



CPB Netherlands Bureau for Economic
Policy Analysis

Labour Market Flexibility in the Netherlands

CPB-ROA Publication

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Introduction

Temporary employment

- ...under discussion in the Netherlands
- ...low wages, uncertainty...

Permanent employment

- ...low levels of worker mobility
- ...increasing wages with tenure

Self-employment

- ...low level of insurance
- ...on the rise



Introduction

Policy discussion

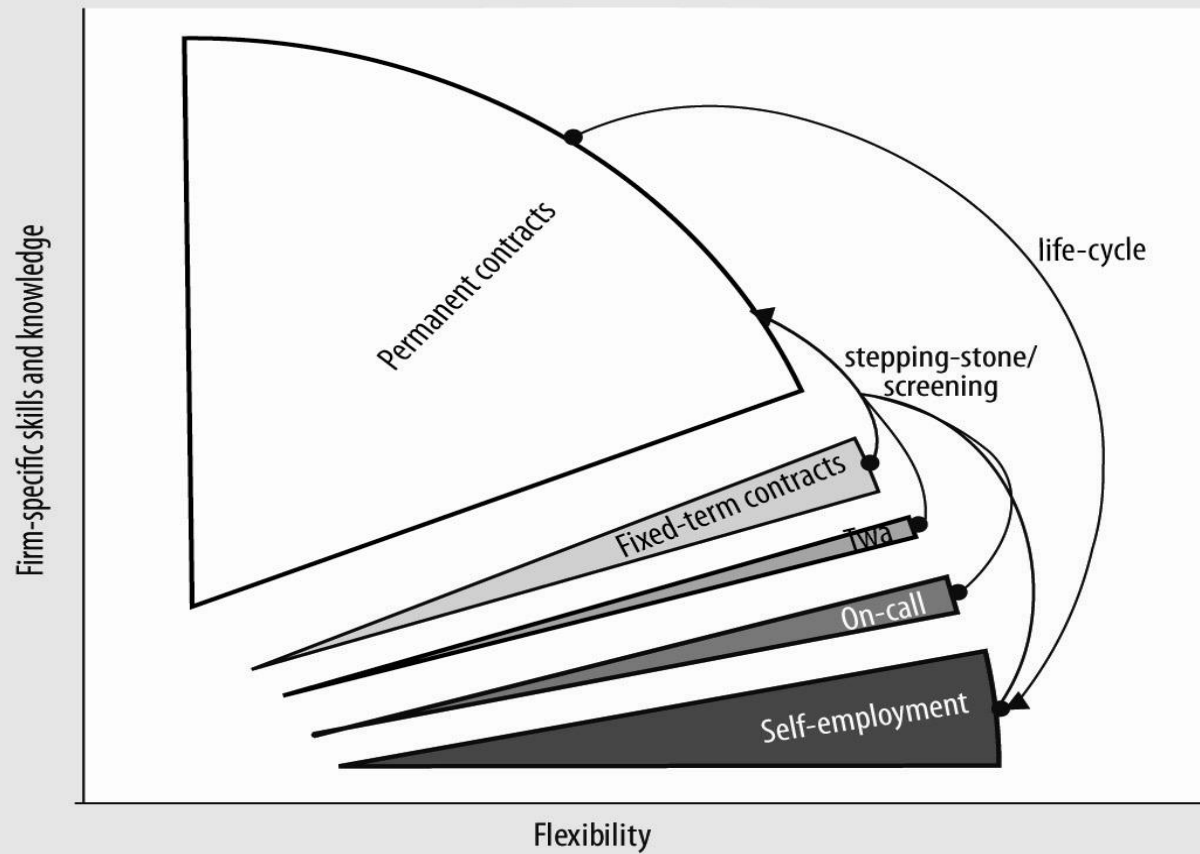
- What is the role of the various types of labour?
- Impact of policy on labour market?

