



# Labour Market Flexibility in the Netherlands

CPB-ROA Publication

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## Overview (continued)

4. Flexible contracts: recent graduates
5. Flexible contracts: human capital
6. Conclusions

## **(4) Flexible contracts among recent graduates: fixed-term & twa**

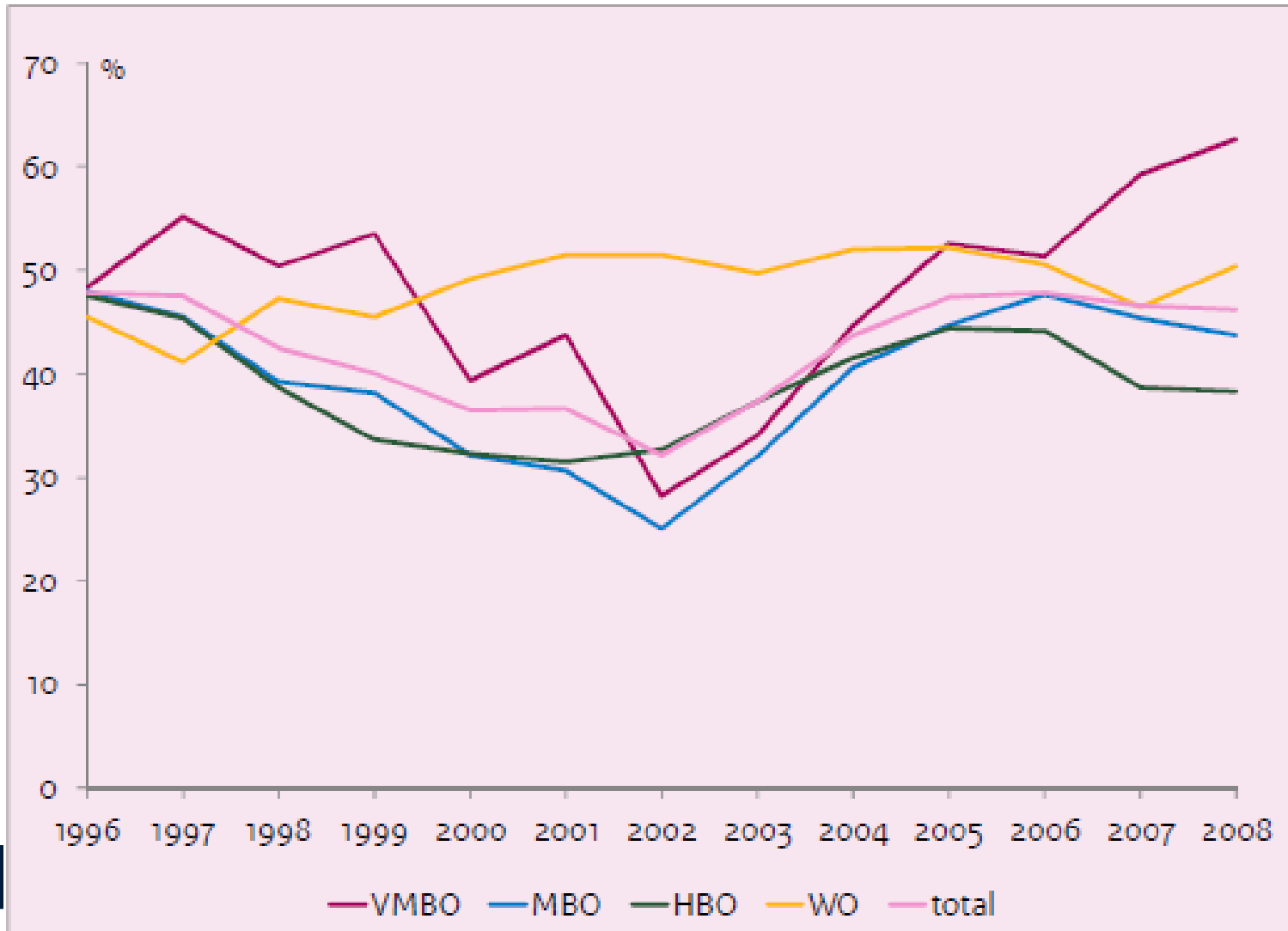
### *Facts*

- Flexible contracts are very common among recent graduates
- In general: Less paid, worse job match, etc.
- Exception for job match: university graduates in fixed term contracts

