Evidence suggests an ‘insider-outsider’ divide to be emerging on a European scale. Parallel to the ‘insider-outsider’ divisions that continue to distinguish national labour markets, ‘core’ European countries are increasingly characterized by low unemployment and relative contractual security whilst ‘periphery’ European countries are marked by high levels of unemployment and contractual insecurity. We contend that this partition’s origins to a great extent lie in EU austerity measures and the design of EMU, and that the divide is more structural in provenance than national ‘insider-outsider’ divisions. The divide coincides, we also propose, with the development of institutional asymmetry between the European ‘core’ and ‘periphery’.

I Introduction

Labour markets in Europe have long been distinguished by divides between ‘insiders’ and ‘outsiders’. These divisions have been manifest in disparate (i) access to employment and (ii) levels of employment protection, and have been associated with labour markets with developed levels of regulation. Though the ‘insider-outsider’ divide has traditionally characterized national labour markets and is rooted in processes associated with national political economies, evidence suggests such a divide now also takes place on a European scale and that this partition originates in the political economy of the European Union (EU). Owing to the unequal nature of Economic and Monetary Union (EMU) and the EU’s recent adoption of austerity measures, European labour markets are increasingly characterized by low unemployment and relative contractual security in ‘core’ countries and high unemployment and contractual insecurity in ‘periphery’ countries.

This article investigates this emerging regime and is structured as follows. After this introduction (I), the origins and character of the two forms of ‘insider-outsider’ divisions in Europe are traced. The incidence of both divides across discrete labour market regimes is assessed, and debates that contest the socio-economic forces that give rise to them are introduced. The neoliberal association of elevated employment security with ‘insider-outside’ partitions is thus evaluated (e.g. Bentolila and Bertola, 1990), as is literature that interprets such divisions as the consequence of the political agency of ‘insiders’ (Emmenegger et al, 2012; Rueda, 2007).
The nature of the European ‘insider-outsider’ division is then outlined (III). Here it is argued that, although national ‘insider-outsider’ divides persist, a new European divide is emerging that involves low unemployment and comparative contractual security in ‘core’ countries and unemployment and contractual insecurity in ‘periphery’ countries. A link is furthermore established between this process and the political economy of the EU; specifically it is proposed that the division is the result of the corrosive influence of EU interventions in ‘periphery’ countries and the competitiveness gap EMU has entrenched between ‘core’ and ‘periphery’. A conclusion is then reached (IV). This conclusion contends that structural factors are particularly significant progenitors of the European ‘insider-outsider’ divide, and that the future stability of the EU depends upon the partition’s resolution. It is also asserted that the division coincides with the development of institutional asymmetry in the EU; specifically the endurance of ‘organized’ capitalism in ‘core’ countries and the descent of the ‘periphery’ into ‘disorganization’.

II ‘Insiders’ and ‘outsiders’: a very European problem

Concerns about ‘insiders’ and ‘outsiders’ in labour markets have long abounded in Europe (see Rueda, 2007 for an overview of this literature). From the 1970s, as the result of an economic crisis that saw the return of mass unemployment to Europe and prompted Governments to enhance dismissal protection for certain workers, discrepancies in the access of workers to employment and contractual security began to be commented upon. The first of the ‘insider-outsider’ divide’s two main forms was disparate access to employment (Lindbeck and Snower, 1987). Owing to the widespread unemployment that emerged in the 1970s but from the early 1980s affected European labour markets in earnest, large pockets of the long-term unemployed began to appear. Though the trend at first assumed little geographical or institutional pattern (Western European countries of various locations and institutional hues were all at once stage seriously affected), this development was associated with declining sectors exposed to global competition. In sectors such as mining and parts of manufacturing, large-scale restructuring thus left millions in long-term unemployment (Ljungqvist and Sargent, 1998). These individuals often became dependent on welfare payments, tended to be concentrated in particular localities, and their rates of re-integration into the labour market were typically disappointing. The prospects of such ‘outsiders’ were often contrasted with those of ‘insiders’. The latter group, often concentrated in more prosperous regions, were so labelled by virtue of their access to employment.