Contribution of this study

- New empirical evidence on Netherlands
- Framework to discuss advantages and disadvantages of labour market flexibility



Introduction



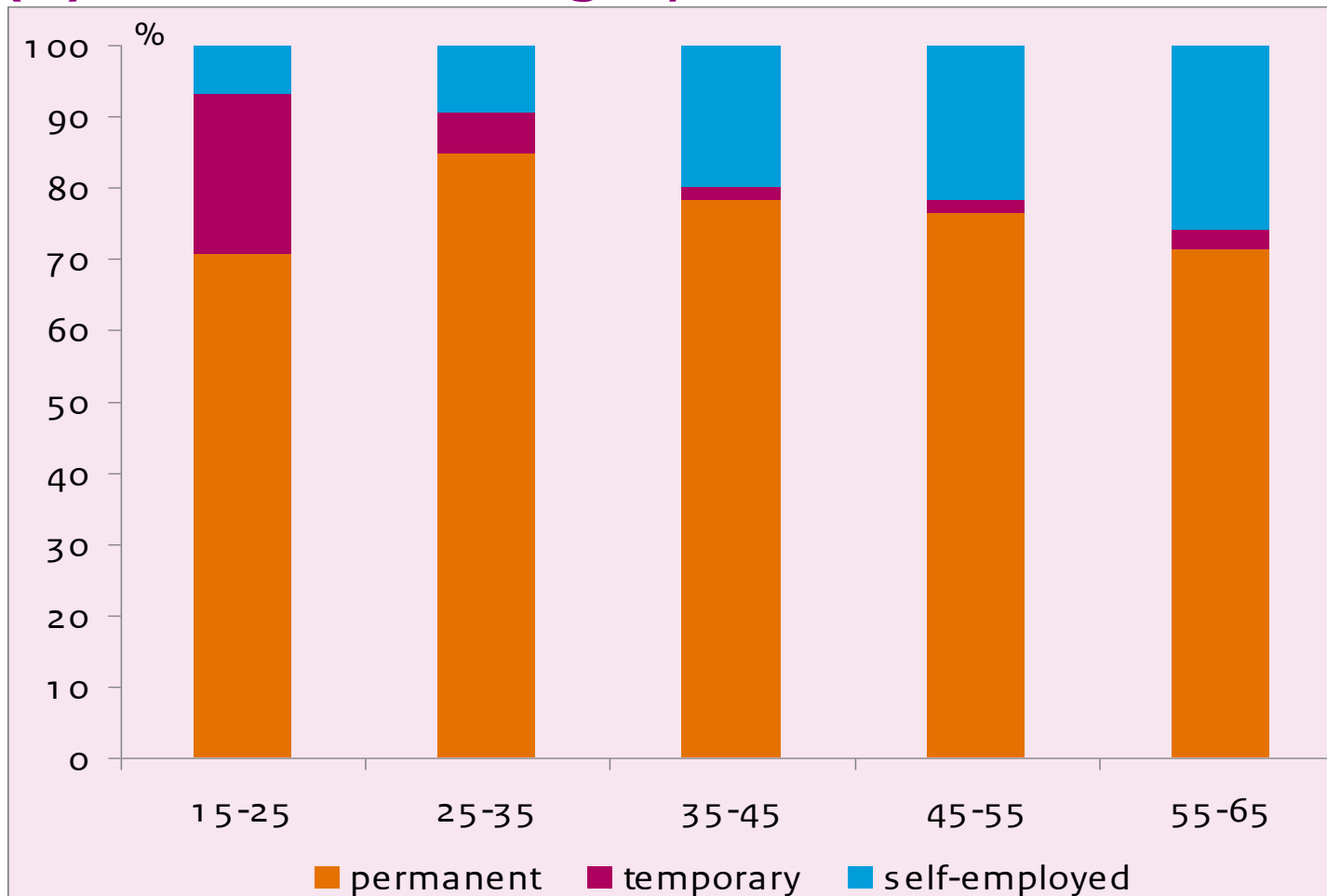


Overview

1. *Framework: role of contracts and self-employment*
2. Permanent contracts: wage-tenure profiles
3. Self-employment: success of self-employment
4. Flexible contracts: recent graduates
5. Flexible contracts: human capital
6. Conclusions

