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**When Unemployment is High and Rises, So Do Insecure Jobs:
How Labour-Market and Social Policy Institutions
Shape the Trend and What Stronger Protections Can**

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When Unemployment is High and Rises, So Do Insecure Jobs:

How Labour-Market and Social Policy Institutions Shape the Trend and What Stronger Protections Can Do to help

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Executive Summary

This policy brief examines how unemployment and labour-market and social policy institutions influence the growth of non-standard employment (NSE) among low- and mid-skilled workers in Europe. Using EU Labour Force Survey data for 25 countries (1998–2019), the study finds that both persistently high unemployment and short-term increases in unemployment push workers into insecure forms of employment. Importantly, the extent of this shift depends on institutional labour market and social policy settings: weak employment protection legislation (EPL), limited restrictions on temporary contracts, and low unemployment benefit generosity amplify the link between unemployment and NSE. Stronger protection by labour market and social policies, by contrast, can buffer workers from being forced into insecure jobs.

To mitigate the growth of NSE during periods of high or rising unemployment, labour-market and social-policy institutions should be strengthened—or remain strong where that is already the case. Specifically, robust employment protection could counterbalance the substitution of permanent jobs with temporary contracts during downturns; tighter regulation of temporary employment could help prevent further structural dualization in the labour market; and maintaining or enhancing unemployment benefit generosity would provide workers with income security and viable alternatives to insecure jobs in times of crisis.



Introduction

Over the past three decades, European labour markets have witnessed a sharp rise in non-standard employment (NSE), particularly among low- and mid-skilled workers. NSE—covering fixed-term, marginal part-time, involuntary part-time, and agency work—has been consistently linked to precarity manifested through forms of income insecurity, weaker access to social protection, and higher risks of unemployment.

While much of the literature views NSE growth as a structural by-product of service sector expansion, technological change, and increased labour force participation, this study highlights the **role of unemployment** as a driver. Moreover, it demonstrates that the impact of unemployment on NSE expansion depends on the strength of labour-market regulations and welfare provisions, notably the generosity of unemployment benefits and strictness of Employment Protection Legislation for standard and temporary workers. The analysis focuses on workers in low- and mid-skilled occupations, who are particularly overrepresented in NSE.

Methodology

The study uses data from the EU Labour Force Survey covering 25 countries between 1998 and 2019. The analysis focuses on the share of low- and mid-skilled workers employed in dependent non-standard jobs (i.e. fixed-term, marginal part-time, involuntary part-time and agency work), excluding the self-employed. It examines how both high levels of unemployment and short-term rises in unemployment contribute to the growth of these insecure forms of work. To explain why the impact of unemployment differs across countries, the study looks at the role of labour-market and social-policy institutions. In particular, it considers how strongly workers are protected by employment protection legislation (EPL), how temporary contracts are regulated, and how generous unemployment benefits are in providing income support.

By comparing countries over time, the analysis shows how unemployment pushes workers into insecure jobs as well as how labour market and social policy institutions can either worsen or cushion this effect.

Key findings

NSE grew steadily from the late 1990s to the early 2010s but slowed or reversed in many countries after 2012, partly due to improving labour market conditions.

1. Unemployment drives NSE expansion



- Higher levels and rising unemployment rates are strongly associated with an increase in NSE among low- and mid-skilled workers. This suggests that economic downturns provide firms with opportunities to replace permanent contracts with more flexible, insecure ones.

2. Labour Market and Social Policy Institutions mediate the effects of unemployment

When unemployment rises and its levels are higher:

- Weak EPL allows firms to shed permanent staff easily, amplifying NSE growth during periods of economic downturns.
- Low EPL restrictions on temporary employment increase employers' ability to substitute standard workers with employees on insecure contracts.
- Lower levels of unemployment benefit forces workers to accept precarious jobs rather than wait for better job opportunities, reinforcing NSE growth.

These patterns are summarized in Table 1, which illustrates how stronger labour-market and social-policy institutions can cushion the impact of rising and persistent high levels of unemployment on NSE growth.

Table 1. The role of labour market and social policy institutions in moderating the effect of unemployment on non-standard employment

<i>Labour Market and Social Policy Institutions</i>	<i>When Protection and Generosity is LOW</i>	<i>When Protection and Generosity is HIGH</i>
<i>Employment protection of permanent employees (EPL)</i>	Rising & persistently high unemployment are strongly linked to → NSE growth	Rising unemployment is not linked to → NSE growth Persistently high unemployment is linked to → NSE growth even in high EPL contexts
<i>Temporary employment restrictions</i>	Rising & persistently high unemployment are strongly linked to → NSE growth	Rising unemployment is not linked to → NSE growth Persistently high unemployment is linked to → NSE growth even in high temporary restrictions contexts
<i>Unemployment benefit generosity</i>	Rising & persistently high unemployment are strongly linked to → NSE growth	Rising unemployment and persistently high unemployment are not linked to → NSE growth



Future Challenges in Addressing the Growth of Non-Standard Employment

Based on the findings, several implications for national social protection systems emerge. The brief highlights these challenges and proposes recommendations to strengthen institutions and better address the expansion of non-standard employment.

1. Reduce Unemployment Through Demand- and Supply-Side Policies

Governments that want to reduce NSE should pursue demand-side and supply-side policies to reduce unemployment rates—through public investment, active labour market programmes, and skills development initiatives—while keeping levels of unemployment benefit compensation high. Lower unemployment strengthens workers' bargaining power and reduces employers' reliance on insecure contracts.

2. Strengthen Employment Protection

Weak EPL makes it easier for employers to replace permanent jobs with temporary ones in downturns. Strengthening protection for permanent contracts and closing loopholes that allow substitution with insecure jobs can reduce this risk.

3. Regulate Temporary Employment Contracts

High reliance on fixed-term, involuntary part-time and agency work deepens inequalities within the labour market and society. Introducing stricter limits on the use and renewal of temporary contracts, while creating incentives for transitions into permanent jobs, can help counter this trend.

4. Enhance Unemployment Benefits Generosity

When benefits are too low or access restricted, workers are pushed into accepting insecure jobs during unemployment spells. Increasing replacement rates and broadening eligibility, especially for those in occupations most exposed to NSE, would provide greater security and choice.

5. Improve Conditions in Vulnerable Occupations

Low- and mid-skilled occupations are disproportionately affected by NSE. Rather than simply moving workers out of these jobs—which may not be always feasible—, policies should focus on improving conditions within them—through better wage standards, stronger social protection coverage, and enforcement of decent work regulations—so that employment in these segments is more secure and sustainable.



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Conclusion

This study demonstrates that unemployment is a central driver of non-standard employment growth among low- and mid-skilled workers across Europe. Yet the extent of this relationship is shaped by national labour market and social policy institutions. Countries with strong EPL, robust regulation of temporary work, and generous unemployment benefits are better able to shield workers from being pushed into precarious employment when unemployment raises.

The findings indicate that stronger labour-market and social policy institutions may help to limit the growth of NSE when unemployment grows. Strengthening employment protection, regulating temporary contracts, and maintaining strong social safety nets can help mitigate the spread of insecure work and promote more equitable labour markets, especially in times of economic downturns.

Reference

Girardi, S., Ilsøe, A., Larsen, T. P., Poltier, J. and Pontusson, J. (2025), *Unemployment, Labour-Market Regulations, and the Growth of Non-Standard Employment Among Low- and Mid-Skilled Workers*, Working Paper D5.2. & D6.3, 10/2025. Horizon Europe Project: TransEuroWorks