

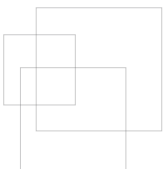
OVERVIEW



International
Labour
Organization

NON-STANDARD EMPLOYMENT AROUND THE WORLD

Understanding challenges, shaping prospects



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First published 2016

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Non-standard employment around the world: Understanding challenges, shaping prospects – Overview

International Labour Office - Geneva: ILO, 2016

ISBN 978-92-2-130941-3 (print)

ISBN 978-92-2-130942-0 (web pdf)

precarious employment / part-time employment / temporary employment / informal employment / labour market / working conditions / international labour standards / role of ILO

13.01.3

Also available in French: *L'emploi atypique dans le monde: Identifier les défis, ouvrir des perspectives. Vue d'ensemble* (ISBN 978-92-2-231155-2), Geneva, 2016; Spanish: *El empleo atípico en el mundo: Retos y perspectivas. Presentación resumida del informe* (ISBN 978-92-2-331207-7), Geneva, 2016; and Russian: *Нестандартные формы занятости: Анализ проблем и перспективы решения в разных странах. Обзорная версия* (ISBN 978-92-2-431001-0), Geneva, 2016

ILO Cataloguing in Publication Data

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This publication was produced by the Document and Publications Production,
Printing and Distribution Branch (PRODOC) of the ILO.

*Graphic and typographic design, layout and composition, proofreading,
printing, electronic publishing and distribution.*

PRODOC endeavours to use paper sourced from forests managed
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Code: DTP-CORR-JMB-REPRO

PREFACE

In February 2015, the International Labour Organization held a Tripartite Meeting of Experts on Non-Standard Forms of Employment that assembled experts nominated after consultation respectively with governments, the Employers' group and the Workers' group of the Governing Body, to discuss over four days the challenges for the decent work agenda that non-standard forms of employment can generate.

The conclusions of the meeting called on member States, employers' and workers' organizations to devise policy solutions to address decent work deficits associated with non-standard forms of employment, so that all workers – irrespective of their employment arrangement – could benefit from decent work. Specifically, governments and the social partners were requested to work together to implement measures to address inadequate working conditions, support effective labour market transitions, promote equality and non-discrimination, ensure adequate social security coverage for all, promote safe and healthy workplaces, ensure freedom of association and collective bargaining rights, improve labour inspection, and address highly insecure forms of employment that do not respect fundamental rights at work.¹

The International Labour Office, the Secretariat of the Organization, was asked to support these efforts. A central part of the mandate is improving the knowledge and understanding of this important topic in the world of work. The report *Non-standard employment around the world: Understanding challenges, shaping prospects* and this accompanying *Overview*, which highlights the main findings and recommendations of the report, have been prepared to respond to this demand. The report builds on preparations made for the 2015 Meeting of Experts, incorporating findings from a broad range of studies undertaken on economic and legal aspects of non-standard forms of employment in many countries and regions of the world, as well as on specific topics of relevance including the impact on firms and occupational safety and health.²

The report also forms part of the Office's work in support of the Future of Work Centenary Initiative, launched by the Director-General of the ILO. The changes in the world of work have brought forth new challenges and hardened old ones and the Organization must prepare itself if it is to respond effectively to them as it pursues its mandate for social justice during its second century.

We hope that these publications will be useful references for those interested in bettering the world of work.

PHILIPPE MARCADENT

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NOTES

- 1 For more details, see the “Conclusions of the Meeting of Experts on Non-Standard Forms of Employment”, GB.323/POL/3, available at: http://www.ilo.org/gb/GBSessions/GB323/pol/WCMS_354090/lang--en/index.htm.
- 2 Many of these studies have been published as working papers and are available at: <http://www.ilo.org/travail/info/working/lang--en/index.htm>.



Textile factory, Ad-Dulayl Qualified Industrial Zone near Zarqa, Jordan

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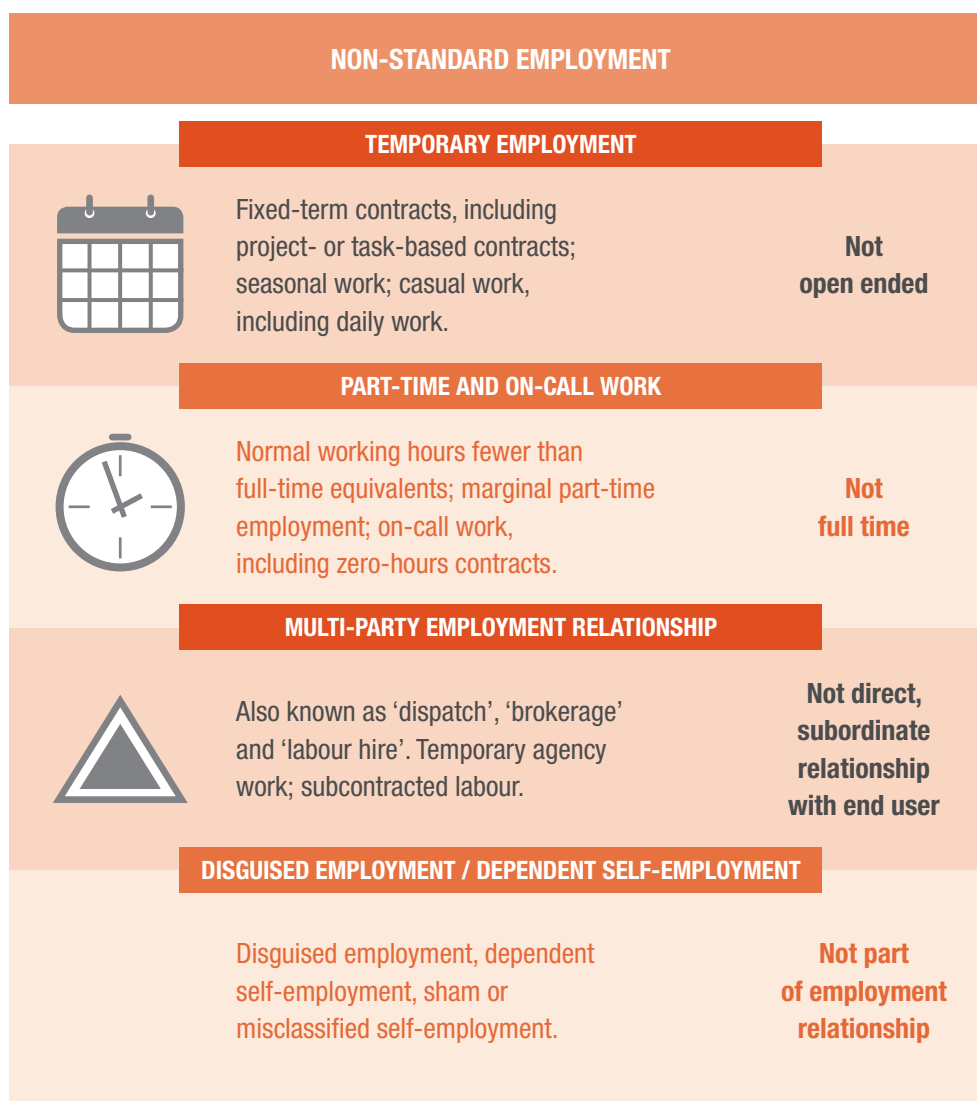
In most parts of the world, the laws regulating employment have hinged on a type of work that is continuous, full time and part of a subordinate and direct relationship between an employer and an employee – commonly referred to as the “standard employment relationship”. The standard employment relationship provides important protections for workers, but it also helps employers, who can rely on a stable workforce for their enterprise, retain and benefit from their workers’ talents, and gain the managerial prerogative and authority to organize and direct their employees’ work.

Over the past few decades, in both industrialized and developing countries, there has been a marked shift away from standard employment to non-standard employment. Non-standard forms of employment (hereinafter “non-standard employment”, or “NSE”) are a grouping of different employment arrangements that deviate from standard employment. NSE includes temporary employment, part-time work, temporary agency work and other multi-party employment relationships, and disguised employment relationships and dependent self-employment (box 1 and figure 1).

The rise in NSE is evident in the employment statistics of many industrialized countries. In developing countries, non-standard workers have always constituted a substantial share of the labour force, as many of them are employed temporarily in casual work, but NSE has also grown in segments of the labour market previously associated with standard jobs. Some forms of non-standard employment lack data to track trends, but an increase is still discernible in the growing anxiety that many workers have about their jobs, standard and non-standard alike.

The growth of NSE is a concern because these employment arrangements are associated with greater insecurity for workers when compared with standard employment. There are also important and under-appreciated consequences for firms, which may underestimate some of the managerial demands that NSE entails, particularly if significant parts of their workforce are in non-standard arrangements. In addition, what may be desirable and beneficial for the individual worker or enterprise, especially in the short run, can have negative consequences for the economy. These negative consequences include under-investment in innovation, a slowing of productivity growth, risks to the sustainability of social security systems, increased volatility in labour markets and poor economic performance. There are also important social repercussions that require further attention.

Figure 1. The different types of non-standard employment

**Box 1. What is non-standard employment?²**

There are four broad categories of NSE: (1) temporary employment, (2) part-time work, (3) temporary agency work and other forms of employment involving multiple parties, and (4) disguised employment relationships and dependent self-employment. This grouping reflects the Conclusions of the February 2015 ILO Meeting of Experts on Non-standard Forms of Employment.³ Within the four categories, there are various arrangements, some of which are specific to particular countries (figure 1).

Temporary employment, where workers are engaged for a specific period of time, includes fixed-term, project- or task-based contracts, as well as seasonal or casual work, including day labour. In the majority of countries, fixed-term contracts are regulated by specific legal provisions on the maximum length, the number of renewals, and valid reasons for recourse.

Casual work is the engagement of workers on a very short term or on an occasional and intermittent basis, often for a specific number of hours, days or weeks, in return for a wage set by the terms of the daily or periodic work agreement. Casual work is a prominent feature of informal wage employment in low-income developing countries, but it has also emerged more recently in industrialized economies, particularly in jobs associated with the “on-demand”, “platform” or “gig” economy.

In *part-time employment*, the normal hours of work are fewer than those of comparable full-time workers. Many countries have specific legal thresholds that define part-time versus full-time work. For statistical purposes, part-time work is usually considered as working fewer than 35 hours, or 30 hours, per week. In some instances, working arrangements may involve very short hours or no predictable fixed hours, and the employer has no obligation to provide a set number of hours of work. These arrangements, known as “on-call work”, come under different contractual forms depending on the country and include so-called “zero-hours” contracts.

When workers are not directly employed by the company to which they provide their services, they form part of *contractual arrangements involving multiple parties*, such as when a worker is deployed and paid by a *temporary work agency*, but the work is performed for a user firm. In most countries, an employment contract or relationship normally exists between the agency and the worker, whereas a commercial contract binds the agency and the user firm. Generally, there is considered to be no employment relationship between the temporary agency worker and the user firm; nonetheless, certain jurisdictions impose legal obligations on the user firm towards the temporary agency worker, especially with respect to health and safety.

According to the ILO, *disguised employment* lends “an appearance that is different from the underlying reality, with the intention of nullifying or attenuating the protection afforded by law”.⁴ It can involve masking the identity of the employer by hiring the workers through a third party, or by engaging the worker in a commercial or cooperative contract instead of an employment contract and at the same time directing and monitoring the working activity in a way that is incompatible with the independent status of the worker. In addition, some employment relationships can be ambiguous when the respective rights and obligations of the parties concerned are not clear, or when inadequacies or gaps exist in the legislation, including regarding the interpretation of legal provisions or their application.

One area sometimes lacking legal clarity is *dependent self-employment*, where workers perform services for a business under a commercial contract but depend on one or a few clients for their income, or receive direct instructions with respect to how the work is to be carried out. These workers are typically not covered by the provisions of labour law or employment-based social security, although a few countries have adopted specific provisions to extend some protections to dependent self-employed workers.

The International Labour Organization (ILO) recognizes that work can have varied contractual forms. The goal is not to make all work standard, but rather to make all work decent. This report draws from international labour standards and national experiences to provide guidance on the regulation and governance of NSE, in order to balance the needs of workers, enterprises and governments.

UNDERSTANDING TRENDS IN NON-STANDARD EMPLOYMENT

Although it is unlikely that all workers will be employed in temporary, part-time, or dependent self-employment arrangements in the future, NSE has nonetheless proliferated in

sectors and occupations where it did not previously exist, and its overall importance in the labour market of most countries of the world has increased over the past several decades.