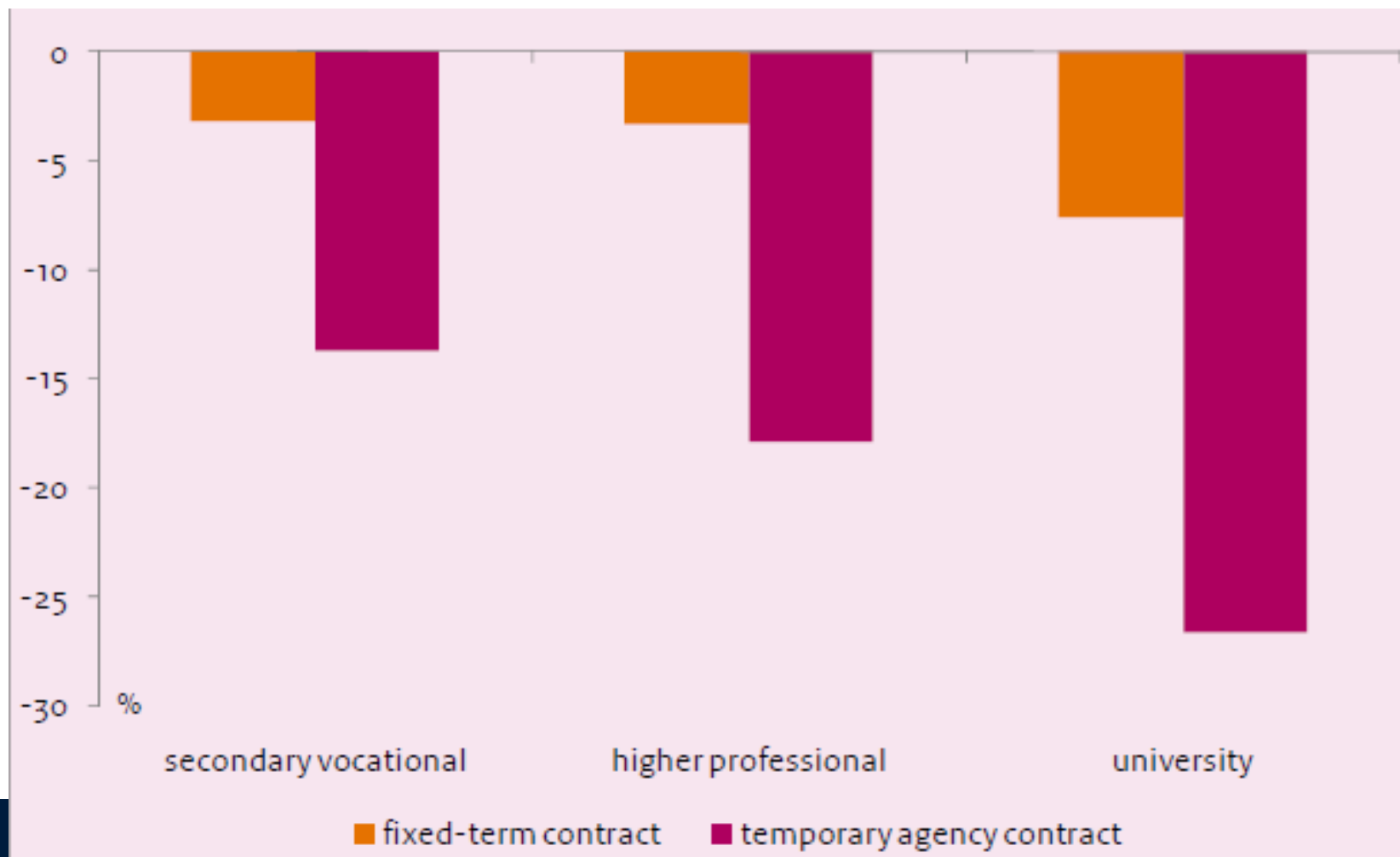
### *Research questions*

- Reasons for the selection of recent graduates into flexible contracts?
- Demand or supply driven?

# (4) Incidence of flexible contracts among recent graduates



## (4) Wage difference of flexible contracts relative to permanent contracts



## **(4) Flexible work differs by level and field of study and can be explained by the positive impact of**

- Employment variation
- Weak labour market position: unemployment, attachment to occupations
- Lower ability of graduates
- Graduates' willingness to take risks has no impact!
- Controlled for gender, age, ethnicity, region, year of survey

## **(4) Exception: university graduates in fixed-term contracts**

- Labour demand is less important
- Better job match
- Selection of higher able graduates into fixed-term instead of permanent contracts
- Examples of screening of graduates in fixed-term contracts: traineeships at hospitals, PhD positions at universities

## **(4) Relevant for policy discussion**

- Recent graduates are used as a buffer for employers to deal with fluctuations in the demand for personnel: high and time-varying probability of flexible contracts
- Only for university graduates in fixed-term contracts: screening by employers is important
- No match between preferences of graduates and their contracts



## **(5) Flexible contracts: human capital**

*Five contract types in the labour force*

- Permanent contracts
- Temporary contracts
- Temporary work agency contracts
- On-call contracts
- Self-employment without personnel

## **(5) Training participation**

### *Fact*

- Training participation is lower among flexworkers

### *Research questions*

- Role of employer-funded versus self-paid training in training participation?
- Do training investments of flexworkers improve their internal or external employability?

