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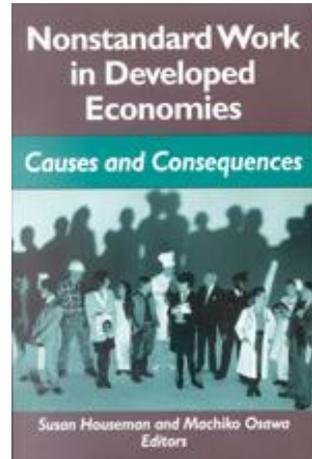
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# The Change in Work Arrangements in Denmark and Germany: Erosion or Renaissance of Standards?

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## 2

# The Change in Work Arrangements in Denmark and Germany

## Erosion or Renaissance of Standards?

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In all industrial countries, the composition of work arrangements is in a state of flux (Delsen 1995; Meulders, Plasman, and Plasman 1996; de Grip, Hoevenberg, and Willems 1997). Supply and demand in the labor market can be managed in different ways. In addition to the typical employment relationship, work can be contracted out to (nominally) self-employed persons. The duration of employment can be unlimited or on a fixed-term basis. Individual working hours can vary considerably. Moreover, there can be complex contractual relations between employer and employee, as in the case of temporary work agencies, for example.

To assess the impact of the various work arrangements, a reference point is needed, and in this chapter, we use the dominant work arrangement in quantitative terms. The “standard work arrangement” is based on a permanent, full-time employee-employer relationship subject to basic social security contributions.

In many countries, the growing number of work arrangements that diverge from the “standard work arrangement” continues to cause fierce controversy. Depending on one’s point of view, either hopes or fears are articulated over the mainly female part-time workforce, who are socially protected to varying degrees; or over the many new staff who are employed only on a fixed-term basis; or over the trend of eliminating employment risks by using temporary agency workers or by contracting out work to (nominally) self-employed people. In view of the growing variety of work arrangements and changes in workers’ preferences, it is, however, no longer easy to assess which work arrangements are associated with which opportunities and risks for

society and for the individual. On the one hand, nonstandard work arrangements are considered less regulated than the typical employment relationship and, therefore, also have less protection from a legal point of view. On the other hand, they represent transitional forms or bridges to the standard work arrangement.

This chapter does not aim to assess the various implications of nonstandard work arrangements for the labor market or individuals in terms of “pros” and “cons,” or “good” and “bad.” Such issues would preferably be analyzed using longitudinal data on career development and processes of mobility (see, e.g., other chapters in this book). Instead, our chapter regards such arrangements as outcomes of different forces and looks specifically to the reasons for this ongoing development. Unfortunately, knowledge about the determinants of change is still rather limited. We know more about what is not the cause than of what is the cause of the changes in the composition of work arrangements. In particular, shift-share analyses have shown that, irrespective of the sector-specific and gender-specific changes in employment, nonstandard work arrangements would have increased and to roughly the same extent (see Smith, Fagan, and Rubery 1998; Hoffmann and Walwei 1999). Furthermore, analyses suggest that behavior of employers and employees has changed over time within certain sectors as well as within certain demographic groups. One possible reason could be the newly available options for employers and employees. The choice of work arrangements for both sides of the market depends, not in the least, on which alternatives they have at their disposal. The labor market performance, as well as the institutional setting, particularly influences the scope of action.

The relevance of labor market performance to the composition of work arrangements is obvious from an employee viewpoint. For the majority of employees, nonstandard work arrangements are an inferior good, and the least preferable if better options are available. The institutional framework may also influence costs and benefits of various work alternatives. For example, an institutional setting that imposes high costs for employers can make full-time arrangements less attractive for employers and reduce their prevalence. To deal with this set of questions, it makes sense to look beyond national borders. International comparisons allow us to integrate the relative importance of

labor market performance and institutional settings as possible explanatory factors.

This chapter begins by describing changes to the composition of work arrangements in Western Europe. We outline in which countries the tendency of erosion is already visible and the speed of change. In the next section, the analysis focuses on Germany and Denmark, where the development of work arrangements took different directions. In Germany, nonstandard work arrangements grew in importance, while the opposite occurred in Denmark. In Germany, the question is how far the growth in nonstandard work arrangements can be considered a process of catching up with other countries, such as the Netherlands, the United Kingdom, and Spain, in the diversity of employment relationships. In Denmark, the question is whether the decline in nonstandard work arrangements indicates a renaissance of “normal employment.” We conclude by asking whether the changes lead to more diversity in work arrangements or to newly defined standards.

## **WORK ARRANGEMENTS IN WESTERN EUROPE**

### **Overall Trends**

The diversity of work arrangements is greater than official labor market statistics suggest. There is, for example, a considerable lack of internationally comparable data on temporary work agencies, home work, on-call work, or freelancers. At best, only national data are available. The European Labor Force Survey (ELFS) offers at least detailed information about self-employment, part-time employment, and temporary employment.<sup>1</sup> Table 2.1 provides an overview of such work arrangements and their development over time.

Nonstandard work arrangements covered by the ELFS play a quite different role in European Union (EU) countries. In 1998, the highest share of self-employed (including family workers) could be found in southern European countries such as Greece, Italy, Portugal, and Spain. In contrast, self-employment was comparatively low in Luxembourg, Denmark, and Germany. In all countries, self-employment decreased.<sup>2</sup> The picture is quite the opposite concerning part-time and temporary

**Table 2.1 Selected Work Arrangements in Europe, 1988 and 1998 (% of total employment)**

Member states	Total employment (in thousands)		Self-employment (incl. family workers)		Part-time employment		Temporary employment <sup>a</sup>	
	1988	1998	1988	1998	1988	1998	1988	1998
Denmark	2,683	2,679	11.0	9.7	23.7	22.3	10.2	9.1
Germany		35,537	—	11.0	—	18.3	—	10.9
West	26,999	29,077	11.5	11.5	13.2	20.0	10.1	10.0
East		6,459	—	8.5	—	12.0	—	17.0
Austria		3,626	—	13.8	—	15.8	—	6.8
Belgium	3,483	3,857	18.0	17.4	9.8	15.7	4.5	6.4
Spain	11,709	13,161	29.1	23.0	5.4	8.1	15.8	25.3
Finland		2,179	—	14.6	—	11.7	—	15.1
France	21,503	22,469	16.2	12.5	12.0	17.3	6.6	12.2
Greece	3,651	3,967	49.5	43.4	5.5	6.0	8.8	7.4
Ireland	1,090	1,496	25.3	20.2	8.0	16.7	6.8	6.1
Italy	21,085	20,357	29.5	28.7	5.6	7.4	4.1	6.1
Luxembourg	152	171	11.2	9.4	6.6	9.4	3.3	2.4
Netherlands	5,903	7,402	12.1	11.6	30.3	38.8	7.7	11.2
Portugal	4,427	4,764	30.9	28.2	6.5	11.1	12.6	12.4
Sweden		3,946		11.4		23.9		11.4
United Kingdom	25,660	26,883	12.7	12.5	21.9	24.9	5.2	6.1
European Union	128,345	152,494	19.1	16.6	13.2	17.4	7.8	10.6

NOTE: — = data were unavailable.

<sup>a</sup> Temporary employees include apprentices, trainees, research assistants, etc.

SOURCE: Eurostat Labor Force Survey.

employment. In most of the EU countries, both types of employment grew, but at different rates. The ELFS data show high part-time employment rates in the Netherlands, the United Kingdom, Sweden, and Denmark. Low rates are found in Greece, Italy, Spain, and Luxembourg. In the case of temporary employment, Spain, Finland, Portugal, and France ranked highest, whereas Luxembourg, Italy, Ireland, and the United Kingdom ranked lowest.