The reasons for this proliferation are multifaceted, and vary substantially across countries. Yet transformations in the world of work, regulatory changes and macroeconomic fluctuations and crises have all contributed to the developments.

Transformations in the world of work

Transformations in the world of work that affect the use of NSE include changes in the economic structure of economies from agriculture and manufacturing to services, increased pressure from globalization, technological change as well as resulting changes in organizational strategies of enterprises.

- *The rise of the service sector.* Over the past several decades there has been an expansion throughout the world in the services sector, which by 2013 comprised nearly half of all employment in the world.⁵ In services, demand peaks can be more frequent and less predictable than in manufacturing, putting greater pressure on firms to ensure “organizational flexibility”.⁶ Some sub-sectors within services also have particular features that favour NSE, such as the hospitality and tourism sector, which is characterized by high fragmentation, global hotel chains and franchises, outsourcing, seasonality, and the need to provide services outside of standard working hours.⁷ In addition, the growth of the retail sector and the subsequent extension of opening hours has also spurred the use of part-time employment, as firms often hire workers on part-time hours to cover these additional shifts. This growth has had implications for women’s employment, as women are more commonly found in service industries, particularly retail.⁸
- *Pressure from globalization.* At the same time, manufacturing has come under pressure from globalization, with a continuing intensification in international competition and pressure to reduce costs. The fragmentation of production, coupled with outsourcing, led to an acceleration in trade of intermediate goods and proliferation of global supply chains. Fierce competition between suppliers and ever-growing pressure from buyers to reduce costs and ensure in-time production put further pressure on local suppliers to outsource and subcontract labour and to use workers for short periods of time repeatedly hiring them on short-term contracts.⁹ As such, labour contracting itself can be seen as a “logical extension of global outsourcing”.¹⁰
- *Technological developments.* The expansion of services and of global supply chains is inseparable from technological developments. New information technologies, higher quality and lower cost of infrastructure and improvements in logistics and transportation, enabled businesses to compare, organize and manage production scattered around the globe.¹¹ New technologies have also led to the creation of new forms of work, such as the work on internet platforms, or work-on-demand via apps.
- *Shifting organizational strategies.* While these global forces are important influences on firm practices, ultimately the choice of contractual arrangement rests with the firm. In the early 1990s, enterprises began increasing their use of outsourcing and other non-standard arrangements as a means for focusing on their “core” compe-

tencies, with the stated goal of concentrating managerial resources on activities that were central to the firms' competitive advantage.¹² Office cleaning was one of the first tasks to be outsourced, followed by other office support functions such as IT and payroll. Though some businesses restricted outsourcing to peripheral functions, others came to rely on non-standard employment arrangements for what were arguably “core” functions.¹³ Certain industries “fissured” key functions, such as major hotel chains that outsourced front desk services and cleaning to third-party management companies, and telecommunications companies that subcontracted installation and home repair services to legions of “self-employed” workers.¹⁴

Cost reductions and regulation

Many enterprises use non-standard employment arrangements as they are often cheaper, because of lower wage or non-wage costs.¹⁵ In some instances, regulations may unintentionally – or deliberately – encourage the use of alternative arrangements, such as when part-time workers fall below the threshold of social security benefits, or when fixed-term contracts are allowed for permanent tasks.

- *Partial deregulation.* Beginning in the 1970s, numerous European countries partly deregulated labour markets with the aim of increasing labour market flexibility and stimulating job growth. The reforms allowed for a wider use of temporary contracts, by expanding their scope to jobs that were not temporary in nature, and by increasing the allowed duration and number of renewals. As a result, temporary employment grew in many European countries. Similar reforms of the use of temporary labour were undertaken in some developing countries in the 1990s, particularly in the Andean region.¹⁶ Since then, some European countries have implemented counter-reforms to constrain the growth of temporary employment, but in many instances the process has not been easy to reverse.
- *Distorted incentives.* Differences in social security protections for workers under certain hours or income thresholds have created incentives for firms to use non-standard employment arrangements to lower costs. For example, in Germany, prior to the reform in 2013, employees earning less than 400 euros per month in “mini-jobs” were exempt from contributing to social security, and employers paid contributions at a reduced rate. Another exclusion can stem from labour laws that only apply to enterprises over a certain size, as is the case in India. As a result, Indian workers in small enterprises and most casual workers remain outside the scope of regulation.
- *Decline in unionization and the regulatory role of collective bargaining.* Another change that is often overlooked is the decline of unionization that has occurred in some countries over the past several decades. This decline meant that fewer collective agreements were negotiated, especially in countries where the dominant form of collective bargaining is at the enterprise level. Moreover, the absence of unionization enabled firms to develop alternative employment arrangements, which were not in conflict with prevailing laws, but which ran counter to what had been prevailing practices. For example, the growth of “zero-hours” contracts in the United Kingdom, “if and when” contracts in Ireland and “just-in-time scheduling” in the US and Canada was not due to the introduction of new legislation, but rather to the realization

by businesses that it was not necessary to provide guaranteed hours to workers within the employment contract, and that new arrangements could be introduced to increase businesses' scope for employing labour more flexibly.

Macroeconomic fluctuations and crisis

Macroeconomic conditions, including economic crises, have an influence on the share of NSE in overall employment. Depending on regulations and policies, however, there can be several different outcomes:

- *Decline in NSE.* Workers in temporary and multi-party employment relationships are the first to be let go when macroeconomic conditions worsen. For instance, during the 2008–2009 recession in the United States, despite making up under 2 per cent of the workforce, temporary agency workers accounted for 10.6 per cent of net job losses. Similarly, in Spain, temporary employment dropped from 29 per cent in 2008 to 22 per cent in 2013 as a result of the economic crisis.
- *Temporary reductions in working hours.* In other instances, enterprises, rather than dismissing workers, can reorganize their work internally by reducing working hours – “sharing jobs to save jobs” – leading to a higher share of the labour force working part-time hours. During the latest economic crisis, these work-sharing programmes were supported by policies to supplement workers' income, financed in part by unemployment insurance funds. In Germany, at the height of the economic crisis in 2009, approximately 1.2 million workers reduced their working hours, on average, by one-third while maintaining their employment relationship. Examples of temporary reductions of working hours can also be found in some enterprises in Bulgaria, Estonia, Indonesia and the Russian Federation.
- *Increase in NSE due to economic uncertainty.* Concerns over economic conditions following an economic recession can make firms cautious in hiring, prompting more temporary forms of labour contracting. This occurred, for example, in the Republic of Korea following the Asian financial crisis in the late 1970s, and in the United States in the aftermath of the Great Recession.

Trends and incidence in non-standard employment

Given the multitude of influences determining NSE, it is not surprising that trends in its use are highly uneven across countries. Comparing trends around the world is not a simple task, since statistical definitions differ across countries, often reflecting local practices. Moreover, there are severe data limitations with respect to employment arrangements involving multiple parties, disguised employment and dependent self-employment, hindering a comprehensive assessment across the globe. Still, hints of broader change can be gleaned from the limited data available.

- In general, in industrialized countries, NSE can be found in almost all economic sectors and is predominant in low-wage occupations. In developing countries, casual employment continues to represent a sizable portion of wage employment, but there has also been a proliferation of NSE in those sectors where standard employment was more common, such as in manufacturing or the public sector.

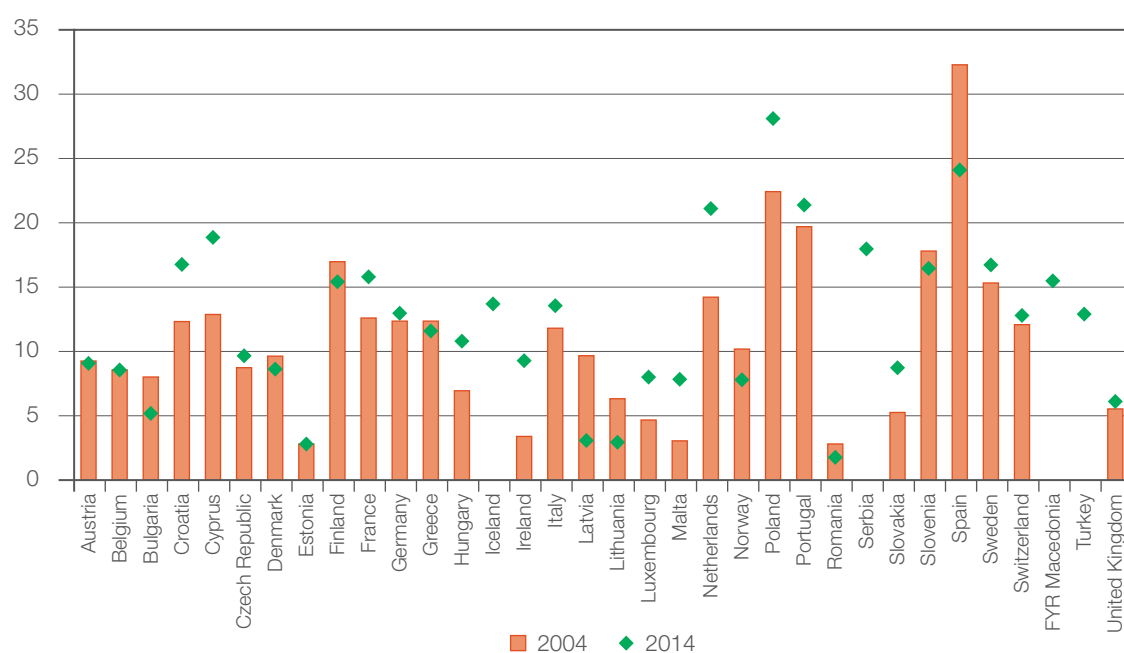
- Women, young people and migrants are more likely to be found in non-standard arrangements as compared to other population groups. Their over-representation in NSE is a reflection of the greater difficulties that these workers have in entering and remaining in the labour market. For women in particular, it reflects the unequal distribution of unpaid work in the home and the consequences of this inequality on the possibilities for them to work in standard jobs – given the hours and availability that some standard jobs require – as well as the reservation that some employers have to hire women because of these demands.

Temporary employment

Temporary employment has always existed and is common in economic sectors that are subject to seasonal fluctuations, such as agriculture, construction and transport. In addition, firms use temporary employment to address specific, short-term labour force needs, such as replacing an absent worker, meeting short-term spikes in demand, or evaluating newly hired employees before offering them an open-ended contract. Some key findings on temporary employment include:

- In Europe, data for 33 countries reveal that, on average, 12.3 per cent of employees were on temporary contracts in 2014. Champions of temporary employment include Poland, Portugal, and Spain, all with 20 per cent or more of their employees on temporary contracts (figure 2). Over the past decade, Malta and Slovakia witnessed a nearly twofold increase in temporary employment, whereas Ireland tripled its share. Across Europe, the reasons for being in temporary work are diverse, with 62 per cent

Figure 2. Temporary employment in Europe as a percentage of employees, 2004 and 2014



Source: Eurostat.

