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Flexibilisation of Employment in the Knowledge-Based Economy: Empirical Reality, Thrilling Menace, or Wishful Thinking?

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1 Introduction: Good reasons to expect flexibilisation

The 'risk society discourse', which originated in the 1980ies (Beck 1986 & 1992), has made its arrival in public opinion and contemporary politics. It is now a conventional wisdom that labour markets are becoming ever more flexible and that lifetime jobs (which allegedly dominated the good old times of industrial societies[1]) are being superseded by 'lifelong learning' in terms of having to retrain for a new occupation several times during an individual's life course. Be all this reality already or be it a goal still to be achieved – at any rate, the 'high velocity labour market' has become an indispensable ingredient of the contemporary narrative of modernisation.

There are actually several good reasons to expect decreasing job stability and thus increased mobility of workers on labour markets. With the lowering of international trade barriers, easier and cheaper means of transport, the emergence of a global communication and information network through which immaterial services can be transmitted, and with the abandonment of state monopolies, enterprises are facing a larger number of competitors than previously. Increased competition forces upon them a shortening of innovation cycles. For high wage economies like Germany, in particular, which cannot excel in international competition primarily through cost advantages, 'time to market', in addition to quality and reliable delivery, becomes the crucial parameter of competitiveness. Against this background it is obvious that companies are facing the challenge to react more flexibly and rapidly to market signals than before. From this it is commonly inferred that employment, too, would have to become more flexible. 'Flexible employment' is usually assumed to signify that employers take on a position where they can adapt the number and composition of their workforces to changing requirements with less external restraints and within shorter periods of time.

These increasing challenges for flexibility have to be met by organisational units, which – notwithstanding the unbroken tendency towards a global concentration of economic power – tend to become smaller in terms of the numbers of their employees. Be it because of rising productivity in saturated markets, because of (global) outsourcing, because of the restructuring of operations into independent units, because of initial smallness of new start-ups or, finally, for reasons of physical proximity to the customer as is the case in all 'material' services – in any case, the era of huge and

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[1] Some evidence against this widely held belief is presented in Erlinghagen and Siemes 2003.

vertically integrated organisations is certainly over. Irrespectively of ownership and governance, smaller and more highly specialised establishments tend to dominate the scene. Such small organisations with a narrow horizontal and a low vertical range of activities have fewer degrees of freedom with respect to compensating decreasing demand in one market by an increase of activities in another. Furthermore, increased concern for capital cost and higher rates of moral obsolescence make production of goods in stock nowadays highly unfeasible, let alone the production of services that cannot be stored. It appears logical, then, that smaller establishments provide less job stability than larger ones. Consequently, the same should hold true for entire national employment systems as they become increasingly dominated by smaller units of employment.

All this appears to come down to the imperative for establishments to hire and fire manpower at increasing rates as their only way of adapting to changing market requirements. In an "information society" in which all processes of producing services or goods are being permeated by information technologies this seems not only necessary but also possible. New means of standardisation and control are believed to render the majority of workers again as easily replaceable as they were in the early industrial era. It is consequently widely assumed that job stability should decline and that the mobility of labour on the market would have to increase. Salarisation of employment and the socialisation of production are said to be a thing of the past (Castells 1996: 267).

These assumptions as they are concluded from structural changes on the demand side of the labour market are also supported by equally fundamental changes on the supply side. The trend towards individualisation is believed to bring an increasing 'pluralisation of lifestyles' to the fore. The sociological literature is rife with proclamations that not only the 'private' but also the occupational biographies of more and more people are becoming more turbulent and fragile (cf. Bauman 1998; Beck 1997; Beck and Beck-Gernsheim 2002; Berger and Sopp 1992; Rifkin 1995; Sennett 1998).

The paper is organised as follows: In chapter 2 the question will be explored whether increasing external flexibilisation has really put its mark on the labour market in the way that would be expected. The chapter also contains some hints as to why public perception of labour market change deviates so much from statistically measured changes. In chapter 3, a different explanation is offered of how increasing flexibility demands are actually being met by firms. In chapter 4, this leads to the conclusion that the problem of 'decent' work lies rather 'inside' than 'outside' the employment relationship.

2 External flexibilisation: The German example

2.1 Erosion of the 'standard employment relationship'?

The flexibility debate of the past 20 years has been accompanied by an extensive discourse on 'flexible' forms of employment, also called 'non-standard', 'atypical' or

'precarious' work. Many definitions have been proposed which all hinge on concepts of a 'standard' employment relationship from which the 'non-standard' ones deviate in one way or another. The standard against which judgements are made is usually the dependent, full-time and open-ended employment relationship where the work is performed under the direction and supervision of the employer. The narrower the definition of the standard is drawn, the more widespread the 'atypical' forms will appear, and where rigorous definitions of standard working hours (never on weekends, evenings or at night) are included, 'atypical' forms of work easily become the 'typical' majority of actual work situations. In international comparisons, the proportion to which 'standard' employment has been diminished by other forms depends highly on a country's part-time rate.

The relationship of these forms of work with flexibilisation is often taken for granted and insufficiently explored. While variable hours certainly are a means of flexibilisation, unsocial hours can actually follow very rigid patterns. Part-time means less working hours per day, week or month but is does not necessarily mean more flexible hours or variable amounts of working time. Strenuous balances between caring and working responsibilities are the most common motive for choosing part-time, and the caring responsibilities tend to limit temporal flexibility at work. Where part-timers enjoy the same legal and institutional employment protection as full-timers, as is the case in Germany, they are not more easily dismissed. – Fixed-term contracts, to take up another 'non-standard' form, are a means to circumvent employment protection at the end of the term. However, under German law at least, they are more difficult to terminate during the course of the term than would be an open-ended contract. So, whatever advantages for employers may be associated with different forms of atypical employment, they cannot all be lumped together under one heading of 'flexible employment'. In the dimension of the contractual attachment of workers to an organisation, only fixed-term contracts, temporary work agencies, and the substitution of employees by free-lancers offer flexibilisation of some sort.

Here are some stylised facts on these categories of employment in Germany:

- Within ten years from 1991 to 2001, fixed-term contracts (apart from apprenticeships) increased by a moderate 13 per cent, accounting then for 7 per cent of total employment or 8 per cent of wage and salary earners (Statistisches Bundesamt 2002). In a survey conducted in 1998, 7 per cent of the job losses reported were due to expiring fixed-term contracts (Hecker 2000: 72). In other words, people employed on fixed-term seem not to be more often affected by involuntary job loss than others, because they are often kept for another fixed term or taken on permanently, which was actually expected by the slight majority of respondents (Schreyer 2000).
- Within eleven years from 1991 to 2002, self-employment grew by 20 per cent, now accounting for 10 per cent of total employment. However, the number of micro-businesses (self-employed without employees) grew by 34 per cent to account for 5 per cent of total employment (Statistisches Bundesamt 2003).

