

Pedro Portugal and José Varejão
The hidden side of temporary employment

Conference Flexibility of the Labor Market

Comments

Jan van Ours – Tilburg University

Background Portuguese labor market

- Portuguese labor market
 - Very strict EPL for workers on regular jobs (highest in Europe)
 - Many temporary jobs – second after Spain
- Various uses of temporary jobs
 - 1 Used as buffer stock: reduce labor hoarding, increase productivity – less investment in training
 - 2 Churning: less investment in training
 - 3 Screening device: better job-matches, more stable jobs
- Role of temporary jobs – empirical question

- Use longitudinal employer data 1995 — 2002
- Matched worker-firm data 2002-2003
- Analysis of firm and worker behavior – no change in EPL
- Two questions on temporary jobs
 - ① Who hires – is being hired?
 - ② Who promotes – gets promoted to permanent contract?

Main findings

- Firms with more temporary contracts – more likely to offer a permanent positions to temporary workers
- Higher training costs:
 - 1 Fewer temporary workers (h.c.?)
 - 2 More likely to be temporary workers
 - 3 More conversion to open ended contracts
 - 4 Faster transition to open ended contracts
- Temporary employment = screening device
- Promotions occur in the first two years of the contract – before maximum duration is reached

- Interesting analysis – very descriptive
- Description of the world as it is
- Not as it could be – in term of policy advice
- Why are we interested?
 - Not clear what drives the decisions of employers
 - Do workers have any influence on decisions?

Suggestions – Questions

- Be more clear what can be learned from the analysis
- Policy oriented conclusions
 - Is it good to have temporary employment?
 - Stimulate temporary jobs – restrict temporary jobs?
 - Cost/benefits from the current system
 - Is 3 years optimal?
- Probation period for regular jobs too short?
- Solution: extend probation period of regular jobs and abolish temporary jobs?