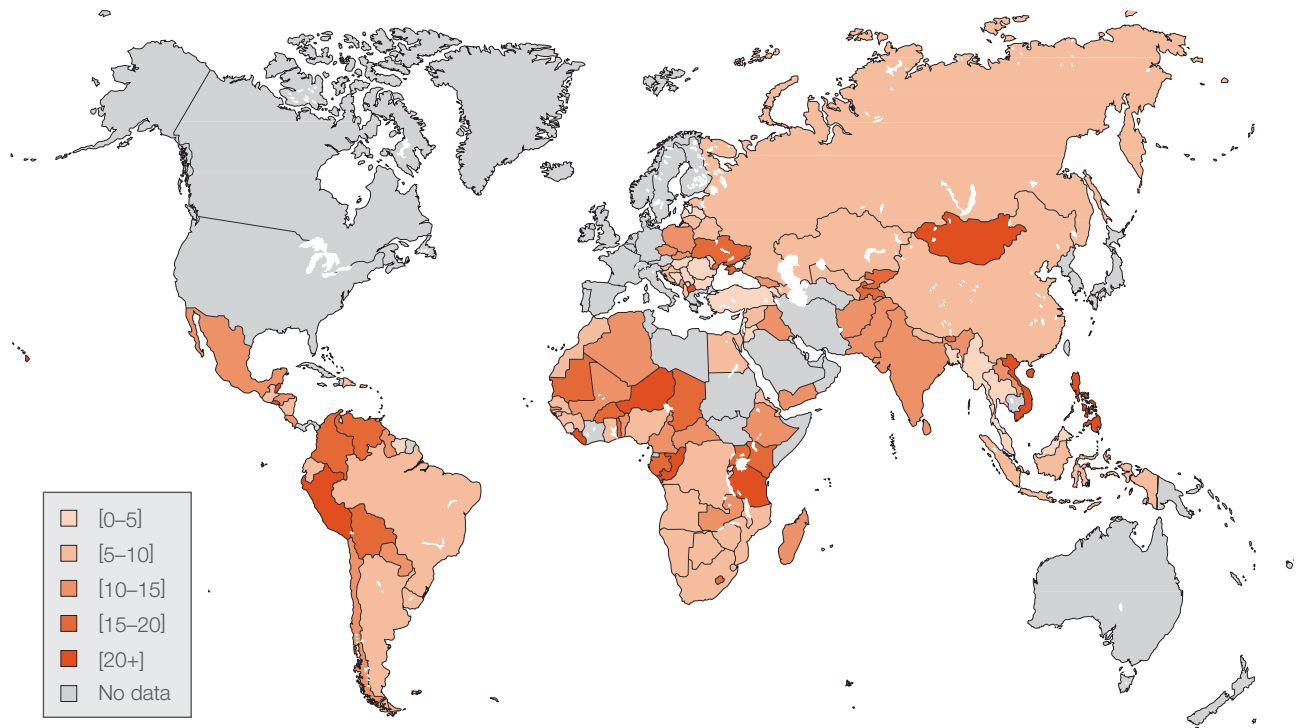
of temporary workers reporting in 2014 that they worked temporarily because they could not find a permanent job; 9 per cent were on probation.

- In Australia, one out of every four employees is casually employed. Casual employment in Australia is a specific category of employment whereby the worker is not entitled to paid annual or sick leave but hourly pay is boosted by an additional compensation, known as “casual loading”. Casual employment is commonly found in low-wage occupations.
- In the Republic of Korea, “contingent” workers (defined as employees with a prescribed contract period) increased their share in paid employment from 14 per cent in 2001 to 19 per cent in 2013. In other parts of Asia, temporary employment is high by international standards, where all of its forms – fixed-term, seasonal, and casual – are widely present. It ranges from 24 per cent of wage employment in the Philippines to 67 per cent in Viet Nam, and is also sizeable in China, India, Indonesia and Malaysia. Casual work constitutes almost two-thirds of wage employment in Bangladesh and India, and over 40 per cent in Pakistan.
- Latin American countries reveal diverse experiences. While in Argentina and Brazil the use of temporary employment is limited at under 10 per cent, during the 1990s in Argentina, it had reached 20 per cent of wage employment, when its use was facilitated through a change in labour law that lowered the cost of temporary employment. Other countries of the region exhibit relatively high and growing shares of temporary work, with Ecuador and Peru topping the list with over 50 per cent of wage employees in temporary arrangements. Informality remains an important issue in both Latin America and Asia, where many countries witness a double-segmentation problem with labour markets segmented across formality–informality and across temporary–permanent contract divides.
- In Africa, the most widespread form of temporary employment is casual employment. One in four employees is casual in Kenya, more than one in three in Zimbabwe and Mali. Temporary employment in general reaches nearly 60 per cent in Ethiopia and the United Republic of Tanzania, and is particularly high in rural areas. The growth of one specific form – fixed-term contracts – has been observed in the past few years on two opposing ends of the continent: Morocco and South Africa.

Data for registered private sector firms in 132 developing and transition countries reveal that the mean share of temporary workers employed by firms is 11 per cent; about one-third of countries have temporary employment around this mean (figure 3).¹⁷ There are, however, wide divergences, with temporary employment ranging from under 5 per cent in Jordan and Sierra Leone to over 25 per cent in Mongolia and Peru. Moreover, there are significant divergences amongst firms (box 2).

- *Migrants.* In 2015, there were 232 million international migrants, accounting for 3.2 per cent of the world population.¹⁸ International migrant workers are often employed in the construction, seasonal agriculture, domestic care, hotel and restaurant services and cleaning sectors – all of which are associated with NSE, particularly temporary work and multi-party employment relationships. International migrant workers are sometimes recruited through temporary employment agencies, or par-

Figure 3. Incidence of temporary employment as a percentage of total wage employment in private sector firms, developing and transition countries, around 2010



Source: Authors' computations based on the World Bank Enterprise Survey, 2014.

Box 2. Intensive reliance on temporary employment by a small share of firms

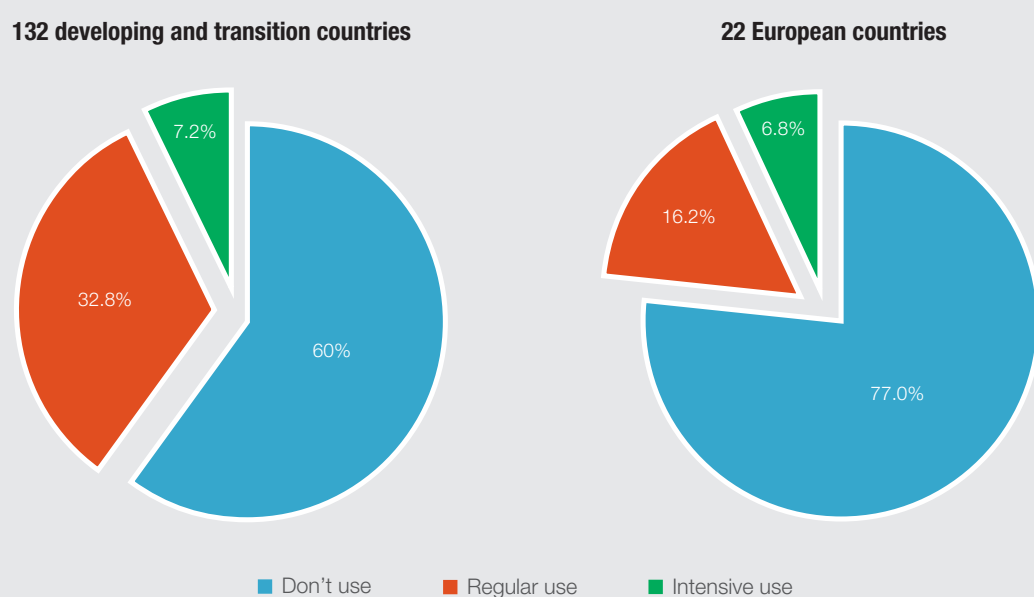
There are important divergences in enterprises' use of temporary employment. Data from two establishment-level surveys covering over 150 countries in total reveal that the majority of firms do not use temporary labour (including temporary agency work) and that it is a small subset of firms that use temporary labour intensively (defined as employing 50 per cent or more of their workforce on temporary contracts) (figure 4).

Among the 73,000 firms in the database on developing and transition countries, 7.2 per cent were "intensive" users, and the average proportion of temporary workers in their workforce was 63 per cent. In fact, 5 per cent of all firms accounted for 57 per cent of all of the temporary labour used.¹⁹ Moreover, there were divergences within the same industry and country, indicating that firms with similar production constraints nevertheless chose alternative ways of organizing their labour force. In addition, "intensive" users were found in all industries and were not limited to seasonal industries.

In the 22 European countries,²⁰ 77 per cent of firms in the survey did not use any temporary workers, 16.3 per cent employed less than 50 per cent of their workers on these contracts ("regular use"), and 6.8 per cent of firms used them intensively. Five per cent of enterprises accounted for 76 per cent of all temporary workers employed. Nevertheless, there was wide variation across countries. For example, in Spain, 16 per cent of firms used temporary labour intensively in 2010 (down from 19.4 per cent in 2006), compared with just 1.8 per cent in Norway.

These findings have important implications for policy as it is clear that not all enterprises use temporary employment in the same way, and that within industries there are diverse options for organizing production. Moreover, the findings suggest that some enterprises may be relying on these arrangements excessively.

Figure 4. Use of temporary labour among private sector firms, around 2010



Note: Regular use means between zero and 50 per cent of workers on temporary contracts; intensive use means >50 per cent of workforce on temporary contracts.

Source: Authors' calculations. Data on developing and transition countries from the World Bank Enterprise Survey, covering registered, private sector firms with five or more employees in 132 countries; data on 22 European countries from the EU Structure of Earnings Survey, covering private sector firms with ten or more employees.

participate in bilateral temporary migration programmes. These modes of employment condition migrants' NSE status from the onset of the migration experience.

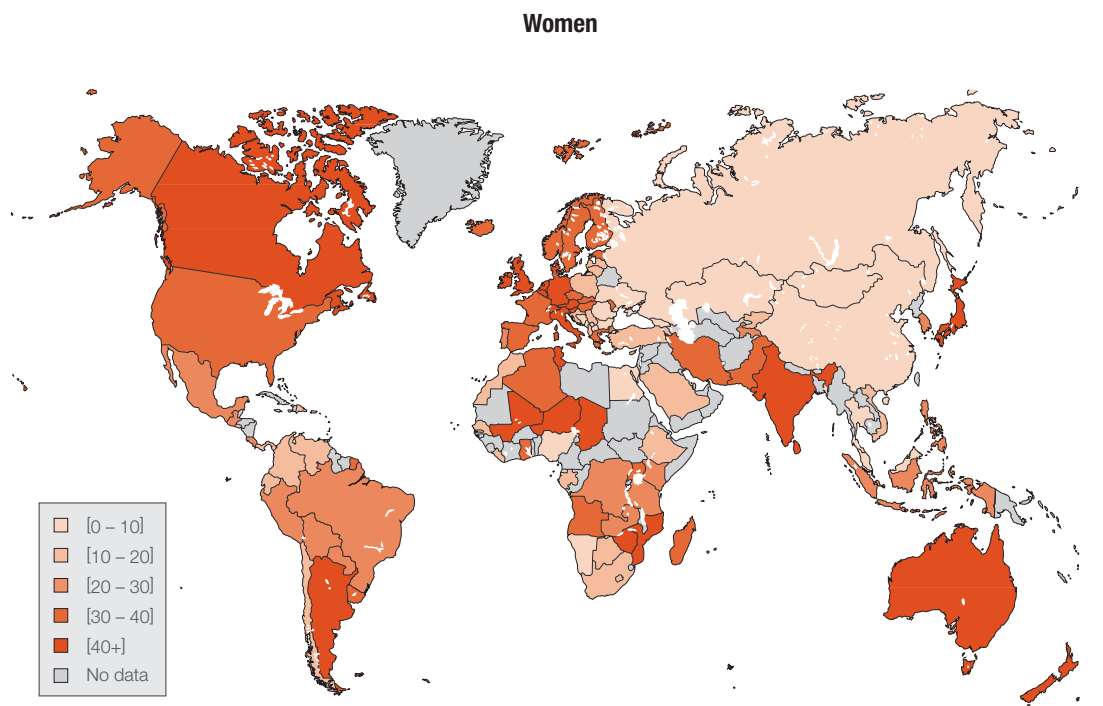
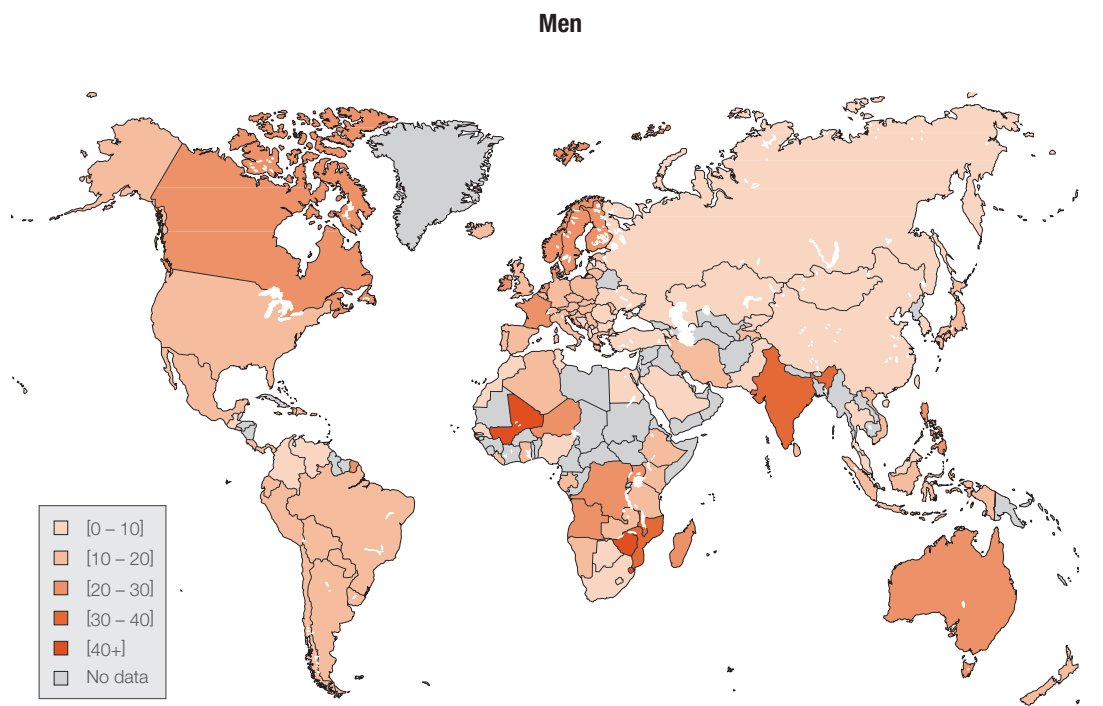
- *Young people.* Young people are commonly found in temporary and part-time employment. Sometimes youths work in temporary jobs because they combine work with education or training, as is the case, for example, with 29 per cent of young workers in Europe. But young people are also new to the labour market and are thus often hired on temporary contracts for screening and probationary purposes, as well as a means of cost savings. In 2012, in Peru, Egypt, and Malawi, less than 50 per cent of young people in wage employment had stable contracts; data for 21 European countries reveal that, on average, 45 per cent of young people in 2014 were on temporary contracts because they could not find a permanent job.