Many esteemed the genesis of this divide to lie in the substantial employment rights still afforded to European workers. Advocates of neoliberalism, an economic and political philosophy that urged the removal of labour regulation and won influence from the 1970s, unanimously critiqued the terms and conditions set by the day’s labour law and collective agreements (Bentolila and Bertola, 1990; also see Crouch, 2011 for an overview of this literature). For these thinkers, such measures raised labour costs and
thereby increased the likelihood of unemployment. The policies deregulating labour markets recommended by neoliberals were famously pioneered in the UK and USA in the 1980s, yet in most of Europe the doctrine’s appeal remained limited. Though certain reforms were implemented in continental Europe de-centralizing collective bargaining and permitting non-standard forms of employment, strong trade unions and enduring commitment to the post-war consensus restricted the impact of such measures (Esping-Andersen and Regini, 2000).

Table 1: Unemployment rates (%) in selected European countries and United States from 1990-99

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<tr>
<th>Year</th>
<th>DEU</th>
<th>ESP</th>
<th>FR</th>
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Source: Eurostat

Neoliberal arguments nonetheless became increasingly alluring as the 1990s progressed. Double-digit unemployment had by now persisted in several European countries for many years, and the emergence of cluster-specific patterns (namely low unemployment in the now deregulated Anglo-Saxon countries but higher rates in Germany, France and Mediterranean countries) meant that the ‘Eurosclerosis’ hypothesis became increasingly appealing. The predicament of Germany was particularly debated (see Streeck, 2009 for a summary of this debate). The country’s low unemployment and impressive growth had caught the eye of researchers and policymakers in the 1970s and 1980s (outperforming Anglo-Saxon economies in these years), yet by the 1990s Germany was ground down by unemployment around the 10% mark that neoliberals attributed to advanced levels of employment protection. Similar criticisms were levelled at other continental European countries. The comparatively elevated French minimum wage was the subject of critique (Clasen and Clegg, 2003), whilst advanced levels of public sector employment protection in Europe’s Mediterranean attracted neoliberal ire (see Esping-Andersen and Regini, 2000 for
details of this debate). Neoliberals found Scandinavian countries more problematic. Despite their high levels of labour protection, developed welfare states and generally 'coordinated' systems, by the millennium's turn the economies of these countries thrived and unemployment remained low. The region's case was explained with reference to factors such as its small size and abundant resources (Andersen, 2006).

A second form of the 'insider-outsider' divide was the disparate levels of protection afforded to those workers in employment. As a consequence of elevated rates of unemployment and the growing perception that labour markets in Europe were over-regulated, from the 1980s the peripheries of European labour markets began to be liberalized (Esping-Andersen and Regini, 2000). The permission of non-standard forms of employment such as fixed-term and temporary agency work, the rationale went, was likely to prompt the integration of excluded groups into the labour market and thereby reduce unemployment.

The character this took again differed between countries. In the UK and Ireland the slight protection afforded to permanent workers and absence of laws prohibiting non-standard employment (a legacy of voluntarist industrial relations traditions) meant such a proceeding was largely unnecessary, whereas the process occurred at different tempos in different continental European countries from the 1980s. Spain thus pioneered a number of measures that permitted fixed-term work in the 1980s (Muñoz de Bustillo and Antón, 2014), while in other Mediterranean countries processes of reform gathered speed from the 1990s (Vaughan-Whitehead, 2014). The 2002-05 German Hartz reforms that liberalized agency work and allowed 'mini-jobs' were comparatively belated, whereas certain attempts by the French Government to introduce similar measures were frustrated by widespread opposition. Scandinavian countries were not unaffected. The Swedish Employment Security Act, a traditional means of protection for non-standard workers in Sweden, was thus incrementally liberalized by the Swedish Government (McKay et al, 2012). Concerns about temporary work’s growth nonetheless inspired regulation that protected the rights of temporary workers and created paths into permanent employment. Such initiatives were particularly popular in Europe’s Mediterranean; prior to the crisis the OECD’s Employment Protection Legislation (EPL) index even rated levels of temporary employee protection in these countries more highly than in several central European nations.

