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Presentation summary

Atypical employment - German experiences and steps towards international measurement

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The number of persons in employment and unemployment and its corresponding rates are still the most prominent indicators for evaluating labour markets in the European Union. For the EU2020 strategy concerning the labour market the employment rate is the key indicator. Although, this strategy also addresses the quality of jobs and working condition. In Germany the monthly figures on persons in employment published by the Federal Statistical Office and the rate of registered unemployment published by the Federal Employment Agency find strong public attention and are often used as indicators for the performance of the labour market policy of the federal government.

Looking at the dramatic problems with youth unemployment in many EU countries, first of all, creating jobs can be seen as the most urgent need. On the other hand, to have work alone is not sufficient. Good or suitable working conditions and, of course, a salary that allows making ends meet are necessary, too. There are activities on the international level to get a broader understanding of the quality of employment like the concept of “decent work” of the International Labour Organisation or the comprehensive framework on measuring the quality of work that has been elaborated by UNECE, the ILO and Eurostat.

Comparing the development in Germany since the global financial and economic crisis with that in many other European countries, there seems to be something like a German “Jobwunder”: since 2005 more or less continuously employment has been rising and unemployment has been dropping. During that time span the employment figure increased by 2.7 million or almost 7% to about 41.6 persons in employment. At the same time unemployment was almost divided by two and plunged from 4.57 to 2.32 million persons. The latter corresponds to a rate of 5.3%. This can be seen in the light of labour market reforms in Germany in the years before. These tried to make employment more flexible, for example by facilitating temporary agency work or reducing the requirements for fixed term contracts. But also the requirements to registered unemployed became stricter. Furthermore, the share of enterprises bound to collective agreements between employers’ associations and trade unions shrinks in Germany. These agreements still play an important role in Germany by governing pay, working hours and other working conditions. Not at least due to this, employment conditions in Germany have become more diverse and often it is feared on a lower level, especially regarding working conditions and wages. In the public discussion many see this as the other side of the coin of the “Jobwunder”. The discussions often go around the prevalence of precarious work, employed that earn such less that they still have to be subsidized by the state or young people being forced to accept jobs with no or low pay to manage the entry into the labour market, signified as “Generation Praktikum” or “generation internship”.

There is a need for indicators providing relevant information for new developments on diversified labour markets and still giving a concise picture.

New indicators for diversified labour markets?

Nevertheless, the diversification of employment conditions has been changing the German labour market long before the above mentioned reforms and, of course, this development is not limited to Germany. But, in this country due to the overall positive labour market performance the question gets most obvious, whether the established indicators are sufficient to evaluate the labour market situation or even might give a misleading picture.

Indicator frameworks like the one elaborated by the UNECE on quality of employment provide a comprehensive picture for in depth examination but has too much and diverging information for an overall evaluation. The variable professional status from the LFS gives us a rough separation of different forms of employment but neglects the diverse working arrangements of dependent employment. A further differentiation of the professional status between public officials, blue- and white-collar workers in the German LFS (Beamte, Angestellte und Arbeiter) is not that relevant anymore and thus of limited usefulness for getting a clearer picture. Besides, the LFS provides us with numerous relevant information on e. g. part-time work, fixed-term contracts or temporary agency work but an integrated view or concept is missing.

Science tries to analyse the diversification of work arrangements and its consequences by using different terms. These are for example *alternative work arrangement, non-standard employment, atypical employment, precarious work or contingent work*. It can be argued that most of these forms are not new but reemerged after a standardization of working conditions in the 1940s in most of the industrialised countries and gained importance during the last two decades.

Most definitions have in common that non-standard employment differs from central characteristics of standard employment. The notion what defines standard employment differs and can be more narrow or broad. These standard characteristics can be job-stability, working hours, wages, the entitlement to public benefits, on-site, full integration at the local enterprise or union membership. Thus, non-standard employment can include part-time work, temporary agency work, fixed-term contracts, subcontracting, self-employment or ostensible self-employment, homework, work during atypical working hours or seasonal work, work being not subject to social insurance or trade union agreements.