Part-time employment and on-call work

Part-time employment has been on the rise in many parts of the world over the past decades. Part-time work can be an important means for integrating women into the labour force, who because of domestic and care responsibilities, would otherwise not be available to engage in paid work. Yet whether part-time employment helps to promote gender equality depends on the quality of the part-time job. Public policies, including social security and tax policies have at times reinforced the gender divide in the labour market, but can be designed to promote good-quality part-time work.

- Globally, women are over-represented among part-time wage employment (figure 5). While they make up less than 40 per cent of total wage employment, their share among part-time wage employment is 57 per cent. In Argentina, Austria, Belgium, Germany, India, Italy, Japan, the Netherlands, Niger, Pakistan and Switzerland, there is more than a 25 percentage point difference in women's participation as part-time employees when compared to men.
- In Europe, nearly one out of five employees worked part time in 2014. In the Netherlands – sometimes referred to as the world's first “part-time economy” – over 45 per cent of employees worked part-time hours; part-time work was also widespread in the Nordic countries as well as in Austria, Ireland, Malta, Switzerland and the United Kingdom, where it accounted for nearly one-third of wage employment. In 2014, 27 per cent of European women reported that they worked part time because it enabled them to combine work with care responsibilities; 26 per cent could not find a full-time job. European men reported that they worked part time because they could not find a full-time job (40 per cent) or because they were in school or training (19 per cent).
- Part-time employment remained stable and high in Australia, where many casual employees work part time, but also in Canada, Israel and New Zealand, where close to one-third of employees worked part-time hours in 2014. In the United States, one in four employees worked part time in 2014, up from 19.6 per cent in 2009.
- In Japan, part-time employment increased from 27 per cent in 2009 to 30 per cent in 2014. Part-time employment is a specific employment category that often includes short-term contracted employees. One-third of workers classified as part time worked the same number of hours as full-time workers.
- In Africa, part-time employment is most widespread in Madagascar, Mozambique, Uganda, and Zimbabwe, though much of it is a reflection of this arrangement's casual nature and insufficient work available. Indeed, Africa is the region where time-related underemployment is the highest (whereby workers are willing and available to work more hours), with 12 per cent of working men, and 16 per cent of working women, reporting that they would like to work more hours. In Uganda, 26 per cent of part-time employees stated that they would like to work more hours.
- In Latin America, part-time work among formal employees is not widespread and mainly found in higher skilled occupations. About 16 per cent of employees work part time in Brazil; in Chile, part-time wage employment rose from 10 per cent in 2009 to 15 per cent in 2014.

Figure 5. Percentage of employees working part-time (< 35 hours per week), 2014



Source: ILOSTAT.

Over the past decades, part-time work has not only grown in importance, but has diversified in its forms to include “very short hours” (fewer than 15 hours per week) or arrangements with no established minimum hours at all, such as on-call work, including “zero-hours” contracts.

- In the United Kingdom, the Office for National Statistics reports that 2.5 per cent of employees were on zero-hours contracts in the fourth quarter of 2015. Almost 40 per cent of these workers worked less than 16 hours per week, though the average working week was 21.3 hours.
- It is estimated that approximately 10 per cent of the workforce in the United States has irregular and “on call” work schedules; the lowest income workers have the most irregular schedules.²¹ In Mexico, 2.1 per cent of employees worked fewer than 15 hours per week and 6.7 per cent had no fixed schedule.

Temporary agency work and other multi-party employment relationships

Temporary agency work (TAW) and other contractual relationships involving multiple parties constitute a small, yet growing share of wage employment. TAW represents from 1 to over 6 per cent of wage employment in countries with available data.

- According to the World Employment Confederation (formerly known as CIETT), 40 million workers worldwide participated in TAW in 2013, with the largest markets found in the United States, China, Europe and Japan.
- TAW accounted for 1.3 per cent of wage employment in 34 European countries in 2010. While still being under 1 per cent of wage employment in Albania, Finland, Germany, Hungary, Italy, Malta, Montenegro and Turkey, it reached 2.2 per cent in the Netherlands, and 2.4 per cent in Bulgaria, Cyprus and Spain. In Israel, over 5 per cent of the labour force was hired through labour contractors.
- Over the past decades, Asian countries have witnessed the growth of multi-party employment arrangements, referred to by various names, such as dispatched, agency, manpower, subcontracted or outsourced work. In the Republic of Korea, temporary agency and dispatched workers constituted 4.4 per cent of wage employment in 2013; in addition, “in-house subcontracting”, whereby workers are hired through a subcontractor but work on the premises of the lead firm, is common in large firms. A 2009 survey of in-house subcontracting of 1,764 firms with more than 300 employees, found that 55 per cent reported that they used in-house subcontracting and 8 per cent reported that more than 50 per cent of the workforce were in-house subcontracted.²²
- In the Philippines, as many as 62 per cent of registered establishments with more than 20 employees contracted “agency-hired” workers in 2014, accounting for 12.2 per cent of their total workforce. In Indian manufacturing, “contract labour” reached 35 per cent in 2011–2012, up from 15 per cent in the 1990s.
- Data on Africa are scarce, with the exception of some sectoral and occupational information. In South Africa, the National Association of Bargaining Councils estimated that in 2010, 6.5 per cent of the total workforce was employed by labour

brokers.²³ In Zambia, 48 per cent of the labour force in the mining industry was employed by contractor and labour broker companies in 2009, mostly on short-term contracts.²⁴

Disguised employment relationships and dependent self-employment

Data on *disguised employment and dependent self-employment* must be gleaned through combining questions on labour force surveys or through audits.

- Slovakia is one of the few countries that publishes statistics on “false self-employed”. In early 2015, 3.6 per cent of workers or 86,500 people were false self-employed.
- In Chile, in 2011, 12–17 per cent of subcontracting firms were made up either entirely or partly of ex-employees of the lead firms, suggesting the possibility of disguised employment relationships.
- In 2014, 2.3 per cent of Argentine workers and 4.1 per cent of Mexican workers described their employment relationship as one of dependent self-employment.
- Audits of the construction sector carried out in six states of the United States during the 2000s revealed that between 8 and 13 per cent of construction workers were misclassified as self-employed.
- Many businesses in the “on-demand” or “gig” economy have chosen to hire their workers as “independent contractors”. This practice has been the subject of several high-profile labour disputes, in which workers have contested this classification. Although the on-demand economy is still a relatively small share of the labour force, it is expected to expand significantly in the years to come and the issue of classification is likely to have important implications for the labour market as a whole.

WHAT ARE SOME OF THE EFFECTS OF NON-STANDARD EMPLOYMENT ON FIRMS, WORKERS AND LABOUR MARKETS?

The decision by enterprises to use NSE has important consequences for the individual worker, but also for the firm itself, the labour market and the economy and society at large.

Workers

NSE has implications for nearly all aspects of working conditions including employment, earnings, working hours, occupational safety and health, social security coverage, training, and representation and other fundamental principles and rights at work (figure 6). While insecurities in these seven areas are also apparent in standard employment relationships, in general it presents fewer insecurities when compared with the different types of NSE.

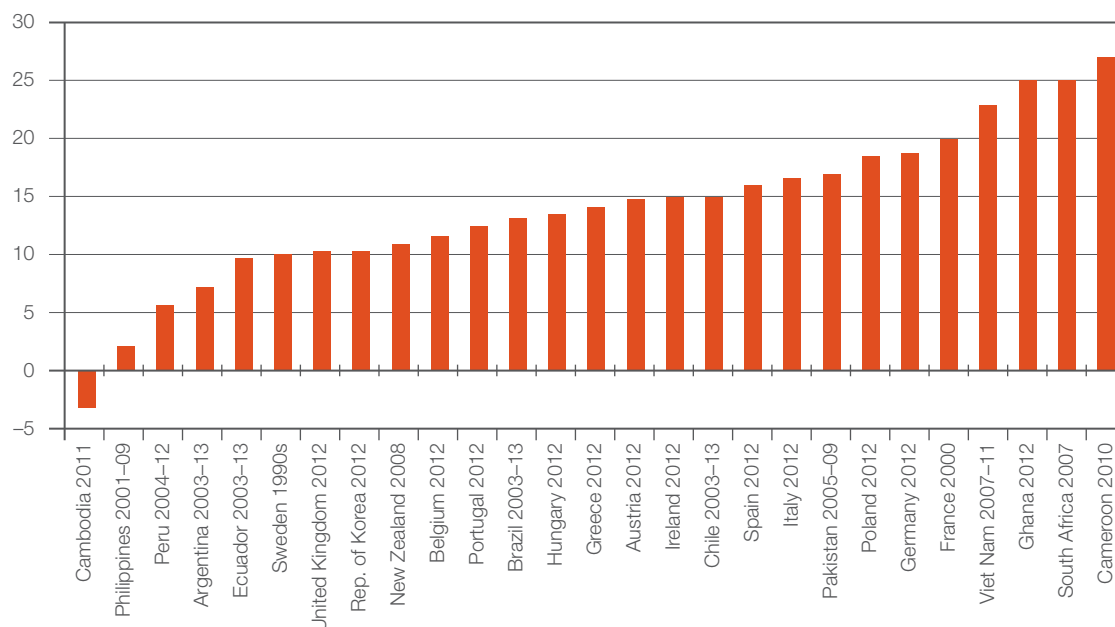
Whether NSE workers experience insecurities in these seven areas depends on the attributes of the individual worker, as well as on the firm, industry, and country setting.

Figure 6. Seven areas of potential work insecurity



Importantly, the quality of NSE also depends on the extent to which engagement in NSE is voluntary. Some key findings regarding workers' insecurity include:

- *Employment security and labour market transitions.* The ease of transiting between non-standard and regular employment is an issue of particular concern for temporary workers, workers in TAW and other multi-party employment relationships, and the dependent self-employed. It may be less of an issue for part-time workers if they are working under contracts of unlimited duration, though part-time workers are generally in a less favourable situation than their full-time counterparts with respect to job security.²⁵ Transitions from temporary to permanent employment are generally quite low, ranging from a yearly rate of under 10 per cent to around 50 per cent, in countries with available data. However, being in a temporary job, as opposed to being unemployed, can increase the probability of obtaining a regular job. Temporary employment can indeed act as a “stepping stone” for young graduates, migrants and workers initially disadvantaged either in terms of education or of pay. For these workers the benefits of having lower initial screening, obtaining general rather than specific work experience, and expanding their network through non-standard jobs, are high. Nevertheless, when temporary work is more widespread, then longer-term evidence, such as for Spain or Japan, suggests that over a lifetime of working, those workers who started off with a temporary job have a greater chance of switching between non-standard work and unemployment, compared to workers who start with a permanent contract. In these cases, temporary work ceases to be a stepping stone. In the majority of countries considered, even where NSE functions as a stepping stone, non-standard workers have a significantly higher rate of transition into unemployment or inactivity – sometimes nearly tenfold – compared to standard workers.