## (5) Who pays?

	Training participation	Who pays for the training?		
		(Partly) Employer	Self	Other
Permanent employment	12	78	14	1
Temporary work agency employment	10	53	39	5
Temporary contract	10	51	39	6
On-call employment	9	62	29	7
Self-employed without personnel	6	26	64	8
Source: Statistics Netherlands, LFS 2004-2008				

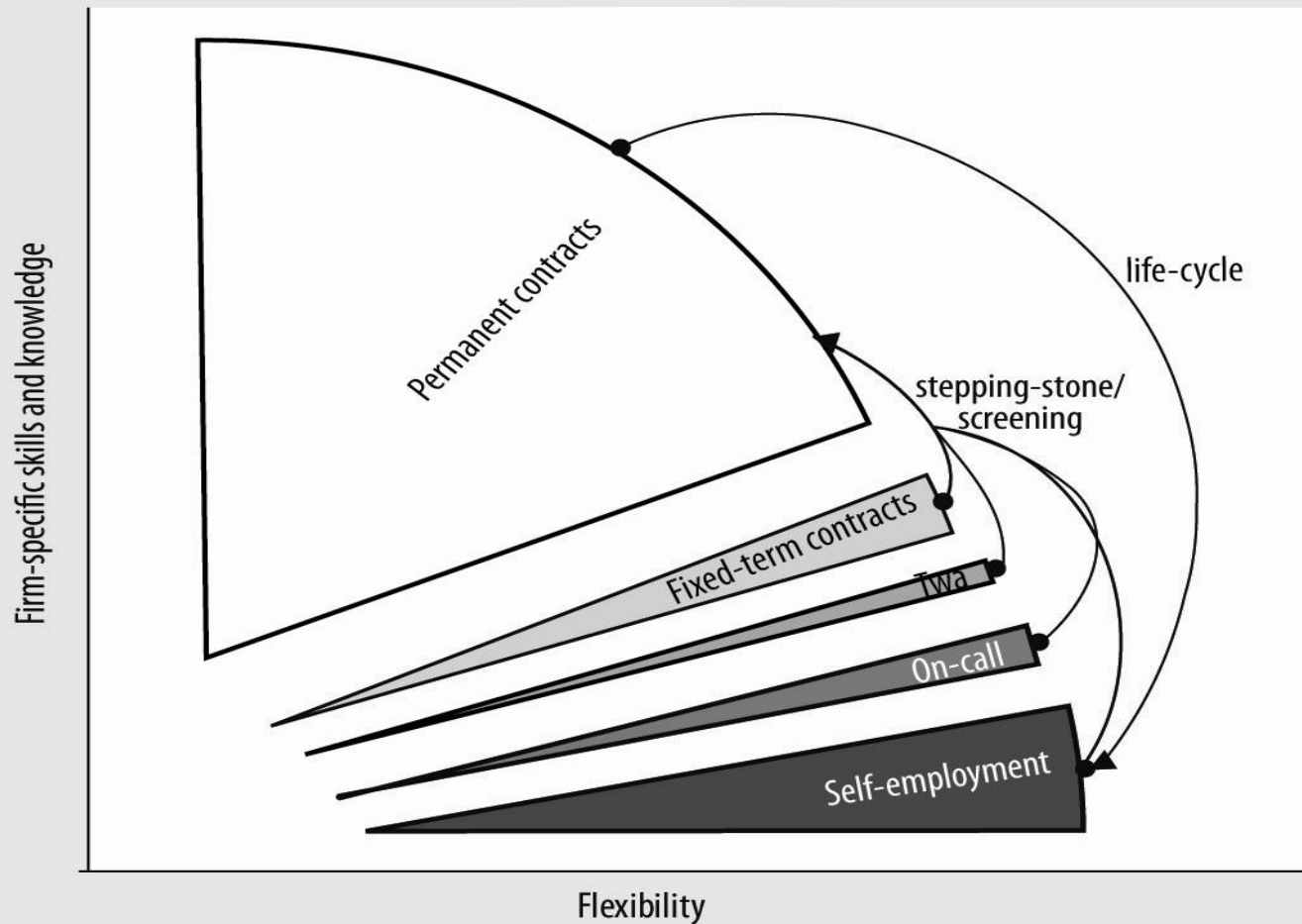
## (5) Training and labour market mobility for flexworkers

	Not employed	Other employer / permanent contract	Other employer / flexible contract	Same employer / permanent contract
Temporary work agency (ref.)				
Temporary contract		-	-	-
On-call employment	-	-	-	+
Employer-financed training	-			+
Self-financed schooling	+		+	
Controls for individuals, job, and firm characteristics included				
Source: Statistics Netherlands, LFS 2006-2007 / 2008-2009				

## **(5) Relevant for policy discussion**

- Quantitative labour market flexibility is empirically related to lower training participation
- Training gap of flexworkers is due to lack of employer-financed training
- Flexworkers more often pay for their own training, but training gap is not fully compensated by own training investments
- Employer-financed training provides stepping stone to permanent contract
- Self-paid training is related to flexcontract with other employer and to unemployment

# (6) Conclusions



## **(6) Issues for further research**

- Explanations for why wage-tenure profiles differ between countries and between empirical studies
- In particular: role of human capital investments and institutions
- Self-employment as a last or new step in a working career?
- Optimal mix of various types of contracts?
- Development of a theoretical model with a role for different types of labour contracts