Applying the concept of “atypical employment” in official German Statistics

German official statistics reacted to the more recent developments on the German labour market by operationalizing the concept of “Atypische Beschäftigung” to its statistics. According to our standards for Germany it is the most suitable concept and has been established in national and international labour market research during the preceding two decades. Important for its usage in official statistics was:

- It should be relevant for the analysis of recent labour market trends. Thus, the described forms of employment should have a certain quantity and make a difference in its consequences for the persons in employment.
- It should be a neutral analytical concept. Thus, it should provide a basis to evaluate recent labour market trends but not be an evaluation in itself. The differentiation between the forms of employment has to be possible along objective characteristics of the job. Although, the term “atypisch” has a negative connotation the concept behind is neutral and established in German economic and social science. Neutral means that different the forms of employment are not good or bad by its definition although they might have positive or negative consequences for employers or employees in the end. For example, part-time work can facilitate households to combine employment and family care aims. On the other hand, it may lead to a mediocre salary or make it more complicated for employers to reorganize full-time into part-time jobs.

The concept of atypical employment also starts with the definition of a standard employment, which is called “Normalbeschäftigung” or normal employment. It is called “normal” because it is still the most prevalent form of employment, the system of public insurance is organized along central characteristics of this kind of employment and for most people it is seen as the norm for a proper employment.

The central properties of normal employment are:

- Full-time employment,
- with a permanent contract,
- entitling for public social insurance (for unemployment, health and pensions), and
- one works directly for the enterprise he/she has the contract with.

Employment is not normal but atypical if it does not fulfill at least one of the above mentioned criteria. This definition only relates to dependent employment because these criteria cannot be clearly linked to self-employment. Self-employment is taken into consideration besides the forms of dependent atypical employment.

According to this, for Germany there are four forms of atypical employment. These are:

- 1) Part-time employment with 20 or less working hours per week
- 2) Fixed-term employment
- 3) “Geringfügige Beschäftigung”
It does not entitle to social insurance payments and is either short-term employment or employment with a maximum wage of 450 Euros per month.
- 4) Temporary agency work

Especially regarding “Geringfügige Beschäftigung” there are many pupils and students but also pensioniers who have a minor job but whose main status actually is not employed. For analytical reason in our reporting on atypical employment we focused on the employed between 15 und 64 years of age being not in general or vocational education (so called “Kernerwerbstätige”/core employed) in their main job. Due to empirical analysis and theoretical considerations we decided only to count part-time employment with at most 20 hours per week as atypical employment.

There are overlaps between the groups of atypical employment, because, for example, a person could be in part-time and “geringfügiger” employment at the same time. For the total number of atypically employed they are counted only once.

Development of atypical employment between 1991 and 2012

Considering this core group of persons in employment with in total 36.2 million in 2012 there have been interesting and partly substantial developments.

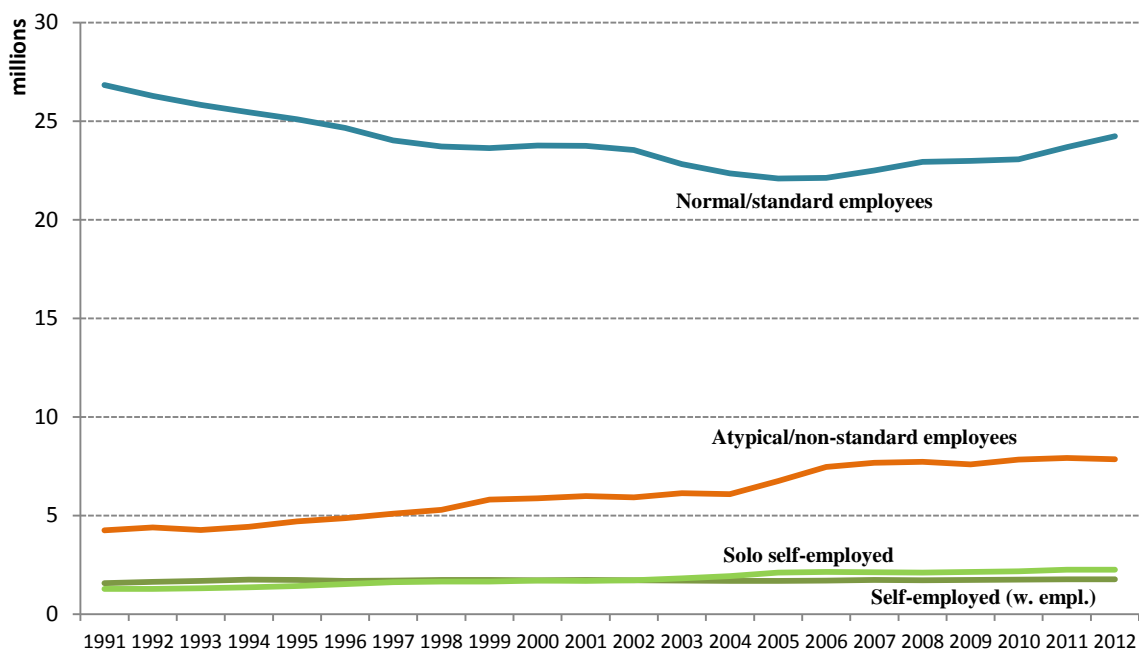
Looking at self-employment first, in sum it has risen by about 1 million persons to 4.0 million in 2012. There has been a shift between self-employment with and without employees. The former group mounted by less than 200,000 persons mainly between 1991 and 1994. The latter has grown to a larger extend and over the complete period by almost one million. The 2.3 million so called solo self-employed in 2012 form the majority of self-employed, whereas in 1991 the opposite was the case.