Figure 7. Wage penalties for temporary work, selected empirical findings

Note: Findings show wage penalties for being in temporary rather than in permanent work for men only. Partial coefficients from regression analysis, controlling at least for age, education, occupation and sector of activity (other controls vary across studies). Years refer to the years of data on which the analysis was based. "Negative" penalty should be interpreted as a wage premium.

Source: Authors' computations based on a literature overview; see the Appendix to Chapter 5 in the report (table A5.2).

- Wage differentials.** Differences in wages arise when two similar workers performing similar work are paid differently. Temporary work usually results in wage penalties, which can reach up to 30 per cent relative to comparable standard workers (figure 7). In contrast, part-time employment can sometimes feature premiums. This is the case for formal employees in Latin America, though it is rarely the case in Europe and the United States, where part-time employment is usually associated with wage penalties. Wage differentials for NSE also vary across income levels. For example, in Italy, wage penalties associated with temporary jobs are substantially more pronounced among workers with lower salaries, but are almost non-existent in high-wage jobs.²⁶ In some instances, wage gaps may widen with age, as is the case with Japanese fixed-term workers; or decrease with time spent in the sector, as is the case with temporary agency workers in Germany. In developing countries, while workers with written fixed-term contracts usually suffer a wage penalty when compared to those with permanent contracts, this penalty tends to be lower than that of workers who do not have a written contract.
- Hours.** Some forms of NSE, particularly temporary work, are associated with longer hours and greater work intensity. Findings from New Zealand, Switzerland, Thailand and Viet Nam indicate that workers on fixed-term contracts or in TAW are more likely to work unpaid overtime, often in anticipation of a renewal of their contract. In

addition, to compensate for insufficient income, many workers in NSE hold multiple jobs. The other main concern with respect to working time is for on-call workers, including those on zero-hours contracts, and similar casual arrangements, as these workers typically have limited control over when they work, with implications for work–life balance, but also income security, given that pay is uncertain. Variable schedules also make it difficult to take on a second job.

- *Occupational safety and health (OSH)*. There are four broad categories of OSH risks associated with NSE: injury-related risks and accidents, mental health and harassment risks, exposure to poorer working conditions and hazards, and fatigue issues. These risks stem from a combination of poor induction, training and supervision, communication breakdowns (especially in multi-party employment arrangements) and fractured or disputed legal obligations.²⁷ In terms of injury rates, occupational injury rates among workers employed on temporary and TAW contracts can be significantly higher than those of permanent workers. They are almost twice as high in New Zealand, and substantially higher in Italy, India and Japan, even amongst NSE workers working side by side with standard workers.²⁸ Outsourcing and subcontracting have also been implicated in several catastrophic accidents.²⁹ In addition to physical health and safety issues, NSE is also associated with psychosocial factors that increase the risk of adverse health outcomes. Having an involuntary temporary or part-time job can aggravate subjective perceptions of job insecurity, especially among more vulnerable groups in the labour market, and when opportunities for shifting from temporary to open-ended contracts are low.³⁰ Greater job insecurity is associated with a range of negative outcomes adversely affecting work satisfaction, psychological and mental well-being and overall life satisfaction.
- *Social security*. Workers in NSE often have inadequate social security coverage, either because statutory provisions exclude them from entitlements to social security payments or because short tenure or low earnings or hours provide limited or no access to such entitlements. For example, in Japan, the Republic of Korea and South Africa, eligibility for unemployment benefits among employees is restricted to those working a minimum number of hours, with obvious consequences for part-time workers whose hours are below the minimum threshold.³¹ In Europe, most temporary workers are legally eligible for unemployment insurance, but the higher rates of job rotation and greater likelihood of periods of unemployment due to non-renewal of temporary contracts make them less likely to be eligible for benefits.³²
- *Training*. The amount of training provided to temporary and temporary agency workers will vary depending on the type of firm and the industry, but it also depends on whether temporary contracts are combined with apprenticeship schemes or being used to screen potential workers for permanent positions (in which case the NSE worker will receive training), or whether production is highly standardized and jobs are easily replaceable, in which case little training, beyond the task at hand, is offered. Part-time workers generally benefit from fewer training opportunities than their full-time counterparts.³³ These penalties may be linked to perceptions that part-timers are less career-oriented.
- *Representation and other fundamental principles and rights at work*. Workers in NSE may be deprived of their freedom of association and collective bargaining rights

either because the law prevents them from joining, or because their more tenuous attachment to the workplace makes it more difficult for them to join a union, especially if they fear retaliation from their employer.³⁴ Workers in multi-party employment relationships do not always have the right to engage in collective bargaining with the lead firm. In the Philippines, project employees in the construction sector can join the relevant industrial union but cannot constitute a collective bargaining unit.³⁵ Moreover, in Indonesia,³⁶ outsourced or subcontracted workers may not be part of the unions of regular workers, and in the Republic of Korea they are only allowed to collectively negotiate with the subcontractor.³⁷ In some instances thresholds can prevent workers from forming unions. For example, in Viet Nam, workers with contracts shorter than six months cannot join unions.³⁸ Also, the self-employed are often excluded from the right to organize or from regulation protecting this right, which has consequences for workers in disguised employment relationships and dependent self-employment.³⁹ These challenges are confirmed by statistical evidence that workers in NSE have a lower rate of unionization.⁴⁰ Forced labour practices are sometimes concealed through the use of work arrangements involving multiple parties, and can be found in global supply chains, particularly at the lower subcontracted tiers.⁴¹ The potentially discriminatory impact of “atypical” forms of employment has been cited as a concern by ILO supervisory bodies, in cases concerning the Republic of Korea, Madagascar and Turkey.⁴²

Implications for firms, labour markets and society

With the growing incidence of NSE, it is important to understand what the implications are for firms.

- *Shifting of human resource strategies.* Firms that rely heavily on NSE need to adapt their human resource strategies.⁴³ Management must shift its human resource strategies from training and development of employees within the organization to identifying the sets of skills that the firm needs to buy from the markets and procuring these skills in an efficient and timely manner.⁴⁴ This shift requires the organization to have good human resource systems that facilitate the timely recognition of the needs for particular types of skills or competencies in the organization.
- *Effects on skills within the firm.* A dependence on procuring as opposed to cultivating the skills that the firm needs can affect organizations in two ways. First, it can result in a gradual erosion of firm-specific skills.⁴⁵ Enterprises that describe their human resources as one of their key assets then find themselves with assets that are not very distinct from those of their competitors, thus diminishing the role of people as a source of competitive advantage. A second implication of the use of temporary or contract workers is that the firms’ ability to respond to changing markets might be restricted. Since the focus is less on training-for-skills and more on hiring-for-skills, firms might be limited in the extent to which they can change by the availability of skills in the labour market.
- *Short-term gains, long-term losses.* NSE can bring benefits for firms in terms of cost savings and flexibility, particularly if the workers are performing tasks that are routine and highly structured. Nevertheless, the short-term cost and flexibility gains

from using NSE may be outweighed by longer-term productivity losses induced either by lower productivity of workers in NSE, or by negative spillover effects on the productivity of standard workers, or high transaction costs involved in the management of a “blended” workforce (one where workers in standard and non-standard arrangements work side by side). If not well-managed, blended workforces can result in conflicts and decreased morale.⁴⁶

- *Innovation and productivity.* In addition, there is evidence that firms that make greater use of non-standard labour underinvest in training, both for temporary and permanent employees, as well as in productivity-enhancing technologies and in innovation.⁴⁷ Firm performance may also suffer from disruptions to accumulation of firm-specific knowledge and how this knowledge is transmitted to new employees, if the majority of employees are non-standard. Evidence from Italy and the Netherlands warns that firms using higher proportions of flexible labour experience lower labour productivity growth.⁴⁸ Similarly, an analysis of the use of temporary workers in firms in 132 developing and transition countries found that the firms that were less productive were also the same firms that used temporary labour “intensively” in their operations (defined as 50 per cent or more of the workforce on temporary contracts). These firms tended to use temporary workers to save on labour costs and did not invest in their training.⁴⁹
- *Labour market segmentation.* Widespread use of NSE may reinforce labour market segmentation, a situation in which one segment of the labour market (non-standard workers, or “the less protected fringe”) faces both inferior working conditions and vulnerable employment status, while the other segment enjoys more favourable working conditions – even if workers in both segments perform the same types of jobs. A key feature of segmented labour markets is that the transition from one segment to another is compromised. Labour market segmentation also means that there is unequal risk-sharing between standard and non-standard workers in terms of unemployment and income security – as well as between non-standard workers and employers in terms of economic adjustment, because economic adjustment results disproportionately in job losses for workers in NSE. As a consequence, employment volatility is high, without any overall benefit for employment creation (box 3).⁵⁰ Labour market segmentation can also exacerbate wage and income inequality.

Box 3. Does deregulating the use of temporary contracts increase employment?⁵¹

A stated goal of deregulating the use of temporary employment contracts is to create employment. But have reforms that facilitated the use of temporary employment increased employment? Two countries in Europe – Italy and Spain – provide insight into this question. Over the past several decades, both countries introduced reforms that made it easier for firms to use temporary and temporary agency workers (followed by subsequent reforms to curb their use). Thirty years of data and research assessing these reforms provide evidence as to their effects.

When undertaken during periods of relative economic stability and prosperity, the deregulation of temporary employment in Italy and Spain helped increase employment, especially among youth, women and migrants, as employers took advantage of flexible use of temporary contracts to hire during good times. However, hiring disproportionately took the form of

temporary employment, spreading into all sectors of economic activity and substituting for the creation of permanent contracts.

Moreover, additional problems arose during economic recessions. When the crises struck, employers chose to not renew temporary contracts. Thus, employment gains brought about by deregulation were transitory, leading to massive swings in unemployment – the so-called “honeymoon effect”.⁵² Furthermore, when economic activity resumed, it usually took the form of increased hiring on short temporary contracts, as a means of keeping labour costs flexible, with implications for overall economic stability.

Another problem with the deregulatory reforms is their poor reversibility. Firms very quickly became accustomed to using temporary contracts in their operations and as a first recourse for any adjustments in the business cycle. Thus, counter-reforms tightening up the use of temporary contracts have had limited success, as firms sometimes found alternative ways of employing flexible labour.

