THE FACES OF CONTEMPORARY LABOUR MARKET SEGMENTATION

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Abstract

This article discusses the segments of contemporary labour markets and identifies the causes of evolution and the present-day manifestations and mechanisms of segmentation. To this end, changes occurring in the world today and the progress of research into labour market phenomena over the last 25 years are analysed. The article also provides an insight into the various types of labour market segmentation that underlie its functioning, i.e. competition-driven segmentation, informational segmentation, network-based segmentation and behavioural segmentation. The theoretical underpinning of the article is the concept of a dual labour market made up of a primary market and a secondary market. The analysis offers two main conclusions. Firstly, the labour market segmentation that we observe today causes an expansion of its secondary segment. Secondly, to identify the contemporary face of labour market segmentation, many extensive studies of the institutional, economic, social and psychological aspects of this process are necessary.

WSPÓŁCZESNE OBLICZA SEGMENTACJI RYNKU PRACY

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Słowa kluczowe: rynek pracy, segmentacja rynku pracy, segmenty rynku pracy, pierwszy rynek pracy, drugi rynek pracy.

Abstract

Przedmiotem opracowania są podziały współczesnych rynków pracy, celem jest identyfikacja ewolucji oraz współczesnych mechanizmów i przejawów segmentacji. Osiągnięciu tak sformułowanego celu służą analizy zmian zachodzących w realnym świecie oraz rozwoju badań zjawisk na rynku pracy w ostatnim ćwierćwieczu, jak również prezentacja rodzajów segmentacji
Introduction

The notion of “labour market segmentation” was coined in the late 1960s, a period of thriving studies on labour market components during which foundations were laid for the most popular segmentation concepts\(^1\) referring to the intrinsic heterogeneity of the labour market. Due to the heterogeneous nature of labour supply and labour demand, as well as all of the phenomena and processes related to them, the labour market can be divided into components (segments) that contain similar jobs and workers with similar characteristics. It is recognized that the creators and most prominent advocates of the segmentation theories are Peter B. Doeringer and Michael J. Piore (DOERINGER 1967, DOERINGER, PIORE 1971, 1975). They have put forward the most popular concepts of a dual labour market and the notions of primary and secondary labour markets, but above all the idea of labour market segmentation. The dual labour market concept was created in opposition to the classical and neoclassical schools of economics. Its theoretical underpinning was derived from two major economic doctrines: institutionalism (Veblen, Mitchell and Commons) and a dual economy (Galbraith and Averitt). In the 1970s, the US labour market segmentation theories were adopted in Europe mainly by the German researchers Burkart Lutz and Werner Sengenberger (LUTZ, SENGENBERGER 1974, 1980, SENGENBERGER 1975), who created a triple labour market model allowing for aspects of Becker’s theory of human capital (KRYŃSKA 1996). In the period after the 1980s, particularly over the last 25 years, a rise in interest concerning labour market segmentation concepts has been observed.

This article aims to identify the present-day causes of evolution and the mechanisms and manifestations of labour market segmentation that change with new findings offered by labour market research and with new phenomena arising in the real world. Due to the subjective selection of contemporary

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\(^1\) The very hypothesis of labour market segmentation is much older than that, though. It was presented as early as the 19th c. in the works of John S. Mill and John E. Cairnes and then elaborated by US researchers Clark Kerr and Lloyd Fisher, who introduced terms such as the structured labour market, the structure less labour market, the institutional labour market, and the internal and external labour markets (more in KRYŃSKA 1996, p. 7 and next).
labour market segmentation issues, the article does not aspire to be a detailed presentation of the problem that would require an in-depth analysis.

This article refers to the concept of a dual labour market made up of a primary sector and a secondary sector, different in the levels of wages and other characteristics (security of employment, redundancy risk, promotion and skill-improvement opportunities, health hazards, the convenience of working hours, etc.). The primary and secondary sectors of the labour market respectively represent the segments of “good jobs” and “bad jobs”.

Factors behind the contemporary segmentation of labour markets

The changing real world

Today’s labour market segmentation is considered to be mainly driven by factors such as the deepening globalisation of economies, the expansion of multinational and supranational corporations, the direction and ever-increasing rate of technological progress, the adoption of a new economic model by modern states and societies, and rising migration (Beck 2014, Wierzbicki 2015, Rodrik 2011, Standing 2011, Sowa 2010).

