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Did small and medium enterprises maintain better jobs during the early years of the recession? Job quality multidimensional evidence from Spain

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ABSTRACT

While the literature has indeed confirmed a general tendency linking small and medium enterprises (SMEs) to a dynamic of greater job creation, there is little available evidence on what has happened to job quality since the financial crisis. Through a representative sample of 5311 employees in 2008 (first year of job destruction) and 4925 employees in 2010 (last year for which data were available), and using a two-stage structural equation model, this article empirically analyses the multidimensional determinants of job quality, by enterprise-size class, in Spain. The research has revealed three main results. First, job quality in Spain improved in all enterprises, regardless of their size, during the early years of the recession. Second, the greatest improvements were found in SMEs. Although job quality was already better in SMEs than in large enterprises in 2008, the differences between them subsequently widened. Third, this accelerated divergence was explained by the following dimensions: *working conditions*, *work intensity*, *health and safety at work*, and *work–life balance*. These dimensions were much more positive in SMEs. Employment-related public policy should therefore focus more specifically on SMEs. There are two reasons for this. First, despite the recession, SMEs have shown themselves to be key factors in the explanation of job quality. Second, by making changes to their value generation model, they could continue to drive the creation of better quality jobs.

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1. Introduction

The quality of work, especially the debate on job quantity and quality, has become a growing field of economic and social research (Drobnic & Guillén, 2011; Guillén & Dahl, 2009; Kalleberg, Reskin, & Hudson, 2007). It is acknowledged that job quality results from the integration, support and improved personal and social well-being of workers (Gallie, 2007; Green, 2006), and from the improved results of enterprises and overall economic activity (Pot, 2011; Royuela & Suriñach, 2013). Empirical evidence plainly shows that high-quality jobs improve working conditions, boost workers'

development and skills, reduce unemployment, raise enterprise productivity, improve an economy's competitiveness, and foster social wellbeing in an increasingly globalised environment (Davoine, Erhel, & Guergoat-Larivière, 2008a, 2008b; Eurofound, 2002; European Commission, 2008).

In this context, while the literature has indeed confirmed a general tendency linking small and medium enterprises (SMEs) to a dynamic of greater job creation in terms of numbers (Haltiwanger, Jarmin, & Miranda, 2013), there is little available evidence on what has happened to job quality since the financial crisis (Voulgaris, Agiomirgianakis, & Papadogonas, 2014).

With the aim of contributing new evidence, the empirical study presented in this article covers several explanatory dimensions (Findlay, Kallerberg, & Warhurst, 2013) and is based on worker-related data. It analyses the determinants of job quality, by enterprise-size class, in Spain for 2008 (first year of job losses) and 2010 (last year for which data were available). Unlike research on job quantity, which analyses quantitative data about job creation and destruction, our study focuses on the analysis of qualitative

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data provided by workers about job quality. We used the microdata from the Quality of Working Life Survey (ECVT, as abbreviated in Spanish) conducted annually by Spain's [Ministry of Employment and Social Security \(2010\)](#). This source provides very comprehensive data on the perceptions of employees, by enterprise-size class, in relation to the multiple dimensions of their jobs and family situations. The multidimensional nature of job quality gives the article an objective that goes beyond analysis using psychological variables, and incorporates social and economic variables ([Martel & Dupuis, 2006](#); [Muñoz de Bustillo, Fernández, Esteve, & Antón, 2011](#)). While most of the data obtained refer to Spanish workers' opinions of various dimensions of their job quality (subjective indicators), objective indicators are also incorporated, which is consistent with the literature reviewed.

The analysis of job quality, by enterprise-size class, in Spain is relevant because, in recent years, its labour market has deteriorated ostensibly as a result of the recession ([Díaz-Chao, Ficapal-Cusí, & Torrent-Sellens, 2016](#)). There has been a rapid rise in unemployment, which currently stands at 25% of the working-age population, and more than 800,000 jobs have been destroyed. At the same time, there has been a marked deterioration in working conditions, which particularly manifests itself as wage cuts, work precariousness and poorer work organisation and promotion conditions. However, the recession has also led to lower work intensity, greater opportunities to achieve a work–life balance and improved social relations within enterprises. Indeed, the objective of the article is to analyse how all of these explanatory dimensions of job quality, by enterprise-size class, have evolved and to relate them to the recession. In this sense, the results obtained are applicable to other labour markets where job destruction and job insecurity inequalities, by enterprise-size class, have increased significantly with the recession.

