

CHAPTER ONE

INTRODUCTION

“What you have now is a lot of talk, a lot of rhetoric, a lot of politics but the reality is this: that we’ve been unemployed for a hell of a long time, that we’re at an age where it’s difficult to find [work], that it’s impossible to get your own place, and that the little work we get, when we get it, is worse than ten years ago. And that’s how it is. That’s the reality...”

“Besides, now you have another class. Now you have the working class and the unemployed class. I mean, now the unemployed, we’re no longer workers. I mean, we’ve been left... you know? I mean, we’ve been divided. I mean, even if we were divided before, we are all even more divided now...”¹

In 1984, the first Socialist government of the present Spanish democratic regime undertook a major reform of the labour market regulatory framework through the *Reforma del Estatuto de los Trabajadores* (Reform of the Workers’ Statute). Fixed-term contracts² were introduced in a bid to reduce unemployment,

¹ Extracts from original group interview with unemployed blue-collar workers previously holding fixed-term contracts. Madrid, 1997-05-24.

² In this thesis the terms temporary and fixed-term will be used interchangeably.

which had just risen to over 20 per cent of the active population, by making the labour market more flexible.

The 1984 reform is a paradigmatic example of what Esping-Andersen (1998a;1998b) has recently labelled *two-tier selective labour market policies*. Two-tier selective policies deregulate conditions for some workers, but not for others. In the Spanish case, flexibilisation through fixed-term employment was exclusively applied to new entrants in the labour market, while workers on permanent contracts continued to enjoy the privileges of rigid employment security legislation inherited from the pre-democratic era. In 1997, thirteen years after the two-tier reform, Spain had the highest proportion of temporary work of all OECD countries (one third of the Spanish salaried workforce had a fixed-term contract) and continued to show the highest rate of unemployment (above 20 per cent).

This dissertation will show how the 1984 labour market reform, given the particular regulatory context in which it was implemented, generated significant inequalities in the labour market opportunities of similar-productivity workers. This process whereby the introduction of fixed-term contracts creates structured inequalities in the labour market will be called *type-of-contract segmentation*. Type-of-contract segmentation can, therefore, be considered as an institutionally triggered process that generates 'horizontal' labour market inequalities. These inequalities, it will be further sustained, have, in turn, had empirically observable *consciousness* effects on both workers' subjective identification with industrial and political organisations and on their behaviour in the industrial and political spheres.

The introduction of fixed-term contracts in the Spanish labour market constitutes a fascinating case study because it allows us to analyse the impact of a well-defined institutional reform on the labour market, the mechanisms whereby this particular reform creates new labour market structures, and how the position individuals occupy in these structures can shape their socio-political views and affect their political behaviour. The analysis of the structure and consciousness effects of labour market reform in

Spain, therefore, illustrates how institutional (de)regulation can have a very significant *structuring* impact in advanced capitalist societies. Here lies the sociological relevance of this case of study.

Already by the early 1990s, it was quite obvious that something had gone wrong with the flexibilisation strategy implemented by the Socialists. Between 1986 and 1991, jobs had been created at an impressive pace, but the unemployment rate failed to fall below the 15 per cent threshold, while the rate of temporary employment had already risen to over 30 per cent in 1991 (see *Chapter Three*). Serious doubts were raised, both among specialists and the general public, as to the ‘quality’ of the jobs being created. Fixed-term jobs seemed to be precarious jobs leading to unemployment rather than to integration in stable careers. Labour market economists became aware of the segmenting consequences of temporary employment and soon started to provide different analytical models in a bid to understand the processes involved in this form of segmentation. Their models and research have been particularly useful for the writing of this thesis.

Sociologists’ contribution to our understanding of the impact of fixed-term employment in Spain has been somewhat more modest. We still know little about the effects of fixed-term employment on social structure, or about its consciousness effects. And this is so despite the fact that, already in the early 1990s, two pieces of evidence suggested that a comprehensive analysis of the segmenting effects of temporary employment could be particularly relevant for the study of social inequality in Spain. On the one hand, Spanish workers on permanent contracts enjoyed job security levels comparable only to those found in South Korea (see *Chapter Two*); on the other, Spain showed the highest rates of unemployment and temporary employment of all OECD countries.

This split between insiders (i.e. workers on permanent contracts) and outsiders (fixed-term and unemployed workers)

constitutes a particularly interesting sociological issue to analyse in detail. What are the mechanisms of segmentation that can account for it? How did it happen? What does the split between insiders and outsiders tell us about social inequality in Spain? Has this split had consequences for workers' attitudes and behaviour regarding the trade unions? And has it had electoral consequences? What are the consciousness effects of being an outsider in the Spanish labour market?

Spanish sociology has offered only partial answers to these questions. The existing empirical research often focuses on tangential issues largely disconnected from a comprehensive analysis of the structure and consciousness effects of two-tier deregulation in Spain. This chapter argues that sociologists' modest contribution to our understanding of the structuring impact of two-tier reform in Spain may to a considerable extent be related to one particular limitation of the sociological theories available for explaining the very significant differences in the contractual conditions of employees. Namely, the fact that these theories are largely institutionally insensitive and, therefore, not the best starting-point for an analysis of inequalities that have an institutional origin.

The chapter is divided into three sections. *Section One* reviews the existing sociological theories that can account for the differentiation of contractual conditions and, in particular, job security, with special attention to the explanations provided for the Spanish case. *Section Two* revises the existing contributions to our understanding of the consciousness effects of job precarity and unemployment in Spain. In this section it is argued that Spanish sociological analyses have only addressed these issues tangentially and that sound empirical evidence is still lacking. The chapter ends with a presentation of the structure of the thesis.

1. Sociological Theories of Labour Market Structures: A Critical Review

The models revised in this section are evaluated according to two different criteria: 1) their internal consistency in explanatory terms, and 2) their usefulness for explaining type-of-contract segmentation in Spain. Explanatory-inconsistent models are always inadequate, yet the opposite is not necessarily true, as some models can be extremely consistent in explanatory terms but ultimately inadequate to explain the case under investigation. Explanatory-consistent models that do not account for the segmenting role of institutional regulation seem inadequate for explaining type-of-contract segmentation in Spain.

Summarising different arguments, which are written with different purposes and concerns, necessarily implies a certain degree of oversimplification. What this section reviews are *types* of explanation.

1.1. Black-box approaches: youth integration and functional-familialistic perspectives

There are two approaches to the problem of unemployment and job insecurity in Spain which have received special attention by Spanish sociologists. Strictly speaking, these are not theories or analyses of labour market structures. In fact, what these approaches have in common is that both have treated the labour market as a black box. Yet a review of the existing sociological literature on unemployment and precarious employment in Spain would not be complete without mentioning these sociological analyses. To simplify, these analyses are called *youth-integration* and *functional-familialistic* approaches.

1.1.1. Youth-integration approaches

Youth-integration approaches focus upon the problems inherent in the transition from education to work for young people³. Generally linked to the sociology of education, these accounts tend to focus on the determinants of a successful 'integration' into employment with a special emphasis on the role played by the educational system. Attention to the educational system has often been paid at the expense of in-depth analysis and discussion of labour market structures as such. Youth-integration approaches do not account for the specificity of the Spanish case.