- The number of temporary agency workers peaked in 2001 at a level 2½ times as high as that of 1994 but still making up for less than 1 per cent of total employment (Statistics of the Federal Employment Agency). In Germany, temporary agency workers are legally employees of the agency, which lends them to other firms under a service contract.

In all these categories, absolute numbers grew faster than their shares of total employment because the latter grew as well. In other words, non-standard forms of employment, in large part, are not displacing what is called the 'standard employment relationship' but coming on top of it. Taken together, fixed-term contracts, micro-businesses, and agency workers make up for about 13 per cent of the total German workforce.

Of these forms of 'flexible' employment, fixed-term and agency work are fully liable to social insurance contributions and thus recorded in the social security registers. This is pointed out here because the data used for the analyses presented in the following sections are produced from these registers. Self-employment, however, is exempt from compulsory social insurance in Germany and thus outside of the analyses presented below. Another important category of non-standard employment not fully covered by social insurance is marginal part-time working with monthly earnings under certain thresholds, which now accounts for more than four million jobs. Marginal part-time has recently been subject to consecutive legislative changes and is now partially included in social insurance. The statistical disarrangement resulting from these changes has not yet been fully sorted out. Fortunately, we do not have to deal with these problems here because the time series used end before the changes were made.

2.2 Some results from the study 'Restructuring of the German Labour market'

In a project that was funded by the German Research Community *(Deutsche Forschungsgemeinschaft – DFG)* from 1999–2003, Marcel Erlinghagen and the author undertook statistical analyses of job stability, mobility on the labour market, the incidence of unemployment as well the employee and employer characteristics governing these phenomena. The study[2] basically explored two questions:

(1) Is there a secular change of the reallocation speed on the German labour market?

(2) Is the structure of the factors that influence the events that occur to individuals on the labour market changing?

For such analyses, the so-called IAB employment subsample (IABES) is particularly well suited. The IABES is made up of exact daily data on the employment histories of

[2] For the full range of analyses that have resulted from the project cf. Erlinghagen 2003. In English, and for aspects of our research not focused on in this article.

some 550,000 individuals over the period between 1975 and 1995.[3] The data set is based on a 1 per cent sample of the insurance accounts of *employees liable to pay social security contributions.* These employment-related data derived from the administrative process of the social insurance system are supplemented with information on the reception of unemployment-related benefits and on some characteristics of the establishments[4] that acted as employers of the individuals in the subsample during the period of observation (cf. Bender, Haas & Klose 2000).

The data set imposes some restrictions with bearing on the following analysis, and some more restrictions have been deliberately introduced:

(3) The data set covers only *insurable* employment. This excludes the self-employed, civil servants[5] and workers in marginal part-time employment. However, since at the end of the investigation period (1995) still about 80 per cent of the economically active population was in insurable employment, this data set captures the overwhelming share of labour market participants.

(4) Apprenticeships (which are insured and therefore included in the data set) were excluded for the purpose of our analysis because they are limited in time by their very nature and purpose. Former apprentices staying with the same employer after completion of their apprenticeship were treated as new job entrants – just like their colleagues changing their employers on that occasion.

(5) In order to allow the analysis of long-term trends, individuals who were employed in East Germany at any time during the observation period were excluded from analysis because East German data are only available starting from 1991.[6]

(6) The version of the IAB employment subsample presently (since 2000) available provides data only up to 1995. Measures of job stability based on survival functions require the use of observations some time after job entry. This restricts our analysis even further in that only the stability of jobs entered until 1993 can be considered.

2.2.1 Labour turnover

If there had been a general 'speeding up' of the German labour market, this should show in the annual job entry and exit rates, the mean of which makes the labour turnover

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[3] A more up-to-date version of the sample is under preparation but there is always a considerable time lag because of the lengthy clearance process between the different branches of the social security system. It is only after the administrative database is consolidated that the sample can be constructed.

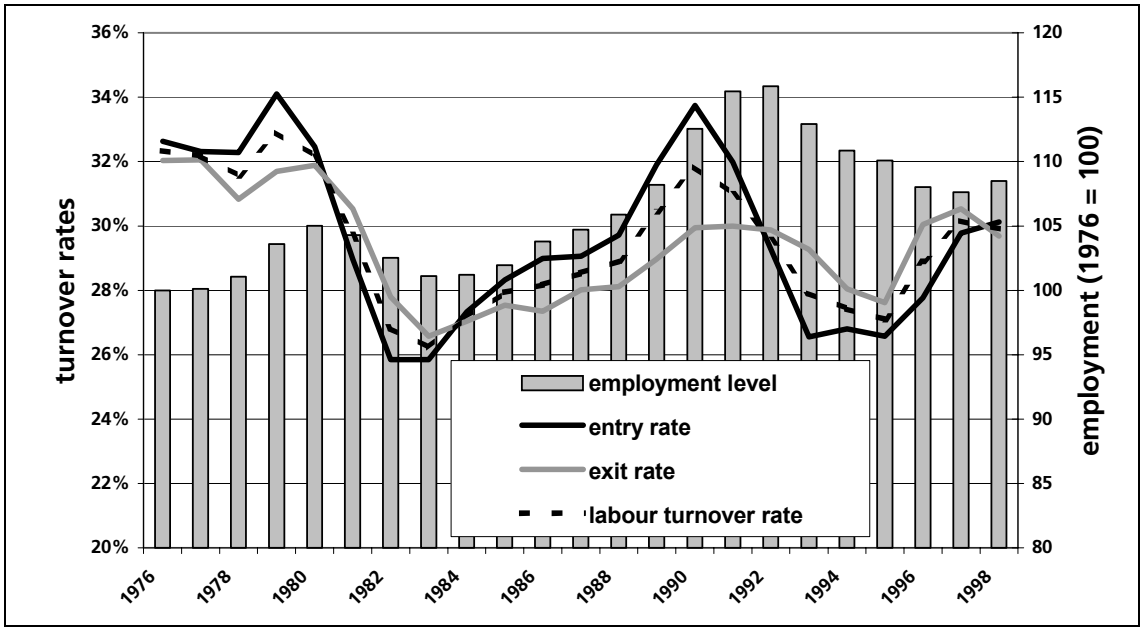
[4] An 'establishment' in the IABES is the organisational unit in which the lowest level of human resource responsibility is located. Technically, an establishment is identified by a code that can be matched with the social security number of employees. The data set consists of a series of reports about the matching or the separation of an establishment code with or from a social security number.