There have been significant changes regarding normal and atypical employment. Whereas in 1991 almost 4 out of 5 persons in employment (78%) were in normal employment, their share fell to 67% with an almost constant level since 2006. Thus, normal employment is still the largest form of employment in Germany but has lost of its importance. On the opposite only one out of eight (12%) employed persons were in atypical employment in 1991, but more than 1 out of five (22%) were in 2012.

The figure of normal employees underwent large changes. It dropped between 1991 and 2005 from 26.8 million by 4.7 million persons or almost 18%. It has partly recovered since then by 2.2 million

but is still below the level of 1991. On the opposite atypical employment has increased by 3.6 million persons or almost 85% since 1991 with in all 7.9 million atypical employees in 2012. The strongest increase took place until 2006. In 2009 and 2012 there was even a slight reduction. Interestingly, almost at the same time when normal employment started to recover the increase of atypical employment was diminished. In sum, the increase of atypical employment could only partly compensate for the loss of normal employment so that the overall figure of persons in core employment fell until 2004 and has almost constantly been rising since then. Only in 2009, when the global economic crisis had its impact on the German labour market it fell slightly by less than 0.3%.

Figure 1: Development of different forms of employment, Germany 1991 – 2012



Source: Mikrozensus, persons in employment 15 to 64 years, not in formal education

Differentiated comparison between 2006 and 2012

A closer look at the development since 2006 reveals that there have not been larger changes in the percentages of different forms of employment. Due to the stronger increase in normal employment its share has risen from 65.4% to 66.9%.

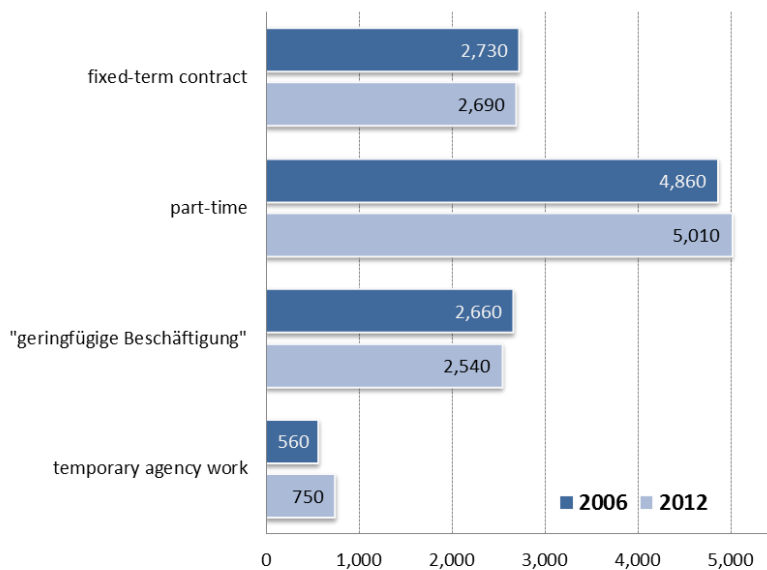
Interesting is the growing importance of part-time work between 21 and 32 hours per week which is counted in the concept of atypical employment as normal employment. It rose by 480,000 persons between 2006 and 2012, whereas atypical part-time employment (with 20 hours per week and less) only rose by 150,000. It has to be seen whether this kind of part-time employment will continue to rise in that intensity.

Among the single forms of atypical employment part-time work with 20 hours per week or less has the largest part. In 2012 about 5 million persons worked part-time in that way. The next largest group are employees with a fixed term contract with about 2.7 million persons. About 2.5 million people are “geringfügig beschäftigt”, whereas there are large overlaps with the part-time employees. 2.28 “geringfügig Beschäftigte” are part-time employed at the same time. The smallest group are temporary agency workers. In 2012 there were 750,000 of them in Germany. Their development was the most dynamic one since 2006 and despite its relatively small size gained a big attention in the German me-

dia. But, the increase of temporary agency work has slowed down and between 2011 and 2012 the number of employees even fell slightly.