One particularly unfortunate consequence of disregarding the labour market is that labour instability often appears in these studies as if it was exclusively a youth specific problem. The possibility that fixed-term contracts in Spain place individuals of *all ages* in unstable labour market trajectories with no guaranteed transition into stable employment is thereby overlooked. It is in this sense illustrative to note how the definition of 'youth' unemployment has been significantly enlarged in Spanish sociological studies over the course of a decade. Before 1987, youth unemployment was usually defined as that type of unemployment affecting individuals between 16 and 24 years of age (see: Tobío 1988,90). Yet, by the second half of the 1990s, the definition already included people in their thirties (and even in their mid thirties) (see, for example: Grup de Recerca Educació i Treball 1995; Leal 1995,191). It is as if, by confounding youth with labour market precarity, youth-integration approaches were condemning Spanish outsiders to be 'forever young'.

Various sociological studies on early labour market trajectories have combined empirical sophistication with a greater

³ See, for example: Carabaña (1987;1988;1996); Casal (1996); de Pablo (1994); Fernández Enguita (1990a;1990b); Marhuenda Fluxiá (1994); Roquero (1994); Garrido and Requena (1996); Tobío (1988). See also: Sánchez Molinero (1986); Lamo de Espinosa (1986); Carabaña (1986). And also the contributions in: Monográfico Política y Sociedad (1988); Monográfico Revista de Educación (1994).

interest in the functioning of the labour market. For instance, García Blanco and Gutiérrez (1996) have presented their longitudinal research on early labour market trajectories in Asturias as a strategy to assess the relative explanatory performance of the human capital approach versus the segmentation approach (see also: Grup de Recerca Educació i Treball 1991;1993;1995; Gutiérrez 1998; Ibáñez Pascual 1998;1999; Masjuán, Vivas and Zalzívar 1994). Empirical research of this kind offers interesting insights into the labour market trajectories of the Spanish youth. They present a picture of general instability and precariousness. Yet their commitment to an 'integration' paradigm makes them unsuited to address the larger question of labour market inequalities. The universe of reference of the surveys used by these researchers is individuals leaving education, rather than the Spanish workforce as a whole, which hinders any serious modelling of the functioning of the labour market as such. This seriously limits their usefulness as a tool for understanding the mechanisms behind type-of-contract segmentation in Spain.

In short, sociologists concerned with the labour market trajectories of individuals leaving education have only addressed the problem of labour market structures tangentially. By emphasising the role of the educational system, and by focusing on a restricted universe of reference, these accounts (interesting though they are) cannot offer a proper explanation of the segmenting impact of two-tier reform. Youth integration approaches have treated the labour market as a black box.

1.1.2. Functionalist-familialistic accounts

The labour market has also been treated as a black box by a number of sociological interpretations that could be labelled *functionalist-familialistic*. The epitome of functionalist-familialistic 'explanations' is the thesis of the *revealed preference* or *implicit pact* suggested by authors such as Espina (1986), Gil

Calvo (1986); Garrido (1998) or Garrido and Requena (1996). According to this thesis, type-of-contract segmentation would be the outcome of a social pact whereby *“the adult worker would have sacrificed the employment of his sons and daughters, and to a lesser extent of his spouse, in favour of the growth of his own earnings”* (Translated from Espina 1986,18). This accommodation of unemployment within families is presented by Espina (1986) as a reasonable underlying social option that privileges the less traumatic mechanisms of adjustment and minimises social conflict (see also: Gil Calvo 1986,66-8). As a result, the effects of the 1984 reform on the distribution of opportunities for stable employment across generations (and sexes) is seen in a positive light:

“At the risk of seeming too functionalist, I believe it would be ridiculous to affirm that the underlying social option to this process lacks a reasonable basis. Confronted with the alternative of maintaining employment levels and average earnings but giving up wage and productivity increases as well as liberation of free time for a mass of youngsters who needed to prolong their staying in the educational system, the adopted option has some clear positive effects.” (Translated from Espina 1986,23).

The functionalist view finds a less optimistic version in the earlier work of Garrido (1986). For this author, the co-existence of high levels of youth and female unemployment and temporary employment with high employment security for adult male workers is the result of an uneven distribution of social power among generations combined with the dysfunctional adjustments typical of all complex social systems:

“Functional matching is the elaborated outcome of a large number of adjustments, inter-exchanges, pacts and deals, whose parties are neither willing nor probably able to substitute in a fast and effective way.” (Translated from Garrido 1986,16).

According to Garrido, employment rigidity coupled with youth unemployment growth (which is mainly viewed as having a demographic cause) produce a functional dislocation in the social system, which places young workers in a “*literally hopeless situation*” (1986,10). This dysfunctionality is not likely to be resolved, as a process of political exclusion reinforces it:

“This problem does not appear as urgent at the political level because those who are excluded are also dispersed and they neither associate nor mobilise and, therefore, they are not feared because they are not present in the public scene, they do not exist.”
(Translated from Garrido 1986,10).

Functionalist approaches identify ‘implicit pacts’ and ‘functional mismatching’ problems as the forces behind labour market segmentation. It is not clear whether these pacts and mismatches are used in a metaphoric or an explanatory fashion. But the fact is that ‘actors’ and ‘mechanisms’ are largely absent in these accounts, which tend to be more impressionistic than empirical. Unemployment is seen as a youth-specific problem, the labour market is again treated as a black box and little, in short, is offered in terms of causal explanations.

1.1.3. The importance of families

There is a crucial variable in functionalist approaches: families. In subsequent work, Garrido has explored the relationship between families and the labour market in Spain from a more empirically oriented perspective (see: 1995;1996;1998; and also: Garrido and Requena 1996). His research provides interesting insights into this relationship although it is still nested in functionalism:

“In general, it can be affirmed that unemployment is to a great extent one of the unintended effects of the improvements in the quality of life of Spaniards. Hence it could be considered as an indirect cost

of the mode in which society has incorporated such social and economic improvements. It is possible that citizens' acceptance of the high levels of unemployment in Spain is related to the belief that unemployment is a consequence of changes whose global balance is advantageous for the majority of the population." (Translated from Garrido 1996,236).

This interpretation of unemployment as socially accepted seems to be a rather provocative proposition to make in a society where unemployment (followed by terrorism) constantly appears as the mayor source of citizens' concern and dissatisfaction in opinion surveys⁴. In any case, the point Garrido seems to be making here is one about the importance of families. Note that when the emphasis is placed on families rather than individuals what was previously described by the author as a "*literally hopeless situation*" becomes a socially-accepted, unintended effect of economic development.

Perhaps by "acceptance" Garrido implies the lack of excessive social conflict. In this sense, it can be argued that families mitigate what otherwise would probably be a devastating polarising impact given the intensity of type-of-contract segmentation in Spain (see: Maravall and Fraile 1998;2000 and below). Labour Force Survey data (LFS) for the 1987-1997 period shows that around 70 per cent of fixed-term workers were not the head of their households (calculated by the author). An important proportion of fixed-term and unemployed workers live in households headed by workers on permanent contracts and, therefore, a family perspective on the problem shows a less dramatic picture than a purely individual one (see, for example: Alvira and García 1986,43; Toharia 1993; Ayala, Martínez and Ruíz Huerta 1996; Maravall and Fraile 2000,22).

⁴ As all the surveys of the governmental Centre for Sociological Research (*Centro de Investigaciones Sociológicas*) up to the barometer survey of October 2000 demonstrate. In the latter, terrorism appeared as the main source of concern (followed by unemployment) for the first time.

Maravall and Fraile (1998,2000), for instance, have recently shown that, between 1980 and 1990, unemployment and inequality in household income followed “*paradoxical*” trends in Spain: while the former increased drastically, the latter was actually reduced. The key to this paradox is that unemployment “*seldom led to poverty*” because it “*was mostly suffered by members of the family who were not the main provider*” (Maravall and Fraile 1998,19;2000,21-2).