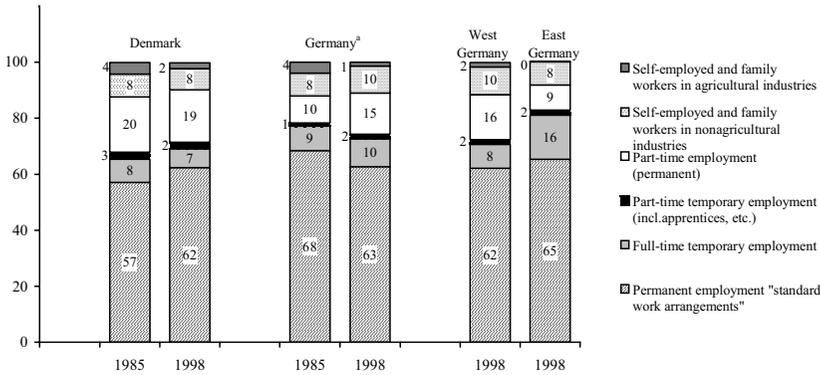
Table 2.1 is a useful overview of the importance of different work arrangements in EU countries. For several reasons, however, such indicators offer only a superficial impression. First, nonstandard work arrangements covered by the ELFS are not clear-cut. Double counting is possible. For example, the self-employed can either work full-time or part-time. In addition, part-time and temporary employment can be arranged simultaneously. Moreover, the definitions of such types of employment are not precise (Lemaitre, Pascal, and Bastelaer 1997). Temporary workers in the ELFS may include apprentices, agency workers, or even participants of active labor market measures, such as job-creation schemes. Part-time work consists of a wide range of employment relationships, including the extremes of marginal employment (few hours of work) and jobs with working hours just below the full-time level. The proportion of self-employment among total employed also varies significantly, not the least because the agricultural sector plays a different role in the countries surveyed. In addition, self-employment rates include self-employed workers with or without employees. Even permanent, full-time working relationships may include unique employment statuses, such as civil servants who enjoy life-long tenure.

Although a more detailed study of work arrangements in different countries would be helpful, the complexity and effort make such a study difficult in many countries. Therefore, it is more practical to concentrate the analyses on countries with an exemplary character. Of special interest are countries in which developments moved in different directions, as in Denmark and Germany.

### **Work Arrangements in Germany and Denmark**

Figure 2.1 shows the development of work arrangements in Denmark and Germany. The percentages for two years, 1985 and 1998,

**Figure 2.1 Change in Work Arrangements in Denmark and Germany (% total employment in 1985 and 1998)**



<sup>a</sup> 1985 West Germany; 1998 includes the new German Länder.

SOURCE: Eurostat Labor Force Survey; Mikrozensus.

represent the share of particular work arrangements as a portion of total employment.

### Germany

In Germany, the proportion of standard work arrangements (i.e., permanent full-time employment relationships) declined in the last decade compared with other forms of employment.<sup>3</sup> Although the overall self-employment rate (including family workers) declined slightly, the rate of self-employment grew in the sectors outside agriculture. Temporary employment (including apprentices) increased slightly over time. The work arrangement showing the fastest growth was part-time employment on a permanent basis, with an increase of 5 percentage points.

In 1998, the composition of work arrangements in eastern Germany still differed considerably from those in western Germany. This partly reflects the ongoing process of radical structural change and transformation of the eastern German economy (see below, Determinants of Change section). In the new Länder, standard work arrangements still carried greater weight. The difference in the proportion of standard work arrangements between eastern and western Germany in 1998 was 3 percentage points.

## **Denmark**

Interestingly, the proportion of standard work arrangements in Denmark was similar to that in Germany in 1998 (see Figure 2.1). But unlike Germany, the share of standard work arrangements increased by 5 percentage points between 1985 and 1998. In addition, the composition of work arrangements differs between Denmark and Germany. In Denmark, the proportion (as a fraction of total employment) of part-time employment was higher, and the shares of self-employed and temporary workers were lower in 1998.

Also in Denmark, the overall self-employment rate, which in 1998 was lower than in Germany, decreased slightly. However, unlike in Germany, the proportion of self-employed outside the agricultural sector stagnated. In the case of temporary employment and part-time work, the picture is different, too. The decline of temporary employment is largely associated with fewer apprenticeships (with fixed-term contracts) in Denmark. The proportion of part-time employment decreased by 2 percentage points, which includes both permanent and temporary work.

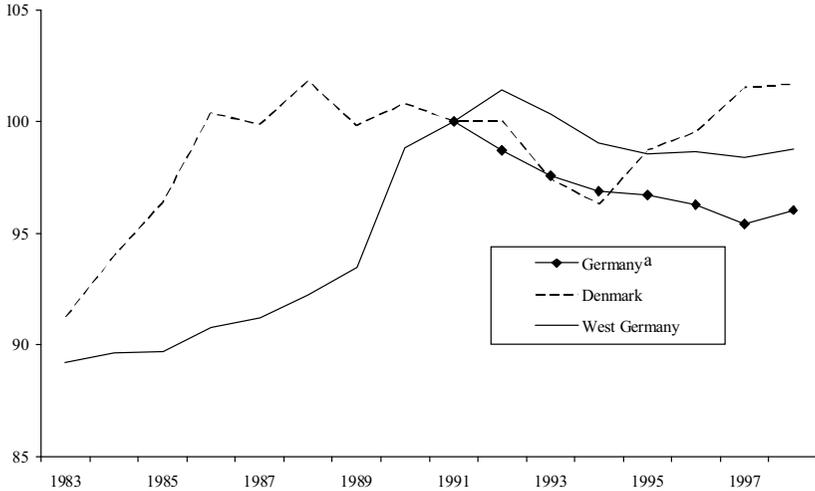
## **DETERMINANTS OF CHANGE**

### **Labor Market Performance**

With regard to nonstandard work arrangements, a lack of employment opportunities and high unemployment must be regarded as a “push factor.” In this respect, labor markets in Denmark and Germany reveal remarkable differences. The differences refer to the level, development, and composition of employment as well as unemployment.

For decades, Denmark has had one of the highest labor force participation rates in the Western world. In 1998, the labor force participation rate reached 79 percent. The corresponding German rate stood at 71 percent. The difference is even greater if one compares employment rates in both countries. Whereas 75 percent of the Danish working population was employed in 1998, in Germany, 64 percent was employed. After a recession in the early 1990s, Denmark saw a considerable employment boom. This positive development can be attributed to sev-

**Figure 2.2 Employment Indexes in Denmark and Germany 1983–98  
(Index: 1991 = 100)**



<sup>a</sup> 1983–90 are figures for West Germany; 1990–98 are figures for unified Germany.  
SOURCE: Eurostat Labor Force; Survey West Germany—Mikrozensus.

eral factors, such as sustained economic improvement, fiscal impulses through tax cuts, and changes in active and passive labor market policies that targeted the unemployed as well as imposed sanctions (PLS Consult and Peter Jensen 1997; Madsen 1999).

