

# Rethinking Dual Labor Market Theory under Global Precarity Conditions

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## Abstract

*This study readdresses dual labor market theory under today's global precarity conditions. Primarily, the study will set forth information related to primary and secondary labor markets under dual labor market approach. The general view of Keynesian economics and labor markets will follow; and finally transformation of neoliberal policies and labor markets will be given. Thus the meaning of neo-liberal policies, and within global precarity environment, the meaning of the difference between primary and secondary labor markets are opened to discussion by giving several examples from Turkey's labor market.*

**Keywords:** Dual labor market, atypical employment, precarity, primary labor market, secondary labor market

## 1. Introduction

Keynesian economics which dominated the years beginning from the Second World War till the end of the 1970s is known, in general tendency within approximately 30 years of functioning, as a period when the social rights were under the protection of the state and the employment conditions were standardized; the period is remembered through social Welfare State practices. However, beginning from the 1970s this process underwent a change; while the applied economic policies were altered, labor market and employment circumstances also witnessed a change.

The focus of this study is to review dual labor market approach. The reflection of Keynesian economics over labor markets will be analyzed in the frame of the disintegration in the years 1945-1975, when they were commonly applied, and afterwards. By doing so, the meaning of segmentation of primary and secondary labor in the global precarity environment will be questioned.

Employees in the primary labor markets move towards the secondary labor markets due to changing economic policies, a different way of organization in the production and global capitalism; and whether this condition is valid or not for especially the skilled labor composes the main problematic of this research.

This study will start with dual labor market approach. After that, general characteristics of Keynesian economics will be given while explaining the organization of Fordism at the same time. Following that, the concept of secondary labor market will be introduced. The effects of neoliberal policies on labor market which were put into practice in the 1980s will be given. The expansion process of the secondary labor markets will be summarized within the frame of disintegration of the Welfare State, international division of labor and flexibility practices.

## 2. Primary and Secondary Labor Market Approach

Historical observation of the studies on dual structure of labor reveals the fact that, at the beginning, labor market emerged from the view that it did not function as told in simple competitive labor market. In the 19<sup>th</sup> century John Stuart Mill and J. E. Cairnes presented what is known today as dual labor market theory (Elliott, 1997: 368). In order to explain the problem of poverty and unemployment in labor market faced by African-Americans, institutional economists conducted studies for the development of the concept primarily through the end of the 1960s (Biçerli, 2005: 267).

Doeringer and Piore analyzed labor markets by dividing them into a dual partition. This form of labor market is called dual labor market (Grip, Sieben and Jaarsveld, 2006: 2). The market with the expectation of better,

lasting/stable/steady, high-paying jobs with career prospect generates the primary labor market during dual segmentation of labor market.

In dual labor markets, transition between the markets is quite limited. It is possible to talk about two types of sectors: in primary sector, there are high-paying jobs of internal labor markets. The jobs within the high-paying sector are considered “good” jobs (Lordođlu and Özkaplan, 2003: 108). In order to explain deeper the jobs in primary sector by using dual labor market terminology, it can be said that primary jobs in primary labor market are more stable. The skills/qualifications related to the job are gathered generally while doing the job. Primary sector offers higher return (when compared with secondary sector) to the qualifications possessed and the increase in them. The income in primary sector is generally higher than in secondary sector. This may originate from the features of high-income jobs (Elliott, 1997; 368). In substance, stability is the determinant among other factors that describe primary labor market. Existence of stability as the determinant of the market is also influential over acquiring qualification. These two features carry with them other features like high-income level of primary sector. Meeting the need of vacant position for personnel from inner labor market and turning outside only for entry-level positions can be described as another side of continuity feature regarding the sector. For higher-level positions, firms turn to current employees (Saint- Paul, 1996: 2 quoted from Biçerli, 2005: 267); herewith stability, as the determinant for this sector, brings promotion and other positive conditions along with it.

In dual labor market approach, secondary labor market indicates the layer where temporary/transitory/unstable, low-paying jobs with no career prospect are situated. In secondary jobs mainly women, minority groups and youth are employed (Reich, Gordon and Edwards, 1973: 360). Secondary jobs are generally unstable; labor circulation is high and opportunity for promotion (career steps) is quite limited (Reich, Gordon and Edwards, 1973: 360). Therefore, while in primary sector career prospect is within the bounds of possibility for employees, in secondary sector the need for skilled labor is quite low and so is career prospect (Lordođlu and Özkaplan, 2003: 110).