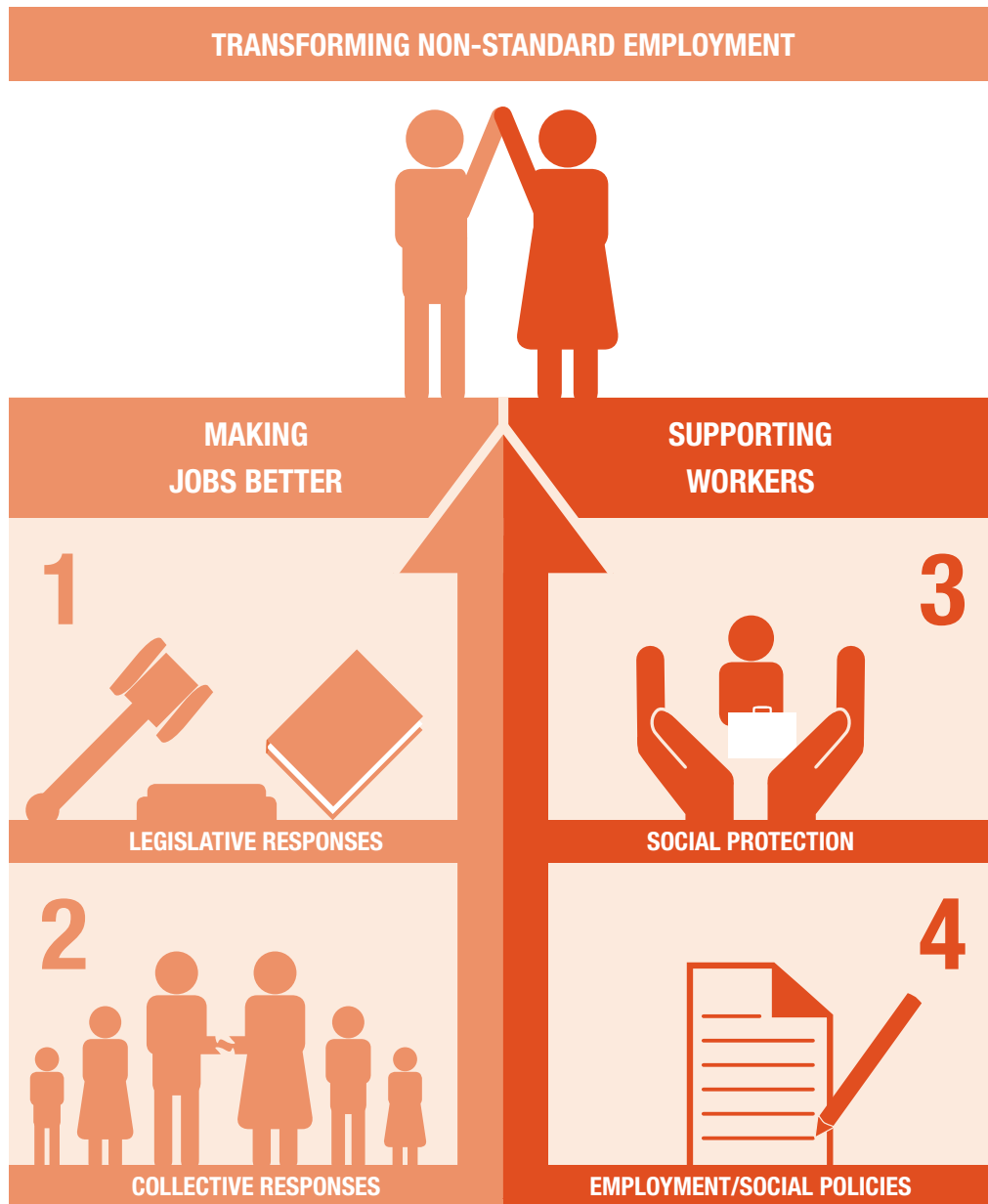
- *Social consequences.* Two key aspects of NSE – employment insecurity and poorer remuneration – can have repercussions on the consumption and socialization patterns of workers. Research shows that for temporary and on-call workers, it is more difficult to get access to credit and housing, because banks and landlords usually prefer workers with stable jobs and regular incomes. Thus in France, young workers are more likely to live separately from their parents if they have stable jobs, compared to young workers on temporary contracts.⁵³ There is similar evidence for workers in NSE in the United States.⁵⁴ Workers with temporary contracts who have difficulty transiting to permanent jobs also report having to delay marriage and childbearing until they can find stable employment.

ADDRESSING DECENT WORK DEFICITS IN NON-STANDARD EMPLOYMENT

As the previous discussion revealed, the world of work is not static, and presents challenges that merit policy responses. Adapting regulations and policies to ensure decent work for all has to be an ongoing effort. In addition, more effort needs to be made to ensure that regulations are effectively applied. This is particularly true for sectors and occupations where regulatory oversight has traditionally been weak and where collective bargaining coverage is limited.

Building on guidance from international labour standards and national practices, the report advances recommendations that cover four main policy areas: (1) plugging regulatory gaps; (2) strengthening collective bargaining; (3) strengthening social protection; and (4) instituting employment and social policies to manage social risks and accommodate transitions (see figure 8). These recommendations are grounded in the understanding that income security stems fundamentally from work and that without “decent” jobs there will never be sufficient support to alleviate workers’ insecurities. Nevertheless, it acknowledges that a worker in an insecure job will likely feel less insecure if she or he lives in a country with a developed welfare state, where the person’s basic needs are guaranteed through social protection and other social policies.⁵⁵

Figure 8. Making jobs better and supporting workers



Legislative responses: Plugging regulatory gaps

The analysis of legislative responses centres on five broad measures to plug existing regulatory gaps with respect to non-standard employment. The objective of these measures is to align, to the extent possible, the labour protections of NSE with standard employment, so that workers in non-standard employment arrangements receive better protection, as well as to mitigate abuses by employers in the use of these arrangements that undermine their legitimate purpose.⁵⁶ For many of these measures, there are international labour standards that provide guidance.

Equality of treatment. Ensuring equality of treatment for workers in NSE is important not only to avoid discrimination based on occupational status and as a matter of fairness, but also as a way of ensuring that non-standard employment arrangements are not used solely to lower labour costs by offering worse terms and conditions to particular groups of workers. For this reason, ensuring equality of treatment is also a way of maintaining a level playing field for employers. Given the over-representation of women, young people and migrants in NSE, it is important to ensure equal treatment for non-standard workers as this helps to combat discrimination at the workplace and in general. In addition to international labour standards that prohibit discrimination at the workplace, other standards address the specificities of workers in NSE and mandate non-discrimination of non-standard workers.⁵⁷ Equal treatment of fixed-term, temporary agency workers and part-time workers is established in EU Directives,⁵⁸ and is also present in national regulation, although its scope and functioning vary significantly among jurisdictions. Table 1 presents different examples of equal treatment entitlements for part-time workers.

Even when the principle of equal treatment is provided, however, exceptions or legal loopholes may be in place that limit its scope and effectiveness. Thus, a good practice is to re-examine exclusions from this principle on a regular basis to verify whether they are still justified, including by monitoring the effects of such exclusions.

In some cases, regulation limits the rights and protection of non-standard workers. For example, the provision of qualification periods and minimum continuity of employment can prevent some workers, particularly those whose work is intermittent, from acceding to important labour protections even when their relationship with a same employer has lasted for a considerable amount of time, albeit on a discontinuous basis.⁵⁹ Legislation

Table 1. Principles of equal treatment for part-time workers

Provision	Countries
General non-discrimination clause	Armenia, Bulgaria, Chile, France, Hungary (direct and indirect discrimination is prohibited), Italy, Latvia, Lithuania, Luxembourg (subject to specific provisions included in collective agreements), the Former Yugoslav Republic of Macedonia, Mali, Moldova, Norway, Romania, Senegal, Slovakia, Slovenia, Spain, Tunisia (subject to particular provisions), Viet Nam (right to equality in opportunities and treatment)
Equal treatment except for objective reasons	Austria, Belgium, Cabo Verde, Cyprus, Estonia, Germany, Greece, Hungary, Iceland, Ireland, Malta, Mozambique, Netherlands, Portugal (objective reasons to be determined by collective agreement), Sweden, Turkey (prohibition of differentiated treatment solely because the worker is employed on a part-time basis and unless there is a justifiable cause), United Kingdom
Pro rata cash benefits	Argentina, Austria, Brazil, Cabo Verde, Cyprus, Ecuador, France, Germany, Greece, Iceland, Iran, Ireland, Italy, Republic of Korea, Lithuania, Luxembourg, Mali, Malta, Mauritius (with an increase of at least 5 per cent), Mozambique, Portugal, Romania, Russian Federation, Senegal, Seychelles, Slovakia, Spain, Tunisia, Turkey, Bolivarian Republic of Venezuela

on casual work adopted in some developing countries such as the Philippines, addressing continuity of employment of workers whose work is discontinuous, provides examples for tackling similar problems in industrialized economies.

Minimum hours and other safeguards for part-time, on-call and casual workers. Part-time workers sometimes work very short hours and may therefore have a low income, particularly if they do not enjoy equal treatment with full-time workers in terms of remuneration. When on-call and casual workers can be called in at the employer's discretion and are not guaranteed a minimum amount of hours or payment, their income security and work–life balance suffers. These problems are exacerbated if workers fear they may not to be offered more work if they turn down an offer for a particular shift or task, or if they are called in and report for work but their shift is cancelled at the last minute.

Measures to provide workers with a minimum number of guaranteed hours and to give workers a say in their work schedules, including by limiting the variability of working hours, are therefore important protective tools. Only a few countries, however, have established a minimum of working hours for part-time employees to ensure them a minimum income. In the early 2010s, French legislation was amended to ensure, with certain exceptions, that part-time workers would have a minimum of 24 hours per week. In Germany, Ghana, the Netherlands, Papua New Guinea and the United States (limited to the District of Columbia and eight states), regulations require employers to pay their workers for a minimum number of hours when they report to work for a scheduled shift or are called in to work, even if the work is cancelled or its duration reduced.

Addressing employment misclassification. In the vast majority of legal systems across the world a “binary divide” between employment and self-employment exists, with “employment” serving as the basis for labour regulation.⁶⁰ This makes the definition of employment and the classification of a work relationship as an “employment relationship” central to the provision of labour protection.

The ILO Employment Relationship Recommendation, 2006 (No. 198), provides guidance on how to regulate the scope of the employment relationship and deter circumvention of the labour and social security rights that the relationship entails.⁶¹ It contains a far-reaching series of principles that can guide countries on devising policies to address employment misclassification, including the following:

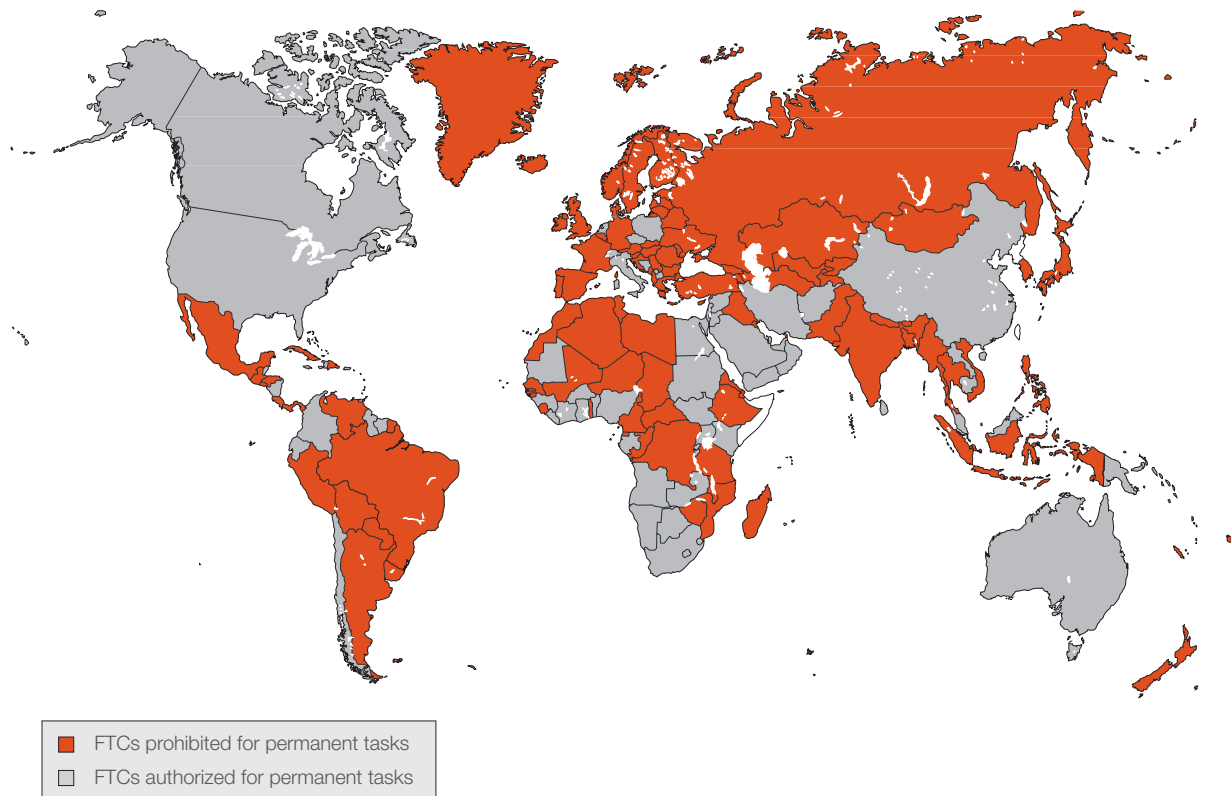
- (a) Establishing the principle of “primacy of facts”, according to which the determination of the existence of an employment relationship should be guided by the facts relating to the actual performance of work and not by the parties’ description of the relationship. Many jurisdictions in the world provide for such a principle either statutorily or via case law. It can be found in civil law and common law systems and can be expressly stated in laws (e.g. Argentina, Mexico, Panama, Poland), even at the constitutional level (e.g. Colombia, Bolivarian Republic of Venezuela), in some cases as a general principle of contract law (e.g. Bulgaria, Italy), or set out by the courts (e.g. Ireland).⁶²
- (b) Allowing a broad range of means for determining the existence of an employment relationship. Multi-factor approaches are followed in the following common law countries: Australia, India, the United Kingdom and the United States. Similar approaches are also followed in some civil law countries, including France and Greece.⁶³

- (c) Providing for a legal presumption that an employment relationship exists where one or more relevant indicators are present. Such a legal instrument may be found in various jurisdictions across the world and may take the form of a broad presumption under which working relationships are presumed to be employment relationships (e.g. Colombia, Dominican Republic, Netherlands, Panama, Bolivarian Republic of Venezuela). Alternatively, the law may specify some indicators that may trigger a presumption or a reclassification under an employment relationship (e.g. Malta, South Africa, United Republic of Tanzania).
- (d) Determining, following prior consultations with the most representative organizations of employers and workers, that workers with certain characteristics, in general or in a particular sector, must be deemed to be either employed or self-employed. This is done in France, for example, concerning professional journalists, certain performing artists, fashion models and sales representatives.