[5] Excluded are only those public employees with the special loyalty status of *Beamte* such as, for example, police, customs, treasury, the majority of teachers and executives in public administrations. By contrast, public sector wage and salary earners are represented in the data set.

[6] It is known from other sources that labour turnover in the East peaked some time after unification but has since then shown a tendency to 'normalise' to West German standards (cf. Bielenski et al. 1997, Pfeiffer 1997).

rate.[7] Since the IABES is derived from employers' notifications of, among other things, all their new hires and separations of employees covered by social insurance, it easily lends itself to turnover analysis. In Figure 1, we have used official employment statistics based on the same registrations to extend the time line until 1998.

Figure 1: Entry, exit and labour turnover rates against background of indexed levels of employment (1977 = 100), West Germany 1977–1998



Source: IAB Employment Subsample 1975–1995, Federal Employment Statistics 1996–1998; calculations by Marcel Erlinghagen

It may be surprising that an allegedly 'sclerotic' labour market like the German one would have annual turnover rates around 30 per cent. Unfortunately, even such a basic count is not available in international comparison. As for secular change in labour market dynamics, the curve certainly shows no upward trend. Cyclical amplitudes seem to be somewhat diminishing, but if any trend can be inferred from comparing points of similar cyclical position, such a trend would rather point slightly downwards.

It is known from aggregate analysis of national labour markets that, perhaps counter to intuition, labour turnover *increases* during upturns and *decreases* during downturns (cf. Schettkat 1996). It is not a growing number of dismissals that would boost overall labour market churning but rather increasing demand brings about such a result. High demand exceeding the readily available supply results in more frequent poaching and thus the building-up of vacancy chains where the filling of one vacancy creates another one. Periods of employment growth are characterised by entry rates exceeding exit

[7] The labour turnover rate (LTR) can be calculated as described by Cramer and Koller 1988, by dividing the total number of movements (entries plus exits) by twice the stock of jobs during the respective year, or by taking the mean of the entry and the exit rate.

rates, and the poaching that ensues tends to drive up exit rates as well, resulting in higher labour turnover rates.

2.2.2 Job stability

The data derived from the IABES are daily event history data that make it possible to ascertain the exact duration of job spells. With the aid of so-called survivor rates, the stability of jobs whose beginning falls into the observation period[8] can be calculated and also represented graphically through time-dependent survivor probabilities (on the calculation of survivor rates cf. Blossfeld and Rohwer 2002). In this way, we can superimpose job spells that began at different points in calendar time on an observation period axis and pool them at will, which allows us to compare, for example, the stability of jobs that began some time between 1976 and 1980 with the stability of those that began between 1986 and 1990.[9]

In order to demonstrate the effect of counter-acting tendencies, survivor rates have been broken down into four categories of establishment size. Obviously, this is a covariate that may change over time. But since this variable is only available in classified form, we neglect the rather rare occasion of an establishment crossing over to the neighbouring category during the lifetime of a job under analysis. In other words, establishment size has been treated as a fixed characteristic of a job at the time of entering into it.

Figure 2 displays the survivor rates of jobs entered into either as part of the entry cohort 1976–1980 (dotted lines) or of the entry cohort 1986 – 1990 (continuous lines) for the four categories of establishment size. The second cohort (1986 – 1990), rather than using the most recent data available, was defined in such a way as to comprise a period in the business cycle with similar expansion as that captured in the earliest possible cohort 1976–1980. As can bee seen in Figure 1, these are both periods of employment growth and near to the turn of the cycle. If the fact that employment growth was stronger in the late 1980s than in the late 1970s should have any effect, it should result in more competition on the demand side of the labour market, thus in more poaching and shorter job durations, particularly of new entries on which we are focussing. The graphs in Figure 2 can be read as showing how many (x) days it took (horizontal axis) for each entry cohort until only (y) per cent (vertical axis) of initial job entrants remained in the job. Discontinuities in some of the curves at 365 and 730 days reveal

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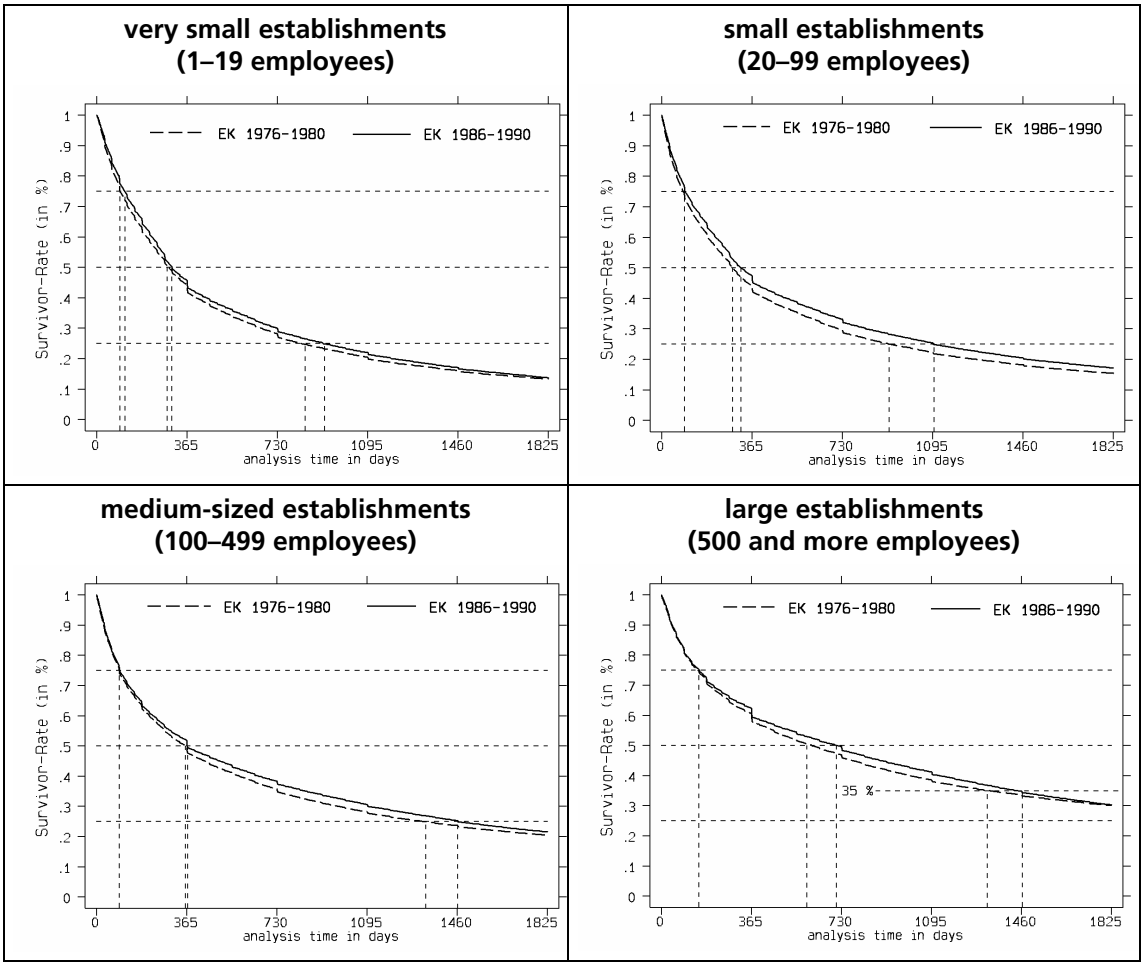
[8] For reasons of left censoring, nothing can be said about the stability of jobs that began before 1975. Likewise, for reasons of right censoring, the analysis of very long-lasting jobs falls outside the possibilities of the data set in its present version which covers 20 years. Consequently, the question whether ‘lifetime’ or ‘near-to-lifetime’ jobs have become more or less frequent cannot be answered. Our analysis focuses on the medium range of job durations which makes up the majority of job entries.