In this approach, while primary sector contains high-paying “good” jobs, secondary sector hires employees from outer market and includes low-paying jobs. Primary sector jobs are classified as “good” jobs, while secondary sector jobs are “bad” (Lordođlu and Özkaplan, 2003: 108). Central (primary) jobs bring in higher income and provide more opportunities for health insurance, social payments like paid leave. Among peripheral (secondary) jobs, there are low-paying jobs of which working conditions are worse compared to primary jobs with weak social rights and no union. In this group employee turnover ratios also high (Bernstein, 2000: 15-16 quoted from Ar, 2007: 162-163); unlike the above-mentioned primary sector, there is no stability for labor in this sector. Employees in the latter group are mainly immigrants, minorities, Africans, etc. When immigrants raise job layer, racial and ethnic groups with lower social status fill their positions. They are also defined as poor employees (Ar, 2007: 162).

While Keynesian economics and following that, neoliberal economic policies were building up their accumulation process, they also created their labor markets with different approaches. The basic tendencies in labor markets will be given while considering the features defining primary and secondary labor markets.

### **3. Keynesian Economics and Labor Markets**

During a 30 years period before the 1970s Keynesian practices were common State practices<sup>1</sup>, which adopted interference of state on the market, were not uniform but instead different forms were applied in different countries.<sup>2</sup> Still it is possible to put forth some communizing features among Welfare State practices. Besides protecting gains like life and property, Welfare State also functions to “re-distribute income, regulate social relations, perform certain collective services, etc.” (Rosanvallon, 2004: 22). In this respect several arrangements like qualified and free-at-the-point-of-delivery education, healthcare, providing decent accommodation are included “in re-commodifying labor” (Bauman, 1999: 77).

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<sup>1</sup>Kalleberg (2009), in his article, defines this period between 1940s and 1970s by using another concept, “interregnum period”.

<sup>2</sup>Esping-Andersen categorized these different welfare regimes in a trio typology: Liberal, conservative and social democrat welfare regimes. For further information on the detailed work of Esping-Andersen see Esping-Andersen, 1990.

Mainly the period between 1945 and 1975, when the mentioned practices were applied, is also defined through “regular capital accumulation and coherent employee relations” (Munck, 2003: 40).

In this period when capital accumulation was accrued and organized on national level, accumulation conditions of Fordism were predominating (Gereffi, 1995). In the course of Keynesian practices, it is highly essential to generalize Fordism, which played a part in re-arranging structural and institutional organization of capitalism, and was used in adapting production and social consumption norms (Öngen, 1994: 112). It can be said that Keynesian Welfare State provided the required ground for the development of economy for Fordism, and production/growth type of Fordism met the conditions for Keynesian Welfare State (Topak, 2012: 96). Consequently there is a direct, supplementary and coherent link between Fordism and Keynesian Welfare State practices; thus they should be considered as a whole.

Organizational form of labor market is directly influential over the nature of employment structure. The dominant production model of the era, Fordism is characterized with mass and standardized production. Secondary labor market conditions have always been present in the capitalist production conditions. However it is observed that the features that define primary labor market in labor markets of the period were qualifier – especially for the developed capitalist countries. Although not valid for the whole world, working conditions of employees in the core capitalist countries were affected positively in terms of social services, unionization, etc. (Munck, 2003: 41). Standard employment defining working under contract of indefinite duration or full-time is qualifier of this period, which witnessed the extension of social rights and public employment; and the removal of the obstacles to a large extend blocking right to unionize. This situation can also be seen as a factor in offering a chance for conservation of primary labor market features.

#### **4. From Keynesian Economics to Neoliberal Economic Policies and Dual Labor Markets**

Following the economic crisis in the 1970s, adopted economic policies of the time witnessed a change and neoliberal policies were carried into effect. What indicated the neoliberal policies, announcing for a shift in fiscal policies across the world, and the change accompanying these policies was the “Washington Consensus”; it includes factors primarily like fiscal discipline, re-structuring public expenditures, financial and commercial liberalization, opening directly to foreign capital, and privatization. Goals like flexibilization of labor markets and reforming social security systems also take part in the mentioned Consensus (Mütevellioğlu and Işık, 2009: 159).