In congruence with the disparate pace of such processes and the influence of separate national socio-economic systems, ‘peripheral’ workforces of different forms grew across Europe. Large bodies of these workers became characteristic of countries in Europe’s Mediterranean. In Spain, in line with the early liberalization of such employment in the country, a temporary workforce grew that (at 33.3% in 2006) was the largest in Europe. ‘Peripheral’ workforces of considerable volume also grew in other countries in the region; in Portugal rates of temporary work exceeded 20% by the outbreak of the crisis. Similar processes took place in Europe’s centre. The Dutch labour market was thus
distinguished by a large quantity of fixed-term workers, whilst temporary agency work took root in Belgium and France. Nor did Scandinavian countries go untouched. Though the region’s economic dynamism and developed active labour market policies precluded the appearance of rigid ‘insider-outsider’ divides, rates of temporary work were 16.1% in Sweden by 2007. Anglo-Saxon countries were relatively unscathed. Liberal employment protection for permanent workers limited the utility of temporary work; though such employment was availed of its use was comparatively restricted.

Table 2 – Rates of temporary work in Europe in 2007

![Temporary work in Europe in 2007 as % of total workforce](source)

Source: Eurostat

Cross-country variance in both forms of the ‘insider-outsider’ divide nonetheless lay in some tension with established institutional analyses of national systems. Despite the ‘insider-outsider’ divide’s prevalence in continental Europe, the popular Varieties of Capitalism paradigm labelled such countries Coordinated Market Economies (CMEs) and commended them for their advanced working conditions (Hall and Soskice, 2001). Few Varieties of Capitalism theorists indeed attempted to grapple with the ‘insider-outsider’ divide; this reticence possibly a consequence of the division’s potential to unravel the theory (exceptions of scholars working in the tradition who address the topic include Palier and Thelen, 2010). Bespoke approaches to Mediterranean capitalism nonetheless recognized the entrenched nature of the partition in these countries. The Mediterranean Mixed Economy (MME) category (Amable, 2003), formulated partly in reaction to the objection that Mediterranean countries were ill-suited to the CME grouping, thus acknowledged the extent of ‘insider-outsider’ divides in the region. It was indeed only in Scandinavia that countries considered CMEs were not marked by large, entrenched groups of outsiders. Though a country like Sweden experienced high rates of temporary work, high employment rates and generous
welfare states limited the extent of long-term ‘outsiders’. Little dissonance was also apparent in institutional theorists’ assessment of Anglo-Saxon countries. Contractual insecurity in these countries took a catholic form, a reality recognized by the Liberal Market Economy (LME) epithet.

Despite the emergence of both forms of ‘insider-outsider’ divisions across most European countries from the 1980s and the contemporaneous deepening of European integration, the influence of the European-level upon the ‘insider-outsider’ divide was in this time limited. Though the impact of projects like the single market and EMU was intertwined with the existence of such partitions, establishing a direct link between these processes was onerous. The restricted impact of the EU was in great part the result of the retention of national competencies in areas that dictated the form of ‘insider-outsider’ divides. Fiscal policy, active labour market policy and social security all remained primarily national prerogatives (Scharpf, 2010), and the character of ‘insider-outsider’ divisions was thus chiefly the result of national influences. European social policy nonetheless provided some protection to workers who were ‘outsiders’ by dint of their contractual status. Directives like those on fixed-term, part-time and temporary agency work, demonstrated by scholarship (Falkner et al, 2005) to furnish more than the ‘minimum’ standards of protection expected by pessimists (Streeck, 1995), thus improved the lot of non-standard workers in Europe.

Additionally to reflection on national variance in the ‘insider-outsider’ divide and the influence of the European-level, lively debate also centred on the wider genesis of the division. Recent scholarship has indeed pointed to the role of ‘insiders’ in maintaining such partitions. In work that has been widely-cited, Rueda (2007), who conceived of the ‘insider-outsider’ divide as encompassing the employment and contract-related dimensions discussed in this article, thus proposed that the division was sustained by social-democratic parties acting in the interests of ‘insiders’. Though other accounts do not accord with such an argument (e.g. Fernández Macías, 2003), this thesis has been adopted by others. Emmenegger et al (2012), employing a similarly broad conception of ‘insiders’ and ‘outsiders’, thus asserted the provenance of ‘insider-outsider’ divides to lie in the capture of policy processes by ‘insiders’. This emphasis on the role of politics has been a further feature of recent investigation on ‘insiders’ and ‘outsiders’. Certain accounts have admittedly emphasized structural factors such as de-industrialization (Martin and Thelen, 2007; 5), globalization (cf. Held et al, 1999), and feminization of the workforce (Estevez-Abe, 2005) in creating such divisions, yet the popularity of the work of Rueda and Emmenegger et al is likely indicative of wider sympathy for their theses.

