

EMPLOYMENT AND SOCIAL AFFAIRS

PRECARIOUS EMPLOYMENT IN EUROPE: PATTERNS, TRENDS AND POLICY STRATEGIES

BACKGROUND

Precarious employment in Europe has become an issue of policy concern. In a number of recent resolutions, the European Parliament says that in particular for young people the surplus of labour supply caused by the crisis has led to a decline in the quality of employment. Furthermore, it stresses that recent increases in employment rates have partly been the result of precarious forms of employment, such as zero-hour contracts, bogus self-employment, and involuntary part-time work which do not provide workers with a decent living and adequate labour rights (e.g. Resolutions of 11 March 2015, of 25 November and of 17 July 2014). In its Conclusions of 9 March 2015, the Council on Employment, Social Policy, Health and Consumer Affairs (EPSCO) points out that 'job quality has come under pressure in recent years', and that 'rising inequality, in-work poverty and social exclusion calls for urgent answers'.

FOCUS OF THE STUDY

The study [Precarious Employment in Europe: Patterns, trends and policy strategies](#) aims at providing a systematic overview of recent trends in different types of employment relationships and the related risk of precariousness. In order to explore risk levels of precariousness, the study uses a **set of indicators** with a conceptual link to **quality of work**. The **most relevant indicator** for individual risk of precariousness is in-work poverty and low pay. Other indicators include social security, labour rights, stress and health, career development and training, and low levels of collective rights. The **types of employment relationships** examined are 'standard' open-ended, full-time contracts, part-time work, self-employment, temporary work (including fixed-term contracts, temporary agency work, seasonal and casual work, posted work and outsourced or subcontracted work), zero hours contracts, internships, and informal or undeclared work. To illustrate country variety, a separate publication is dedicated to [Precarious Employment in Europe: Country cases](#).

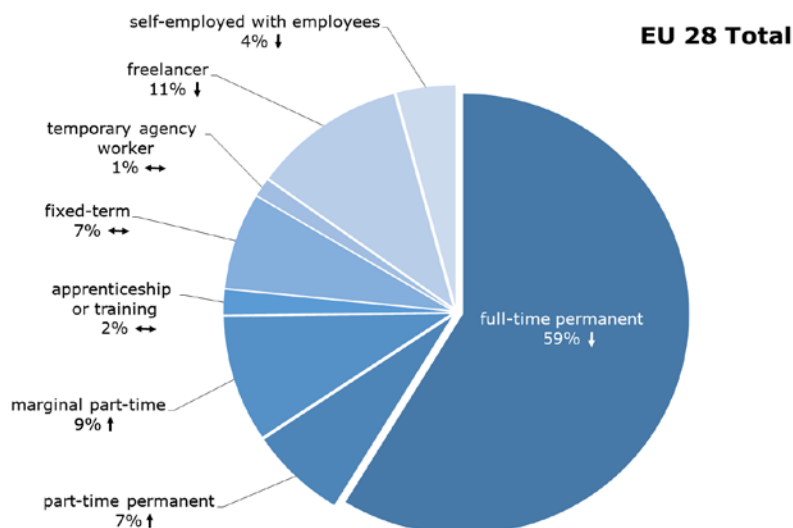


KEY FINDINGS

1. In the long term "atypical" contracts may outnumber "standard" employment in the EU

So-called **"standard" employment** on the basis of full-time permanent contracts has been continuously **decreasing from 62 % to 59 %** of total employment over the last decade. Overall, four in ten persons work in other forms of employment, mainly permanent (marginal) part-time work, as freelancers or on the basis of a fixed-term contract. In addition, 4 % of people admit having carried out undeclared work over the preceding 12 months. There is evidence that the **crisis** has led to **rising involuntary temporary and part-time work** and overall, to increased perceptions of job insecurity.

Figure 1: Extent of different types of employment relationship in the EU28 in 2014



Source: EU-LFS 2014, weighted results, own calculation

2. Data shows lower risk levels of precariousness for “standard” contracts

- **Low risk:** Open-ended full-time contracts and open-ended part-time contracts
- **Medium risk:** Marginal (< 20 hours) and involuntary part-time work, fixed-term work and involuntary fixed-term work, self-employment (with and without employees)
- **Medium/high:** Temporary agency work and posted work
- **High risk:** Informal/undeclared work and in some cases zero hours contracts.