Globalisation processes that lead to the creation of a single world economy gather speed as successive barriers between local, regional, national and continental markets are removed. In very broad terms, the present stage of globalisation aims to increase the mobility of goods and capital to enable the creation of a global market where all players in economic competition play (theoretically) by the same rules. According to researchers, this stage is accompanied by a crisis of the welfare state and an increasing role of financial markets (Osterhammel, Peterson 2005). With the widening of the field on which the “game of competition” for revenues and influence is played, the world economy increases its integration, the prices of production factors (including labour) seek an equal level, and countries and regions that used to occupy the peripheries of the world economy (e.g. in South-East Asia, particularly China and India) turn into major players.

Globalisation is accompanied by changes in the polarisation between companies. They have gradually contributed to the emergence and growth of large multinational and supranational corporations that follow strategies focused on profit maximisation (particularly short-term gains) and long-term expansion. In line with these strategies, the corporations have changed their organisational structure to be able to flexibly modify their business profiles, enter into new markets, form cooperative links with other firms, etc.
have also redesigned the spatial distribution of their business activities with a view to reaching new markets and reducing costs (BORKOWSKA 2012, p. 144).

Among the aforementioned causes of labour market segmentation, there is the replacement by states and societies of the existing welfare state model with one stressing economic growth based on competitiveness and flexibility. This tendency is particularly clear in the EU member states that introduced the single market rules at the cost of many social functions. In this new model, workers are viewed through the prism of costs that are mostly attributed to lavish social benefits. The economic burden of these benefits provokes reactions that in the long-established welfare states (such as Sweden or Germany) erode away workers’ rights, social standards and the power of trade unions, etc. (ANIOŁ 2012, p. 26, 27). The main argument against the concept of a welfare state is that it inevitably entails redistribution mechanisms (with arbitrary paternalism or even acts of expropriation) and a high cost of operation, as well as making economic growth more problematic (PETRING et al. 2012, p. 12, 13). Some researchers also argue that the welfare states contribute to economic crises, slumps in the economy and other economic problems (PALMER 2012, p. 13, 14).

The contemporary face of labour market segmentation is primarily determined by technical and technological progress, particularly by advancements in the field of information and communication technology (ICT). There are two reasons for this.

Firstly, a fast exchange of information allows companies to better coordinate and control production processes in their foreign facilities. This affects the spatial distribution of manufacturing industries that lose their local embedment and turn into increasingly universal and global entities. The freedom to choose the direction of geographical expansion and the relative ease of coordinating and organising plants provide manufacturers and some service providers with practically unlimited relocation opportunities2. Quite naturally, the companies that seize them take (export) jobs with them, causing an outflow of industrial and service jobs from the most affluent countries to poorer countries where labour costs are lower. The immediate consequence of this is a loss of industrial jobs in the former and workers needing to seek temporary employment.

Secondly, with these ICT tools (computers, robots, etc.) enabling the creation of casual, temporary (“flexible”) jobs, even deeper cuts in labour costs

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2 An instance of relocation is educational services such as private tutoring that the US pupils receive from tutors in India. ICT advancements have also enabled the relocation of accounting services, medical consultations and legal counselling. The process is detrimental not only to unskilled workers in the countries of the capitalist centre, but also to the members of the salaried professional class (defined by Standing), such as teachers, physicians, lawyers, etc. (STANDING 2010, p. 116 and next).
have become possible. These tools have therefore added new insecure “bad jobs” to those comprising the secondary segment of the labour market.

From the labour supply perspective, labour market segmentation is also deepened by successive waves of immigrants. Most of them would take any job regardless of its quality measured by various guarantees of employment security, which presents an obvious temptation to lower employment and social security standards. Immigrants thus accelerate transformations in contemporary labour markets by deepening their segmentation and enlarging their secondary sectors.

The development of research on labour market phenomena

Modern approaches to labour market segmentation have evolved with the development of research on labour market phenomena, particularly on labour market flexibility and precarious employment. The research was undertaken in response to a changing economic reality, which in the case of social sciences, particularly economics, is a rule rather than an exception.