Recently, Gallie and Paugam (2000a;2000b); Gallie, Jacobs and Paugam (2000) and also Bison and Esping-Andersen (2000) have provided comparative evidence for European countries, which emphasises again the importance of families as welfare providers for the unemployed in South European countries. There is little doubt, therefore, that Spanish families play a fundamental role as a safety net for the unemployed (and the precariously employed). Bison and Esping-Andersen refer to this role as “*derived welfare*” (2000,85). Yet acknowledging this fact cannot serve as an excuse not to analyse in detail the structuring impact that fixed-term reform has had on the labour market. Labour market experiences always concern *individual* actors and labour market structures are always structures for *individual* opportunity. Therefore, in order to understand the processes whereby a particular reform creates labour market structures, we must necessarily adopt an individual-level perspective (see: H  dstr  m and Swedberg 1998,1-13; Goldthorpe 2000a,ch.6 and also *Chapter Two*).

In short, emphasising the role of families as welfare providers has often led Spanish sociologists to assume a familialistic perspective on social inequality and thereby to disregard the important changes that occurred in the Spanish labour market after the introduction of fixed-term contracts. Horizontal individual inequalities are likely to be overlooked by sociological perspectives that stress the functional role of families as conflict-preventing institutions. This familialistic approach also has important implications for the analysis of the consciousness

effects of type-of-contract segmentation, which is dealt with in *Section Two* of this chapter.

1.2. Segmentation theories: dual labour market and neo-Marxists models

It seems, therefore, obvious that in order to understand the characteristics and impact of temporary employment in Spain we have to look at labour market structures. Spanish sociologists have tended to approach the analysis of labour market structures mainly from the perspective of segmentation theories. The Spanish labour market has often been described by sociologists and economists alike as a dual labour market (Bilbao 1993; Prieto 1989; Recio 1991; González 1992; Alba 1991;1996; Amuedo-Dorantes 2000). Workers employed on temporary contracts have been assumed to form the secondary segment, characterised by low-skill, poorly-paid, insecure jobs with no promotion prospects. The adoption of segmentation theories, or at least of their basic terminology, to refer to the combination of high unemployment and a very high rate of precarious temporary work in Spain seems, however, somewhat striking if one takes into consideration that neither dual labour market theories nor neo-Marxist models are particularly sensitive to the importance of institutional regulation. Segmentation theories can offer very little in terms of explaining why the labour market reform of 1984 led to the highest rate of temporary work of all OECD countries without significantly reducing unemployment in the long run. This, however, has not prevented Spanish sociologists from drawing on these segmentation theories, and in particular on the neo-Marxist models of Edwards, Reich and Gordon (see below). Adherence to the segmentation paradigm has led many Spanish scholars to assume that there is a largely unproblematic overlapping between type of contract and occupational 'classes'. This assumption is embedded in segmentation theories.

1.2.1. Dual labour markets

Dual labour market (DLM) theories focus on the relationship between demand structure in product markets, technological requirements and labour market segmentation. In the DLM model the origins of segmentation are, therefore, seen as *exogenous* to labour market exchange. The main thesis of DLM theories is that the strategies firms adopt to minimise uncertainty in their product markets produce segmentation (see: Doeringer and Piore 1971; Piore 1975;1978;1983; Piore and Sabel 1984; Dickens and Lang 1985; Rebitzer and Taylor 1991; Alba 1996).

According to DLM models, demand for commodities has a stable component and a volatile and cyclical one. Stable demand is met, on the supply side, by mass-produced, standardised goods within what has been termed the core of the economy, whereas uncertainty is taken up by small-scale flexible firms operating on the periphery⁵. The core sector is, therefore, formed by “*large scale enterprises with declining average costs curves catering to the predictable and largely stable segment of demand*” whereas the periphery is populated by “*much smaller firms with the traditional U-shaped average cost curves catering to the unpredictable and/or fluctuating portion of demand*” (Berger and Piore 1980,66). Firms have different technological requirements, depending on which of these two components of demand they seek to target. ‘Core’ firms use a mass of tied-down fixed capital (relative to variable costs) which reduces unit costs but requires high capacity utilisation. They tend to be large firms⁶, for the

⁵ The origins for the theory of the division of the economy into two parts can be traced back to Boeke (1953) and Averitt (1968). See also: Galbraith (1969); Bluestone (1970); O’Connor (1973) and Friedman (1977). See Baron (1984,48).

⁶ There is abundant empirical evidence showing a link between organisational size, internal labour markets and higher wages (Rebitzer 1986; Choffel and Garnier 1988; Hashimoto 1990; Buechtemann 1993,20; Daniel and Stilgoe 1978; Bessy 1987,44). DLM theory identifies internal markets with large

larger they are, the better use they can make of economies of scale (Phelps Brown 1977,225-6). In contrast, ‘peripheral’ firms are much less capital intensive. They use a higher proportion of variable costs and their unit costs are higher. Since economies of scale do not apply under these conditions, ‘peripheral’ firms tend to be small. In the core sector, the argument goes, labour becomes part of the fixed capital of their firms, or what Piore (1978,29) calls a “*quasi-fixed factor of production or quasi-capital*”⁷ and this generates internal markets shielded from external competition. In order to respond to the changing and unpredictable demand, though, ‘peripheral’ firms will base their labour management policies on low labour costs and on the capacity to fire and hire labour easily (i.e. cheaply). Hence in the ‘peripheral’ sector, labour demand will be met in an ‘open’ labour market where wages and working conditions are poorer and promotion opportunities are largely absent (see: Doeringer and Piore 1971; Piore 1975).

1.2.2. Monopoly capitalism, control and segmentation

To this basic model neo-Marxist segmentation (NMS) approaches add a special emphasis on the conflictual character of the production process and on the connection between capitalists’ strategies to control, divide and rule the labour force and labour market segmentation (see: Gordon 1972; Edwards, Reich and Gordon 1975; Edwards 1979; Gordon, Edwards and Reich 1982; Clark 1981, Storper and Walker 1983). Central to NMS theories is the distinction between what firms can buy in the labour market (labour power) and what constitutes a factor in the productive process (‘effective’ labour). The social relation of work consists of

firms. Therefore, size of the firm has often been used in empirical analysis as a proxy for internal markets. For the importance of the firm as an empirical unit of analysis see: Apostle (1985), Buchele (1983,410), Baron and Bielby (1980, 742; 1984,458,471).

⁷ See: Oi (1962).

transforming the former into the latter, which is always a conflictual process (Edwards 1979,12; Toharia 1986,213). Thus, the radical segmentation school takes the analysis of the conflict between labour and capital as its central focus. Firms' strategies in the labour market are interpreted as being designed to further the interests of capitalists as a class. Capital is seen to be pursuing a strategy of increasing its control over labour by reducing individuals' scope to use their judgement and skills (Braverman 1974) and by creating "artificial divisions" within the workforce to undermine collective resistance (Gordon 1972; Gordon et al. 1982; Edwards 1979).