### III The economic crisis: towards a European ‘insider-outsider’ divide?

The equilibrium sketched above endured for many years. The ebb and flow of the business cycle and the influence of incremental reforms ensured that the volume and constituency of ‘insiders’ and ‘outsiders’ was constantly in flux, yet the divide’s basic contours became entrenched across European countries. Two key processes that
emanated from the European-level, associated with the great economic crisis that afflicted the global economy from 2007/08 and that worked in tandem with the wider effects of the crisis, nonetheless exerted substantial pressure for change. The first was the pressure that EMU applied on member state labour markets in a period of crisis (Offe, 2013). Since the Euro’s inception many economists had doubted that the Eurozone represented an optimal currency area, and the existence of a productivity gap between ‘centre’ and ‘periphery’ countries led to asymmetrical flow of capital to the ‘core’. Though the economic boom that occurred in the Euro’s first decade meant this fault line was concealed, when the crisis struck this imbalance became palpable and led to deep recession in the ‘periphery’. The centralization of monetary policy under EMU also deprived ‘periphery’ countries of traditional means of combating recession. Such countries were now unable to devalue national currencies or set expansionary interest rates, and were forced to pursue ‘internal devaluation’ measures that often involved labour market deregulation in pursuit of competitiveness vis-à-vis the ‘core’.

The second was the austerity measures adopted by European and national public authorities in response to the crisis. As a result of the sovereign debt crisis that gripped the EU from 2010, Cyprus, Greece, Ireland and Portugal received EU-IMF emergency loans that were conditional upon the implementation of programmes of reform. The socio-economic effects of these reforms were considered deleterious by many (Blyth, 2013). Public cuts depressed aggregate demand and constricted the public sector in the countries, whilst in Cyprus, Greece and Portugal the liberalization of dismissal protection and collective bargaining reform made the position of employees more precarious (Ioannou, 2013; Stoleroff, 2013). Only Ireland, an Anglo-Saxon country in which the labour market was traditionally subject to low levels of regulation and the crisis was considered primarily a banking one, was spared wholesale labour market reform.

Other European countries nonetheless endured a comparable agenda. A series of pacts centralizing the Eurozone involved austerity measures and the new EU semester system pressurized countries to liberalize labour markets, whilst ECB purchase of Italian and Spanish bonds (two countries that required emergency funding short of a full rescue) was made contingent upon labour market deregulation (Meardi, 2014). National responses to the crisis adopted a similar tone. Austerity measures were widely implemented after an initial Keynesian response to the crisis (Blyth, 2013), such policies encouraged by the bond market attacks on Eurozone members that became a defining feature of the debt crisis (Prosser, 2014).

These developments, the result of political and economic dynamics set in motion years earlier but that the sovereign debt crisis threw sharply into relief, prompted the crystallization of a two-fold European ‘insider-outsider’ divide. The first dimension of this partition was the emergence of an employment ‘insider-outsider’ division on a European scale. Though traditional national divides between the employed and unemployed endured (and deepened in many countries as a result of the crisis), a clear
asymmetry in the extent to which unemployment afflicted the Eurozone became palpable. In ‘periphery’ countries, namely the Euro’s Mediterranean members and Ireland, labour markets were hit by unemployment rates unseen since the 1930s. In Greece and Spain, the two countries most affected, unemployment exceeded 25% and youth unemployment 50%. Cyprus, Ireland and Portugal, countries in which rates of unemployment had been low in years prior to the crisis, were struck by rates of around 15%. Italy was also affected. Though the country was never as afflicted as Greece and Spain and its north enjoyed unemployment close to northern Europe rates, unemployment reached 12%.