Between 1983 and 1998, the German figures show a rather mixed picture. For western Germany, the rate of employment growth was almost as high as in Denmark (10.7 percent vs. 11.4 percent). Employment indexes in the early 1990s indicate much greater development than in Denmark. The picture changes, however, if one considers employment indexes in unified Germany. In contrast to the Danish development, unified Germany experienced a slow economic and labor market recovery in the 1990s (see Figure 2.2), mainly because of the unification of West and East Germany in 1990. At first (especially because of the emergence of new markets in East Germany), the

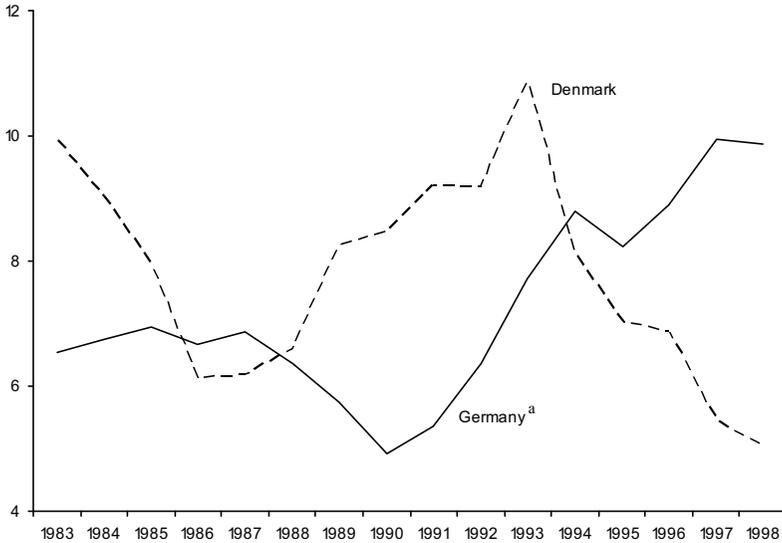
former West Germany experienced a considerable economic and employment boom. However, the recovery process in eastern Germany took more time than most experts and politicians predicted. For this reason, eastern Germany still depends on massive financial transfers from western Germany. Therefore, unification has certainly made it more difficult to find convincing solutions to the employment crisis. It would, however, be insufficient to blame only German unification in this context (Blau et al. 1997). Several structural deficiencies in Germany are also responsible, such as the high burden of taxes and of social security contributions, too few employment-oriented wage agreements, and a lack of progress in increasing labor market flexibility.

In Denmark, the high employment rate gives less competitive workers more opportunities to enter the labor market. All age groups, all qualification levels, and both sexes have higher participation rates than in Germany. That means that women, young people, older workers, and even those with low skills were able to profit, at least in part, from high levels of employment.

Not surprisingly, differences in the level and the development of unemployment between Denmark and Germany are also evident. Figure 2.3 shows lower unemployment rates in Denmark than in Germany since 1994. Whereas in Denmark, unemployment has decreased continuously since 1993, improvements in Germany began only recently. In Germany, the very recent (since 1996) and slight reduction in the unemployment rate can be attributed only in part to more employment; the shrinking labor supply, owing to demographic changes, also played a part. The positive employment development in Denmark, together with an intensive use of active labor market policies (especially the high number of short-term measures), has lowered the proportion of long-term unemployed (as part of the total unemployed) from 39 percent in 1985 to 29 percent in 1998, and lowered the youth (up to age 25) unemployment rate from 11 percent to 7 percent. In the same period, the proportion of long-term unemployment in Germany rose from 48 percent to 52 percent, and the unemployment rate of young people ages 15–24 remained at about 10 percent.

Unemployment represents only a part of total underemployment (Schmidt 1997; Stille 1998). Using the Organization for Economic Cooperation and Development (OECD) concept of “broad unemploy-

**Figure 2.3 Unemployment Rates in Germany and Denmark, 1983–98**  
(percentage share of labor force)



<sup>a</sup> 1983–90 are figures for West Germany; 1990–98 are figures for unified Germany.  
SOURCE: Eurostat Labor Force Survey.

ment” in assessing underemployment, the corresponding rate in 1996 for Germany was 22 percent (the standardized unemployment rate in 1996 was 9.6 percent) and for Denmark, 20.5 percent (the standardized unemployment in 1996 was 6.9 percent). The definition of broad unemployment includes registered unemployed, participants in active labor measures (such as training, job creation schemes, and short-time work), those in early retirement, and persons in paid leave schemes (such as child care or training). However, recent Danish studies show that the standardized unemployment rate, as well as the broad unemployment rate, decreased in the second half of the 1990s, indicating a “real” improvement in the labor market situation (Madsen 1999).

### **Institutional Setting**

The choice of work arrangements depends on which options employers and employees have at their disposal. The institutional

framework defines the labor market actors' scope of action. Regulations influence costs and benefits of various alternatives. Although it is impossible to offer a comprehensive overview of institutions in the two countries, we focus on those regulations that are of particular importance to the composition and development of different work arrangements. These include the social security systems and certain incentives or disincentives resulting from them, the type of income taxation, the provision of child care facilities, the level and the significance of active labor market measures, the existence of particular institutions facilitating the school-to-work transition, and the strictness of employment protection regulations.

The Danish social security system provides a generous social protection (e.g., in the case of unemployment). It is mainly financed by general tax revenues (European Commission 1999). In 1997, the share of social security contributions amounted to only 10 percent of the labor costs (defined as gross salary plus social security contributions paid by the employer), the lowest in the EU. The corresponding share for Germany was much higher at 34 percent. Because of German unification, the burden of social security contributions has risen significantly. This has led to an increase in labor costs of employment relationships covered by social insurance. As a consequence, the substitution of labor through capital was stimulated, and gainful activities were at least in part pushed from the regular to the underground market. On the supply side of the labor market, higher social security contributions have increased the tax wedge between gross and net wages. The lower the advantages of rising social security contributions for employees, the greater the disincentives to work in jobs covered by social insurance. As a result, work arrangements that are not subject to social security contributions (e.g., marginal employment or work given to nominally self-employed workers) become more attractive (Buch 1999).

In addition to financing, the design of the Danish and German social security systems is also quite different. The pension system in Denmark consists of a basic pension for all citizens, financed by general revenue taxes, and a supplementary pension, financed mainly by employer contributions. In contrast, pension insurance in Germany is mandatory for all wage and salary earners and is (apart from taxes) predominantly financed by payroll taxes, to be paid almost equally by

employer and employee contributions. The German compulsory pension insurance scheme was introduced to ensure that all workers enjoy an adequate old age pension. The level of old age pensions in Germany largely depends on the range and duration of such payments. Unlike in Denmark, this leads to a situation in Germany in which less stable career histories bear considerable risks in terms of social insurance.

Of particular interest in this context are regulations that act as an incentive for marginal employment. Such regulations, in particular threshold levels, can refer to the income as well as to the number of working hours. The new German regulation, which has been valid since April 1999, relates to the monthly income as well as to the weekly working hours. Monthly wages below DM 630 are subject to restricted social insurance (normally no benefits and employer contributions only) if the person is not a multiple job holder and the weekly working time is fewer than 15 hours. The prior regulation did not require any compulsory social insurance, whether the person was a multiple job holder or not, but employers were obliged to pay a payroll tax, which was nearly as high as the employer's social security contributions. Similar to Germany, regulations in Denmark also create incentives for marginal employment. To claim unemployment insurance benefits, an employee must work a minimum of 16 hours per week. For part-time employment of no more than 39 hours per month, no contributions to the supplementary pension system are due.

The type of income taxation may also influence the magnitude of labor supply and the associated choice concerning certain wage arrangements. Whereas Germany has joint income taxation, Denmark taxes individuals separately (see Dingeldey 2000). Joint taxation can discourage secondary wage earners from working. In particular, married women who work at home are, under joint taxation, taxed at the high marginal tax rate of their husband. Joint taxation, therefore, creates another incentive among secondary earners to find tax-free marginal employment. In contrast, individual taxation has the opposite effect. The low wage of a part-time working spouse is taxed at a correspondingly low rate.

In addition to the type of income taxation, the employment rates of women are positively related to the provision of child care facilities. The availability of publicly funded child care varies sharply between countries. Denmark is one of the countries with the largest provision of

care facilities for children up to age 3 (see Thenner 2000). Although there are no severe limitations concerning kindergarten placements (for children ages 3–6 years) in Germany, many are part-time placements, and children usually return home at lunchtime. This situation may cause a considerable obstacle to full-time work for German women, or even regular part-time work.

According to OECD data, Denmark spends the most on active and passive labor market policies among countries in the western world. In 1998, the share of total expenditure on labor market policies amounted to 5.63 percent of the gross domestic product (GDP). (In Germany, it was 3.56 percent.) Both countries spent twice as much on passive policies as on active programs. Of particular interest in this context are schemes that enable unemployed individuals to start new businesses or, in the case of job-creation schemes, that are associated with fixed-term contracts. Leave programs (e.g., for training or child care) can favor fixed-term contracts because such measures often lead to a temporary replacement. Table 2.2 gives an overview of the quantitative importance of labor market programs in both countries in terms of full-time equivalencies or annual averages.