Fundamentally, neoliberal policies aim for a transition from society to individual, from state to market. In this respect, the understanding of interventionist state which provides welfare underwent a change. Neoliberal social policy aims deregulation, flexible labor markets, public economic enterprises without unions, privatization of health and education services, and opening up of social security system to market conditions; it functions through these incentives (Yücesan-Özdemir and Özdemir, 2008: 122). Among the general tendencies of neoliberal policies which set forth downsizing of state, there are practices like diversification and deepening of fragmentations inside the labor, recession of organizing role of state and unions, proliferation of flexibility practices, weakening of collective bargaining power of unions, etc. (Mütevellioğlu and Işık, 2009: 161) Now, the institutions which play main role in ensuring continuity of production, social payment and social re-production are left to the market (Topak, 2012: 244). As Kalleberg (2009: 5) clearly expressed “market forces have also extended into services through the privatization of activities that were previously done mainly in the household (e.g., child care, cleaning, home healthcare and cooking)”. In sum in this new process of transferring towards neoliberal economic policies, Welfare State practices for the improvement of living conditions have been restricted compared to the period when they were applied generously.<sup>3</sup> As a complement of Welfare state practices of the previous period, organization of Fordism gave way to post-Fordism organization form as a complement of the new period.<sup>4</sup>

<sup>3</sup> Transformation of Social Welfare State revealed itself in different fields. Workfare is an essential practice needed to be referred at this point in terms of the course of shrinkage in Social Welfare State practices and its relation to work. For a closer evaluation of workfare schemes based on the association of benefits directly to work, see. Standing, 1999: 313-334.

<sup>4</sup> It should be stated that neither Fordism nor post-Fordism is the singular organization form during the mentioned periods. After 1970s, when post-Fordism becomes widespread, Fordism was also a relevant practice. It is an issue of tendency.

Transition process of production from national level organization to international division of labor (and newer international division of labor)<sup>5</sup> brings the necessity of regulating industrial relations system, which will be relevant in this transition. Post-Fordist model of work organization and flexibility<sup>6</sup> practices as its main element generate subsidiary and sine qua non elements of the same necessity. Kumar explained the influence of this change in accumulation at the level of organization over labor market and employees as follows:

Mobility of capital reaches to unprecedented levels; it erases national borders and enables capitalists to make completely new kinds of agreements with local business forces and local power structures. Unions feel obliged to bargain at local levels and thus lose a major part of their national efficiency. For a great number of employees the idea of a life-long secure employment dies away. As new and 'straighter' organizations continue the pursuit for more 'flexible' employees who are able and willing to work part-time and for a lower fee, men see that women take their positions. Skills wear off speedily and it becomes compulsory to obtain new ones (Kumar, 1995: 201).

Differences are observed when core and peripheral countries are considered one by one for the distribution of atypical employment forms. This is a result of the organization of production in the axis of international new (and newer) division of labor as mentioned above. However, considering the overall tendency, as summarized by Kumar, beginning from the 1980s atypical employment forms has become widespread and are begun to be seen as a characteristic of the new era together with flexibility. Instead of the standard employment form which was the representative employment form of the previous era, atypical employment forms spread. By doing so, while moving away from "lifelong secure employment", essential features of labor market, stability and continuity that describe good jobs have also become distant.

These developments towards changes in labor market compose today the main line of an argument ever expanding. It is also known that, in the past, as in today, precarious work was defined by unstable and uncertain jobs describing secondary labor market in terms of dual labor market (Kalleberg, 2009: 5). As well as indicating different points, they are defined as long-term and temporary employment forms, and thus as ambiguity and precarity. By extending the scope of current discussions, together with certain studies indicating shrinkage in Social Welfare Period practices, the global size of this change<sup>7</sup> is emphasized.

In atypical employment forms being employed and being affected from labor market vulnerability is not only related to being low skilled. Labor market vulnerability penetrates into and becomes widespread in highly educated segmented market, too.<sup>8</sup> It is observed that the features peculiar to primary sector like stability and qualifications to be gained during employment do not describe labor market in general. Certain studies indicate that, compared to before, precarious work has gone beyond unstable and uncertain jobs that were limited with secondary labor market, and spreading to all the sectors, has become more common than ever before. Including professional and managerial jobs within precarious works can be taken as an indication (Kalleberg, 2009: 6). Emphasizing the jobs that produce information in the proliferation of temporary and non-standard works can be considered as a factor increasing these examples in primary and secondary labor markets' relation with precarity (Tari and Vanni, 2005). Considering the results of a recent study, it is observed that stability, as the main feature of primary labor market, is being lost also for the educated/skilled since every individual, independently from education level, has a constant fear of being replaced (Hauserman, et. all, 2014). In the dual labor market segmentation approach, relatively secure features like education and qualification lose their characteristic of certain supportiveness of this separation counter intuitive.