Table 3: Unemployment in Eurozone 2007-2013

Source: Eurostat

Countries in the Eurozone’s core, namely Germany, Netherlands, Austria and Finland (France and Belgium occupied ambiguous places in the ‘core-periphery’ typology but were sometimes included in the ‘core’ grouping), were greatly less touched. Unemployment rose slightly in certain of these countries, yet rates generally remained well below 10%. Unemployment thus never exceeded 5% in Austria, whilst rates peaked at 8.4% in Finland and 6.7% in Netherlands. In Germany, commonly considered the standard-bearer of the ‘core’, from 2007 to 2013 unemployment even declined from 8.7% to 5.3%.

The relationship between this asymmetry and the political economy of the EU appeared palpable. Structural imbalances in the Eurozone and the usurpation of monetary policy
from national control were thought a major cause of unemployment in the ‘periphery’ (Offe, 2013), and the emergency interventions such countries underwent merely seemed to exacerbate matters (Ioannou, 2013; Stoleroff, 2013). The spending cuts such ‘rescues’ involved depressed rates of aggregate demand whilst the liberalization of employment protection risked encouraging dismissal; both were thus considered by critics to aggravate unemployment. Nor did the overlap between such arrangements and the interests of the ‘core’ go unnoticed. The advocacy of such measures by ‘core’ countries, made consistently at European summits in the course of the debt crisis, were underpinned by the reluctance of domestic taxpayers to fund expansionary fiscal policies and the ownership of ‘periphery’ debt by ‘core’ banks. As the socio-economic consequences of austerity measures set in, ‘core’ countries (and particularly Germany) became the object of deep resentment in the ‘periphery’. The crisis was perceived differently in the ‘core’. For commentators in these countries, fault lay in the profligacy of ‘periphery’ countries and their associated inability to achieve labour market reform earlier (Funk, 2014).

The second dimension of the European ‘insider-outsider’ divide was the development of a discrepancy in levels of employment security between ‘core’ and ‘periphery’ countries. Though regulation protecting permanent and temporary workers underwent certain modifications in the Eurozone’s ‘core’, levels of regulation largely remained stable throughout the course of the crisis. Limited temporary worker protection and significant national ‘insider-outsider’ gaps remained, yet comparatively decent levels of permanent worker employment protection endured in the countries. Tables 4 and 5, which plot levels of employment protection for permanent and temporary workers according to the OECD’s EPL index, demonstrate these tendencies. The Eurozone’s ‘periphery’ was marked by converse trends. In these countries, as a result of measures emanating from the European and national levels, employment protection for permanent workers was significantly liberalized through a range of measures. In Greece notice periods and compensation for private and public sector workers were lessened, in Portugal the grounds on which workers could be dismissed was expanded, and in Spain dismissals became permitted on the basis of the future losses foreseen by companies (Ioannou, 2013; Meardi, 2014; Stoleroff, 2013). With the exception of Ireland, ‘periphery’ countries thus registered considerable falls in EPL scores.
Protection for permanent employees in ‘periphery’ countries thus began to erode. In an analogous process, regulation protecting temporary employees was also liberalized. In Italy the access of temporary workers to employment tribunals was restricted, whilst in Spain the maximum length of training contracts was extended (Ioannou, 2013; Meardi, 2014; Stoleroff, 2013). As demonstrated by table 5, EPL evaluations of temporary employee protection thus markedly declined in ‘periphery’ countries as the crisis wore on. The consequence was a recasting of the traditional ‘insider-outsider’ contractual division in the ‘periphery’. Though relative difference in the protection afforded to permanent and temporary employees (as measured by EPL scores) remained broadly constant, movement towards Anglo-Saxon levels of permanent employee protection suggested that national ‘insider-outsiders’ divide were becoming increasingly obsolete.
Table 5: OECD EPL scores for temporary workers 2009-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>AUS</th>
<th>DEU</th>
<th>ESP</th>
<th>FIN</th>
<th>GRC</th>
<th>GRC</th>
<th>IRL</th>
<th>ITA</th>
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Source: OECD EPL index