The development of single forms of atypical employment between 2006 and 2012 has been not very dynamic despite temporary agency work. Part-time work being the biggest form of employment continued to grow, as mentioned above. Fixed-term employment remained almost stable and “geringfügige Beschäftigung” showed during the last years a tendency to shrink.

Figure 2: Persons in atypical employment, 2006 and 2012



Source: Mikrozensus, persons in employment 15 to 64 years, not in formal education

Subgroups in atypical employment

There are interesting differences between several sub-groups of employees in employment.

For example, among working men 12.2% were in atypical employment, but 32.6% of the women. The most important employment forms are part-time employment and “geringfügige Beschäftigung”. 25.8% of women work in part-time employment but only 3.7% of the men. The shares in fixed-term employment are more even with 7.0% and 8.0% for men and women, respectively. Only considering temporary agency work the share of men is larger than that of women, but on a very low level with 2.6% and 1.4%, respectively.

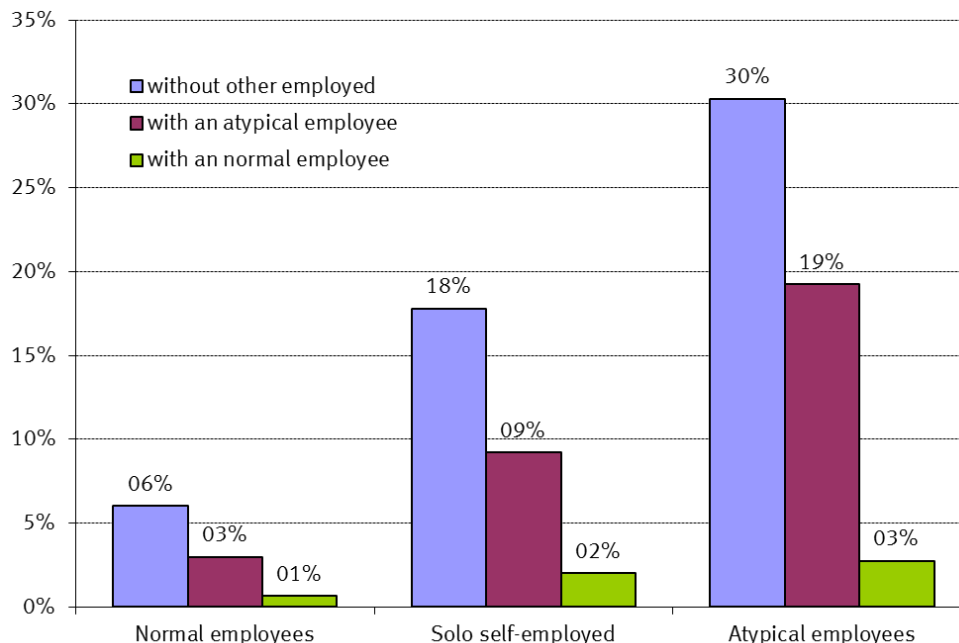
There are remarkable differences between age groups and gender. About one third (32.2%) of the young working people between 15 and 24 years are in atypical employment. This share drops as ages rises and above the age of 35 only one out of five employed persons are in atypical employment. Young people are more often in fixed-term employment with 23.3% among the 15 to 24 year olds compared to 3.6% among the 55 to 64 year olds. Something comparable applies for temporary agency work with 4.7% and 1.3% for the respective age groups. While for men we find the same pattern by age but more pronounced, for women the situation is somewhat different: in the age group 15 to 24 they have a comparable structure of atypical employment as young men. But with rising age their share in fixed-term work shrinks and the share in part-time employment increases. They start with 11.4% of part-time workers for the youngest age group and a percentage of 30.7% for the age group of 35 to 44 year olds and remain on that level. As a consequence the share of atypically employed women for every age group is over 30%.

There are also pronounced differences by nationality. Foreigners from other EU countries are with 26.2% against 20.7% more often atypically employed than Germans, mainly because they are more often in fixed-term employment (11.2% vs. 6.9%). But they are also more often in temporary agency work (3.2% vs. 1.8%). Differences are even stronger for foreigners not coming from the EU: 34.9% of them work in atypical employment. Their share is at least double the one of the German working population in all forms of atypical employment. Most remarkably are the differences in “geringfügiger Beschäftigung” with a share of 14.5% compared to 6.5% among the German working population and temporary agency work with 4.8% compared to 1.8%.

