



# Is the concept of labour market segmentation still accurate?

Héloïse Petit

## ► To cite this version:

Héloïse Petit. Is the concept of labour market segmentation still accurate?. *Économies et sociétés*. Série AB, Économie du travail, 2007, XLI (28), pp.891-896. hal-00836128

HAL Id: hal-00836128

<https://hal.science/hal-00836128>

Submitted on 20 Jun 2013

**HAL** is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

In *Socio Économie du Travail, Économies et sociétés* série AB (28) 2007, p. 891-896

*A special issue edited by François Michon and Héloïse Petit*

## IS THE CONCEPT OF LABOUR MARKET SEGMENTATION STILL ACCURATE?

### Introduction

Héloïse Petit

*Centre d'Économie de la Sorbonne (CNRS, Université de Paris 1)*

After Doeringer and Piore laid the foundation for an analysis of labour market segmentation (LMS) in 1971, similar approaches developed rapidly and spread all over the United States and Europe. During the 1970s and 1980s, the segmented framework or the internal labour market (ILM) concept were necessary references in labour economics studies. Different interpretations of the segmentation theory were developed in various countries in accordance with the particularity of national frameworks, in terms of schools of thoughts as well as facts. Yet, since the 1990s, in the United-States as well as in Europe, major changes in the labour market induced a loss of interest in segmentation theories. The search for flexibility came to the forefront among employer strategies and public policies as well as in theoretical debates. This change in focus is usually linked to the 1970s crises and economic globalisation. More precisely two key features were crucial to the disinterest in ILMs and LMS. First, the prototypical blue-collar worker employed in a large industrial firm, associated with the image of ILM, has been rendered obsolete by the spread of the service sector and of externalisation strategies. Second, the worker as an individual rather than being included in a group is a notion that has been put forward inside and outside the firm. This must be linked to the spreading of new practices in employment and work management among firms as well as the weakening of collective representation of workers.

Consequently, the contours, and even the relevance, of a segmentationist approach have been put into question. Indeed, references to the segmentationist concepts are much less common today. Does this mean that the theoretical framework is obsolete? What is left of labour market segmentation theory today, in terms of theory as well as facts? and why? These are the questions this special issue will address. For the most part, each contributor mainly focuses on his or her own country. The countries at stake were already at the heart of the segmentationist debates during the 1970s and 1980s: the US, G-B, France and Germany. Before laying down some overall comments we will present the various contributions successively.

Samuel Rosenberg analyses the reasons for the decline of interest in LMS theories as being twofold: methodological criticisms of empirical assessment of LMS (truncation bias and assuming rather than testing segmentation) and the lack of a single, widely accepted, segmentation scheme. Yet he argues that segmentation theories are still relevant today on an empirical as well as theoretical level. The main change would have taken place inside the primary sector in the form of an increased bifurcation between independent and subordinate primary sectors with a growing independent primary sector and a decline in the quality of jobs

in the subordinate primary sector. Furthermore, the employment share of secondary jobs remained the same but the quality of jobs in this sector would have declined.

According to Michael Piore and Sean Safford the main change that occurred in the US refers to the upper reaches of the labour market. They argue that the recent period is marked by a greater reliance on informal social-identity-based networks relatively to formalized rules in the primary sector. As an argument, the authors put forward the study of the emergence and structuring of various identity based groups, notably Indus entrepreneurs, Israeli engineers, Latino engineers, LGBT business students. Their analysis calls into question the presumption of the earlier literature on LMS that as one moved up the wage hierarchy, jobs were increasingly allocated through formal institutional structures on the basis of objective credentials. The primary sector would be moving toward a greater reliance on informal-social-identity based networks, akin to the secondary sector, which calls into question the previous policies recommended in segmented contexts which proposed to develop more formal mobility channels to reduce inequalities.

According to Jill Rubery the main attribute of segmentation theory is to place the employing organisation at the centre of the analysis of the labour market. Yet, she points out a number of criticisms that segmentation theories had to face: being overly functionalist, the lack of attention to inter-capitalist and inter-worker competitive processes and conflict, its failure to analyse interactions between the supply-side and demand-side segmentation even if both are identified and an American focalisation. Regarding the dynamics of the LMS scheme, Jill Rubery identifies two types of changes: changes in frontiers and changes in the forms of segments. Regarding frontiers, she underlines that inter-organisational contracting may reinforce divisions between segments and that the growth of female employment entailed the emergence of a new secondary segment. Regarding the changes in the forms of segments, the author emphasizes the interactions between external and internal labour markets and notably how ILM policies are reshaped in response to change in the environment.