[9] The reference here is to job matches, not to individuals. In other words, in calculating the survivor rate, we take into account all changes of employer during the observation period, and hence all new employment relationships entered into, rather than the number of individuals making such transitions. In the case of ‘job hoppers’, therefore, each new job entered into will be taken into account. This is more precise than most annual surveys which capture only one job change per reference period.

that a considerable number of jobs lasted for exactly one or two years.[10] A higher position of the curve in the graph signifies higher job stability for the jobs pooled to compute that curve in comparison to other curves.

Figure 2: Survivor rates of newly entered jobs by establishment size, West Germany, entry cohorts 1976–1980 and 1986–1990



Test of Significance: Log rank: p<=0,005; Wilcoxon: p<=0,005 (for all four graphs)
Source: IAB Employment Subsample 1975–1995 (calculations by Marcel Erlinghagen)

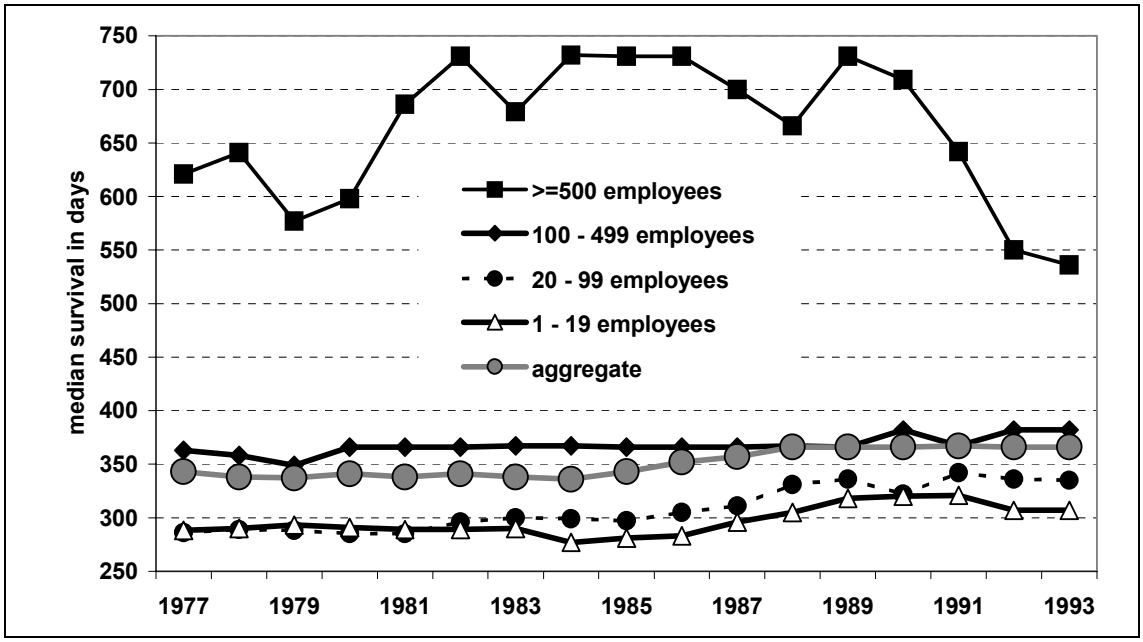
Not surprisingly, job stability increases with establishment size: Whereas the median stability (time elapsed until 50 per cent of initial entrants are gone) in very small establishments is less than one year, it reached almost two years for the later entry cohort (1986–1990) in large establishments. However, what may come as a surprise and certainly contradicts common wisdom: The continuous lines representing the later entry cohorts all run *above* the lines for the earlier cohort in all four size categories. In other words, job stability has *increased* over time, at least as far as the comparison between these two periods is concerned. These changes are particularly marked around the fourth

[10] Explanations for this can be fixed-term contracts, often on the basis of project grants or direct job creation programmes. The fact that 12 months of insured employment is the minimum requirement for an entitlement to unemployment benefits may also influence the behaviour both employers and employees when contracting for a fixed term.

quartile[11] and for the three larger establishment size categories where the time elapsed until only 25 per cent of former new entrants are still in their jobs has grown considerably – e. g. from about 2.5 to 3 years in 'small' establishments.

In computing the eight curves in fig. 4, job entries that occurred within five years were pooled to form one entry cohort respectively. While this appeared the only appropriate approach for a comparison between two periods, it is regrettable not to use the full time horizon offered by the data set. The next step will overcome this limitation. Obviously, rather than pooling entries of four successive years, a survivor curve can also be computed for every single calendar year. Furthermore, by restricting the length of the observation period to two years after job entry, which, as shown in figure 3, is sufficient to capture the median survival, annual survival functions can be obtained until 1993 as the last year of job entry from a data set that allows observations until the end of 1995. However, the resulting graphs, 72 in numbers, could not possibly be shown as such. Given their largely uniform shapes, each of them can be sufficiently characterised by its median value, yielding Figure 3 as a result.