Edwards (1975;1979), for instance, distinguishes two distinctive sources of segmentation (see also: Edwards, Reich and Gordon 1975). One is related to the logic of capitalism and, in particular, to the development of monopoly capitalism. According to the author's historical account (of the U.S. case), with the development of monopoly capitalism a new form of organisation of production emerged: bureaucratic control. Bureaucratic control was developed by employers as an efficient form of control of the workforce under the new productive conditions prevailing in the industrial core of big oligopolistic corporations. Under bureaucratic control authority becomes formalised, predictable and impersonal. Status distinctions are introduced and jobs are finely graded in a hierarchical order, which tends to individualise employment relationships. Core firms implementing this form of control generate internal labour markets shielded from external competition. Internal labour markets offer job security, relatively high wages and promotion opportunities along well-defined job ladders. Bureaucratic control, therefore, favours stability, predictability, compliance with the rules and internalisation of the enterprises' goals and values (1975,9-12). In short, through bureaucratic control capitalists ensure a more docile workforce, which is likely to internalise and thereby legitimise capitalists' authority in the workplace. This secures greater profits (1979,14). The bureaucratic system of control at the workplace leads to the formation of the so-called *independent primary segment* of the

labour market characterised by high-skilled jobs, high job security, high wages and high returns to education and age. Only core firms can afford to implement bureaucratic control. Smaller peripheral firms targeting the volatile component of the demand continue to implement simple and direct forms of control and supervision over their workforces. Jobs tend to be low skilled, poorly paid and fundamentally insecure in this sector, which corresponds to *the secondary segment* of the labour market (1979,170). In between the independent primary segment and the secondary segment, Edwards (1979) further distinguishes a *subordinate primary sector*, which enjoys relative security levels, returns to age and experience and some, although quite limited, promotion opportunities. In this sector technical (Fordist) control is the rule (1979,20). This is the sector for the traditional industrial working class and Edwards explicitly links internal markets in this sector to the role of the trade unions (1979,171,181,189 and also: Edwards, Reich and Gordon 1975,xv-xvi; Piore 1975; Gordon, Edwards and Reich 1982,ch.5).

Therefore, it is the coexistence of these three different modes of control in the “contested terrain” of production that leads to the differentiation of the labour market into three different segments. These segments are, however, further fragmented as a result of employers’ conscious attempts to divide and rule the working class by drawing on racial and sexual divisions pre-existing in society. By using sexual and racial tensions to their advantage, employers actually institutionalise these differences in the labour market. This is the second source of segmentation (see: Edwards, Reich and Gordon 1975,xiv; Edwards 1979,194-9; Gordon, Edwards and Reich 1982,204-10).

DLM and NMS models have both proved very influential in segmentation analysis. Yet their attempts to explain actual segments in the workforce by reference to dual tendencies at the industry level have mostly been received with criticism (see, for example: Craig et al. 1982;1985; Humphries and Rubery 1984; Rubery 1988; Pollert 1987;1991; Fine 1998; Baron 1984,49; Gallie 1985;1988a). It has been argued that these theories offer

either an unrealistic account of the existing segments, since they assume an over-simplified correspondence between industrial structures and classes of workers (core industries-core workers and periphery industries-peripheral workers)⁸, or a purely descriptive one⁹ (for an early review see: Kalleberg and Sorensen 1979; Baron 1984). As a result, there is a significant degree of confusion (and debate) among segmentation theorists as to what the relevant unit of analysis is, how many segments actually exist, where the boundaries between these segments lie and what are the relationships between them (Layte et al. 1998).

NMS models have also been criticised for being employer-centred¹⁰. It has been argued that the theories comprise a crude functionalism (Fine 1998,146) and that the historical empirical evidence provided by these models is weak (Gallie 1985,507). It has also been pointed out that the concrete mechanisms whereby individual employers, following their class interests, create labour market segments remain rather obscure in the theory. The link between employers' everyday business decisions and their acceptance of the dictates of their class interest is taken for granted, rather than explained. In other words, as Rubery (1988) argued, the Marxist segmentation school fails to provide an adequate theory of individual firm behaviour. Increasing market share rather than class interest seems to be the dominant driving principle of firms' behaviour. The radical approach does not provide a satisfactory theory of workers' behaviour either because, in fact, *"neither the actions of capital nor labour could be said to be explicable, solely by the interest of the class as a whole"* (Rubery 1988,255).

⁸ See: Hodson and Kaufman (1982); Baron (1984). For a critique see: Humphries and Rubery (1984,336-7); Craig *et al.* (1982,155,288;1985,268); Kalleberg *et al.* (1981); Wallace and Kalleberg (1981); Zucker and Rosenstein (1981); Jacobs (1983); Baron (1984).

⁹ For a critique see: Fine (1998,117-56); Pollert (1987).

¹⁰ Particularly Edwards, Reich and Gordon (1975). Although in Edwards (1979) and, even more so, in Gordon, Edwards, and Reich (1982) a much more important role is assigned to the trade unions.

What seems missing in segmentation analyses is, therefore, an explanation that links segmentation to the economically rational behaviour of individual firms and workers. The bulk of the discussion takes place at the macro-level where rather general historical accounts overshadow in-depth analysis of the actual mechanisms of segmentation. Doubts, therefore, have been raised as to the explanatory adequacy of these models.

But leaving aside internal inconsistencies, the fact is that segmentation models remain largely silent with respect to institutional regulation. What DLM and NMS models have in common, apart from a common origin, is that both stress the role of uncertainty in the product markets¹¹, technological change and the correspondence between dualistic tendencies at the industrial level and labour market segmentation. Their central focus of attention is, therefore, placed far away from institutional regulatory factors. Taking all these points into consideration, one wonders why Spanish sociologists have been so attracted to segmentation theories. What do DLM and NMS models have to do with temporary contracts in Spain? The answer is by no means obvious.

1.3. Job insecurity and class: from black-box accounts to generative explanations

Despite all these important limitations, segmentation models, or at least their basic terminology, have often been used by Spanish scholars working in the fields of industrial sociology and sociology of work (see, for example: Bilbao 1993; Prieto 1989; Recio 1991). These scholars have offered mostly employer-centred accounts of labour market segmentation which are related to NMS theories. According to these accounts, the introduction of

¹¹ Firms' uncertainty will also depend on their relationship to the state and foreign markets, as well as on corporate growth (see: Rosenbaum 1979; Bielby and Baron 1983; Baron 1984).

temporary contracts is seen as having served the interests of capitalists as a class. Yet these accounts have not explained why Spain has the highest rate of unemployment and temporary work of OECD countries (and consequently, according to these models, the largest secondary segment). In other words, they have not explained what makes Spanish employers so successful in dividing their workforces. If the answer is institutional regulation, then it falls outside segmentation models.

None of these issues have, however, been addressed in detail in this literature. Instead, the authors have provided a description of the market segments in Spain that assumes a largely unproblematic overlapping between contractual forms and occupational 'classes'. According to this description, the primary market is identified simultaneously with highly qualified professionals and with permanent contracts, while the secondary sector is viewed as consisting of unskilled workers and fixed-term contracts (see: Recio 1991,99 and also: Miguélez 1995a,ft.1; Rivero Ceballos 1985,34-7). As a result, it would seem as if all professionals were permanent workers and all labourers fixed-term. Yet no evidence has been provided to sustain this claim.

Interestingly enough, this overlapping of contractual forms and occupational classes has been reproduced in González's work on the Spanish class structure (see: González 1992). In González's own words:

"This hypothesis assumes a significant connection between the dualist perspective and the class structure, according to which: a) the upper-segment of the primary sector constitutes the theoretical equivalent of the middle class, b) the lower-segment [of the primary sector] corresponds to categories of qualified employees; and c) the secondary market corresponds to the categories of unskilled workers and/or workers with limited capacity of control over their job."
(Translated from González 1992,70-71).

Although presented in a hypothetical form, González has actually assumed this model without testing its validity empirically. It is in this sense illustrative that his proposed class

schema for the analysis of the Spanish class structure does not take account of employees' contractual status (i.e. type of contract) (1992,50). In subsequent research on class voting in Spain, the author adopts the same basic model and defines *outsiders* as young unskilled manual workers (see *Section Two*). In so doing, González seems to disregard his own advice:

"It is, however, also possible that temporary contracts become a mechanism leading to the formation of sub-labour markets, whose borders will be progressively defined, and where possibilities for insertion [into permanent employment] will be replaced by processes of rotation of clearly segmenting effects. If this is the case, the split of 'proletariats' into two halves would be no more than a sign of the extent of labour market segmentation in Spain, whose impact on class position we should not lose sight of." (Translated from González 1992,97).