Evidence confirms that so-called atypical contracts bear a higher risk of precariousness, although much depends on the concrete situation of the individual and the type of risk to which they are exposed.

Figure 1: In-work at risk of poverty rate for permanent and temporary employees



Source: EU-SILC, 2014

3. Lower-educated and young people in services and agriculture most affected by employment relationships with higher risk levels of precariousness

Socio-demographic characteristics: **Men** are more likely to work on a full-time and permanent basis (65 % compared with 52 %), and as freelancers or self-employed than women and conversely, **women** are much more likely than men to work on a part-time basis. The likelihood of being employed on a full-time permanent contract

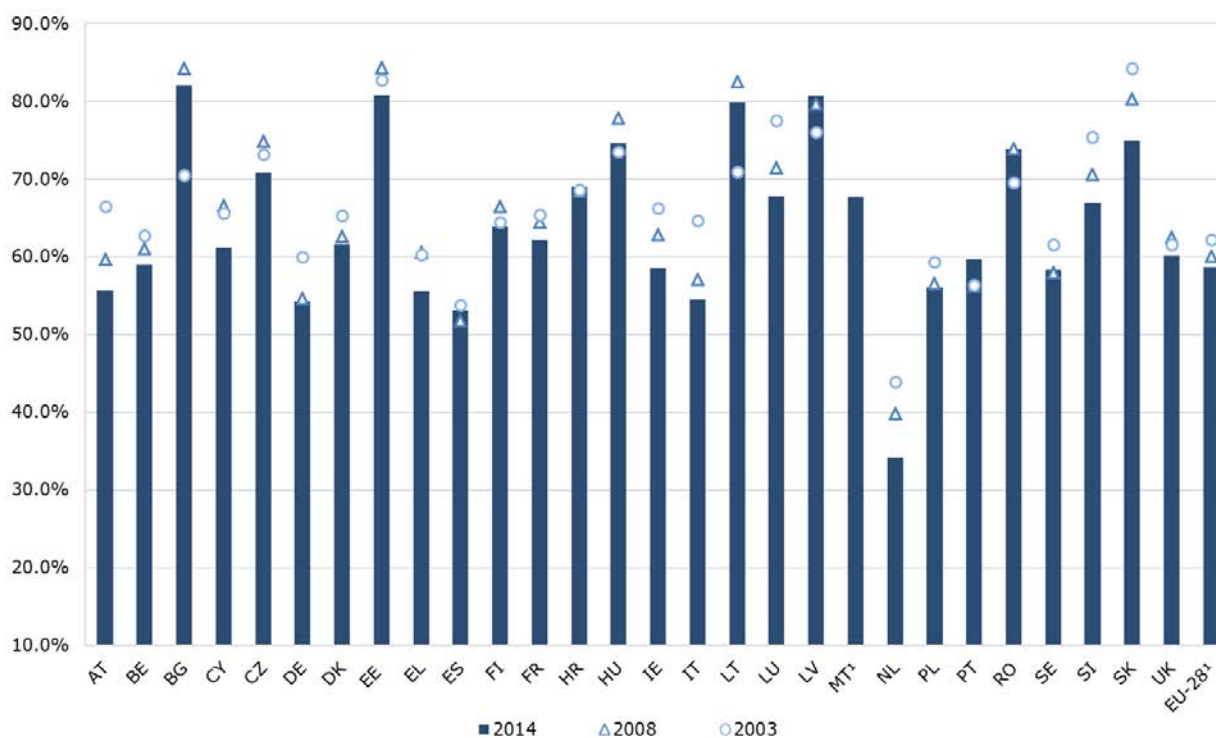
decreases, the lower the **educational level** (64 % of high vs. 48 % with low levels of education) and the lower the **age** (one in two young people are working part-time or on a temporary basis, and an identical proportion has completed at least one internship - including apprentices and students).

Sectoral distribution: In general, full-time, permanent employment is highest (75 - 63 %) in **manufacturing and non-manufacturing industries**, in **public administration and education** and lowest (39 - 29 %) in **agriculture, fisheries and forestry** where freelancers, i.e. self-employed people without employees, prevail (53 %). More than one in four work part-time in the **service sector** (e.g. health, education and other services), and one in five in retail and trade. Fixed-term contracts are more or less found equally in all sectors while temporary agency work is low in all sectors (between 0 and 3 % in manufacturing).