Throughout the last 25 years, researchers have gained substantial knowledge of the forms and manifestations of labour market flexibility (ROSENBERG 1989, SENGENBERGER 1990, ADNETT 1996, SOLOW 1998, WISNEWSKI 1999, STANDING 2000, WILTHAGEN, TROS 2003). They have identified many facets of this phenomenon, e.g.:

– the flexibility of employment, i.e. an organisation’s ability to adjust the size of its workforce and employment structure in response to changes in the economic and institutional settings;

– the flexibility of working time, i.e. an organisation’s ability to adjust the length and use of working time to organisational needs, as well as to the needs of groups of workers or tasks;

– the flexibility of wages, i.e. an organisation’s ability to adjust the level and structure of wages so that they account for productivity, profitability and labour market changes;

– the flexibility of the labour force, i.e. a workers’ ability to respond to changing circumstances with appropriate spatial, occupational and inter-company mobility.

Labour market flexibility has been proposed as a measure assisting companies operating in changing product markets in solving their problems. The challenges of intensifying price and non-price competition require that both employers and employees respond quickly and flexibly to new circumstances. The former must be able to adjust the size and price of labour to changes in the business setting, while the latter must be open to different forms
of employment relationships, the need for life-long learning, the use of modern technologies, and the need to be mobile.

A milestone in the development of modern labour market segmentation theories was the definition by Guy Standing, a British economist and sociologist, of seven social groups including “the precariat” in the first decade of the 21st c. (Standing 2010, p. 102–115, Standing 2011, p. 7, 8). He described the members of the precariat as workers who are not entitled to employment security guarantees such as minimum wage, wage indexation, comprehensive social insurance, the right to organise or join a trade union or another worker representation body, training and internship opportunities enabling professional development, and the protection against arbitrary dismissal or workplace accidents and occupational diseases.

The other six groups Standing defined are the elites (a tiny number of absurdly rich global citizens), salariat (still in stable full-time employment, concentrated in large corporations, government agencies and public administration, including the civil service), “proficians” (a term combining the traditional ideas of “professional” and “technician”, but covering those with bundles of skills that they can market, earning high incomes on contract as consultants or independent own-account workers), manual employees (the essence of the old “working class”), unemployed, and a detached group of socially ill misfits living off the dregs of society. Groups 1 and 6 are not present in the labour market and the other four groups have different labour market status. G. Standing has noted that the groups of “salariat” and “manual employees” are shrinking these days, but the social class known as the precariat has been growing larger. Leaving aside all the differences in how labour market segmentation has been viewed over the years, the characteristics of today’s precarious jobs show the closest resemblance to jobs comprising the “bad jobs” segment that also includes the groups of the salariat and manual employees that are uncertain of their entitlement to some guarantees (jobs or income).

Manifestations and mechanisms of contemporary labour market segmentation

Competition-driven segmentation

Labour market segmentation is driven today by two factors: competition and flexibility. While neither of them is new because they have been part of social and economic processes “for ages”, in recent decades their importance has increased due to price and non-price competition.
Labour markets are made more flexible by scaling down the role of trade unions, tailoring laws to employers’ needs, etc. The spreading use of atypical forms of employment and organisation of work changes the relations between employers and employees, making the latter more dependent on their employers. The dichotomous state employed-unemployed is being replaced by an irregular state resulting from work rendered based on different institutional solutions, including non-employment relationships.

As recently as 25 years ago, R.B. Reich observed that supranational corporations have a different organisational structure than traditional firms. The former shape it as “a spider’s web”, the hub of which is a creative team responsible for identifying and solving an organisation’s strategic problems (REICH 1996, p. 71 and next). Opportunities for large corporations to implement organisational and management changes replacing hierarchical management with functionalization and decentralisation have been created by ICT solutions. The most important effect of this process on the labour market is that supranational corporations need relatively few permanent employees. Rather than using regular personnel, they outsource jobs or engage workers to do a specific job or deliver a specific service. The duration of the relationship with the corporation is fixed and subordinated to the strategic concepts of the creative team. Because in the world of global competition labour amounts to cost, having fewer permanent employees becomes a way to achieve sustainable competitiveness in uncertain markets. At the same time, the segment of “bad jobs” involving temporary employment will expand. These are usually contract jobs that create fragile relationships between employers and employees and allow the former to flexibly respond to changes in the product markets.