2. Literature review

The flexibilisation, segmentation and individualisation of labour markets, the advent of new work organisation and human resources practices, and the global technology revolution have fostered new approaches to the labour market in general ([Torrent-Sellens & Ficapal-Cusí, 2009](#)) and to job quality research in particular ([Brown, Charlwood, & Spencer, 2012](#); [Muñoz de Bustillo, Fernández, Esteve, & Antón, 2012](#); [Orton, 2011](#)). Some studies have noted the influence of the labour market's growing flexibility and the advent of new contracts and labour relations frameworks ([Esser & Olsen, 2012](#); [Kalleberg, 2009](#)). It has also been found that job quality affects workers' physical, mental and emotional health, which, in turn, impacts on organisations' results ([Harter, Schmidt, & Hayes, 2002](#)). Other contributions to the literature have associated job quality with interactions between working and family-related situations. The evidence shows that work and family feed back into each other in the sense that job satisfaction and work achievement interact with personal and family-related satisfaction and happiness ([Clark, 2000](#); [Green, 2010](#); [McMillan, Morris, & Atchley, 2011](#)).

However, the onset and deepening of the recession have increased the strain between job quantity and quality ([Erhel, Guergoat-Larivière, & Leschke, 2012](#); [Leschke, Watt, & Finn, 2012](#)). Consequently, and despite the logical concern for creating jobs in contexts of recession, employment-related public policies should not overlook the quality dimension, because it feeds back into the quantity dimension. In a global economy, where knowledge, technology and innovation are key to developing enterprise competitiveness and to overcoming the recession and weak recovery, new value generation processes and co-innovative sources of productivity inevitably call for quality jobs, especially in SMEs.

([Díaz-Chao, Sainz-González, & Torrent-Sellens, 2015](#)). In the global-knowledge economy, employment creation depends to a large extent on job quality, of its ability to generate jobs with trained, autonomous, committed and satisfied workers, who are able to innovate and create more added value within enterprises.

In this context, the most recent research on job quality has noted the emergence of new problems associated with structural change in employment ([Green & Mostafa, 2012](#); [Osterman, 2013](#)). In particular, the literature has shown the existence of growing job quality disparity ([Green et al., 2013](#)), the negative effects of work intensity on some dimensions of occupational health ([Cottini & Lucifora, 2013](#)), and the importance of union involvement in organisational change processes in order to reduce the contractive effects of changes in job quality ([Bryson, Barth, & Dale-Olsen, 2013](#)). From the point of view of tensions between job quantity and quality, recent research has also made significant progress. Specifically, it has highlighted the importance of workers' future employment expectations, which are clearly linked to educational level ([Gallie, Felstead, & Green, 2012](#)). Workers with a highly positive perception of the future of their jobs tend to have better job quality ([Graso & Probst, 2012](#)).

Regarding the relationship between enterprise-size class and employment, several important contributions have been made in the literature too. Based on the seminal works of [Birch \(1981, 1987\)](#) and [Wagner \(1997\)](#), which confirmed that SMEs were the main factor of net job creation in the United States, advances have been made as a result of various lines of research, as reported in the literature. In the 1990s, some research focused on methodological aspects, especially on the size distribution fallacy and on the discussion about the regression-to-the-mean bias ([Davis, Haltiwanger, & Schuh, 1996](#)). The first methodological problem is related to the fact that net job creation or loss of a certain enterprise-size class between two consecutive years is not simply equal to the difference in the level of employment in this size class between these two years. It is caused by the fact that enterprises may cross size-class boundaries between years. In order to solve this problem, the method of dynamic classification was introduced ([Butani et al., 2006](#); [Davidsson, 1996](#)). The second methodological problem was connected with employment fluctuations associated with a change in enterprise-size class and the regression-to-the-mean bias method ([Davidsson, Lindmark, & Olofsson, 1998](#); [Okolie, 2004](#)). In this respect, and after correcting the regression-to-the-mean bias method, the literature confirmed [Birch's hypotheses \(1987\)](#), since it was found that SMEs were the main factors of net job creation in the different samples of countries and enterprises ([Broersma & Gautier, 1997](#); [Picot & Dupuy, 1998](#); [Voulgaris, Papadogonas, & Agiomirgianakis, 2005](#)).

More recently, empirical evidence has confirmed the importance of small enterprises to net job creation ([Neumark, Wall, & Zhang, 2011](#)), although the results for the dimensions and business sectors as a whole are not uniform. In an analysis of the 27 European Union countries, [de Witt and de Kok \(2014\)](#) found that small enterprises contribute towards job creation more than larger enterprises do. Also, net job creation rates decrease with each enterprise-size class. However, this tendency is not the same for all countries or activity sectors, and there are considerable differences between manufacturing industries and commercial services. Likewise, [Ayyagari, Demigurç-Kunt, and Maksimovic \(2014\)](#) found that, in developing countries, small enterprises presented faster rates of job creation despite having a lower percentage of total jobs. In contrast, large enterprises were characterised by higher percentages and higher productivity increases.

Beyond the relationship between job quantity and enterprise size, in recent years there has been an emergence of literature analysing the link between various job quality dimensions

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