Both countries changed the emphasis of labor market policies in the 1990s. The Danish reform in 1993 initiated a considerable swing in labor market policies. One part of the reform was additional measures to reduce labor supply (e.g., early retirement, sabbaticals, and paid leave arrangements). The number of participants in labor market programs and the composition of expenditure in Denmark reveal a shift in recent years from demand-side measures (especially wage subsidies) to supply-side measures (mostly training programs). In Germany, the shift of labor market policies took place later. Since 1998, labor market measures have aimed more at improving job matching by concentrating on targeted programs for hard-to-place individuals. The policies are either implemented within firms or should, as much as possible, meet the requirements of firms in order to build a bridge toward standard employment.

In many countries, a close relationship exists between standard labor market programs for youth and institutions facilitating the school-to-work transition. The latter are particularly relevant for Denmark and Germany. The Danish vocational education and training programs are sandwich-type programs, in which a separate theoretical

**Table 2.2 Participation<sup>a</sup> in Labor Market Programs in Denmark and Germany, 1994 and 1998 (% of civil employment)**

	Denmark		Germany	
	1994	1998	1994	1998
Subsidized employment (direct job creation, short-time work, job training, enterprise subsidies, etc.)	2.4	1.7	2.0	1.8
Training measures (adult education/training, except educational leave)	0.9	1.0	1.4	1.1
Other activation programs <sup>b</sup> (specially arranged activation, experiments)	0.1	0.2		
Labor market programs (except leave and early retirement)	3.4	2.9	3.4	2.9
Leave/job rotation of which:	2.0	1.6		
educational leave	0.5	0.9		
Civil employment in thousands	2,508	2,659	35,892	35,715

<sup>a</sup> Full-time equivalents and annual averages.

<sup>b</sup> Activation programs link payment of cash benefits to the participation in active labor market programs.

SOURCE: Denmark: Danmarks Statistisk; Germany: Amtliche Nachrichten der Bundesanstalt für Arbeit—Arbeitsmarkt 1998; Calculations of Institute for Employment Research (Section 2) Civil Employment: OECD Labor Force Statistics.

education at a vocational school (one-third of total duration) alternates with practical training on a full-time or part-time basis in a business enterprise (two-thirds of total duration). The German apprenticeship system combines part-time education with workplace occupational training. A characteristic feature of the two systems is fixed-term contracts between the young employees and the employers offering practical or occupational training (in Denmark, excluding vocational schools, and in Germany, including vocational schools). Nevertheless, in both countries, the existing institutions fail to reach all school leavers to whom standard labor market programs are offered.

Finally, employment protection regulations may also influence the composition of work arrangements. The stricter the dismissal protection, the more it can act as an incentive for enterprises to select those forms of employment with little or no dismissal protection (e.g., fixed-term contracts, use of temporary agency workers, or contracting out

work to self-employed workers). Based on OECD indicators of the strictness of employment protection regulations in 26 countries in the Western world, Denmark ranks sixth and Germany ranks twentieth (OECD 1999). A higher ranking implies more legal restrictions. The indicator includes regulations concerning individual and mass dismissal as well as temporary employment (e.g., fixed-term contracts and the use of temporary agency workers). The OECD analysis shows a considerable trend toward deregulation in the 1990s. Amid deregulation, two trends emerged: changes in the law either provided for a change in the protective rights of regular employment, or they extended the possibilities of arranging nonstandard work. Regarding the choice of work arrangements, the two reform trends must be assessed differently. If regular employment relationships are deregulated—as in the case of a change in law on protection against dismissal—evasive reactions (e.g., an increased use of fixed-term employment) are less likely. If, on the other hand, deregulation is geared toward an extended use of nonstandard work arrangements, one must ask whether the additional flexibility is needed and whether it is used by the parties involved.

The already flexible Danish labor market in the 1980s was further deregulated in the early 1990s by an almost complete liberalization of the use of temporary workers. If one takes the relatively strict employment protection regulations into account, previous deregulation initiatives in Germany were quite moderate. Significant changes in the regulation of German employment protection mainly apply to temporary employment. Since 1985, a justification for using fixed-term contracts for fewer than 18 months is no longer required. The duration was extended further in 1996, to 24 months. Within the maximum duration of 24 months, the contract can be extended three times. Since 2001, the use of fixed-term contracts without justification is limited to new recruitments only, which prevents employers from using such flexible fixed-term contracts as a means to extend other fixed-term contracts that require justification (e.g., in the case of fixed-term contracts lasting more than 24 months). Similarly, the duration for which employers can use temporary agency workers (which is still not allowed in construction) was also extended in the 1990s and, since 1997, can now last for 12 months.

To summarize, a comparison of the two countries reveals certain similarities as well as considerable differences. Denmark and Germany are both welfare states with high wages and low wage differentiation by qualification. Apart from the size of the two countries, remarkable differences exist in the level and development of employment, labor market flexibility, financing and design of the social security system, institutional incentives for female employment, and the significance of active labor market programs.

## **SPECIFIC WORK ARRANGEMENTS IN DETAIL: DEVELOPMENTS AND THEIR CAUSES IN DENMARK AND GERMANY**

### **Self-Employment**

In 1998, Luxembourg, Denmark, and Germany had the lowest percentage of self-employed persons in the EU. The extent of self-employment is influenced by demand-side, supply-side, and institutional determinants (Noorderhaven et al. 1999; Bogai and Gotthard 1999). A first argument relates to structural change. Agrarian-dominated societies are generally characterized by a high degree of self-employment. In more developed countries, industrialization and a higher share of services limit self-employment. Industrialization leads to increased capital accumulation and business concentration, whereas a higher share of services leads to business start-ups.

The level of self-employment also depends on the level of prosperity. The share of self-employment is high in countries with low average incomes, while self-employment rates are comparably lower in countries with a high living standard. Greater productivity resulting from a growing capital stock induces relative improvements to wages compared with incomes from self-employment. Higher levels of economic development offer more alternatives to earn a living. Incentives to become self-employed are hence reduced.

The size and composition of the labor force may also influence the level of self-employment. If we assume the same density of self-employed (i.e., the number of self-employed related to the working

population) in two countries or at two points of time, the self-employment rate (as part of total employment) will decrease with a higher, or growing, employment rate. This is because higher employment is generally accompanied by greater labor force participation of women, who in turn are less likely to be self-employed (Blanchflower 1998; Huijgen 1999).

The labor market and labor market institutions can also play a role in self-employment. Both aspects are considered “push factors.” High unemployment rates induce more individuals to become self-employed owing to a lack of jobs in dependent employment. Self-employment programs aimed at reintegrating the unemployed can reinforce such a development. Push factors can also come into play with strict employment protection, high social security contributions, and deregulated product markets with low barriers to entry.

High living standards, on the one hand, and structural change disfavoring the agricultural sector, on the other hand, offer a plausible explanation for the comparatively low self-employment rates in Denmark and Germany. The particularly low share of self-employed and family workers in Danish employment may also be attributed to several additional factors, such as a higher participation rate of both married and single women, a more favorable labor market since 1994, less emphasis on programs promoting business start-ups, and less strict labor market regulations. The reason for the still comparatively small proportion of self-employed and family workers in eastern Germany (8.5 percent compared with 11.5 percent in western Germany) likely stems from the slow adjustment process in that economy, with its uncertain prospects and lack of capital. Similarities between Denmark and Germany on self-employment are also obvious if one compares the composition and patterns of development.