The main difference between “competition-driven segmentation” as explained in the dual market segmentation concept and that observed today is that Doeringer and Piore actually excluded the possibility of “bad jobs” being offered by large and profitable companies (with the exception of ancillary jobs, unrelated to the core business). The number of insecure jobs that such companies offer today is much higher, clearly pointing to the expansion of the “bad jobs” segment.

Informational and network-based segmentation

The development of ICT solutions in the second half of the 20th c., the invention and use of telematic techniques, the liberalisation of the telecommunications markets, the commercialisation of the media and the fast-spreading use of social media have led to the emergence of an information society. The processes resulted from a “microelectronic revolution” (informatisation) that
permeated into different areas of services, production and daily life, and forced workers to seek knowledge and skills enabling them to create and use state-of-the-art devices (computers, numerically controlled robots, etc.). As some people had a problem keeping pace with the occurring changes and meeting new requirements, a group of “digitally excluded persons” arose in the labour market. Those of its members who were not eligible for the status of “an economically inactive person” had to seek jobs in the “ICT-free” segment of the labour market, i.e. a secondary, outdated segment lagging behind global changes (ARENDT 2010, p. 15–26). This is the main mechanism of labour market segmentation driven by ICT advancements. Its importance fades, however, as workers improve their ICT skills and age groups reluctant to acquire new knowledge and skills leave the labour force.

A variant of the information society is a network society. Its central distinctive feature is that its key structures at the personal, social and workplace levels are determined by a combination of social and media networks (ŻMIJSKI 2013, p. 41, 42, BARANOWSKI, MIKA 2012). The “network-based” segmentation of the labour market arises from the operation of two main mechanisms.

One leads to the creation of traditional jobs in the web environment, i.e. having some of the guarantees of secure employment that Standing described. Such jobs are offered by web portals in lieu of or as an addition to the existing and known services, e.g. online newspapers and magazines, online stores or certified counselling services. Web portals generally target qualified individuals and offer them a regular employment relationship (regulated by the Labour Code) or a non-employment relationship (regulated by the Civil Code). This segment of jobs still needs to be investigated, but it is very probable that they resemble those available in the primary labour market. The web offers other jobs as well (one might wonder if the work they involve still corresponds to the traditional meaning of this word). For instance, one web portal in Poland seeks people to do jobs such as Pracujonline.com (http://pracuj-online.com/oferty/grupa,4,1,marketing.html, access: 1.07.2016) viewing online advertisements, reading e-mails with advertisements, transcribing audio files to text, maintaining a fan page promoting certain services among the readers, writing posts on social blogs dealing with social issues, etc. The candidates are not required to have any professional background (particularly a knowledge of IT), but only to have a computer with Internet access and basic computer skills. The majority of such jobs are offered by firms to students and people with free time for causal jobs. This web-based segment of the labour market

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3 Some of them use the Internet to shape public opinion on political parties, manufacturing companies, insurance companies and banks, etc., by hiring people to post hate comments or likes.
has not been fully investigated yet, but it probably does without employment contracts, fixed compensation, and, naturally, without the Standing-defined guarantees protecting such workers from joining the ranks of the precariat. Consequently, it leads to the creation of casual, secondary jobs.

The other mechanism driving the network-based segmentation of the labour market arises from consumers choosing networks of informal contacts rather than formal institutions to meet some of their needs. A case in point is portals such as BlaBlaCar, the largest ridesharing platform in Europe that connects drivers who have empty seats with people who need to travel. Its existence causes that the “regular” providers of transportation services to lose customers and their employees become redundant. There are also social portals providing access to tourism services, through which private accommodation instead of a hotel bed or guided sightseeing in cities can be arranged. These irregular jobs or services are performed by people who have a different status in the labour market, as well as by economically inactive persons.

Some web-based platforms enable the financing of various projects through social lending and crowd funding. It is estimated that in 2014 almost 3bn was raised in this way in Europe (KRÓL 2015). This solution leaves the system of institutions with traditional jobs created to meet personal needs of the public to remain idle.