David Marsden replicates his 1990 classificatory analysis to understand how Italy, France, Germany and Great-Britain have evolved regarding the opposition between occupational labour market (OLM) and ILM models. His main conclusion is that the same broad picture can be traced for the 1990s as for the 1970s, opposing Germany and Britain as proponents of the OLM model to France and Italy, as proponents of the ILM model. Yet, the differences between the countries have weakened. Marsden insists this is especially true for Britain, notably due to the collapse of the former apprenticeship system. His contribution then further analyses the new traits of British LMS. The turn to a service economy and the growing share of higher educated workers favoured the development of project-based employment where tournament conditions tend to govern entry and progress. Such a model is not supposed to spread all over the economy but it is considered as relevant to a series of occupations (journalists, higher education, software engineers...) and David Marsden considers that the search for flexibility may lead a growing number of occupations to be concerned.

François Michon proposes an extensive survey of the way in which the concept of labour market segmentation has emerged and evolved over the past decades in the French case. First, he shows how the diffusion of LMS analysis in France in the 1970s met and reinforced the growing concerns among French Labour Socio-Economist about the various forms of inequalities, and constituted a particular approach to labour market called the “paradigm of the labour demand” by Mériaux (1978). Secondly, the author underlines the split in the economic debates in the 1980s between those still referring to LMS but mainly to illustrate

the variety of employment contracts and those, excluding any reference to LMS, and yet studying inequalities. Lastly, François Michon points out the revival of segmentation analysis in France since the early 2000s. Three types of studies are distinguished, each based on the reformulation of original concepts: one focuses on the multidimensionality and complexity of employment relations, another centres on new types of OLMs and their spreading in France and the last proposes a new understanding of labour market structure based on the notion of “transitional labour markets”.

Bernard Gazier and Héloïse Petit's contribution starts with an empirical definition of the current segmentation scheme of French labour market based on the study of differentiated employer strategies. This yields a fourfold definition of segments: an upper/independant primary sector, a lower/subordinate primary sector based on renewed forms of ILMs and a secondary sector characterised by the duality of policies at play. The contribution further argues that public policies rather motivated organic adaptation of the secondary sector while employer strategies are more probably at the origin of the transformation in the primary sector. Public policy has been unable to eradicate the secondary sector and even seems counter-productive in this aspect: notably when subsidising the employment of the less qualified and lowest paid, secondary sector firms benefited and were not motivated to change.

Burkart Lutz, Christoph Köhler, Holle Grünert and Olaf Struck propose a panorama of the German labour market structure and its changing form since the 1960s. The portrait of postwar German labour market segmentation is three fold: ILM, external markets based on vocationally structured firms and secondary markets. Since then, various changes in the economy such as reunification and globalisation of course but also the increased supply of skills and increased unemployment, led researchers to question the segmentation scheme. The authors interpret these tendencies as modifications of the German model rather than as a fundamental change and expect path dependency for the future. Yet, the downgrading of vocational structures emphasises the need to understand the functioning of external labour markets and notably inter-firm mobility.

In the end, this special issues calls attention to the topicality of LMS analysis. Each country's analysis yields new features that can be usefully interpreted in segmentationist terms. Furthermore, we are able to draw parallels between the changes that are frequently still studied at a national level. We will use this introduction to put forth some similarities among the findings in the different contributions that can be interpreted as the contours of future segmentationist issues.

First, the picture of a new form of segment inside the primary sector is emerging. The 1970s and 1980s literature mostly developed the concept of OLM that was applied to specific countries, namely Great-Britain and Germany. Here a new form of segment is at stake and seems to be an issue in each country studied. Its core characteristic seems to be the crucial role of inter-firm mobility in career paths which is not relying on formal institutions (as was the case for OLMs). The individual is put forward as responsible for the acquisition of skills. Piore and Safford as well as Marsden's contributions propose new forms of theorisations relevant to this kind of functioning. According to the former, workers rely on informal social-identity-based networks to ground their mobility. The latter describes such new segment in the form of tournaments and also insists on the necessity for workers to rely on their personal resources.

Second, the role of ILM in structuring labour markets endures. They are still present in each

country's analysis even if several contributions point out their change in form. The destabilisation of the 1970s type ILM is grounded in well known tendencies such as the growth of the service sector, the changing structure of production or the growing share of short term employment contracts. More fundamentally, the contributions grouped in this special issue show the change in the principles guiding employment strategies in ILMs namely the transformation of seniority based ILMs to more performance based systems. If ILMs can still be described by their capacity to offer internal careers, it entails career opportunities rather than well defined, predetermined, career paths.

Third, we may underline the lack of attention given to secondary sector firms. This is not new in segmentation analysis but may impede the awareness of potentially changing strategies as it appears to be the case in France according to Gazier and Petit.

Finally, if theoretical reformulation appears as a necessary condition to enable a dynamic segmentationist analysis, the contributions collected here tend to demonstrate the present usefulness of LMS as a heuristic of labour market functioning.

## References

- Doeringer P. and Piore M.J. (1971), *Internal labour market and manpower analysis*, D.C. Heath, Lexington, Mass.  
Mériaux B., 1978, "Point de vue sur les recherches françaises en économie du travail", *Revue économique*, 19(1), p. 120-139.