Figure 3: Median survival of newly entered jobs by establishment size, West Germany, 1977–1993



Source: IAB Employment Subsample 1975–1995 (calculations by Marcel Erlinghagen)

Figure 3 confirms the expected hierarchical ranking of job stabilities according to establishment size, with 'large' establishments very distinctly set apart from the rest. Another striking difference is that job stability in 'large' establishments is much more volatile than in the other size categories. In 'large' establishments, job stability tends to drop before the employment peak of the business cycle is reached. In other words, those

[11] For 'large' establishments, the fourth quartile is out of the range of the graph; and therefore, the 35 per cent retention rate is displayed as a proxy.

workers hired during the late phase of a boom have a lower probability to stay, be it that they will find an even better chance before the boom is over or that they will be laid off after. And, finally, job stability in 'large' establishments suffers a decline without precedent at the end of the observation period, in the early nineties, by which the ranking between the size categories is very much compressed.

Despite the decline of job stability in large establishments, overall median stability of newly entered jobs is higher at the end of the observation period (peaking at 367 days in 1991) than in the late seventies (with 337 days for 1979), which amounts to a rise in overall stability of 9 per cent. The shift towards a higher level of overall job stability occurred within a few years between 1984 and 1988. This shift was primarily brought about by a marked rise of job stability in the two lowest establishment size categories. In the early nineties, the decline of job stability in large establishments was compensated by a rise of job stability in medium-sized establishments. The impact of the changes in large establishments on the aggregate was also mitigated by the fact that their share in total insurable employment fell from 31 per cent (1977) to 25.5 per cent (1995).

These descriptive findings of a levelling-out of differences in job stability according to establishment size have been confirmed in multivariate analyses. Controlling for a number of socio-economic variables (among others gender, skills level of the person and skills structure of the establishment, age of the person and of the establishment, and sector), the significance of establishment size is shown to decrease (Erlinghagen 2003). This holds not only true for newly entered jobs but also for the probability of jobs that have already lasted for five years or more to continue further. In other words, the traditional stability privilege of employees in large establishments is dwindling away as these establishments are losing importance for the German employment system. However, the public perception of the world of work is, in Germany at any rate, still dominated by large establishments whose restructuring programmes dominate the headlines. This may be one clue as to whether perceived job stability differs very much from measured job stability. Another one is presented in section 2.2.4.

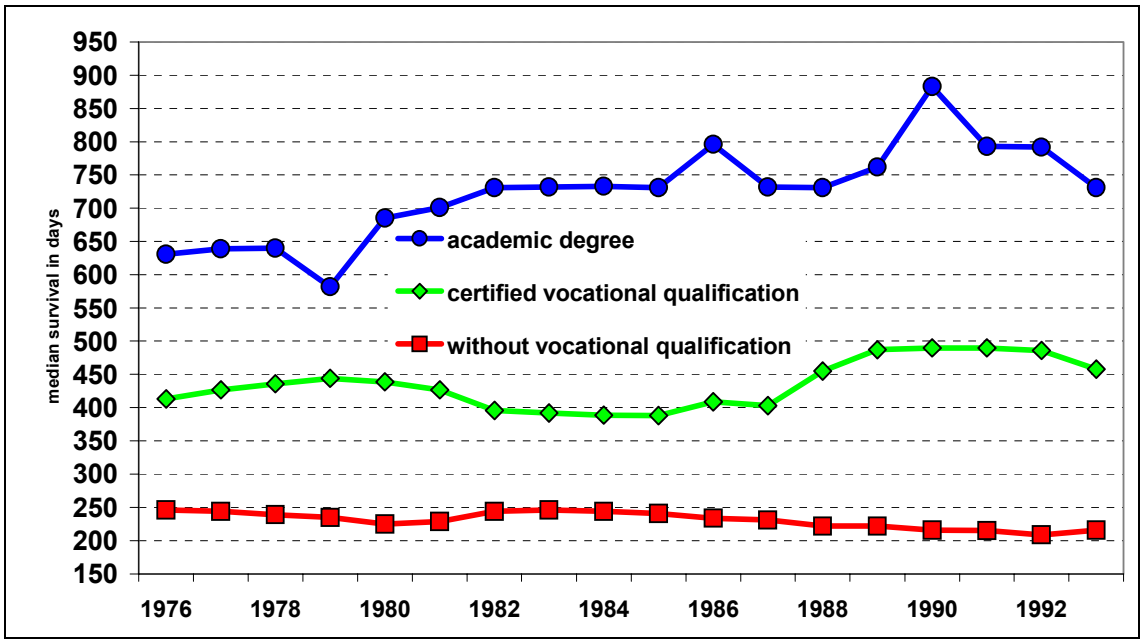
2.2.3 Job stability by level of vocational education

One of the narratives of the 'knowledge-based society' is about knowledge being increasingly incorporated in technological networks and knowledge workers becoming as easily replaceable as manual workers were in the early industrial era. If this assumption were true, workers representing the knowledge type should experience a decline in job stability.

Since the data set used contains no information on work content, we have used three categories of vocational education as a very preliminary approximation. The results (cf. Figure 4) are clear, at least until the beginning of the 1990s: Academics enjoy considerably higher levels of job stability as compared to the other categories, and so do skilled workers as compared to the unskilled. Until 1990, academics have almost continuously gained in terms of job stability, and so have skilled workers during the boom in the end of the 1980s. Unskilled workers, by contrast, have lost equally

continuously. However, something appears to have changed during the first half of the 1990s with job stability of academics falling back to the level of the early 1980s and a reversal of the trend of rising stability for skilled workers, too, in 1993. Our time series is too short to draw reliable conclusions[12] from this, but it deserves attention in future work with updated versions of the data set.

Figure 4: Median survival of newly entered jobs by level of vocational education, West Germany, 1977–1993



Source: IAB Employment Subsample 1975–1995 (calculations by Marcel Erlinghagen)

2.2.4 Job stability in sectors relevant for shaping public opinion

In 1997, the OECD presented data according to which subjectively perceived employment insecurity had grown in seven out of 21 countries between 1985 and 1995, with Germany coming second after the UK with regard to the magnitude of negative change (OECD 1997: 135). Data on 'objective' job stability, by contrast, did not support this perception. In a briefer account of changes between 1989 and 1997, perceptions of insecurity have risen by 8 percentage points in OECD countries, more sharply among men than among women, with only a moderate rise of perceived insecurity in Germany, but the sharpest in Italy (OECD 2003: 52). Again it is said that tenure data do not confirm that there has been a change in real terms[13]. So how can this discrepancy between subjective perception and objective aggregate data be explained?