Restricting the use of NSE. In addition to improving the conditions of workers in non-standard arrangements, there are also situations where restricting or limiting the use of NSE is needed. By limiting its use, employers and workers can enter into non-standard arrangements to benefit from the flexibility that these forms of work offer whilst avoiding that non-standard jobs unnecessarily replace standard jobs. In other cases, limitation may be aimed at avoiding abuses or mitigating particular risks associated with their use, for instance by restricting their use in some sectors or occupations or when industrial disputes are ongoing. Existing international labour standards as well as national practices offer examples of restrictions:

- ▶ *Prohibition of using fixed-term work for permanent needs of the enterprise.* More than half of the countries for which information is available limit recourse to fixed-term work to tasks of a temporary nature, as suggested by the ILO Termination of Employment Recommendation, 1982 (No. 166). Figure 9 is a map illustrating the national legal prohibition of the use of fixed-term contracts for permanent tasks. This measure has been shown to be effective in mitigating the use of fixed-term contracts.⁶⁴
- ▶ *Limitation to recourse to temporary agency work.* Recourse to TAW may be prohibited or restricted by national regulations for several reasons. For instance, TAW may be allowed only in case an objective or temporary reason exists. A very common limitation concerns prohibiting its use to replace workers on strike, as indicated in the ILO Private Employment Agencies Recommendation, 1997 (No. 188). Many national laws establish this restriction either by statutory measures (e.g. Argentina, Bulgaria, Chile, Hungary, Israel, Lithuania, Morocco, Namibia, New Zealand, Poland, Romania, Spain) or via collective bargaining (e.g. Denmark, Norway, Sweden). The World Employment Confederation sets out a similar provision in its code of conduct. Several countries, moreover, limit or prohibit TAW in specific sectors and for hazardous work. National regulations also prohibit recourse to this form of work shortly after dismissals for business reasons or collective dismissals.
- ▶ *Limitation on renewals or overall duration of fixed-term work, casual work and temporary agency work.* Many jurisdictions have measures to ensure that recourse to fixed-term work, casual work or TAW is only temporary. It is common to provide

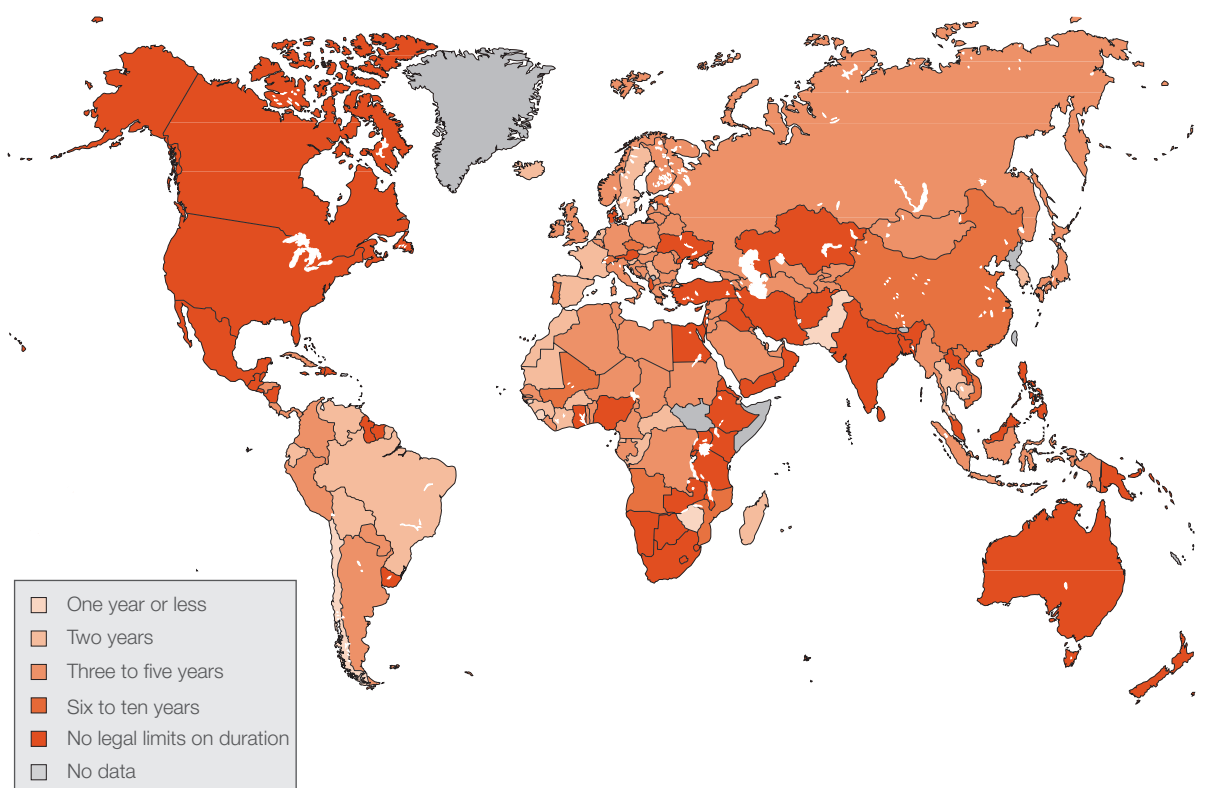
Figure 9. Legal prohibition of the use of fixed-term contracts for permanent tasks⁶⁵



for a maximum overall duration for these forms of work or limit the number or the renewal of successive contracts or assignments. A comparative analysis shows, for instance, that around half of the 193 countries for which information is available limit the maximum cumulative duration of temporary contracts to two to five years (see figure 10).

- ▶ *Restricting or prohibiting the use of on-call employment contracts.* On-call work, and more specifically zero-hours contracts, were recently the subject of heavy criticism in a number of countries. Some regulatory responses have been developed in response to these calls for better protection of the workers concerned, including in New Zealand, which in 2016 prohibited zero-hours contracts that require workers to remain at the disposal of their employer.
- ▶ *Limiting the percentage of workers in NSE.* A limitation on the proportion of workers in non-standard arrangements in the enterprise's total workforce exists in some countries, such as China, Italy, and Norway, to avoid abuse in their use.
- ▶ *Limiting NSE to non-core activities.* This is one of the most common criteria used by national regulation in the definition of casual work. Some countries, such as Ecuador and Indonesia, also limit or prohibit the use of subcontracting for core business activities.

Figure 10. Maximum legal duration of fixed-term contracts, including renewals



Source: Authors' compilation.

Assigning obligations and liabilities in contractual arrangements involving multiple parties. The multi-layered structure of these work arrangements can make it difficult for workers to effectively exercise their rights, including making it difficult for them to identify the subject responsible for ensuring that their working conditions comply with the law. Moreover, they face the additional risk of not being able to take action against subjects who are legally not their employers.⁶⁶

An important remedy is to establish shared liability in contractual arrangements involving multiple parties, as this gives principal firms the incentive to select reliable counterparts when entering into such arrangements. Shared liability between the user firm and the agency may be found, for instance, in Argentina, France, India, Italy, the Netherlands, Namibia, Ontario (Canada) and South Africa.⁶⁷ Similarly, shared liability is critical for matters of occupational safety and health since, when workers involved in these arrangements work at the principal's premises, their direct employer may not control the workplace and may thus not be in a position on their own to provide for occupational health and safety and ensure compliance with relevant obligations.

Strengthening collective bargaining

The second set of policy measures concerns a different regulatory tool: collective bargaining. Collective agreements can be tailored to consider particular circumstances of

the sector or the enterprise, and are thus well-suited for addressing decent work deficits in NSE. Collective bargaining can be used to advance regulatory provisions aiming at lessening insecurities, but efforts are needed to build the capacity of unions to do so, including through the organization and representation of workers in non-standard work arrangements. In countries where it is extended to cover all workers in a sector or occupational category, collective bargaining can be an effective means for protecting non-standard workers, thus mitigating differences in treatment amongst workers in different employment arrangements. In Switzerland and the Netherlands, collective agreements have been extended to workers in a number of sectors, including contract cleaning, security services, waste disposal and personal care. This is a potent policy tool, as these sectors have a large share of migrant workers and temporary agency workers with high levels of mobility, which usually results in low levels of unionization.⁶⁸ In addition, alliances between unions and other organizations can also be useful for developing effective collective responses to issues of concern to non-standard and standard workers alike.

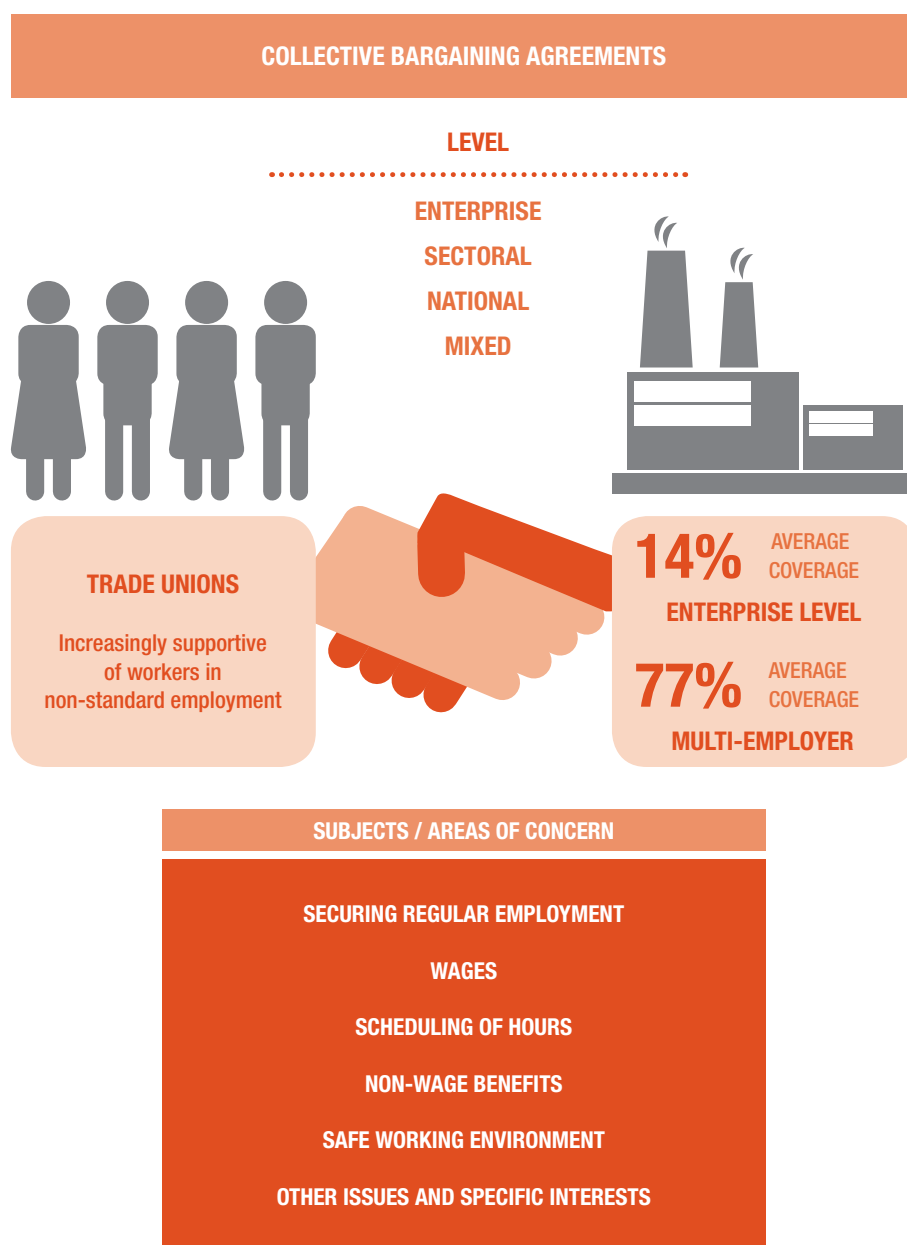
Yet, to begin with, it is necessary to ensure that the legislative framework protects and promotes the freedom of association and collective bargaining rights of all workers. Establishing a legislative framework that effectively allows workers' organizations to operate freely and choose the level at which they are structured as well as removing impediments to the affiliation of all workers is a prerequisite in ensuring union strategies and actions in favour of non-standard workers. A measure that supports this objective is to extend the right to collective bargaining beyond the scope of the employment relationship. Examples of countries that explicitly provide this right to dependent self-employed workers include Canada, Germany and Spain. It is also essential that practical barriers to unionization are eliminated, such as the fear of retaliation that some non-standard workers have about joining a union. This regulatory gap can be filled by extending protection against discriminatory dismissal to the non-renewal of temporary contracts, as has been done in France.