Though protection afforded to permanent workers in ‘periphery’ countries was not markedly below levels in the Eurozone’s ‘core’ and temporary employee protection in the ‘periphery’ remained comparatively elevated (as of the 2013 EPL index), there were nonetheless good reasons for considering the ‘periphery’ to be undergoing a general crisis of precarity. One was that employment protection for both permanent and temporary workers in the ‘periphery’ demonstrated a clear downward trajectory. EPL levels fell significantly in certain Mediterranean countries from the start of the sovereign debt crisis, and by 2013 levels of permanent employee protection in Greece and Spain did not greatly exceed the sub 2.0 scores recorded in Anglo-Saxon countries. Given the likelihood of future ‘internal devaluations’ in such countries, the expectation that levels of permanent employee protection would in the longer-term decline to those found in the Anglosphere was not unreasonable. Temporary employee protection also appeared in long-term decline in ‘periphery’ countries.

Analysis of EPL scores also failed to take into account the traditionally important role of employment protection legislation in the ‘periphery’. Active labour market policies (ALMPs) were generally underdeveloped in such countries, and robust employment protection legislation (as opposed to policies that facilitated the integration of dismissed workers back into the labour market) therefore represented a particularly
important means of achieving security (Vaughan-Whitehead, 2014). EPL assessments of permanent worker security in Finland therefore did not greatly exceed those in Greece and Spain as of 2013, yet the former’s developed ALMPs ensured employment protection legislation performed a less pivotal function. Comparatively underdeveloped social dialogue structures in ‘periphery’ countries also meant that liberalization of employee protection tended to fuel unemployment. Traditions of firm-level social dialogue were limited and there was little state encouragement of firm-level employment pacts; the short-time working deals that distinguished the ‘German jobs miracle’ (Burda and Hunt, 2011) therefore failed to materialize in such countries. Deregulation of contractual protection consequently merely encouraged hard-pressed firms to implement dismissals.

A further indicator of a crisis of precarity in ‘periphery’ countries was the high proportion of new jobs that were temporary ones. Though the disposability of temporary workers meant that their share of the total workforce in some ‘periphery’ countries slightly declined as the crisis wore on, the high percentage (the figure reached 92% in Spain in 2013) of temporary contracts as new positions suggested that ‘periphery’ labour markets were becoming very insecure in nature. High proportions of young workers were also employed on temporary contracts (Matsaganis et al, 2014). Such tendencies, combined with very limited rates of progression from temporary to permanent contracts, suggested that in the longer-term temporary work would incrementally supersede permanent work in these labour markets. These trends did not affect the ‘core’. Despite the fact that unemployment in Germany declined in the course of the crisis, from 2008 to 2012 permanent full-time employees as a proportion of working age individuals increased in the country from 40% to 41% (cited in Funk, 2014, p. 314). On a European scale a second ‘insider-outsider’ division therefore became increasingly palpable. In countries in the ‘core’ a majority of workers continued to enjoy decent employment protection; in countries in the Eurozone’s ‘periphery’ precarity began to assume a catholic form.

**IV Conclusion**

The contours of the European ‘insider-outsider’ divide are thus rather elaborate ones. In the Eurozone’s ‘core’, precisely because the terms of EMU advantage such countries and the crisis has had comparatively limited effect on their labour markets, ‘insider-outsider’ divisions have undergone little erosion. The terms of the traditional division, namely the exclusion of certain citizens from employment and certain employees from permanent contracts, have thus remained largely intact. ‘Periphery’ countries have been comparatively transformed. Owing to the less favourable terms of EMU and the EU-level interventions such countries have been subject to, ‘insider-outsider’ divisions have undergone upheavals. The ranks of unemployed ‘outsiders’ have significantly multiplied, and the contractual ‘insider-outsider’ divide has also been recast. In the countries, because of the deregulation of employment protection for permanent
workers and the tendency for new employees to be engaged on non-standard contracts, contractual precarity has begun to assume a catholic form.