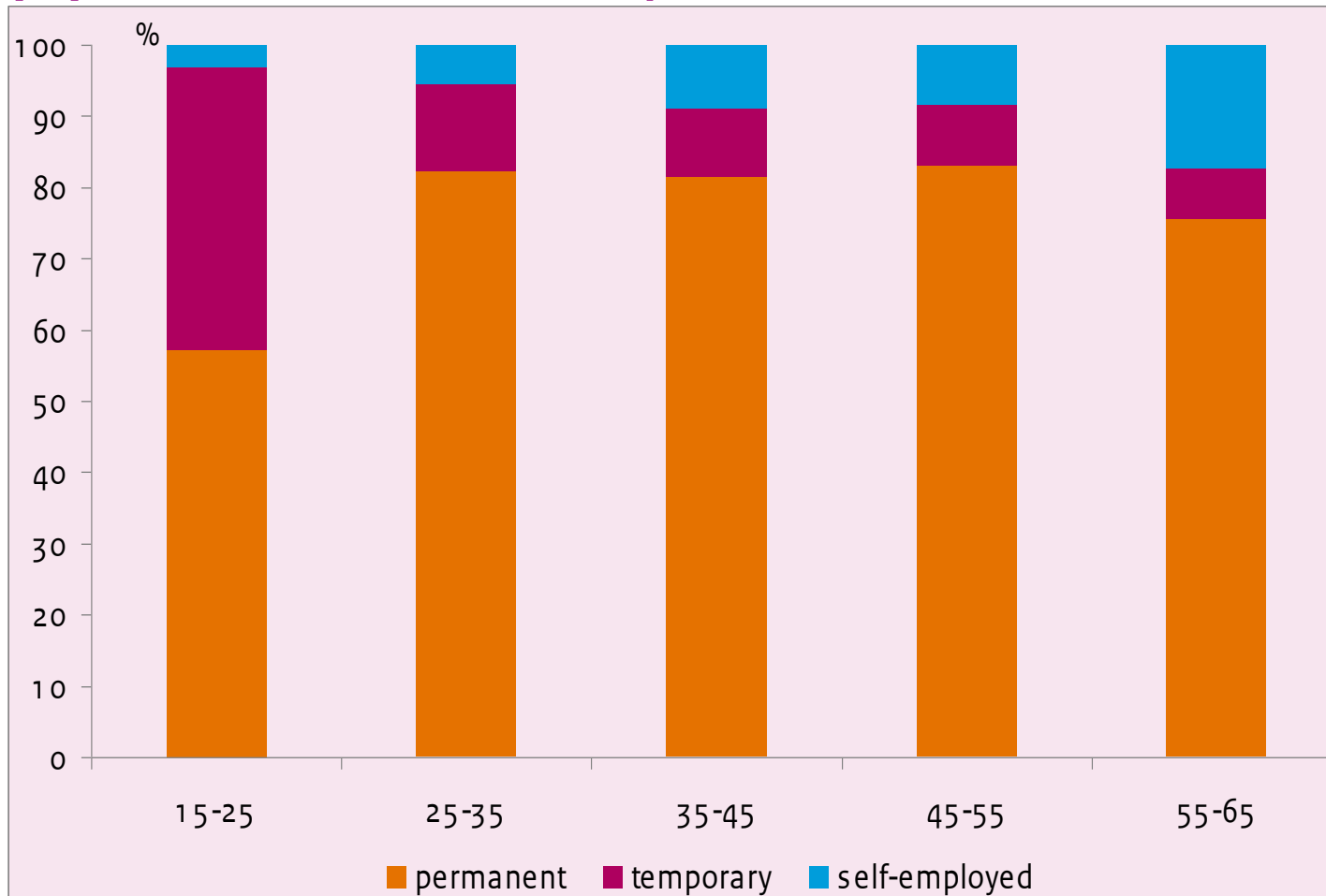


(1) Framework: highly educated men





(1) Framework: lowly educated women





(1) Framework

Temporary contracts:

- Relatively common among the young

Role of such contracts:

- Flexibility for firms and particular groups of workers
- Screening device for firms (and some workers)
- Level of worker-firm commitment low

New evidence in chapters 4, 5 and 6



(1) Framework

Permanent contract:

- High education: max incidence at ages 25-35
- Low education: max incidence at ages 45-55

Role of such contracts:

- Commitment device human capital investments
- Low flexibility for firms, hardly impede workers
- Firms reluctant to hire permanent workers
 - for jobs with little human capital investments
 - because of uncertainty about ability of worker

New evidence in chapter 3



(1) Framework

Self-employment:

- Relatively common among older workers

Role of such employment:

- Flexibility for firms hiring self-employed
- Flexibility for workers in case of deliberate choice
- Level of worker-firm commitment low
- May act as screening device