Examples abound of collective agreements negotiated by the social partners that improve the terms and conditions of work of non-standard workers.⁶⁹ Key issues include: securing regular employment; providing equal pay for work of equal value; scheduling of hours, including guaranteeing minimum working hours for on-call workers; ensuring a safe working environment; extending maternity protection; and addressing specific interests and needs of non-standard workers (figure 11).⁷⁰ Because these agreements are the outcome of negotiation by the social partners they are also more likely to be implemented, also because unions play an important enforcement role.

Strengthening social protection

Workers in NSE may not be covered or may not have adequate coverage under the existing social security system. Some categories of workers may not be covered by law, for example, if their length of employment is less than a certain minimum duration (some temporary workers, particularly casual workers; some temporary agency workers) or if they work less than a certain number of hours per week (some part-time workers; some temporary agency workers). Moreover, workers in NSE may be covered by law, yet they may fail to meet the eligibility criteria for specific benefits, because their short tenure or

Figure 11. Collective bargaining levels and non-standard employment



short contribution periods can limit access to such entitlements. They may also face low benefit levels as a result of their low wages and contributions, which do not provide for an adequate level of support, unless mechanisms are in place to ensure at least a minimum level of protection. Exclusion from coverage also occurs when workers are in a disguised employment relationship.

Social protection systems need to be strengthened to ensure that all workers benefit from adequate social protection coverage. In some instances, this may require adapting existing social security systems, for instance by eliminating or lowering thresholds on min-

imum hours, earnings or duration of employment so that NSE workers are not excluded from coverage. The ILO Part-Time Work Convention, 1994 (No. 175), provides that thresholds for the minimum number of working hours or earnings should be sufficiently low so as to avoid the exclusion of an “unduly large percentage of part-time workers”. In addition, systems should be made more flexible with regard to contributions required to qualify for benefits, allowing for interruptions in contributions, and enhancing the portability of benefits between different social security systems and employment statuses.

Social protection for workers in NSE depends strongly on the rules set out in national legislation, and on their effective implementation and enforcement. This means that there is generally ample scope for modifying legislation to provide more comprehensive coverage. In some instances, this may involve an adaptation of legal frameworks and a streamlining of administrative procedures, including through simplification and facilitation of electronic access to registration, consultation and contribution payment mechanisms (table 2).

These changes to the social security system should be complemented by efforts to guarantee a universal basic level of coverage or social protection floor, in line with Social Protection Floor Recommendation, 2012 (No. 202). For example, some countries provide a universal pension for all older persons that guarantees a basic level of income security, with contributory pensions complementing this universal pension. This can be beneficial for many non-standard workers whose attachment to the labour market has been intermittent, especially women.

Instituting employment and social policies to manage social risks and accommodate transitions

The fourth set of recommendations concerns instituting employment and social policies that can help workers to manage risks and better accommodate transitions in their working lives. Besides unemployment, workers face other risks of loss of income as a result of changes in individual earnings capacity due to care responsibilities or eroding skills. There is thus a need to develop policies to help mitigate these risks and to facilitate workers’ transitions in the labour market throughout their working lives.

Beginning at the broader policy level, it is necessary to institute macroeconomic policies that directly support full, productive and freely chosen employment, in line with the Employment Policy Convention, 1964 (No. 122), including through the development of public employment programmes, when needed. In addition, social insurance programmes could be redesigned to cover a broader array of contingencies beyond the unemployment risk – thus reconfiguring unemployment insurance as “employment insurance”. This can be useful for supporting enterprises during economic downturns to institute work-sharing programmes, thereby avoiding lay-offs. In addition, a more expansive “employment insurance” can also allow workers to have time off for care responsibilities and training. For training, a reconfigured “employment insurance” system or other mechanisms, such as individual “training accounts”, also have the benefit of supporting workers with the greatest need for continuing education, who often do not have the resources to finance the leave and the training on their own, as well as workers in small and medium-sized enterprises who are less likely to benefit from employer-sponsored training.⁷¹

Table 2. Extending social insurance coverage: policy options

	Coverage and exclusion	What can be done to ensure effective coverage for this group?
Part-time employment	<p>Covered if thresholds on minimum working hours/days or earnings are met.</p> <p>In case of multiple employers, specific regulations may apply.</p> <p>Marginal part-time work often excluded or covered through special regulations.</p>	<p>Eliminate or lower applicable thresholds.</p> <p>Allow practical solutions for workers with multiple employers, and those combining part-time dependent work and self-employment.</p>
Temporary employment	<p>Covered if thresholds on minimum duration of employment are met.</p> <p>Casual workers are often excluded.</p>	<p>Eliminate or lower thresholds regarding the minimum duration of employment.</p> <p>Allow for more flexibility with regard to the number of contributions required to qualify for benefits; allow for interrupted contribution periods (e.g. x number of contributions during y months).</p> <p>Enhance portability of entitlements between different social security schemes to facilitate mobility between jobs.</p> <p>Simplify administrative procedures for registration and contribution payments.</p>
Temporary agency work	<p>Covered through employing agency (thresholds with regard to duration of employment and working time apply).</p>	<p>Ensure compliance with legislation; introduce shared liability.</p> <p>Measures taken to facilitate coverage for temporary and part-time workers are likely to benefit temporary agency workers as well.</p>
Disguised employment relationships and dependent self-employment	<p>Covered if self-employed workers are covered, or if specific measures are taken to prevent misclassification and ensure adequate protection.</p>	<p>Prevent the misclassification of workers and ensure adequate protection for those in dependent self-employment.</p> <p>Simplify administrative procedures for registration and contribution payments.</p> <p>Adapt social security mechanisms to the needs and circumstances of self-employed own-account workers.</p>

Complement these efforts with the implementation of a social protection floor that provides a universal minimum level of protection.

Box 4. The Netherlands: Good quality part-time employment⁷²

In the Netherlands – “the first part-time economy in the world”⁷³ – nearly half of wage employees work part time. In 2014, this was the case for 65 per cent of women and 28 per cent of men. Part-time work is not limited to marginal jobs but is found in nearly all occupations. Most part-time employees are on permanent employment contracts, and the average wage gap between full-timers and part-timers is negligible or non-existent. Several studies have shown that Dutch women are not only satisfied with part-time work, but also prefer it over full time, and in some instances wish to work fewer hours. How did the Netherlands arrive at this model?

The Netherlands grew into a part-time economy steadily but surely over the past 50 years, buoyed by the growing participation of women in the labour market, and the use of part-time work by employers as an alternative to union demands for a collective reduction of working hours and to fill the gap between shorter working hours and the longer operating time required to respond to increased demand. In the Wassenaar Agreement, concluded in 1982, unions agreed to moderate their wage demands in exchange for policies to combat unemployment, including the development of part-time employment.

Policy actions that were instituted to support good-quality part-time employment included the diffusion of part-time work into higher occupational levels and organizational hierarchies and, most importantly, the implementation of the principle of equal treatment for part-time workers – one year before the adoption of the EU Directive on Part-Time Work. In 2000, the Working Hours Adjustment Act, adopted in the framework of the “work and care” policy, allowed employees to request, under certain circumstances, a reduction (or an increase) in their working hours, with employers allowed to refuse such requests only on the grounds of specific conflicting business interests.⁷⁴

Labour markets need to be designed to allow workers to attend to their care responsibilities, as required by the ILO’s Workers with Family Responsibilities Convention, 1981 (No. 156), which recognizes that the “problems of workers with family responsibilities are aspects of wider issues regarding the family and society which should be taken into account in national policies”. Policies to support parental and other care leave as well as legislation to facilitate the transfer between full-time and part-time work and vice versa help workers – both men and women – to address their care responsibilities. In certain countries, such as Bulgaria, Cabo Verde, Germany, Iceland, Portugal and Romania, labour legislation explicitly prescribes that employers must make part-time work available or at least facilitate access to part-time work at all levels of the enterprise, including for employees in senior positions.⁷⁵ This helps to encourage the development of good-quality part-time work (box 4). In addition to these workplace policies, there is also a greater need for public investment in care activities, including the development of public childcare infrastructure for children under six years of age, all-day schooling for those of school age, and elder care facilities.

While the focus of this study, and thus of these policy recommendations, is on NSE, some of the policies recommended concern the overall design of labour market institutions that is of relevance to all workers. Policies are needed to ensure that all forms of work are decent, as no contractual form is immune to the ongoing transformations in the world of work. Today, women make up a sizeable share of the working population, global supply chains connect industries and workers throughout the globe, new technologies have transformed the workplace, and new professions have emerged that could not have

Table 3. Policy measures for addressing decent work deficits in non-standard employment

Policy measure
Plugging regulatory gaps
Ensure equality of treatment
Provide for minimum hours and other safeguards for part-time and on-call workers
Address employment misclassification
Restrict the use of non-standard employment
Assign obligations and liabilities in contractual arrangements involving multiple parties
Ensure all workers have access to freedom of association and the right to collective bargaining
Strengthening collective bargaining
Build the capacity of unions to organize workers in non-standard employment and ensure their effective representation in collective bargaining
Promote inclusive forms of collective bargaining and create a conducive policy framework for collective bargaining
Use collective bargaining to develop regulatory measures to address non-standard employment
Advance other collective efforts and build alliances between unions and other organizations in order to develop effective collective responses to issues in non-standard employment
Strengthening social protection
Eliminate or lower thresholds regarding working hours, earnings or the minimum duration of employment
Allow more flexibility with regard to the contributions required to qualify for benefits and interruptions in contribution periods
Enhance portability of entitlements between different social security schemes and employment statuses
Simplify administrative procedures for registration and contribution payments
Prevent the misclassification of workers aimed at avoiding social protection coverage and ensure adequate coverage for the self-employed
Complement social insurance programmes with non-contributory programmes that can provide a basic level of coverage for all
Instituting employment and social policies to manage social risks and accommodate transitions
Enact policies to support job creation and mitigate job loss through macroeconomic policies that support full employment, public employment programmes, and work-sharing initiatives
Redesign unemployment insurance as ‘employment insurance’ to support skills and career development
Support care through policies to facilitate parental and elder care leave and through the provision of publicly provided care institutions

been imagined decades earlier. The years ahead will undoubtedly bring new changes. Yet the dependence on work for one's livelihood and the effect of work on a person's overall well-being will not change. It is thus incumbent on governments, as well as employers, workers and their organizations, through national, regional and international efforts, to come together to address the challenges in the world of work, with the goal of promoting decent work for all.

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Non-standard employment around the world

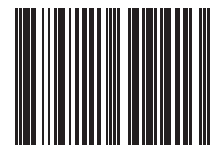
Understanding challenges, shaping prospects

Non-standard employment, including temporary work, part-time work, temporary agency work and other multi-party employment arrangements, disguised employment relationships and dependent self-employment, has become a contemporary feature of labour markets the world over. This report documents the incidence and trends of non-standard employment across different countries of the world and explores the reasons behind this phenomenon, including increased firm competition, shifting organizational practices of firms, and changes and gaps in the regulation of work.

It assesses the implications for workers' pay, income security and other conditions of work, as well as the effects on firms, labour markets and society in general. The report reviews international, regional and national regulation of non-standard employment, identifying differences across countries as well as promising legislative responses for ensuring decent work. It also analyses other policy responses such as strengthening workers' organizations and collective bargaining, redesigning social protection systems, and further policies for addressing labour market governance.

The ultimate objective is to provide guidance on practices that can help ensure worker protection, sustainable enterprises and well-functioning labour markets.

ISBN 978-92-2-130941-3



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