taxes) to 2000 randomly selected individuals across the country unconditionally and without means-testing. All recipients were between the ages of 25 and 58 and had formerly received unemployment benefits.

This chapter sheds light on the history of Finnish public debate on basic income. Drawing on an empirical analysis on the coverage of the issue in the leading daily newspaper, it argues firstly that basic income has not occurred as a coherent idea, but the way it has been depicted has varied over time. Secondly, the article shows how understanding of the basic income idea has often been rather far from how most academics (in particular social philosophers) have considered it. More than a radical measure of individual freedom, basic income has appeared as a practical tool for pursuing the goals of mainstream employment and social policies.

The chapter builds on a content analysis of the basic income discussion from 1980 to 2015 in Helsingin Sanomat, the leading daily newspaper in Finland. The data includes altogether more than 1100 newspaper stories of different categories (news, opinions, articles, editorials and columns) in which the concept of basic income or citizen’s wage (that term has been used for roughly the same meaning) appears. There is a great variation in the number of texts per year,



ranging from three in 1982 to 98 in 2015. The main idea behind both concepts has been to introduce a more uniform and universal system of minimum social protection which would involve fewer conditions to the recipients than the existing welfare schemes. However, the concept of citizen's wage has sometimes been used to refer to a conditional system, in which the benefit would be subject to some kind of activity for "common good", whereas basic income has most often referred to a universal and unconditional welfare provision.

In the newspaper stories, one can find various views and disagreements in the discussion of the possible consequences of introducing a basic income (or citizen's wage) system. The opinions differ not only between proponents and opponents of the scheme, but also between proponents with different ideological perspectives (see Perkiö 2013) since basic income has gained both support and opposition across the political spectrum. This article, however, does not pay attention to the conflicting viewpoints but attempts to identify strong narratives and dominant discourses that were shared by most of those participating in the discussion at a given time.

## The Finnish basic income debate from 1980 to 2015

The debate on the basic income idea began in Finland in the early 1980s, first with the concept of citizen's wage. The idea emerged as a part of the wider discourse concerning the future of employment, led mostly by academics and other social influencers. Automated production was anticipated to replace a significant part of the industrial employment, and citizen's wage was mainly regarded as a way to provide alternatives for full employment. The supply of labour was to be set at the corresponding level with the declining demand by introducing new policies such as job-sharing, civil work and citizens' wage. The 1980s discourse often called for a new understanding of the concept of work and ways to provide means for dignified life and

participation in society for those excluded from the labour market by technological progress. The following quotations from the data illustrate the typical reasoning for citizen's wage in the 1980s:<sup>2</sup>

1. "there will be less and less useful paid work available every year" (1980)
2. "automation will take away more jobs than even the best economic boom will bring" (1981)
3. "widening the concept of work to the areas that are now considered as hobbies needs to be placed next to a more equal distribution of work" (1981)
4. "If all human activity that people do for developing themselves and their environment were considered as societally valuable work, there would no more be unemployment" (1986)

Therefore, during the 1980s, the idea of citizen's wage occurred almost exclusively as an alternative for paid work. It was regarded as a "secondary" wage for those who could no more sustain themselves by their own labour. Sometimes citizen's wage was considered as a conditional payment, which would involve some activities for common good by the recipients. The grant was meant to be especially for those whose contribution was no longer needed in the labour market. The 1980s discourse often painted a picture of society in which people would work less on the "hard" market sector and devote more time for personally and socially meaningful activities in households, neighbourhoods and civil society.

Towards the late 1980s and in the early 1990s, the citizen's wage discourse became more concerned with the practical problems of the social security system. It was understood as way to simplify the complex social protection system and provide better coverage for all citizens.

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<sup>2</sup> The quotations were translated from Finnish to English by the author.