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[12] In multivariate models not to be presented here, academic degree remains a significant and positive predictor for survival in a comparison of entry cohorts 1976–1980 with 1986–1990 (Erlinghagen 2003). These two pools of entry cohorts were chosen in order to represent comparable cyclical situations, the price to be paid for this choice being that the 1990s were left out of the model.

[13] OECD 2003: 52 and endnote 33: partial update of 1997 survey produced no different result.

In addition to the decline of job stability in large establishments, we suggest a complementary explanation by looking more closely into the development of job stability in certain industries that can be assumed to be influential in shaping public opinion. The following industries were chosen for comparison of their job stability with the aggregate job stability in West Germany as a whole:

(1) Fine arts, theatres, film production, electronic media;

(2) employers', employees' and professional organisations;

(3) churches, religious and philosophical associations;

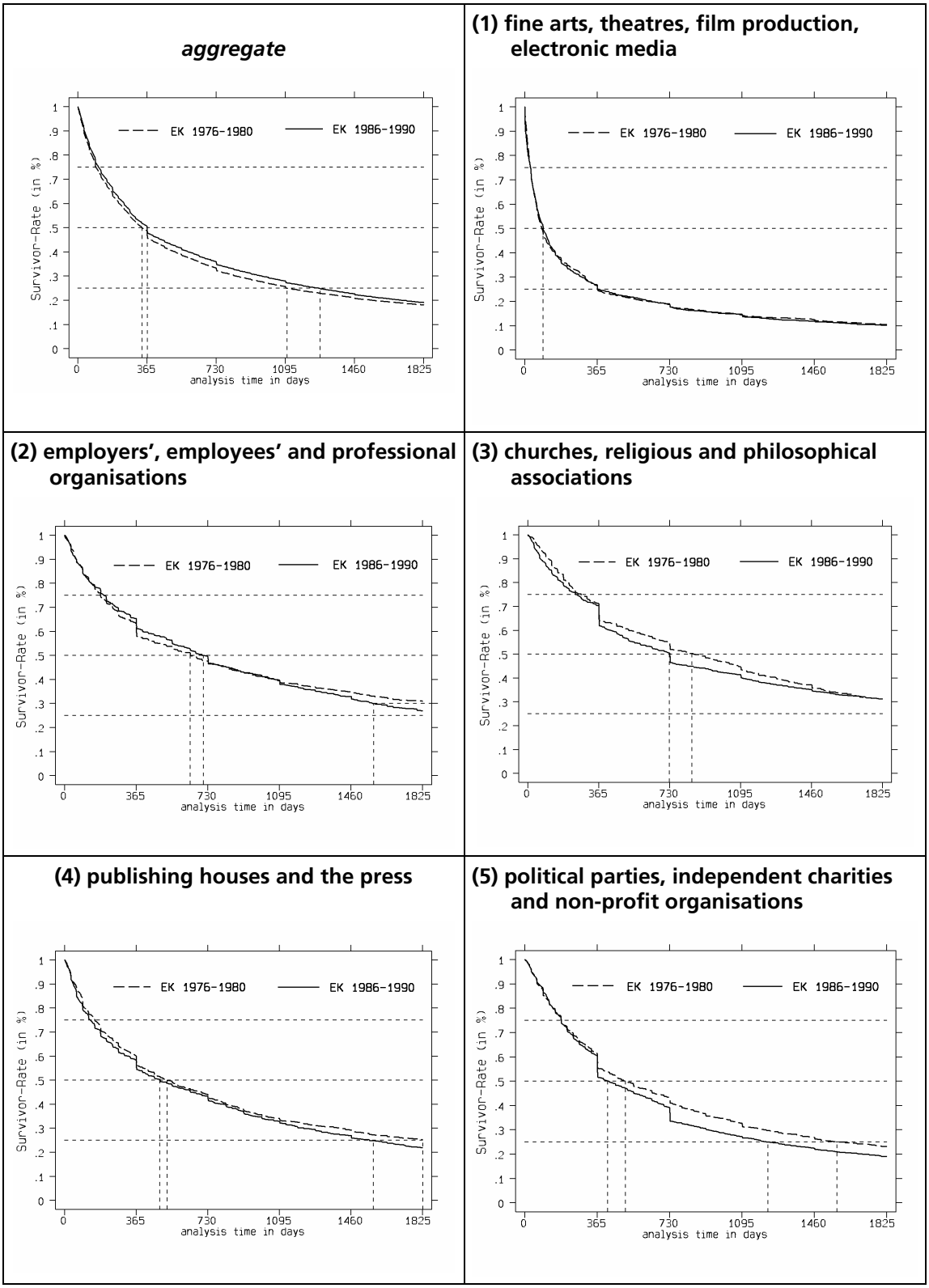
(4) publishing houses and the press;

(5) political parties, independent charities and non-profit organisations.

Figure 5 displays the survivor rates of newly entered jobs in these sectors for the entry cohorts 1976 – 1980 and 1986 – 1990 in comparison to the aggregate survivor rates, following the same methodology as Figure 2. Contrary to the aggregate development, the continuous lines representing the later entry cohorts in most of the opinion-producing and multiplying sectors run *below* the dotted lines, thus indicating that job stability has *declined* – albeit, in most cases, from levels considerably above the aggregate benchmark in the upper left part of the figure. The only exception is the industry of '(1) fine arts, theatres, film production, and electronic media' where job stability is the lowest of all the industries analysed here but has not declined further. Characteristic for the industries (2), (3) and (5) are the marked discontinuities of the curves after one, two, and even three years, indicating a high proportion of fixed-term contracts.

So we find that not only employees in large establishments have lost their privileged position with regard to job stability but also employees in the political and ideological superstructure who tend to work in small and medium-sized organisational units. They are part of the new and growing service industries. However, it should be noted (and has been demonstrated in another article – Erlinghagen & Knuth 2004) that this finding is not at all characteristic of services as a whole. Quite the contrary, it is the growth of services that accounts for the stabilising of employment in smaller establishments and thus in the aggregate West German employment system.

Figure 5: Survivor rates of newly entered jobs in selected industries, West Germany, entry cohorts 1976–1980 and 1986–1990



Source: IAB Employment Subsample 1975–1995 (calculations by Marcel Erlinghagen)

2.3 Comparable studies: a brief overview

As sociologists, the authors have been primarily motivated in their work by sociological debates, and it is this discipline to which the results presented above should come as a surprise and as a stimulus to rethink its conception of how post-industrial employment systems are developing. Labour economists, by contrast, have usually been more cautious in proclaiming secular changes in labour market dynamics and job stability because they worked with aggregate statistical evidence rather than with case studies.