Income from atypical employment and risk of poverty

We also analysed if these differing forms of dependent employment lead to differing wages. By using information from the German Structure of Earnings Survey 2010 we found remarkable differences. A person working in normal employment in average (median) earned 17.09 Euros per hour and with that clearly more than a person in atypical employment receiving 10.36 Euros. Furthermore, there are differences between employees in each form of atypical employment: the lowest average salary have “geringfügig Beschäftigte” with 8.19 Euros per hour but also temporary agency workers earn only 8.91 Euros. The clear difference between normal and forms of atypical employment are interesting because normal employment already covers a very wide range of jobs in differing branches and requiring very different levels of qualification.

Figure 3: Risk of poverty by employment constellation in household, 2008



Source: Mikrozensus, persons in employment 15 to 64 years, not in formal education

To work part-time or in “geringfügiger Beschäftigung” can be a part of sharing tasks in a household. Also, a low salary coming from temporary agency work might not be problematic if other household members earn fair enough and income is shared. We analysed whether people in atypical employment have a higher risk of poverty by using data from the 2008 Mikrozensus.

We found that households cannot completely compensate for the differing wages connected with each form of employment. The share of persons in employment with risk of poverty was still the lowest

among normal employees with a share of 3.2%. Among atypical employees clearly more, i. e. 14.3%, had that risk. Again there is a lot of variation between the forms of atypical employment. So the share of risk of poverty among fixed-term employees was 9.5% and among “geringfügig Beschäftigten” it was 23.2%. And still, the risk of poverty connected with being unemployed it markedly higher with a share of 56,6% among the unemployed in 2008.

The best insurance against poverty in 2008 seems to be either having a normal employment or living together with a person being normally employed. 30% of atypical employees being the only working person in a household are at risk of poverty, whereas this was the case for only 3% of atypical employees with at least one normally employed person in the household. So, there is a high potential for minimizing risk of poverty by household collaboration, but only about half of all atypically employed live together in a household with a normal employee and are able to use this potential.

Thus, all forms of atypical employment make a difference concerning hourly wages and these differences are only partly compensated by the household constellations the atypical employees live in.

Conclusions, questions and issues for a European set of indicators

The introduction of the concept of atypical employment into official German labour market statistics has proven to be very useful. It provides a concise picture of what kind a change in total employment is made of. It can be seen that labour market reforms around 2005 have not brought a downgrading of working conditions. On the opposite, surprisingly more normal than atypical employment has emerged. And, it can be seen, that the concept helps to better understand the labour market situation of specific population groups. The identified forms of employment make a clear difference regarding wages and risk of poverty, thus, proving the relevance and additional explanatory value of the concept. Furthermore, the concept of atypical employment has found a widespread reception by the public and politics.

There are still some points for discussion where we have not found a completely satisfying answer, so far:

- Should the sub-groups of atypical employment be overlapping or mutually exclusive? If so, who should these groups be delimited?
We decided so far to stick to the overlapping groups and to form non-overlapping groups only for special analysis.
- Should we consider all employment or keep on concentrating on core employment with persons aged 15 to 64 years and not being in education?
We decided so far to stick to our focus and to mention employed persons older than 65 or in education in additional columns.
- Should we count ostensible self-employment as atypical employment? If yes, how to measure in the LFS? We are not able to identify this group in the LFS, so far.
- Is the concept of atypical employment still up-to-date and what developments or new work arrangements (like sub-contracting) do we eventually miss?
- Should we have a more differentiated look on normal employment?
At the moment, we differentiate normal employment into full-time employment and substantial part-time.

Drawing conclusions from the German example, a more differentiated and harmonized observation of European labour markets seems to be pertinent. Other analysis and research tell us that the diversification of labour markets is a phenomenon in all industrialised countries.

How could an informative and concise concept depicting diversified European labour markets look like? Additional questions to the ones mentioned above are:

- Is it useful to accommodate the concept of atypical employment to the European level or do we have to develop a completely different one?
- Which forms of employment should be dropped (“geringfügige Beschäftigung”), modified (e. g. boundary between full- and part-time) or added (ostensible self-employment, sub-contracting)?
- If we want to cover new developments on the European labour markets this has to be reflected in the LFS question programme.