*Alternative for work, low-income supplement or investment?*

In the aftermath of the economic depression of the early 1990s, the understanding of the idea radically changed. The shift co-occurred with a conceptual change, whereby the concept of citizen's wage was gradually replaced by basic income. From the mid-1990s onwards, the idea of basic income was mainly discussed as a way to reduce the welfare bureaucracy and to activate the unemployed to take part in the labour market. The context for the new rationale was the mass unemployment that persisted throughout the decade and the increasing attraction of neoliberal ideas among policymakers, which led them to seek primarily supply side solutions to the unemployment crisis (e.g. Kantola & Kananen 2013). One proposed solution was to stimulate the service sector employment by enabling lower salaries and labour costs than those of the (more productive) industrial workers. In the late 1990s, altogether four political parties placed basic income or a related concept on their agendas, two of them incorporating it into neoliberal reform agendas concerning labour market deregulation and reduction of taxes and welfare expenses. The role of basic income was to supplement small and irregular income and soften the impacts of the proposed labour market reforms to the workers. When workers had a (rather low) basic income as an unconditional income floor, taking up a job—however small the income it provides—would pay more than staying at home. The following quotations illustrate the changed rationale of the basic income idea in the 1990s:

5. “basic income model leads to a situation where taking up even a small scale job is always profitable, whereas now it is often the most economical to stay fully unemployed” (1994)
6. “basic income would encourage work” (1995)
7. “the central aim is to make it possible that even a low-paid job is worthwhile to accept” (1997)
8. “we can say that just basic income is favourable to work” (1998)

Unlike in the 1980s, the main concern in the basic income debate was now how to provide better incentives for paid work. The deliberation on the nature and future of work became a rather marginal discourse. Basic income was primarily understood as a supplement for small labour income. Instead of offering alternatives for paid work, it could activate people to work more. It was often emphasised that the level of basic income should not be set so high as to give incentives to withdraw from the labour market and live at the expense of society. However, sometimes the idea was linked to “job-sharing”, another powerful idea in the 1990s that suggested those working full-time could reduce their labour, whereas the unemployed could take up the new jobs that would become available. The role of basic income was to create alternatives between full-time unemployment and full-time employment by simultaneously improving incentives to work and making shorter working times a more feasible option.

In the late 1990s, a new discourse emerged that emphasised that life had become more insecure and unpredictable and that the “old” welfare system was ill-suited to respond to the new risks of rapidly changing life and employment situations. This was connected to the observed increase in “atypical” employment. It was argued that life does not follow the traditional patterns anymore, and social security should enable more flexible combinations of work, family, studies and leisure time according to one’s own needs and preferences. This discourse grew stronger in the basic income debate during the 2000s.

In the early 2000s, the amount of public discussion on basic income was relatively low. The idea re-emerged in 2006 with rise of the youth movement against precarious working conditions (precarity movement). The activists introduced new perspectives on basic income that largely confronted the mainstream politics and morality. They approached the issue from the perspective of power and income distribution. Basic income was called for not as a better functioning social policy, but as the precariat’s bargaining

weapon against the exploitative employers. The activists argued that a growing amount of work takes place in networks outside of standard working hours or places, and they regarded basic income as a way to remunerate activities outside paid employment that accumulate the capitalist value. They criticised the “old” left’s (especially trade unions) propensity to nurture “outdated” conceptions of work and to regard work as a value per se, as well as attempts to introduce a low basic income in order to activate people to take up more low-paid jobs. Instead, basic income was considered as a tool to provide more autonomy for precarious workers to decide when, how and for whom to work.

The precarity movement’s appearance was followed by a widespread public debate in which many politicians and academics took part. Especially the Green Party promoted basic income as a way to improve the economic security of those working on an irregular basis, to streamline the bureaucratic benefit system and to provide better incentives to work. Unlike in the 1990s, the focus was now in “atypical” employment and growing insecurity of life rather than unemployment as such. The traditional welfare system was seen ill-suited to the changing labour market realities, and basic income was argued to be a more flexible scheme which would treat all recipients equally and cover the gaps in social protection. The key argument for basic income was that it would make all economic activities always rewarding. It was also regarded as an investment to new forms of economic and non-economic activities, especially entrepreneurship and creative work. The following quotations illustrate the different perspectives on basic income from 2000 to 2015:

9. “the unconditionality of basic income would guarantee that one does not need to accept any job, and especially not at any price” (2006)
10. “if everyone received a monthly small basic income a decent standard of living could be reached by lower earnings” (2006)

11. “basic income granted to all will also lay the foundation to the way of living in the new circumstances, where earnings are acquired by many parallel, often sporadic jobs” (2006)
12. “the (Green) party estimates that basic income would free the desire for work and entrepreneurship which is hidden in the society better than the contemporary social benefits” (2007)
13. “the division between wage earners and entrepreneurs does not fully hold anymore” (2009)
14. “another benefit of any basic income model would be placing the small income groups now factitiously in different positions, such as entrepreneurs, freelancers and students, on the same line” (2012)

In the last years examined by this study there was a minor shift in the focus of the debate: the automation of work (due to digitalisation) became again a key issue. However, the recipe to combat the threatening employment crisis by basic income was now to create better incentives for irregular work, *not* to provide possibilities for meaningful life outside labour market as in the 1980s.

## Conclusions

This article demonstrates how a policy idea evolves over time following the shifts in society and in the political discourse. The rationale of citizen’s wage in the 1980s was to provide dignified and meaningful *alternatives for paid work* for those pushed out of the labour market by technological development. In the context of the 1990s mass unemployment, the rationale shifted and basic income became to be understood as an *activation measure* and *low income supplement*. In the 2000s, the precarity movement’s approach was to question the intrinsic value of paid work and the prevailing socio-economic relations. The movement regarded basic income primarily

as a tool to improve the *bargaining position* of precarious workers. In the following debate, the key concerns were the *incentive structure* of the existing welfare system and the daily subsistence of those in *atypical employment*. Basic income was also understood as an *investment* to boost new economic activities and to obtain a higher employment rate.

In the academic literature, basic income has often been portrayed as a radical departure from the principles of existing welfare policies. It has been presented as a means to provide greater individual freedom for all (Van Parijs 1995), to transform labour-capital power relations (Wright 2006) and to pave the way towards ecologically more sustainable economy and lifestyle (Andersson 2009; Fitzpatrick 2009; 2013; Goodin 2013). This article shows how the radical idea is translated into language of everyday policymaking in order to be perceived as a realistic alternative. In the Finnish public debate, basic income became to be seen from the 1990s onwards as a technical solution to pursue those goals that were prevalent in the mainstream policy agenda rather than a way towards a different social order, as it was in the 1980s. This re-framing of the idea in a way that resonated with the “political winds” of the time is likely to explain why the basic income discourse did not fall into the political margins, as happened in Denmark (Christensen 2008).

Apart from few confronting voices, such as that of the precarity movement, the Finnish basic income discourse, as it occurred in the leading newspaper, was strengthening the existing moral boundaries of society rather than challenging them. Nevertheless, the basic income discourse questioned the realism of stable and high quality full-employment that has historically been an elementary part of the Nordic welfare tradition. However, it still did it by celebrating the intrinsic value of work and presenting basic income as the best way to incentivise people to work more. Accommodating the “radical” idea as a part of the dominant policy discourse may explain why it has

gained much attention among policymakers in Finland compared to countries such as Germany (Liebermann 2012) where it has rather been promoted by social movements as a markedly alternative welfare strategy.



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As an outcome of long-term structural changes in the economy and society, the current labour market and working life have been characterised by economic and social restructuring, crisis, recession, increasing inequality, individualisation of performance and risks, as well as shifting boundaries of work and social activity. These changes in discourse and reality illustrate the importance of research on work and welfare.

This edited book brings together contributions by some of the top work-life researchers from Finland and abroad. It offers a series of short essay-type chapters covering a broad variety of topics related to how labour markets, work and working life are continuously changing.

It addresses current issues such as the changes in life courses with special focus on the entry of women to the labour market, and the two circuits of labour migration – that of mostly high-skilled and regulated work and that of mostly low-skilled and unregulated work. It also explores the power of institutions and ideas in reshaping the way we work while labour markets are under pressure.

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