Figures 2.4 and 2.5 reveal that self-employment rates fell in both countries from 1983 to 1998. The development, however, is largely influenced by the closing of small agricultural businesses, and thus reducing the numbers of self-employed workers. Outside the agricultural sector, the opposite has occurred. Self-employment rates in Germany remained relatively constant in the 1980s and increased in the 1990s. The increase was interrupted shortly as a result of German unification, given that self-employment rates were and still are quite low in the new Länder. In Denmark, the decline in self-employed (not

**Figure 2.4 Denmark: Self-Employed and Family Workers, 1983–98**  
(percentage share of total employment)



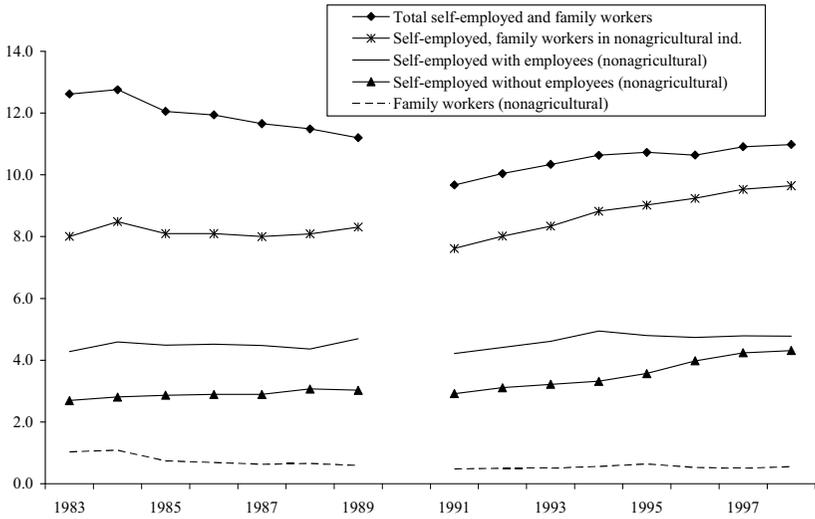
SOURCE: Eurostat Labor Force Survey.

including agriculture) has abated since the mid 1980s (Figure 2.4). As a consequence, in both countries, extrapolations show increasing levels of self-employment (especially outside agriculture).

In Denmark and Germany, the share of self-employed with employees was higher than the share of self-employed without employees in 1998. Differences between the two rates, however, diminished with time. In both countries, the increase of self-employment without employees was above average. A possible explanation for the increase of one-person businesses may be that market entries became more feasible for small enterprises because of the rapid diffusion of information and communication technologies. Stronger international competition and increasing labor cost pressure, more intensive contracting out, and concepts of “lean management” may also have contributed to this development.

Among the self-employed without employees, there is also assumed to be an increase in so-called “nominal self-employed.” In Germany, nominal self-employment may have emerged from the con-

**Figure 2.5 Germany<sup>a</sup>: Self-Employed and Family Workers, 1983–98**  
(percentage share of total employment)



<sup>a</sup> 1983–90 are figures for West Germany; 1990–98 are figures for unified Germany.

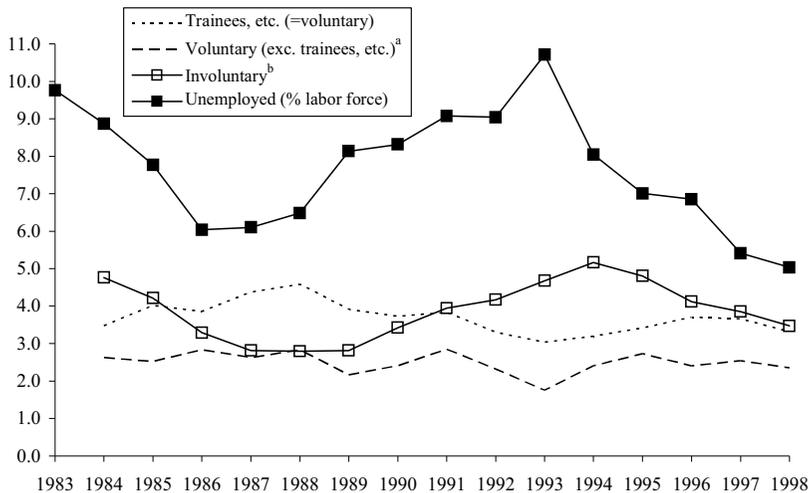
tinuously poor labor market in the 1990s and rising social security contributions that disfavored work arrangements within an employee status. According to Dietrich (1996), the number of nominal self-employed in 1995 was between 179,000 and 431,000, or between 0.6 percent and 1.3 percent of total employment.<sup>4</sup> The legislature in Germany responded to the increase in one-person businesses, first in 1999 and then again in 2000, by defining the demarcation line between dependent employment and self-employment.<sup>5</sup> The new regulation aims to reduce the circumvention of labor and social protection laws. However, it also hampers the initiation of new firms. Individuals starting a new business often do not employ additional workers and deal early on with one or only a few clients.

### Temporary Employment

In a European comparison, temporary employment rates in Denmark and Germany are ranked somewhere in the middle of the spectrum. In both countries, trainees and apprentices contribute to

temporary employment to a considerable extent, although in Denmark with a declining tendency (see Figures 2.6 and 2.7). Temporary employment is, in many cases, associated with part-time work. In Denmark, this is more often the case than in Germany. There were no significant changes to Danish temporary employment rates during the last decade, while Germany saw a moderate upward trend. However, temporary employment rates in Denmark and Germany are similar. On the one hand, this might stem from the fact that the noted restrictions on the use of fixed-term contracts are only slightly lower in Denmark than in Germany. On the other hand, dismissal protection in Germany is much more strict, which can, therefore, cause circumvention by temporary employment. Thus, lower temporary employment rates (excluding apprentices) would be expected in Denmark. Possible explanations for this counterintuitive result may be identified by looking at structural features of temporary employment, labor market performance, and institutional issues.

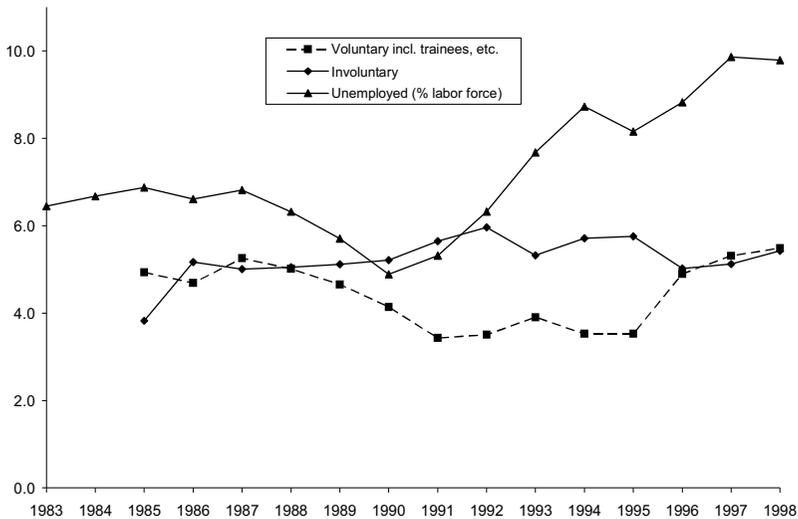
**Figure 2.6 Temporary Employment in Denmark, 1984–98 (percentage of total employed)**



<sup>a</sup> Voluntary: “did not want a permanent job.”

<sup>b</sup> Involuntary: “could not find a permanent job”; “no reason given”; “contract for a probationary period.”

SOURCE: Eurostat Labor Force Survey.

**Figure 2.7 Temporary Employment in Germany,<sup>a</sup> 1985–98 (percentage of total employment)**

<sup>a</sup> 1983–90 are figures for West Germany; 1990–98 are figures for unified Germany.  
SOURCE: Eurostat Labor Force Survey.

Temporary work arrangements are, in general, not the first choice for the majority of workers employed on a fixed-term basis. According to the ELFS, permanent work would be preferred if available. “Voluntary” temporary employment plays only a small role in Germany, with 0.2 percent of all employed, while in Denmark, this type of employment is more significant, with 2.4 percent employed in voluntary temporary employment. Permanent contracts are not necessarily the first choice for employees who are less concerned about the disadvantages of a temporary contract (e.g., the higher risk of being jobless after the contract expires). This group could include, for example, individuals uninterested in a permanent job (pupils or students) or those who were planning to leave dependent employment (e.g., because of retirement or the start of a business). The high figures of voluntary temporary contracts in Denmark correspond to the multitude of marginal work carried out by pupils and students.