It is only the studies that looked further back than the mid-seventies (for Britain: Booth, Francesconi and Garcia-Serrano 1999; for the US: Rose 1995) or focused on involuntary job loss (for the US: Boisjoly, Duncan and Smeeding 1998; Farber 1998; Valletta 1999) that hinted any change, with the exception of Swinnerton and Wial (1995) who resumed their comparison of two four-year periods lying only eight years apart as "suggesting a secular decline in job stability". The majority of studies converge in not claiming to have found any secular change (for Britain: Gregg and Wadsworth 1995; Burgess and Rees 1996 & 1998; for the US: Diebold, Neumark and Polski 1997; Farber 1995, Gottschalk and Moffitt 1999; Jaeger and Stevens 1999; Neumark, Polski and Hansen 1999). Allen, Clark and Schieber (1999) reported mean tenure to have actually increased in the 1990s in a non-representative sample of 51 large US corporations, and Doogan (2001) found higher rates of long-term employment for Britain in 1999 than in 1992. The same trend was confirmed in international comparisons for impressive majorities of developed countries (Auer and Cazes 2000). Between 1992 and 2002, nine out of 12 EU member states experienced an increase of their long-term employment rates, i. e. the percentage of employees who reported to have been with their current employer for ten or more years. The three exceptions were Denmark, Ireland, and the Netherlands, and the decline recorded in these was very modest except in Ireland. The UK having had the minimum long-term employment rate in 1992 experienced an increase like the majority of countries and was undercut by Denmark in 2002 (Doogan 2003).

Studies on labour market dynamics and job stability in Germany found declining job-to-job mobility (Bender, Haas and Klose 1999), no significant changes in job stability (Bellmann, Bender and Hornsteiner 2000) or only cyclical variations (Bergemann and Schneider 1998). Diewald and Sill (2004) found the downward trend of job changes that had prevailed until the mid-1990s to be reversed in the economic upswing of 1998–2000. This finding is in accord with the latest available figures from official employment statistics indicating that the behaviour of entry and exit rates was different in the last as compared to the previous upswing (cf. Figure 1).

3 Internal flexibilisation: merits and perils

3.1 Forms of flexibilisation

If the external flexibilisation of the labour market in the form of increased hirings and separations largely turns out to be a myth, but if, at the same time and for the many good reasons cited in chapter 1, we do not discard the increasing need of firms for

flexibility as another myth, then the question arises how firms have actually achieved flexibilisation without resorting to higher external flexibility.

There are actually more dimensions of flexibility, and so far we have only dealt with the one marked in the following representation.

Figure 6: Dimensions of flexibility

	quantitative (numerical)	qualitative (functional)
internal	variable volume of working time varying effort (intensity of work)	variable distribution of working time redeployment and retraining multi-skilling and multitasking delegation of responsibilities and problem-solving
external	hiring and firing layoffs and recalls fixed-term contracts temporary agency worker	company networks
	subcontracting	

Source: Own representation, informed by Atkinson 1990; Goudswaard & Nanteuil 2000

The 'flexible firm' (Atkinson 1990) has all these forms of flexibility at its disposal, but they cannot all be maximised simultaneously. There are a number of trade-offs at work, such as:

- Multi-skilling, retraining and delegation involve human capital investments that would not pay if a hiring and firing strategy were prevalent. In the case of temporary agency workers, this would very obviously amount to investing in someone else's workforce.
- Delegation as well a varying volumes of working time (especially when monthly pay remains fixed so that either the worker becomes a debtor of time or the employer a debtor of pay) presuppose a relationship of trust and loyalty which is not well compatible with a hiring and firing strategy.
- While higher efforts could be effected by strict control, one could not expect from workers the taking on of responsibility and creative problem-solving at the same time.
- Excessive contracting-out can result in the loss of skills and knowledge within the firm so that it becomes dependent on contractors and finds it difficult to control their performance.

3.2 Internal flexibilisation as a "high road" of corporate strategy

One can also observe that the internal solutions involve investments in skills, organisation and management practices which may be costly but have the potential to last for a longer term – while the external solutions cause transaction costs which may be lower in the short term but will continue to re-occur. So the choice between internal and external solutions is also about the time horizons of employers and linked to the 'high road' versus 'low road' paradigm of corporate strategy.

But perhaps the choice between forms of flexibilisation is not unlimited, as parallel developments in countries with quite different institutional frameworks suggest. What these countries have in common is that standardised industrial mass production has been largely relocated to countries with lower wages, that services dominate the employment structure and that manufacturing is reorganised as a service to customers comprising a hardware component. Production systems of this type must rely on a built-in capacity of self-adaptation, which cannot be generated and maintained with highly fluctuating workforces. Outsourcing, which is usually regarded as a means to externalise employment risk, may at the same time serve to buffer this risk where a service is not only offered to one but to several customers.

Restraints on the supply side of the labour market have to be taken into consideration as well. Though it may not be a universal and unchangeable law, inter-firm mobility until now has always been found to decrease with increasing age, and so it appears unrealistic to expect labour markets characterised by ageing workforces to increase their churning speed. The 1980s and 1990s have seen a considerable rise of female participation in the labour market, and as far as these women are mothers under childcare arrangements that are still inadequate in many countries, their participation depends on delicate balances between public childcare, family support, hours of work and travel to work facilities. Any job change will offset this balance, and we take this as an explanation of our finding that women's jobs are more stable than men's in the medium perspective until about five years, after which the gender positions are reversed. Also, where job-to-job mobility implies geographical mobility, which is more frequently the case as jobs and skills become more specialised, labour market participation of two partners will limit a household's mobility. If one partner were to maximise his chances on the labour market, not only the other partner but also the household as whole would lose. Consequently, strategies to optimize household income, costs of living and childcare arrangements will often result in people preferring the job they are in even though they could get other jobs that would pay more or offer more favourable conditions otherwise.

3.3 The downside of internal flexibilisation

Interviewer:	"Are you sometimes afraid of losing you job?"
Respondent:	"Most of the time I am afraid of not losing it."