Despite González's advice, sociologists concerned with the general problem of social stratification have not carried out intensive research on the segmenting effects of temporary employment in Spain and, therefore, they have not addressed the crucial relationship between contractual forms and 'classes'. Is fixed-term work a working-class phenomenon, as these analyses seem to imply? Who bear the brunt of fixed-term employment? Do temporary contracts have the same characteristics and the same impact among professionals and working-class labourers? Research on these issues is still lacking. At least to some extent, this could be attributable to the fact that sociologists concerned with stratification have stood on the feet of class theories that are institutionally blind¹².

1.3.1. Goldthorpe's model and the institutionally-insensitive character of class theories

¹² See, for example, the contributions in Carabaña (1995).

Recently John Goldthorpe (2000a,ch.10) has provided a more elaborated theoretical explanation of the principles for class differentiation of employees in an argument that explicitly connects his sociological theory of class differentiation to Williamson's transaction costs economics (see, for example: Williamson 1985;1996 and *Chapter Two*) as well as to recent developments in organisational and personnel economics (see, for example: Milgrom and Roberts 1992; Lazear 1995).

In Goldthorpe's latest model the main axiom of his class theory, which is that class positions can be understood as positions defined by employment relationships (Erikson and Goldthorpe 1992:35-47), is explained within a new rational action framework that focuses on employers' individual optimisation strategies¹³. In this new framework, the causal mechanism that accounts for the class differentiation of employees –into the service class, working class, and 'mixed' forms of employment relations—is related to: 1) the costs involved in monitoring and measuring the respective classes of work that different employees perform, and 2) the degree to which productive value would be lost if each class of employee left the firm –which is a function of the degree of specificity of the human assets or human capital required to perform each type of work. Depending on these costs, workers will enter a different employment relationship with their employers.

The 'labour' relationship –which applies to the working classes– is that which may be expected to generate the least costs for employers. The absence of serious work monitoring problems implies that workers can be remunerated according to their productivity, while the absence of serious asset specificity problems means that no significant specific productive value is lost if the employee 'leaves' the firm. In labour occupations, the characteristics of the work and the assets required to perform it

¹³ "I treat employment contracts primarily for the standpoint of employers, with whom the initiative in their design and implementation does at all events lie." (Goldthorpe 2000a,210-11; emphasis in the original)

make the employee easily replaceable. Hence, labour contracts can take the form of discrete and short-term exchanges of money for effort and come “*as close as is possible to a simple spot contract –albeit perhaps of a recurrent kind- for the purchase of a quantity of a commodity*” (Kay 1993, ch.4 in Goldthorpe 2000a,214).

Conversely, the ‘service’ relationship implies the highest monitoring and human asset specificity costs. Service work-tasks are diverse and multifaceted, making them very difficult to monitor. In fact, monitoring these tasks would require as much expertise, specialised knowledge and delegated authority as the expertise, knowledge and authority being monitored. Service tasks also require a highly qualified workforce. With this type of workforce, it is very likely that there will be an advantage to the employer in ensuring that service workers’ skills are deepened and further specialised in the organisational context in which they are to be applied. Therefore, in order to gain the organisational commitment of their professional, administrative, and managerial employees, and to ensure further skill specialisation, it is rational for employers to offer a form of contract which: 1) secures the employment relationship on a long-term basis; and 2) offers productivity incentives through a payment system based on a fixed wage –or salary–. ‘Service’ contracts offer employees the prospect of a steadily rising level of compensation throughout the course of their working lives –including salary increases according to a defined ‘scale’ and promotion opportunities through a relatively defined career structure. Service contracts also provide incentives for employers to engage in training and for employees to engage in learning. Thus, the rationale of the service relationship favours continuing employment and incentive schemes.

Note, therefore, that the predictions of this model do not differ significantly from those derived from the segmentation literature – or from González (1992). The rationale of Goldthorpe’s argument also leads to expect job insecurity and short-term contracts to be predominantly a working-class phenomenon. Yet, in contrast to the previous segmentation arguments, Goldthorpe’s latest model offers a parsimonious and highly consistent theory of the

mechanisms of class differentiation of employees¹⁴ which has the virtue of explaining contractual differences, including differences in job security levels, *endogenously*, that is by drawing on individual optimisation strategies (i.e. rational action). Goldthorpe's model, therefore, deals with the micro-foundations of the class differentiation of employees. His is an *explanation* in terms of micro-level causal mechanisms, which makes it far more attractive than the previously reviewed black-box narratives based on macro-level associations. Goldthorpe's model understands causation as a *generative process* (see: Goldthorpe 2000a,ch.7), an approach this dissertation highly sympathises with (see below). Yet, and despite its obvious advantages, Goldthorpe's model seems also an inadequate model for explaining the labour market effects of two-tier deregulation in Spain (and, therefore, the mechanisms behind the unequal distribution of job security among Spanish employees).

Goldthorpe's theory is employer-centred. This is problematic to the extent that employers' maximising strategies, powerful as they are, are not the only principle of contractual differentiation that can be identified endogenously. Workers themselves are also capable of developing maximising strategies to obtain greater job security and higher wages without a basis in asset specificity or productivity-measurement issues. In other words, workers can obtain employment rents through collective (trade union) action (see: Sorensen 2000 and *Chapter Two*). Workers' monopoly power, and hence their capacity of 'counteracting' the optimisation strategies of employers that are so central to Goldthorpe's theory, will depend greatly on the institutional context that governs both bargaining rules and contractual practices. Moreover, the institutional context can generate employment rents for workers without a basis in either asset

¹⁴ Goldthorpe's latest theoretical contribution can be subjected to the critique that his 'classes' are now more than ever 'economic' or, more precisely, 'labour market' classes rather than 'social classes'.

For an earlier critique on this basis see: Scott (1996a,215-6); Crompton (1998,102). See also: Scott (1996b).

specificity or monopoly power, for instance, by unilaterally imposing high dismissal costs across-the-board (see *Chapter Two*). The degree of employers' initiative in the design and implementation of employment contracts is, therefore, institutionally dependent. Yet Goldthorpe's model assumes a world in which employers have free hands for implementing and designing employment contracts (2000a,210-11). The model is thus institutionally insensitive, a limitation that it shares with all standard class theories.

As Esping-Andersen has convincingly argued (1992;1993), the conceptual apparatus of orthodox class theories, which is dominant in stratification analysis, is "*nested in an institutionally naked world*" (1993,8). The assumption of institutional 'nudity' allows class models to 'travel' across different institutional settings –and with fruitful empirical results indeed (for a review see: Goldthorpe and Marshall 1996; Goldthorpe 1996,202-207). Yet, by the same token, it makes these models ill prepared for the analysis of those structured inequalities that have an institutional origin. Standard class models will tend to subsume all structural differences in the labour market within the logic of class inequalities, which, both in the so-called neo-Weberian and neo-Marxist versions of class theory –as much as in Goldthorpe's latest version–, are assumed to be generated in unregulated markets.

This theoretical inertia built into orthodox class theories is what could have led González (1992) to assume that there is a largely unproblematic matching between contractual forms and occupational class categories in Spain, rather than to investigate whether or not this is indeed the case. Put simply, institutionally-insensitive class theories, no matter how advanced and explanatorily consistent they are, are not the best starting point for analysing the structuring effects of institutional deregulation.