The business cycle is one of the possible determinants of changes in temporary employment rates. The relationship between unemployment and temporary employment, however, can be cyclical as well as countercyclical. Rising unemployment may promote the diffusion of temporary contracts; falling unemployment may reduce the number of temporary contracts (as in Denmark, see Figure 2.6). An opposite relationship might be expected when temporary employment is used as an employment buffer, which is expanded in cyclical upswings and reduced in cyclical downswings (as in Germany, possibly).

As noted above, since 1985, fixed-term employment contracts lasting up to 18 months (and since October 1996, up to 24 months) no longer required justification. Firms have made wide use of the new regulation (see Bielenski 1997). However, neither the high hopes (e.g., encouraging additional hiring due to a substitution of overtime work) nor the fears (e.g., the replacement of permanent employment by fixed-term employment) has been confirmed. The relatively constant rates of temporary employment in Germany during the last decade suggest that the new options offered by deregulation and the actual use of such options are two different things. The reality in German firms is obviously not yet characterized by a regime of “hiring and firing,” and the advantages of stable employment relationships (internal flexibility, willingness to invest in human capital) obviously still prevail. This is true even in eastern Germany. The greater proportion of temporary employment there can be almost fully attributed to active labor market programs (especially large-scale job creation schemes).

In Denmark, neither employment protection regulations nor temporary employment rates has changed significantly. The relatively high temporary employment rate in Denmark—even though employment protection regulations are less strict than in Germany—can likely be attributed to two factors: the comparatively high volume of voluntary temporary employment and the still considerable level of active labor market policy programs (e.g., subsidized employment and paid leave arrangements).

Finally, regulations on temporary work agencies may also influence the use of temporary employment. Agency workers are a potential alternative to permanent or fixed-term employees. Contracts for temporary agency workers are also often signed for a fixed duration only. Until 1995 in Germany, fixed-term contracts with agency workers were

allowed only on the request of the employee. Since then, at least the first deployment of a temporary agency worker can be on a fixed-term basis. In Denmark, all regulations on temporary work agencies were abolished in 1990. Therefore, the duration of the employment contract depends on the individual agreement between agency and temporary agency worker. Consistent information about the extent of agency work in the EU countries is unavailable. Estimates by the World Federation of Temporary Work show that the importance of temporary work agencies is relatively low in Denmark (0.3 percent of dependent employment) and in Germany (0.7 percent of dependent employment) compared, for example, with the Netherlands (4.6 percent) and France (2.2 percent) (see Klös 2000; de Koning et al. 1999). Despite substantial deregulation, the spread of agency work is still limited in Denmark. However, in Germany, agency work has gained in importance even though regulations are relatively strict. Nevertheless, the development of temporary agency work in both countries must again be seen in the context of different labor market performances and the availability of other flexibility options.

Recent studies illustrate that temporary work arrangements are used as a complement to the core workforce as a way to reduce adjustment costs (e.g., to business fluctuations) through more flexibility (see Rudolph and Schröder 1997). Furthermore, using temporary employment during a probationary period (without any obligation) is attractive to employers because it allows them to improve staff selection (see Farber 1999; Rogowski and Schömann 1996). From this point of view, relatively constant rates of temporary employment are compatible with high levels of fluctuation in temporary work arrangements.

### **Part-Time Employment**

The Netherlands has the highest percentage of part-time workers in the EU, at 40 percent in 1998. Beyond the Netherlands, three countries report percentages over 20 percent: the United Kingdom, Sweden, and Denmark. In Germany, the share of part-time employment is less than 20 percent. However, as a percentage of the workforce, only Denmark has seen a decline whereas an upward trend can be observed in Germany and in the majority of EU countries (Figures 2.8 and 2.9).

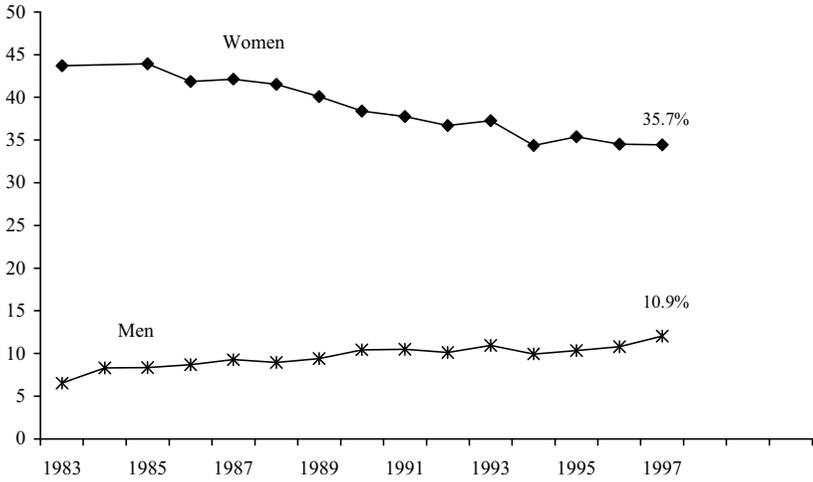
A comparison of part-time work in Denmark and Germany by demographic characteristics reveals remarkable differences. Figures 2.8 and 2.9 show that the differences in the percentage of part-time workers can largely be attributed to the higher share of Danish men who work part-time. The share of women in part-time work is nearly identical in both countries.

There are also considerable differences by age. Danes between the ages of 15 and 24 are more likely to work part-time than their German counterparts. Further, this trend does not hold for those age 25 and older, highlighting the importance of this difference. Part-time employment rates in Germany for those age 25 and older were 19 percent (4 percent for men and 39 percent for women) and 17 percent in Denmark (6 percent for men and 31 percent for women). The comparatively high share of young part-time workers may be surprising for a country such as Denmark, with high participation rates in education.<sup>6</sup> There are two reasons for this situation. First, part-time work (or, alternatively, full-time work) may be an integral part of the Danish vocational system, where young persons alternate between education and learning at a workplace. Second, part-time work is often done by pupils or students to improve their standard of living with marginal employment.<sup>7</sup>

The ELFS and a recent survey by Infratest provide information about the reasons why workers choose to work only part-time. The ELFS data show that the number of female part-time workers in Denmark decreased mainly because fewer women work part-time on a voluntary basis. In contrast, voluntary, and to some extent involuntary, part-time work has increased in Germany. The Infratest survey suggests that a considerable proportion of German female part-time workers choose this type of employment because they want or need more time with their children (which reflects the low provision of child care facilities in Germany). This motive is obviously less relevant in Denmark, where young people more often combine part-time work with education (see Table 2.3).

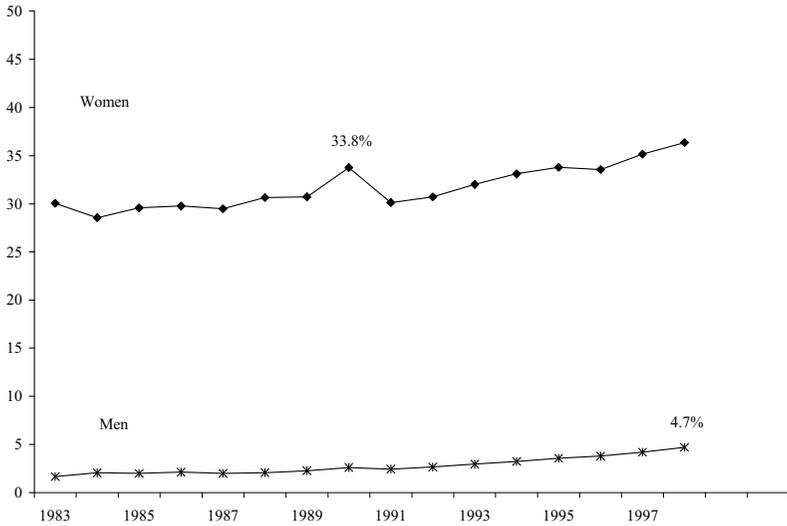
Data on the demand for part-time work are available from the IAB Establishment Panel (see Düll and Ellguth 1999). Until 1996, part-time work had been growing in western Germany, independent of firm size. Since then, more differentiation between companies has taken place. Large companies used part-time work to a lesser degree than did small firms. Compared with western Germany, there is still a part-time work

**Figure 2.8 Part-Time Rates by Gender in Denmark, 1983–98**



SOURCE: Eurostat Labor Force Survey.