New evidence in chapter 7



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(2) Wage-tenure profiles

Dutch labour market

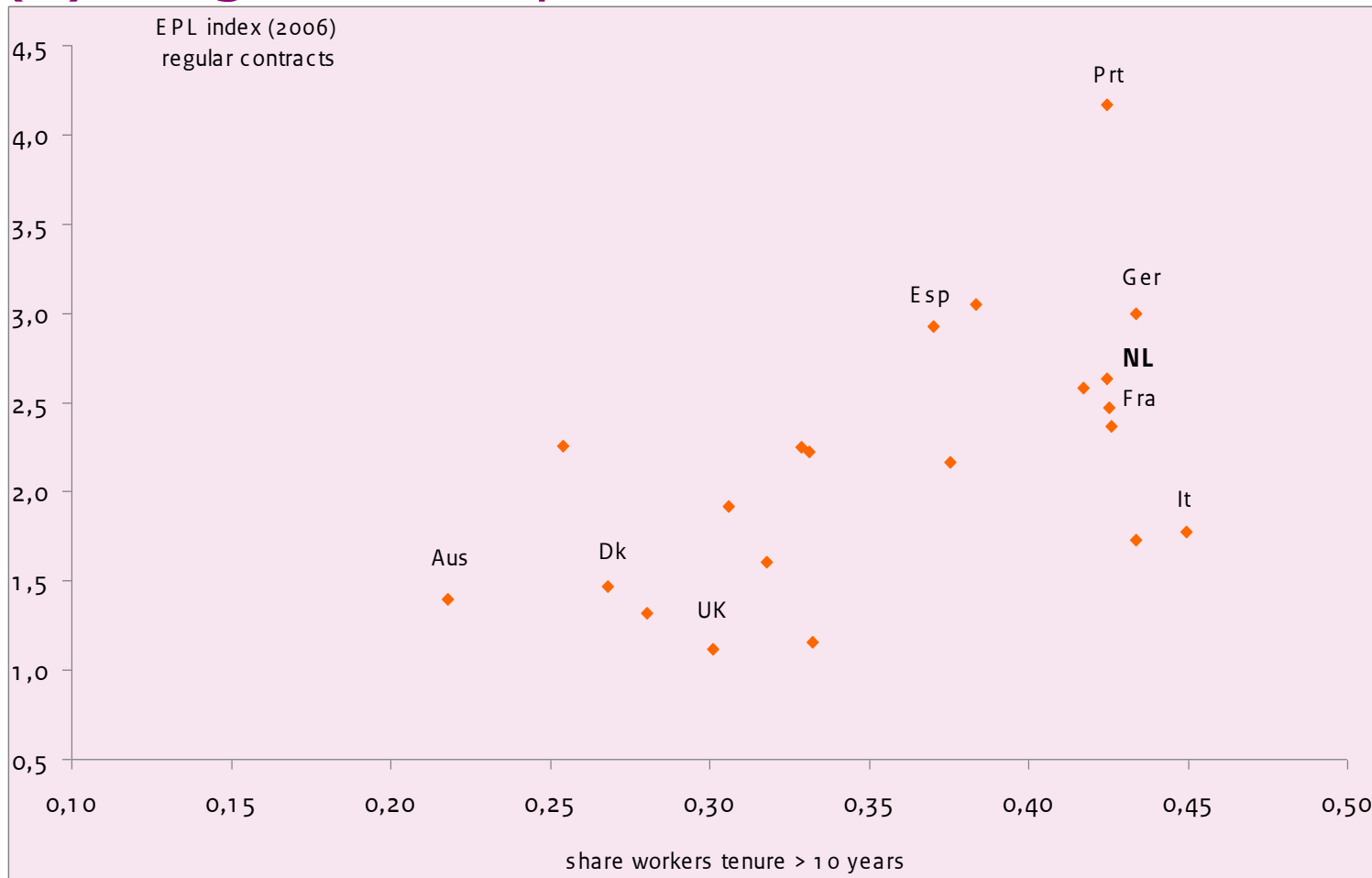
- High level of protection for permanent jobs
- Low level of mobility at each age group
- Relatively long unemployment durations

Research questions

- Are Dutch wage-tenure profiles steep?
- Impact employment protection on wages?
- Are steep profiles related to low mobility?