4. Country patterns - full-time contracts prevail in Eastern Europe showing however higher levels of precariousness

The rate of **permanent full-time contracts** is highest in Eastern Europe (70 - 80 %) connected with some risks of precariousness and lowest in the Netherlands (34 %). The share of **involuntary part-time work** ranges from 9 % in Austria to over 50 % in BG, CY, ES, EL, IT. The proportion of **freelancers** is highest in EL, IT, PT and RO (17 - 25 %). On average, 53 % of those working on a **fixed-term basis** would prefer a permanent contract, while the share exceeds 70 % in CE, CY, CZ, EL, ES, HU, IT, PT, RO, and SK. **Transitions rates** to permanent employment went down from 27,8 % in 2008 to 22,8 % in 2013 and are below 15 % in FR, ES, NL, EL, PL and CY.

Figure 3: Share of full-time open-ended employment in Europe 2003, 2008 and 2014



Source: EU-LFS 2003, 2008, 2014, weighted results, own calculation. ¹ No data available for Malta in 2008 & 2003

5. Strategies encompass legal regulations and social partner activities at EU and national level

There is a **comprehensive framework of EU legislation** in place that seeks to curb the risk of precariousness of certain types of employment relationship (Fixed term contracts Directive, 1999; Part-time work Directive, 1997; Temporary agency work Directive, 2008; Working time Directive, 2003; Posted workers Directive, 1996; Posted workers enforcement Directive, 2014). Evaluations show that the effectiveness of Directives is generally judged to be good whilst a number of challenges remain.

Other EU initiatives that have relevance for the risk of precariousness include the EU's Europe 2020 strategy, the European Semester Process, and the related Mutual Learning Programme. The focus of these initiatives is on themes such as **segmentation of the labour market** and **quality of work**. Historically, **social partners** (trade unions and employers) at European level have concluded agreements that form the basis of

much EU regulation in the area of atypical work. Trade unions also campaign on a range of issues relating to risk of precariousness, while employers tend to focus on reducing unemployment and increasing skills levels.

At **national level** policy strategies encompass a broad range of **legislative acts** taking account of the specific employment situation (e.g. limitation of the number of subsequent temporary contracts; verification of foreign service providers for posted workers; end-contract-indemnity for employers; specific regulations for internships; strict definitions of self-employment; legislation against undeclared work in agriculture; the prohibition of an 'exclusivity clause', i.e. to work exclusively for one employer, in zero hours contracts).

In individual Member States, the **social partners** have different strategies and priorities, depending on their national situation and the types of work that are deemed to present the greatest risk of precariousness.

6. Way forward: Better implementation, enforcement of labour law and adapting labour law and social (insurance) systems to increasing "non-standard" employment

As regards the **European Directives**, there are some issues, such as concerns about derogations from the principle of equal treatment in relation to the temporary agency work Directive, concerns about on-call working and working time as individuals might not have the freedom to opt out of the 48-hour maximum working week in relation to the working time Directive, and issues around enforcement of the posted workers Directive, such as legal loopholes, for example allowing the setting up of 'letter box companies'. In general, there are **gaps in implementation and enforcement** of Directives in some Member States, and weaknesses around **labour market inspection and regulation** in order to curb abusive practices.

Policy recommendations:

- Given that non-standard forms of employment are increasing, EU and national policymakers need to think about how **welfare systems** can support individuals in the future, in order to avoid poverty traps due to inadequate social security coverage, particularly in relation to pensions.
- A balanced approach to **regulation**, avoiding extreme regulatory dualism between standard and non-standard contracts. Within this, mobility towards open-ended contracts should be encouraged and job quality be ensured or improved, but without destroying entry opportunities.
- Further **reconciliation** of employment security and job quality with flexibility needs
- There is a divide between temporary and permanent contracts in many EU Member States. If employment protection for open-ended contracts is eased, it may be helpful to think about alternatives to hiring and firing, such as greater levels of **flexibility in working time and wages**.
- Enabling **inspection authorities** to ensure that labour legislation is being applied correctly is crucial, as is working with employers to try to encourage dependent employment where appropriate, including by focusing on employer social charges for dependent employees.
- In order to combat marginal part-time work and encourage an increase in working hours for those that want to work more, **incentives to work longer hours** need to be put into place.
- The spread of **digitally-driven forms of employment merits further investigation**, in particular in terms of the employment status and working conditions of the involved workers. This is a fast-moving area and legislation is therefore not keeping pace.

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