**Figure 2.9 Part-Time Rates by Gender in Germany,<sup>a</sup> 1983–98**



<sup>a</sup> 1983–90 are figures for West Germany; 1990–98 are figures for unified Germany.

SOURCE: Eurostat Labor Force Survey.

“gap” in the new Länder, although part-time work has expanded within firms of all sizes. Multivariate analyses also show that in the old Länder, in particular, the extensive use of part-time work is associated with a certain segment of small and young enterprises. Innovation in these firms is less developed than in firms with a lower share of part-time work. Marginal part-time work (fewer than 14 hours a week) can be found in firms with lower qualification levels and those without works councils. Comparable data do not exist for Denmark. A study by Bielski and colleagues (1994) shows that Danish and German firms share similar views on the advantages of part-time work. In both countries, flexibility and increased competitiveness were the main reasons for using part-time work. In contrast, lower wage costs or lower social security contributions played only a minor role.

In Denmark and Germany, there are certain institutional incentives for part-time work, and, as noted, the incentives apply to part-time work with few hours. Therefore, it is not surprising that marginal part-time work plays a significant role in both countries. In Denmark, 8.1 percent of the employed (9.9 percent of women; 6.5 percent of men) worked fewer than 15 hours per week in 1998. In Germany, 5.9 percent (10.7 percent of women and 2.2 percent of men) worked fewer than 15 hours a week. Data from the ELFS also show an increase of marginal part-time work in both countries. Whereas in Germany, part-time work with low as well as long hours contributed to the expansion of part-time work, this is not the case in Denmark, where part-time work with long hours (more than 14 hours a week) declined.

The decline of part-time work during the last decade in Denmark was mainly driven by declines among women and is concentrated among voluntary employment contracts with an average work week of between 15 and 35 hours. However, the decline in female part-time employment in Denmark is not a new phenomenon. The development was already evident in the 1980s, albeit more hidden. At that time, the downward trend was compensated for by an increase in part-time work among men. However, in the 1990s, the increase flattened out, with male part-time work remaining relatively constant. The continued decline of part-time work among Danish women seems to be largely associated with an institutional setting that favors female employment, with such benefits as comprehensive child care facilities and separate income taxation. The reduction of involuntary part-time employment

**Table 2.3 Reasons for Working Part-Time in Denmark and Germany, 1998**

	Denmark	Germany
All part-time workers	<i>N</i> = 186	<i>N</i> = 371
Involuntary part-time work (could not find full-time job)	11%	2%
Is student	31%	14%
Is ill/disabled	5%	3%
Wants/needs enough time for children	25%	44%
Wants/needs enough time to care for elderly, ill, or disabled persons in the family	3%	4%
Other domestic commitments	1%	3%
Wants enough time for own activities (e.g., hobbies, political or cultural activities)	12%	3%
Earns enough working part-time, no need to earn money	3%	1%
Other reasons for voluntary part-time	3%	1%
No answer	6%	7%
Total	100%	100%
Female part-time workers	<i>N</i> = 148	<i>N</i> = 291
Involuntary part-time work (could not find full-time job)	13%	19%
Is student	22%	8%
Is ill/disabled	5%	2%
Wants/needs enough time for children	28%	51%
Wants/needs enough time to care for elderly, ill, or disabled persons in the family	4%	4%
Other domestic commitments	1%	3%
Wants enough time for own activities (e.g., hobbies, political or cultural activities)	14%	3%
Earns enough working part-time, no need to earn money	3%	2%
Other reasons for voluntary part-time	2%	1%
No answer	7%	8%
Total (base: employed persons who declare themselves part-time)	100%	100%

NOTE: Answers to survey questions, "I would like to ask you why you work part-time rather than full-time. Is it because?"; and "Why don't you want a full-time job? Is it because". . . were recoded and multiple responses were eliminated (rank order as above; i.e., respondents were only counted in the first of the categories listed above that applied).

SOURCE: *Employment Options of the Future Survey*, carried out by Infratest Burke Sozialforschung, Munich, on behalf of the European Foundation for the Improvement of Living and Working Conditions, Dublin.

during the upswing in Denmark contributed to the general decline in part-time work and is associated with improving labor market conditions.

In Germany, part-time employment took a different direction. Voluntary and involuntary part-time work increased continuously in the 1980s and 1990s. This increase occurred amid high unemployment, low labor force participation (not the least due to a lack of child care facilities), and measures to improve work flexibility at the beginning and the end of working life (e.g., policies to promote partial retirement). The fact that part-time employment has gained relatively little acceptance in eastern Germany can largely be attributed to, among other things, the lower income associated with it. The share of part-time employment may expand further in the future, given new regulations in 2001 concerning this part-time employment. Full-time employees now have a legal right to opt for part-time employment.<sup>8</sup>

## **CONCLUSION: MORE DIVERSITY OR NEW STANDARDS?**

Analyses on the basis of the ELFS have shown that during 1985–1998, the proportion of standard work arrangements declined in Germany and increased in Denmark. In Germany, work arrangements have shifted toward part-time dependent employment and self-employment. Moreover, differentiation is more visible among nonstandard work arrangements (e.g., more sole proprietorships or marginal part-time employment). The renaissance of standard work arrangements in Denmark results from a decline in part-time employment, a small decline in self-employment, and a nearly stagnant level of temporary employment.

Despite diverging trends in Denmark and Germany, the two countries both find that young employees are more affected by these forms of employment (see Table 2.4). In Germany, the increase of nonstandard work arrangements was more pronounced among young employees than all employees. In Denmark, and counter to the nationwide trend, nonstandard work arrangements are increasing among young employees. Nonstandard work arrangements obviously play an increasing role as a bridge to standard work, mainly because they can reduce hurdles

to subsequent integration into the labor market. In addition, this trend of increasing levels of nonstandard work among young employees reflects their frequent combination of education and work (e.g., apprenticeships and other types of learning at the workplace, as well as marginal employment, which acts as a supplement to study grants). Overall, there are no hints in Denmark or Germany that young employees may be socially excluded because of the growing number of nonstandard work arrangements.

Trends suggest that the decline in standard work arrangements in Germany and the increase in Denmark may continue because of the important role of part-time employment trends (see Figures 2.8 and 2.9). However, a warning against determinism in the development of work arrangements is warranted. Two factors—normally not explicitly considered in trend extrapolations—are relevant to the direction and even strength of certain changes in the composition of work arrangements: labor market performance and institutional incentives.

The change in work arrangements, particularly the diverging trends in Denmark and Germany, reflects different labor market performances in each country. Whereas in Denmark—a country with traditionally high labor market participation—unemployment has declined since 1994, in Germany—a country with significantly lower labor market participation—there was a severe labor market crisis between 1993 and 1998. The continuing decline in female part-time employment among those working 15 to 35 hours a week in Denmark can, at least in part, be seen as an exploitation of already scarce human resources. Supply-side restrictions did not exist to a large extent because of comprehensive child care facilities and significant incentives to work inherent in the system of separate income taxation. Moreover, there was almost no increase in self-employment (especially outside the agricultural sector) since 1995 because of the high and increasing employment rate (especially for women with less tendency to become self-employed). Nearly the opposite is the case in Germany, where self-employment is a state-sponsored option for leaving the unemployment rolls. In addition, high unemployment must be regarded as a “push factor” toward nonstandard work arrangements. Nevertheless, compared with unemployment, temporary employment and even involuntary part-time employment are better alternatives than no job at all.