Sustaining relatively high levels of job stability under conditions of increasing demands for flexibility has its price. Hours of work and working at irregular and unsocial hours are increasing (Boisard et al. 2003), actual working times are increasing again in

Germany (Lehndorff 2003) as in other European countries (Schief 2003) regardless of collective agreements, and so is the pace of work (Merllié & Paoli 2001). Tight deadlines, frequent disturbances and interruptions, having to keep an eye on several processes at the same time and having to go to one's limits are characteristics of (often cumulative) stress which have increased in Germany in the 1990s as compared to the 1980s. These factors over-proportionally affect the 'privileged' employees with higher qualifications and higher functions in the organisational hierarchy (Jansen 2000). Whereas the overall number of days lost because of sickness is declining in Germany, mental disorders are on the rise, and so are conditions of the spine and its muscular system which are, to a large part, no longer associated with hard physical work but with mental tension (DAK 2003). Entries into disability pensions show the same pattern as far as mental disorders are concerned (Association of German pension funds VDR, http://www.vdr.de/statistik).

In contrast to the narrative of the 'high velocity labour market' it appears that the profoundest change of the employment relationship is not occurring on its 'outside' (employees being less attached to firms) but on its 'inside' (the very nature of their attachment). The change is not about the re-commodification of labour power in the sense of labour becoming a commodity on a spot market. It is rather about the internalisation of the market into the work process and its instrumentalisation as a means of control where the responsibility for unfavourable working conditions is delegated to allegedly impersonal forces. The redefinition of manufacturing as a service through "just-in-time"-organisation where workers are squeezed between the imperatives of reduced inventories, on the one hand, and orders received at short notice, on the other (Lehndorff 1997) plays an important role in spreading this new form of control. In competitive tendering for services (which may well be the timely delivery of a product), it is no longer the expected total number of working hours needed to produce the service that determines the price. Rather conversely, it is the price at which a contract can be won that determines the number of (paid) working hours in which a team has to produce the service – and often also to negotiate with the customer what the service actually is. It is largely left to the team members how they deal with the disparity between tasks and resources: Increasing productivity by working together more effectively, working harder individually, putting in unpaid overtime (the very definition of which tends to vanish in systems of 'trust-based working-time' – Haipeter et al. 2002), or compromising quality and persuading the customer to accept what he is receiving as what he wanted in the first place. This is particularly the case for IT projects where the providers of a service work on the premises of the customer for longer periods of time, out of sight of superiors in their own organisation. The janus-headed principles of freedom, responsibility, trust, and empowerment imply that the employer trusts the worker to satisfy the customer, that the worker has complete freedom as to how to achieve that, that he will have to find the power to do so within himself and that he will have to bear the economic consequences if he doesn't. Where tangible capital is of low importance and where the home organisation thus provides 'only' the branding, the tradition of customer relations, the liability for customers' claims for damages, administration, the bringing together of teams and, ideally, a

specialised knowledge base that can be tapped more easily and fruitfully than publicly available sources, workers will tend to feel as "entrepreneurs of their own labour power" (Voß & Pongratz 1998), and they may be tempted to set themselves up as self-employed freelancers or micro-enterprises. Many who did, however, experience that the list just begun with 'only' is actually a lot that they now have to provide themselves, in addition to their work for the customer. So Drucker (1994: 15) is probably right in assuming that the organisation and its relationship with employees is not losing its importance in the knowledge society even though – or exactly because – the locus of a company's capital is shifting from physical technological investment to the brains of its workforce.

This "market-driven mode of control" (Dörre 2003) implies that the uncertainty inherent in the labour contract – by which an employer buys only a productive potential whose actual energetic state and ability to perform at the moment of production is always at risk – is no longer borne by the employer. Workers themselves have to deal with the contingencies of their own productive and creative abilities as well as with the contingencies of the environment in which they operate. Where relations with customers permit they are freed to work when they like or feel most productive, but sickness is no longer an excuse for missing a deadline. The entrepreneurial risks of winning and satisfying customers, of solving organisational and technical problems and for their own deficiencies as human beings, not machines, is devolved to workers. However, as long as they succeed in tackling all these problems, workers can expect to stay in their jobs – and most of the time they seem to succeed somehow. This degree of commitment, flexibility and engagement of the whole person can only be expected of employees who perceive no immediate threat of dismissal from their superiors, who have successfully delegated this threat to the market. A unit that does not meet its profit target will be reorganised or closed down, and employees under the new system are expected to anticipate and accept this.

This regime of internal flexibility is by not means restricted to highly qualified work in IT projects. It can be found in retailing as well (cf. Voss-Dahm 2003). Within a firm, the traditional distinction between the core and the periphery has become increasingly blurred (Beynon et al. 2002: 21). Whereas strategies relying primarily on external flexibility will tend to create a periphery "buffer" in order to retain core workers, strategies of internal flexibility by their very nature involve all workers. This might be another clue to understanding the riddle of increasing measured and decreasing perceived job stability: Relative stability continues to exist, but it cannot be taken for granted by anyone anymore. Workers themselves are directly confronted with the conditions on which the stability of their job depends. Day by day, they have to earn not only their income but also the perpetuity of their job.

4 Summary and conclusions

Traditional forms of employment are being supplemented by new ones, but this is far from an 'erosion of the standard employment relationship', unless the latter is excessively defined. In West Germany (unification still being too recent to take a long-

term perspective on the whole country), labour turnover has slightly declined and job stability has increased between the mid-seventies and the mid-nineties. International studies indicate that this is probably not a uniquely German phenomenon, at least not in Western Europe. Until 1990, job stability has increased for academics and skilled workers in particular. However, starting from high and privileged levels, it has decreased in several sectors that are relevant for the shaping and multiplying of public opinion. Since 1990, it has also decreased in large establishments, which are in the centre of public attention. German economic self-perception is still largely shaped by industrialism (cf. Baethge 2000).

There is indication that the more fundamental changes of employment have occurred not on its 'outside' of decreasing job stability and increasing turnover but on its 'inside'. The change is not about workers being thrown onto the market to a larger extent than before but it is about the market invading the workplace. In a market-driven regime of work organisation and performance monitoring, the potential threat to jobs no longer comes as a surprise from remote management decisions but is perceived in employee's daily work. In the Fordist regime, the struggle was about surviving in a job, and it was the function of seniority rules and legal employment protection to take much of the strain out of this struggle. In the new market-driven regime, the struggle is about making one's job survive in the market, and rules that have previously worked inside an organisation do not apply any more. Under the potentially unlimited demands that the market puts on workers, 'surviving in a job' becomes a new meaning as well. It is less about keeping the boss from sacking you but about keeping the physical and mental ability to cope with everyday demands. "Decent work" under these conditions means work sustainable over a working lifetime where demographic change no longer allows the trend or earlier escape from working life to continue. Unanswered remains the question to whom the demand for sustainable work can be addressed after management has ceased to act as a doorkeepers of the winds of the market.

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