### ***5. Certain Substantial Examples from Turkish Labor Market***

In this part, transformation process, as presented theoretically above, and its reflection in labor market will be supported by certain examples from Turkey. Recent studies handling Turkish labor market experiences will be included.

It has already been stated that transition from Fordism to post-Fordism and transformation in the Social Welfare State at the same time cannot be generalizing for everywhere in the global scale.

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<sup>5</sup>For a relevant study see. Coffey 1996.

<sup>6</sup> For a more extensive study on flexibility see. Standing, 1999.

<sup>7</sup> See. Standing, 2011.

<sup>8</sup> For a recent study including related findings see. Hauserman, et. all, 2014.

Consequently, the evaluations depending on the examples from Turkey should be reviewed not as a generalized conception but as a tool to reflect this tendency. In the frame of international division of labor and global commodity chains, it is not surprising to observe that secondary sector features are dominant in the Turkish labor market, as a late-capitalized country. However certain fields of occupation like profession of a teacher, doctor, lawyer, have gained a place in the society with the impression of being some of the “good” jobs due to primary sector features like standard employment and high income level. Being employed as public servant like laborer and officer was also considered as privileged, relatively secure employment forms of the labor market for such reasons as unionization level, standard employment conditions.

In the recent field studies on Turkish labor market, it is observed that employment forms like mentioned occupations and being employed in public service have also begun to show secondary sector features. For instance, while profession of a teacher means being employed in public with standard employment conditions and job security, with the new employment forms introduced to public service, and proliferation of employment in preparatory schools, it is turning into a profession of work by the piece. While Durmaz (2014) handles this issue through teachers, another study (Ünlütürk-Ulutaş, 2011) indicates proletarianization of health care staff with the transformation of public nature of health care services. In this study, too, it is stated that public servant status of health care staff is split into several parts and the staff has begun to be employed in different precarious forms of employment. In another study, it is detected that relatively new employment forms that have been generalized in public service do not contain continuity axis and in this respect there is a homogenization tendency within these forms of employment (Hacısalıhoğlu, 2014). Depending on this point, it can be said that these forms of employment have the characteristics of the secondary sector. The lack of continuous employment is a prominent feature of these forms of employment.<sup>9</sup>

## **6. Conclusion**

Certain studies that discuss a similar problematic of this study over dual labor market or layered labor market, approach, with doubt, to the claim that the borders between different labor markets has blurred. For instance, Dekker and van der Veen (2015: 2) state that “our understanding of developments in working conditions of permanent employees as compared to flexible employees in modern labor markets remains limited.” They set forth from the idea that our knowledge about the influence of different employment contracts on the unfavorable employment conditions is limited. However in dual labor market approach the features dividing the two sectors are clear. The features of the employment contract like being typical or atypical or being one for definite or indefinite duration define the segmentation of sectors in dual labor market. Consequently, independent from the negative reflections on the employees, these indicators are determinants of the primary and secondary sectors in the dual labor market.

Although it is not possible to say that neoliberal economic policies remove the clear fragmentation between the two sectors in dual labor market completely, it can be argued that the fragmentation is now blurred. New employment forms and flexibility practices, used by neoliberal policies while transforming labor markets, make this change possible for different sectors and for relatively secure different occupations of the past. This issue is handled today, in the literature, with an increasing interest and in relation to precarity in an extensive scope, by including the transformation of Social Welfare State; yet it still is necessary to consider and evaluate it under the titles mentioned below, in a wider discussion and context: proletarianization, transformation of the social state, commodification of re-production. Moreover, instead of the phenomenon like only short-period, temporary, atypical employment forms, it is necessary to analyze the configuration of employment relationships beyond this phenomenon in order to understand the capacity to transform primary and secondary labor market conditions.

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<sup>9</sup>The number of precarity discussions in different sectors and professions including the observation of secondary sector features in Turkey’s labor market is increasing. For a study on white collar workers and precarity in Turkey’s labor market, see. Bora, et. all. 2011.

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