(2) Wage-tenure profiles





(2) Wage-tenure profiles

Empirical results

- Wages increase rather strong with tenure
 - Irrespective of estimation method
- Employment protection increases wages
- Low worker mobility related to high wages (at sectoral level)

Policy

- Challenge for sectors/firms with ageing workforce
- Maintaining or upgrading productivity of older workers
- Efficiently allocating older workers to tasks



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(3) Success of Self-employment

Dutch labour market

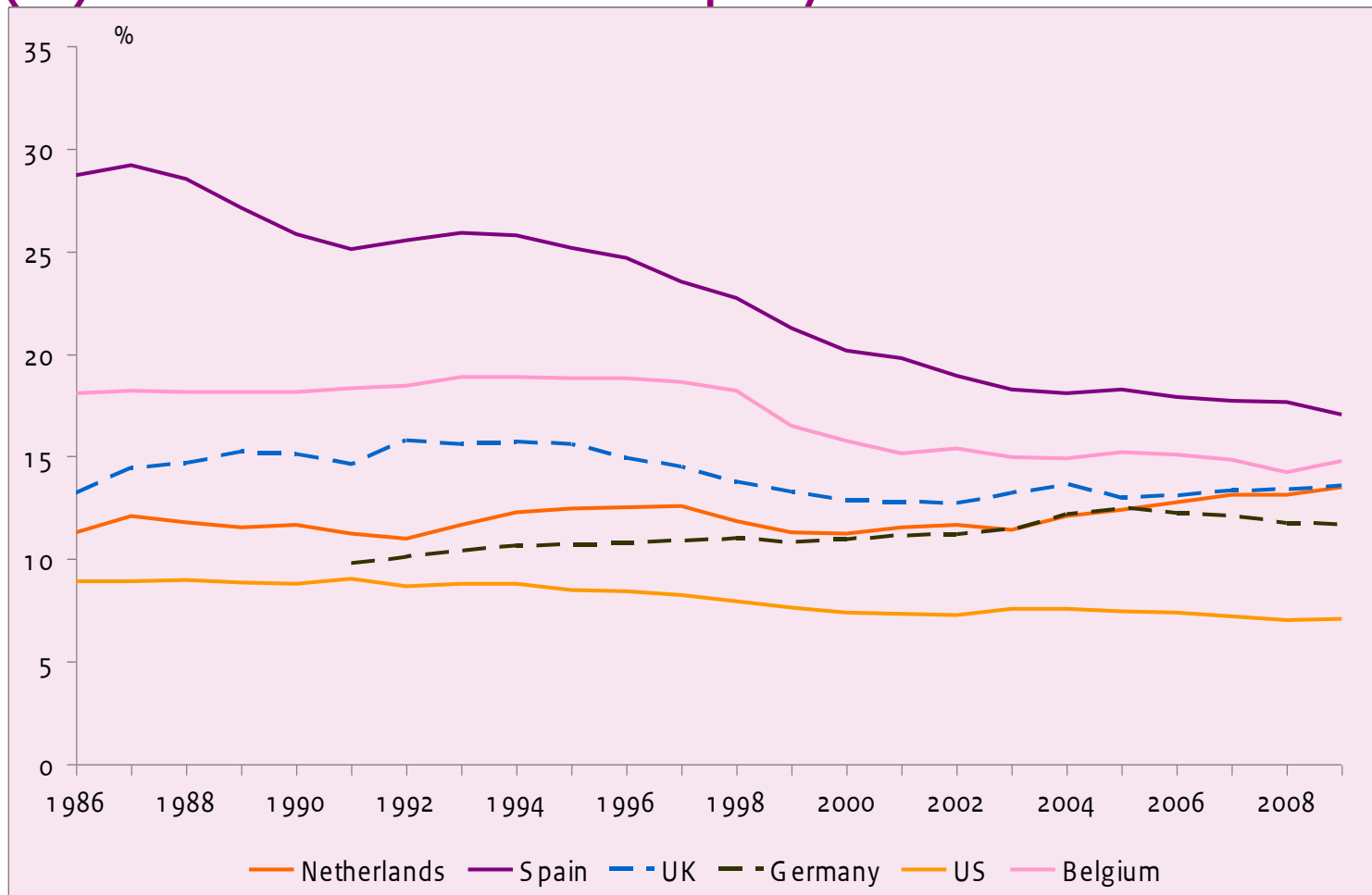
- Substantial share of self-employed
- And this share is on the rise

Research questions

- Which self-employed survive?
- Which self-employed enter paid employment?



(3) Success of Self-employment





(3) Success of Self-employment

Empirical results

- About 50% survives for at least 5 years
- Not-survivors: 60% enters paid employment
- Disadvantaged have lower survival probability
- Still some survive or enter paid employment

Policy

- Self-employment may act as steppingstone
- Self-employment alternative for older workers