1.4. The flexible firm

Nor can we draw on the literature on the flexible firm, which views the proliferation of non-standard contracts as resulting from managerial strategies to cope with growing uncertainty in the product markets.

In the DLM and NMS models, internal markets are identified with firms. It is the firm that shields its workers from external competition, thereby creating a firm-specific (internal) market. Flexible firm models offer a different picture. Maintaining the emphasis on technological change and uncertainty in the product markets, the literature on the flexible firm stresses the processes whereby firms themselves segment their own workers creating a core of stable and a growing periphery of flexible employees *within* the firm (see e.g.: Atkinson 1984;1985; Atkinson and Meager 1985;1986). According to the flexible firm models, firms segment their own workforces in the pursuit of 'functional', 'numerical' and 'distancing' flexibility as a means of coping with rapid technological change and the growing uncertainty in product markets produced by an increasingly globalised economy. As a result, the size of the core workforces is cut as the firms resort to 'peripheral' employees, which provide numerical flexibility and a flexible reserve of specialist skills. Numerical flexibility refers to the process by which employers match workers to demand fluctuations and, in principle, it can be achieved by varying the number of hours worked by the core force. Overtime work is however a more costly option than the use of part-time or temporary contracts. The proliferation of flexible contractual forms will, therefore, provide firms with a more efficient tool for numerical flexibility, while functional flexibility will be achieved by reducing the size and increasing the training in multiple skills and the in-firm mobility of the core employees and/or by resorting to outside experts for specific tasks.

As Gallie *et al.* (1998) have pointed out, there is a polarization argument implicit in the flexible firm literature. According to this argument, functional flexibility would provide skill polyvalence to

the core workforce, which would benefit from high pay, advantageous employment conditions and, above all, relatively high levels of job security—since core workers are insulated from medium term market fluctuations (Atkinson 1984,29). These privileged employment conditions would contrast with the effects of numerical flexibility on peripheral workers, who would experience poor employment conditions and, above all, very little employment security. Increasing flexibility would imply a widening of the gap between core and peripheral workers (Gallie *et al.* 1998,10-12).

It is interesting to note that, in contrast with DLM and NMS models, the flexible firm argument does not confine job insecurity to the least skilled occupations. Atkinson (1984,29), for instance, argues that *“the new divisions are much less likely to be based on blue or white collar distinctions, but rather on the separation of jobs which are specific to a particular firm from those involving general skills. The firm-specific skills might range from production manager to maintenance occupations, and the non-specific from system-analyst to driver. Both can be found at all levels in the company”*.

Yet the flexible firm argument, in common with DLM and NMS models, links the process of employment differentiation to general changes in technology and product markets. The model of the flexible firm is also employer-centred and institutionally insensitive. Following its internal logic, one should expect to find very rapid technical change and very high levels of product-market uncertainty in Spain, as this is the country with the highest levels of temporary contracts in the OECD. These are not reasonable expectations. If Spanish firms are so ‘flexible’, it is not because product markets are particularly uncertain, the Spanish economy particularly globalised, or the speed of technical change particularly high in Spain. The very high levels of temporary work, and of the job precarity associated with temporary employment in Spain, can only be explained as the result of a particular deregulation policy (two-tier reform) implemented in a particular regulatory context characterised by high dismissal costs

and an uncoordinated non-inclusive collective bargaining system (see *Chapter Two*). Institutions, therefore, matter.

1.5. Institutions matter

Recently, Esping-Andersen has theorised on the labour market effects of institutional regulation¹⁵ (1998a;1998b;1999,ch.7). He maintains that all welfare states show a vast variation of policy-making contexts or regulatory practices. These practices, combined with the particular institutional settings in which they take place, form what the author calls a *regulatory regime*. Each regulatory regime has different segmenting implications.

According to Esping-Andersen (1998a), there are three elements of the regulatory regime which are particularly important for labour market structures. The first element is the *income transfer system*. Income transfer systems can raise the reservation wage and create negative work incentives; they can reduce demand for labour if employer contributions are high (in other words, the tax-wedge problem¹⁶); and they can affect the wage-

¹⁵ More precisely, Esping-Andersen focuses on the effects of regulation on the levels and structure of unemployment (1998a;1998b;1999,ch.7)

¹⁶ Many specialists on the Spanish labour market remain rather sceptical about the importance of employer contributions for the overall level of unemployment in Spain. In Spain, the proportion of the labour costs that goes on to financing social benefits is around 25 per cent. This figure is very near the European average (26 per cent) (data for 1996, from OECD in Martín 1997,14. See also: Nickell and Nunziata 2000,18), whilst the unemployment rate is way above. In 1996, Castillo, Duce and Jimeno (1996) undertook a survey among 70 labour market specialist in which respondents were asked to give their opinion on the different causes of unemployment in Spain and the different possible remedies. The survey clearly showed that the specialists were unable to agree as to relative contribution of the tax-wedge problem to the Spanish unemployment rate. Responses on this point were very varied, a result which the authors interpreted as a clear sign that empirical results and opinions on this matter were ambiguous (Castillo, Duce and Jimeno 1996,15). Martín (1997) analysed this issue empirically and from a comparative viewpoint. He concluded that the income transfer system “*does not seem to be one of the major sources of*

setting mechanisms by raising the wage floor. Which of these effects prevails in any given society will depend on other components of the regulatory regime. The second element in regulatory regimes is the *cost of dismissals*. High dismissal costs are likely to reduce demand for labour and to reinforce workers' bargaining position, which will enhance insider-outsider effects (see *Chapter Two*), to an extent that will again depend on the overall context and, in particular, on the collective bargaining system. The *collective bargaining system* is the third and final component of a regulatory regime. Different bargaining systems yield different wage structures and affect the impact of all the other elements. The levels of coordination and synchronisation among bargaining units, the depth and scope of bargaining and the representational characteristics of unions (i.e. whom unions represent) are particularly important factors in collective bargaining systems (see *Chapter Two*). High transfers, high dismissal costs and/or high wage compression will have very different labour market effects if they "*occur in a bargaining structure where insiders have strong bargaining power, or in coordinated economies with interest intermediation between the social partners*" (1998a,3).

It follows from Esping-Andersen's model that in centralised and coordinated collective bargaining systems, unions will have greater opportunities for displaying what we might call *inclusive unionism*¹⁷, that is, broad representational strategies in defence of general interests (class interests) rather than particularistic ones (insider interests). Inclusive representation implies introducing

institutional rigidities and labour market inefficiencies with particularly severe unemployment consequences" (Martín 1997,13. Translated from the author). According to most specialists on the Spanish labour market, the factors that really seem to matter are the collective bargaining system and dismissal costs (Martín 1997,13-16) (see: Castillo, Duce and Jimeno 1996).

On the unemployment benefit system in Spain, see: Toharia (1997) and Jimeno and Toharia (1994).

¹⁷ This a concept to be found in Iriso Napal (1993). See below and *Chapter Six*.

questions regarding firms' employment policies into the bargaining agenda.

Esping-Andersen's model stresses the interplay between the different elements of a regulatory regime in the formation of labour market structures. The implications for the Spanish case are straightforward. The Spanish regulatory context is characterised by very high dismissal costs and a collective bargaining system particularly ill-suited for inclusive unionism (see *Chapter Two*). If two-tier deregulation is implemented in this context, insider-outsider segmentation will be intensified and horizontal inequalities by type of contract will emerge. In order to understand the process whereby the introduction of fixed-term contracts generates horizontal inequalities in the labour market attention has, therefore, to be drawn on the analysis of the institutional factors that regulate labour market exchanges. These factors are crucial intervening variables in the type-of-contract segmentation process. Hence any explanation of the impact of temporary contracts on labour market structures in Spain will be incomplete unless the input of these crucial intervening regulatory factors on the segmentation process is identified and explained.