The network-based mechanisms changing the way people meet their needs certainly contribute to contemporary labour market segmentation, but further research is necessary to understand this process.

**Behavioural segmentation**

Behavioural segmentation divides the labour market into segments mainly based on workers’ views about work, working, and economic activity itself.

It has been observed that some groups of workers, particularly young people, have changed their attitude to work in the last 25 years. Rather than following the long-established (almost traditional) pattern of career development involving step-by-step promotion and formal employment contracts they prefer non-standard careers with periods of regular employment intertwining with own-account work undertaken to broaden their professional experience, etc. (BALTEZ et al. 2011, p. 197–225). Some of them choose to take some time off from work to concentrate on less demanding activities that they believe can progress their personal development. This shows that irregular career paths do not necessarily need to be a burden for workers (especially the young ones) or something that they would rather avoid. They can even be desired by people who view irregular careers as an expression of their individuality in the labour
market and find the prospect of “life incarceration” disgusting (JAKONEN et al. 2012, p. 4). A particularly strong preference for irregular careers is observed among the members of the Y (millennials) and Z generations, i.e. persons born in the years 1975(1980)–1989(1999) and 1990(2000) or later4. Both generations (especially the Z generation) do not feel like growing up and show a tendency to leave the nest later than their parents and grandparents used to do.

According to surveys, the members of these generations who are either entering the labour market or have jobs already are anything but workaholics. They cherish their private lives, personal values and life goals (with the family at the top of the list) that are unrelated to professional careers5. They perceive a period of employment as “an intermission” in their free time that may turn into a longer, even twelve months’ leave of absence. Unattached to their workplace, they quit when it fails their expectations (STACHOWSKA 2012, p. 33–56, LEVICKAITĖ 2010, p. 170–183). Studies show that there are people in the contemporary labour market that neither seek jobs nor intend to study, although they have no commitments or poor health that might prevent them from doing so, and accept their status. While other people spend time at work, they use theirs to explore the world or practice various arts (Young people and NEETs... 2012, p. 22, 24, 25).

Conclusions

To attain full knowledge concerning contemporary labour market segmentation, many extensive studies exploring the institutional, economic, social and psychological aspects of the process are necessary. It cannot be excluded that their findings may change the existing labour market paradigm(s) or ultimately would lead to the creation of a new paradigm(s). The fast rate of change arising from technological progress and globalisation, the evolving model of work, the efforts to minimise labour costs, as well as many other factors will probably continue into the foreseeable future. It will certainly make it necessary to find ways to restrict the deepening segmentation of contemporary labour markets, particularly the expansion of their secondary segments. In particular, such research should focus on identifying new manifestations and

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4 The scientific literature, popular articles and particular countries operate different dividing years. The years stated above are therefore rough estimates corresponding to the Polish circumstances.

5 According to the CBOS survey of 2013, the life goals that young people in Poland value the most are love and friendship (41% of survey participants) and a fulfilling family life (48%). A rewarding and interesting job is a goal for 41% of respondents, and 35% aspired to achieve high professional status (Sytuacja rodzinna i materialna... 2013).
mechanisms of segmentation determined by ICT advancements and people’s changing attitudes toward work.

Public statistics are insufficient to establish exactly where the line dividing the segments of “good jobs” and “bad jobs” runs, because they contain different jobs and people with different status. The statistics only enable a rough estimation of the size of the precariat that represents the core of the segment of “bad jobs”. To handle the data insufficiency problem, researchers also reach for indicators such as “a job tenure” (measuring employment stability) and “income risk” (representing the variability of earnings)\(^6\). A large group of authors avail themselves of the analyses of contingent workers. This category of workers is defined in different ways, but most definitions are similar in stressing the short-lived, casual nature of their jobs (uncertainty of employment) and the exclusion of these workers from formal and institutional regulations in pay (uncertainty of income). Among the contingent workers, there are part-time workers, workers with fixed-term contracts, on-call workers and loaned and contract workers (including self-employed persons) (HORN et al. 2005, p. 1.1–1.6). The data shortage problem could probably be mitigated by combining public statistics with the results of basic quantitative and qualitative studies on the populations of economically active and inactive persons.

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\(^6\) For a discussion of this research see SZARFENBERG 2015, p. 4–6.