**Table 2.4 Trends in Work Arrangements in Denmark and Germany<sup>a</sup> among Ages 15 to 24 Years**

Work arrangements	Denmark				Germany			
	1985	1990	1991	1998	1985	1990	1991	1998
Population age 15 to 24 years <sup>b</sup>	780	755	748	643	9,575	8,345	9,911	8,733
Total employment <sup>b</sup>	521	491	484	428	5,039	4,831	5,661	3,939
Total employed in % of population	66.8	65.0	64.7	66.6	52.6	57.9	57.1	45.1
Self-employed and family workers (% of total employment)	1.2	1.0	1.2	1.2	2.4	1.9	2.0	2.0
Family workers	0.2	0.0	0.0	0.5	1.2	0.8	0.6	0.7
Self-employed	1.0	1.0	1.2	0.7	1.3	1.1	1.5	1.2
With employees	0.4	0.2	0.4	0.2	0.6	0.4	0.5	0.3
Without employees	0.6	0.8	0.8	0.5	0.7	0.7	1.0	0.9
Self-employed and family workers working part-time	0.2	0.2	0.2	0.5	0.5	0.7	0.5	0.9
Total dependent employment (% of total employment)	98.8	98.8	99.2	98.8	94.6	98.1	98.0	98.1
Employees working full time	68.9	59.5	60.3	50.7	94.6	93.5	93.6	88.5
Permanent employment	42.2	36.7	35.7	29.0	64.8	60.4	63.3	39.5
Standard work arrangements								
Temporary employment	26.7	22.8	24.6	21.7	28.7	31.4	28.6	48.6
Apprentices, trainees, etc.	18.6	18.1	19.0	16.1	24.6	23.2	20.9	39.9

Other persons on fixed-term contracts	8.1	4.7	5.6	5.6	4.1	8.2	7.8	8.7
No response					1.1	1.7	1.7	0.4
Employees working part-time (% of total employment)	29.9	39.3	38.8	47.9	3.0	4.5	44.4	9.6
Permanent employment	20.9	32.6	30.8	42.8	2.2	2.8	2.9	7.1
Temporary employment	6.5	6.7	8.1	5.4	0.7	1.3	1.1	2.2
Apprentices, trainees, etc.				0.2				
Other persons on fixed-term contracts	6.5	6.7	8.1	5.1	0.7	1.2	1.1	1.8
No response					0.1	0.5	0.4	0.3

<sup>a</sup> Data from 1985 and 1990 represent West Germany, while 1991 and 1998 represent unified Germany.  
 SOURCE: Eurostat Labor Force Survey.

The institutional setting seems to be at least an equally important explanation for the diverging trends in the two countries. However, we must emphasize that standard work arrangements in Denmark and Germany are not comparable in qualitative terms; standard work arrangements are different types of employment in the two countries. The standard work arrangement in Denmark is not as burdened by social security contributions and strict regulations as in Germany. Therefore, the present erosion of standard work arrangements in Germany need not necessarily lead to future diversity in work arrangements. The erosion may also indicate the need for reforms of the standard work arrangement.

### Notes

We thank the European Foundation for the Improvement of Living and Working Conditions in Dublin for providing us with data from the recent survey "Employment Options of the Future" covering all EU member states and Norway. We also thank, particularly, David Autor from the National Bureau of Economic Research (NBER) and the editor, Susan Houseman, for commenting on an earlier version of the paper.

1. The data used in this chapter are taken from special tabulations of the ELFS for the years 1983 to 1998 provided by Eurostat. See the appendix for more information on the data and definitions of certain wage arrangements.
2. Without taking into account family workers, the share of self-employed increased in the Netherlands and Germany by almost 1 percentage point in the period under investigation.
3. The term *standard work arrangements* is used here in a broad sense and still consists of heterogeneous types of employment. It includes manual and nonmanual employees as well as civil servants and career military personnel. In this respect, one must take into account that, e.g., in Germany, civil servants do actually have a permanent tenure and cannot easily be dismissed.
4. The figure is based on a survey from 1994. The ELFS does not include any criteria on the distinction in labor law terms between worker status and self-employed status and therefore on the definition of nominally self-employed workers.
5. A self-employed person is regarded as dependent employed if the following characteristics are fulfilled: he or she mainly depends on a single client, does not have his or her own business premises and tools, does not employ regular employees, and his or her activities are not typical for an entrepreneur.
6. In Denmark, 71.9 percent of persons between ages 15 and 25 were in education in 1998 (in Germany, 68.4 percent).
7. Youth account for 74 percent of marginal employment in Denmark (part-time employment between 1 and 9 hours per week). This is also due to the fact that stu-

dents at a higher educational level are allowed to earn only a certain amount of money every year. Full-time work would definitely cause a loss of their study grant. However, the grant itself makes some supplementary income necessary for most students.

8. The right cannot be enforced in companies with fewer than 15 workers or in larger companies if proven reasons prevent the use of (more) part-time workers.

# Appendix

## The Eurostat Labor Force Survey (ELFS)

The Eurostat Labor Force Survey is carried out annually in the spring (in Germany within the scope of the sample survey *Mikrozensus*). The survey gathers information on labor force characteristics of individuals during a particular reference week. (Germany uses a fixed reference week; Denmark uses evenly distributed reference weeks.) The survey covers the resident population living in private households. Persons living in collective households (homes, boarding schools, hospitals, etc.), and persons performing compulsory military service are excluded.

### Definitions and Explanatory Notes

*Standard work arrangements* are based on a permanent, full-time relationship in an employee status that is subject to basic social security. Included are manual and nonmanual employees and civil servants, including career military personnel. In this respect, employment relationships of German civil servants and those of other employees are not completely comparable. Special labor laws apply to civil servants; for example, they have permanent tenure and cannot easily be dismissed.

*Permanency of the job.* This question is addressed only to employees. The termination of a fixed-term job or work contract is determined by objective conditions (e.g., reaching a certain date, completion of an assignment, return of another employee who has been temporarily replaced). Included are persons with a contract covering a period of training, such as apprentices, trainees, research assistants, and so forth, or for a probationary period, and persons with a seasonal job.

*Active labor market programs* (e.g., job creation in eastern Germany, job rotation in Denmark) influence the number of temporary employees. ELFS data do not allow for distinguishing the participants in these programs from other temporary employees. Also, temporary agency workers are not defined in the ELFS. In addition, individuals engaged by an employment agency may have a work contract of unlimited duration.

*Full-time versus part-time.* The determination of full-time and part-time work is made based on a spontaneous answer given by the respondent. Comparing the answers with the number of “hours usually worked” reveals that, in both Denmark and Germany, “part-time” rarely exceeds 35 hours, while “full-time” usually begins at about 35 hours.

*Self-employed* are subdivided between employers who employ at least one other person, and those without other employees.

### **Comparability between the Results of Successive Surveys**

The unification of West and East Germany in 1990 caused a break in the time series. Data prior to 1991 refer to West Germany before unification; from 1991, data refer to a unified Germany, including the new German Länder. Developments before and after unification are not comparable. The subdivision of all German data into western and eastern Germany for 1998 is based on the national survey, *Mikrozensus*.

Comparability over time may also be affected by changes in the questionnaire. In Germany, the increase in part-time employment is due, in part, to additional questions referring to employment status (1990 and 1996). Nevertheless, the number of "marginal part-time jobs" (fewer than 15 hours per week) in Germany is still assumed to be underestimated. Because of the design of the ELFS, persons who regularly do marginal part-time work are more likely to be registered, whereas persons who do such an activity only occasionally are underrecorded.

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## **Causes and Consequences**

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