1.6. The dynamics of type-of-contract segmentation

A starting point of this thesis is that a comprehensive analysis of the structuring impact of two-tier deregulation in Spain requires an eclectic theoretical approach that combines economic and sociological theories in the search for mechanism-based explanations that can account for the *dynamics* of the segmentation process¹⁸. Mechanism-based explanations can

¹⁸ On the usefulness of combining economic and sociological approaches see, for example: Swedberg (1990) and Sorensen (1990,312). In defence of (macro-to-)micro-to-macro mechanism-based explanations see, for example: Boudon (1987); Coleman (1986); Goldthorpe (2000a,19-20 and ch. 5,6) and Hedström and Swedberg (1998). On the dynamic nature of mechanism-based explanations see: Edling (1998,ch. 1).

illuminate the labour market black box by highlighting the micro-level cogs and wheels that relate regulatory change to labour market segmentation in Spain. The next chapter presents an analytical model that relates two-tier deregulation and the particularities of the Spanish labour market regulatory context to labour market structures through the concept of *employment rents*. The employment-rent model, which is based on recent developments in the labour market economics and economic sociology literatures, can help us explain the dynamics of the type-of-contract segmentation process. Based on the employment-rent model, and drawing on the microeconomics literature on unemployment, two hypotheses are proposed. These hypotheses specify the mechanisms that can account for the dynamic logic of type-of-contract segmentation. The first hypothesis argues that, given high dismissal costs, fixed-term contracts can be used as an efficient incentive device with which employers can extract further output from workers irrespective of the asset specificity of the task they perform. The possibility of renewal of fixed-term contracts plays the equivalent role to that of efficiency wages in internal labour markets. The second hypothesis sustains that the introduction of fixed-term contracts in a regulatory context of high dismissal costs and non-inclusive collective bargaining is likely to further enhance permanent workers' bargaining power as a result of the so-called buffer effect. The buffer effect refers to the impact of fixed-term workers' job insecurity on permanent workers' survival probability in employment. Both are positively related. Incentive and buffer mechanisms reinforce each other and the result is type-of-contract segmentation. These hypotheses are tested in *Part One* of this thesis (see *Chapter Three* and *Chapter Four*).

The labour market effects of two-tier reform is only but half of the structuring impact of institutional deregulation in Spain. The other half refers to its impact on socio-political attitudes and behaviour, that is, to its 'consciousness' effects. Of course, the assumption here is that two-tier deregulation is likely to have consciousness effects *because* it creates labour market structures

(i.e. inequalities). Yet the process whereby the position individuals' occupy within labour market structures (i.e. labour market experiences) translate into consciousness effects is by no means obvious. *Part Two* of this thesis deals with the analysis of the consciousness effects of type-of-contract segmentation in Spain.

2. Sociological Evidence on the 'Consciousness' Effects of Type-of-Contract Segmentation in Spain: A Critical Review

All sociological analyses of the consciousness effects of unemployment and precarious employment in Spain have focused on two realms: industrial action and electoral politics. Impressionistic work outweighs robust empirical evidence on these crucial issues.

2.1. Type-of-contract segmentation and the trade unions

Most of the sociological discussion on the 'consciousness' effects of fixed-term contracts have taken place within the industrial relations literature (see: Bilbao 1991;1993; Castillo 1989;1994; Martín Artiles 1988; Martín Valverde 1991; Martínez Lucio 1993; Rojo Torrecilla 1990; Valdés Dal-Ré 1994; Recio 1991). Here the emphasis has been placed on the effects of fixed-term contracts on the relationship between workers and unions.

Given the influence of neo-Marxist (NMS) models in the Spanish field of industrial sociology, it is not surprising that most accounts have stressed the fragmenting effects of type-of-contract segmentation. The fragmentation of the working class is the major concern of NMS models. A central argument in these theories is that labour market segmentation fragments working-class consciousness and thereby prevents the emergence of radical (or revolutionary) working-class action. As it will be argued in greater detail in *Chapter Five*, which presents the analytical framework

for the research on the consciousness effects of type-of-contract segmentation in Spain, workers' lack of revolutionary consciousness is a recurrent preoccupation of Marxist discussions. The research question in these discussions is consequently framed in purely counter-factual terms, as the main issue becomes how to explain the reasons for an event (revolutionary class-consciousness) *not* happening (Lockwood 1992,166). According to NMS theory it is labour market segmentation which 'explains' the fragmentation of working-class consciousness (i.e. the lack of revolutionary consciousness).

There is also a high degree of 'mechanicism' involved in this counter-factual approach of NMS theories, as it is assumed that labour market and work experiences automatically translate into consciousness effects. Yet nothing is said (nor investigated) about the actual mechanisms whereby different experiences provoke different attitudinal outcomes. In fact, NMS theories do not investigate the consciousness effects of labour market segmentation but rather take them for granted. These theoretical problems are reflected in the existing analyses of the relationship between workers and unions in the segmented Spanish labour market.

Yet, it must be noted that lack of specification of the actual mechanisms that produce (or do not produce) consciousness effects is by no means exclusive to NMS models. Nor is it only NMS models that assume a mechanical connection between employment conditions and attitudinal outcomes. In fact, what seems missing in the few sociological analyses of the consciousness effects of unemployment and precarious employment in Spain is precisely a clear account of the causal processes that link labour market (or employment) experiences to attitudinal outcomes. This, together with the scarcity of empirical analyses, is the main limitation of the research on the consciousness effects of type-of-contract segmentation in Spain.

2.1.1. The evidence

There seems to be a general consensus among Spanish industrial sociologists that fixed-term employment separates workers from the trade unions. As Bilbao puts it, *“it is in the core of stable workers where the positions closer to unions are found, while rejection is found in the more distant circles... (T)here is a certain correspondence between labour market marginality and radicalism in the rejection of unions”* (translated from Bilbao 1993,133). Despite the categorical tone of the statement, this claim is based on the opinions expressed in focus groups (the exact number and characteristics of which are not fully revealed by the author). Moreover, Bilbao does not provide any detailed explanation of the subjective mechanisms that link temporary employment to the rejection of unions; he merely states a correlation (see also Bilbao 1991,259-66). Surprisingly, Bilbao’s hypothesis has not been tested yet on a representative sample of the Spanish workforce.

Authors from the industrial relations literature also seem to coincide in presenting both fixed-term workers and trade unions as the victims of the segmentation process in Spain (employers being the main beneficiaries). Only Pérez-Díaz (1987;1993;1999) has argued that, under the rhetoric of a critical discourse that opposes the marginalisation of fixed-term and unemployed workers, unions have in fact declined to defend outsiders as part of a union strategy to prevent these segments from articulating any alternative against the interests of their permanently-employed members¹⁹. Pérez-Díaz’s contribution to the discussion has been mainly impressionistic. No convincing evidence has been provided yet.