Correlation between such asymmetry of outcomes in the European ‘core’ and ‘periphery’ is not automatic, yet a European ‘insider-outsider’ divide is perceptible precisely because the origin of such processes may be located in the political economy of the EU. A palpable link between imbalances in EMU and the corrosive influence of EU interventions in the ‘periphery’, well-known to scholars and informed citizens alike (Offe, 2013), can after all be forged with the transformation ‘periphery’ labour markets have undergone in recent years. It is also reasonable to suspect that this nascent regime will endure or even deepen. Though the pace of the reform of ‘peripheral’ labour markets has lightened since 2010-12, the fact such countries are locked into currency union with more competitive ones mean further ‘internal devaluations’ are far from unlikely. This study focused upon two aspects of the ‘insider-outsider’ divide, yet other dimensions of a European ‘insider-outsider’ partition might be pinpointed. Pay and working conditions, shown to have deteriorated in the ‘periphery’ since the onset of the crisis (Anderson et al, 2012; McKay et al, 2012), are two cases in point.

The relationship between the emerging European ‘insider-outsider’ regime and the evolving nature of labour market institutions in Europe is equally worthy of comment. ‘Insider-outsider’ divides have long been a feature of systems considered by institutional theorists to be ‘organized’ forms of capitalism, and the changing profile of such partitions is thus crucial to debates about institutional development. The ‘stable’ nature of ‘insider-outsider’ divides in ‘core’ countries appears to coincide with a wider institutional durability. Though the future of ‘organized’ capitalism in such countries has been questioned (Streeck, 2009), most scholars continue to consider the likes of Germany, Austria and Netherlands to be ‘organized’ regimes and recent investigation has emphasized the stability of such systems (Haipeter, 2014)

Developments in the ‘periphery’ of the Eurozone are rather less auspicious. The degree to which capitalism in Europe’s Mediterranean can be considered ‘organized’ has been the subject of historic debate (Amable, 2003), and the processes described in this article appear to coincide with movement towards a more ‘disorganized’ style of capitalism in these countries. As a body of recent literature emphasizes, in several key domains Mediterranean systems increasingly resemble the liberal Anglo-Saxon model (Ioannou, 2013, Meardi, 2014). The European ‘insider-outsider’ divide thus appears to be related to an emerging asymmetry in Europe; namely the endurance of ‘organized’ capitalism in the Eurozone’s ‘core’ and the descent of the ‘periphery’ into ‘disorganization’. Though such a binary is far from uncomplicated and necessitates detailed examination of developments in individual countries, it is all the same one that may provide scholars with food for thought.

The onset of a European ‘insider-outsider’ divide also has implications for debates about the comparative importance of structures and actors that have preoccupied
students of national ‘insider-outsider’ divisions. Though there has been recent preference for explanations that emphasize the role of actors and policy processes in perpetuating ‘insider-outsider’ partitions (Emmenegger et al, 2012; Rueda, 2007), the European ‘insider-outsider’ divide appears to throw the significance of structures into relief. Not only has the structurally unequal nature of EMU been a crucial progenitor of the division, but forces such as bond markets (Prosser, 2014) have assumed a role in influencing the pace and extent of austerity. Future investigation may indicate the importance of actor and policy-related factors in perpetuating the European ‘insider-outsider’ divide, explanations related to ideology and politics have indeed been fashionable in other areas of EU studies (Jabko, 2012; Mastenbroek and Kaeding, 2006), but for the moment the role of structures appears of particular consequence.

A final reflection relates to the implications of the European ‘insider-outsider’ divide for the future of the EU. Though difficulties associated with the mobilization of ‘outsiders’ means national ‘insider-outsider’ divisions have historically posed little threat to political stability in member states (Emmenegger et al, 2012), there are grounds for thinking this will not be the case on a European scale. This is chiefly due to the partition’s roots in the wider divisions that exist between the Eurozone’s ‘core’ and ‘periphery’. Since the onset of the sovereign debt crisis ‘core’ and ‘periphery’ countries have advocated radically different strategies for exit from the crisis, and deep chasms (fuelled in great part by the resentments of national electorates) have formed between member states. The European ‘insider-outsider’ divide is a major element in this cleavage. Widespread unemployment and contractual precarity are key bones of contention in ‘periphery’ countries, and if the division is to become an entrenched feature of post-crisis EMU it is doubtful such a settlement will be acceptable to the ‘periphery’. Amelioration of the terms of the European ‘insider-outsider’ divide, as part of a broader resolution of the inequities associated with EMU, is thus likely to be a precondition to the EU’s future stability.
References