These rather general and under-specified hypotheses shed, therefore, little light on the impact of two-tier deregulation on the

¹⁹ Pérez-Díaz is here applying for the Spanish case a general argument developed by authors such as Crouch (1986) and Hall (1987).

dynamics of industrial representation of interests. A more interesting insight into these dynamics has been provided by Iriso Napal (1993). In his case study of four large enterprises in the metalworking sector of the autonomous community of Madrid, Iriso carried out numerous interviews with workers on different contracts. These interviews suggest the existence of a process of interest differentiation by type of contract that can lead to explicit horizontal conflict between permanent and fixed-term workers inside firms. This conflict seems to lie at the heart of fixed-term workers' disaffection with the trade unions. Iriso argues, however, that the more organisational resources unions have, the greater the chances that they display '*inclusive*' representational strategies that ameliorate the conflict between insiders and outsiders and thereby bring the latter closer to the unions' realm.

Iriso's case study suggests interesting hypotheses. Yet four enterprises seem too small a sample to reach general conclusions. Serious doubts, therefore, arise as to whether his findings are representative of the Spanish workforce as a whole. These methodological limitations are shared by other enterprise-based studies that address, directly or indirectly, the relationship between unions and a divided workforce (see: González Calvet 1985, Jodar 1987;1988; Jodar and Lope 1987; Ortiz 1999,ch.5).

In short, empirical research on the effects of type-of-contract segmentation on industrial attitudes and behaviour is still rather scarce and fragmented. The existing evidence is not representative of the workforce as a whole and discussions tend to focus on associations (empirical or hypothetical) rather than proper explanations of the subjective mechanisms that link labour precarity to attitudinal outcomes.

2.2. Type-of-contract segmentation and electoral behaviour

There has also been little empirical research on the electoral consequences of type-of-contract segmentation in Spain. There are, however, interesting exceptions. González (1995;1996;1998)

has investigated the political effects of being an 'outsider' in his analysis of the determinants of Spanish voting behaviour in the 1986-1996 period. Yet, as noted above, González's outsiders are defined as young-employed-unskilled workers (see: 1998,12). Neither type of contract nor employment status (i.e. being employed or unemployed) form part of the definition of the outsider variable. This operationalisation is consistent with the author's assumption that class and contractual forms overlap. González's analyses have inaugurated a promising line of research that has already offered interesting insights into the nature and trends of class voting in Spain. Yet the chosen approach sheds little light on the political effects of type-of-contract segmentation.

Recently, Maravall and Fraile (1998;2000) have undertaken empirical analysis of the political effects of unemployment. Their work constitutes an important contribution to the analysis of the electoral consequences of unemployment in Spain, from which interesting implications follow. Applying multivariate techniques to a survey carried out in 1995, the authors show that unemployed workers were less likely to vote for the incumbent Socialist party (PSOE) than non-unemployed workers (both employed and economically inactive) but that this impact was "*to a considerable extent mitigated by the influence of ideology, [family] income levels, evaluations of the general economic conditions and social policies*" (Maravall and Fraile 1998,37). Maravall and Fraile stress, therefore, the safety-net role of family income which, together with ideological variables, is used as a means to explain what they consider to be a "limited" electoral impact of unemployment in Spain. Note that implicit in their argument is the assumption that the main trigger of the electoral effects of unemployment is the experience of economic hardship. Since families (and the welfare system) mitigate this hardship, electoral effects are limited. Here lies the connection between Maravall and Fraile's argument and *familialistic* approaches to segmentation (see above).

It has been argued that the authors' conclusion that the electoral effects of unemployment are largely mitigated by family

income is not sufficiently sustained by the statistical models they present (see: Polavieja 1999;2000 and *Chapter Seven*). Maravall and Fraile could have read too much into these models. As a result, the possibility that the experience of being an outsider in the Spanish labour market provokes significant political effects, even if family income eliminates economic hardship, is not sufficiently explored. To a considerable extent this is due to the fact that the authors are more concerned with the consequences of unemployment for the incumbent party than for the unemployed themselves. This otherwise perfectly legitimate option leaves room for further and more detailed analysis of the subjective mechanisms that link labour market experiences to electoral outcomes (see *Chapter Seven*).

In short, a comprehensive analysis of the structure and consciousness effects of labour market deregulation in Spain is still lacking. This thesis seeks to fill this gap by inaugurating a line of research that has, above all, a marked empirical character. Data is the first thing we need if we want to engage in a fruitful discussion on institutionally triggered mechanisms of social differentiation in contemporary Spain. This thesis is written with such a goal in mind.

This dissertation is driven by a theoretical concern with institutional mechanisms of labour market differentiation. Its main objective is to contribute to the analysis of the structuring impact of deregulation in institutionally-filtered capitalism by providing evidence on the Spanish case.

3. Structure of the Thesis

The thesis is divided into two parts. *Part One* analyses how two-tier reform in 1984 generated structured inequalities in the Spanish labour market. *Part Two* analyses how individuals'

position in these structures had effects on their industrial and political attitudes and behaviour.

Part One is divided into three chapters:

Chapter Two discusses the analytical model to be used in the research on the segmenting impact of fixed-term employment. The main thrust of this model is that in order to understand the segmenting impact of regulatory change, it is necessary to look at the effects that this change has on the rent-optimisation strategies of employers and employees. Two hypotheses are proposed: 1) that two-tier deregulation has allowed employers to secure a greater share of the composite rents generated in employment relationships (*incentive effect hypothesis*); and 2), that it has allowed permanent workers to obtain greater employment rents (*buffer effect hypothesis*).

Chapter Three presents evidence on the employment effects of the 1984 labour market reform by drawing on original analysis of the *Spanish Labour Force Survey* (LFS) for the 1987-1997 period. It shows how fixed-term workers saw their chances of being locked into unstable labour market trajectories increase over the analysed period, while insiders' survival probability in employment was enhanced. This process took place within all occupational classes.

Chapter Four analyses the impact of two-tier reform on the wage-setting process. Original analysis of the *Spanish Statistical Office's Pilot Survey on Wages* (1991) and of the *Spanish Survey on Class Structure, Class Consciousness and Class Biography* directed by Julio Carabaña (1991) lend support to the predictions of the incentive and the buffer effect hypotheses.

Part Two is divided into three chapters:

Chapter Five presents an analytical model for the study of the consciousness effects of type-of-contract segmentation. The main thrust of the model is that the likelihood that labour market

structures have consciousness effects will depend on *how* the *potential* market interests these structures entail are *filtered* or *mediated* by individuals' ideological maps acquired outside the labour market. The model also defends focusing only on those aspects of individuals' subjectivity and behaviour that have consequences for industrial and political organisations, as well as combining qualitative and quantitative techniques.

Chapter Six tests the hypothesis that labour market segmentation by type of contract has an impact on *union involvement* –i.e. the degree of workers' participation in the different forms of collective action and the intensity of subjective identification with unions. The chapter analyses qualitative data from original focus groups carried out in 1997 and quantitative data provided by the *Centre for Sociological Research Survey on Trade Union Activity* (1994) and the *Spanish Survey on Class Structure, Class Consciousness and Class Biography* (1991). The evidence obtained validates the hypothesis that fixed-term employment reduces trade union involvement. Different mechanisms are offered to explain the observed effects.

Chapter Seven defends two interrelated theses: *First*, that labour market experiences in the flexible segment of the Spanish labour market generate political discontent, and, *second*, that political discontent can have electoral consequences. Original analysis of the *Spanish Survey on Class Structure, Class Consciousness and Class Biography* (1991) and of the *Centre for Sociological Research Survey on Political Culture*²⁰ (1995) suggests that political discontent among leftwing outsiders could have favoured punishment voting against the incumbent Socialist Party in the general elections of 1996. Original qualitative analysis offers interesting insights into the subjective processes of discontent and punishment.

The thesis ends with a concluding chapter, *Chapter Eight*, in which the main findings and implications of the study are presented and discussed.

²⁰ All the surveys used in this thesis are described in detail in *Appendix B*.