

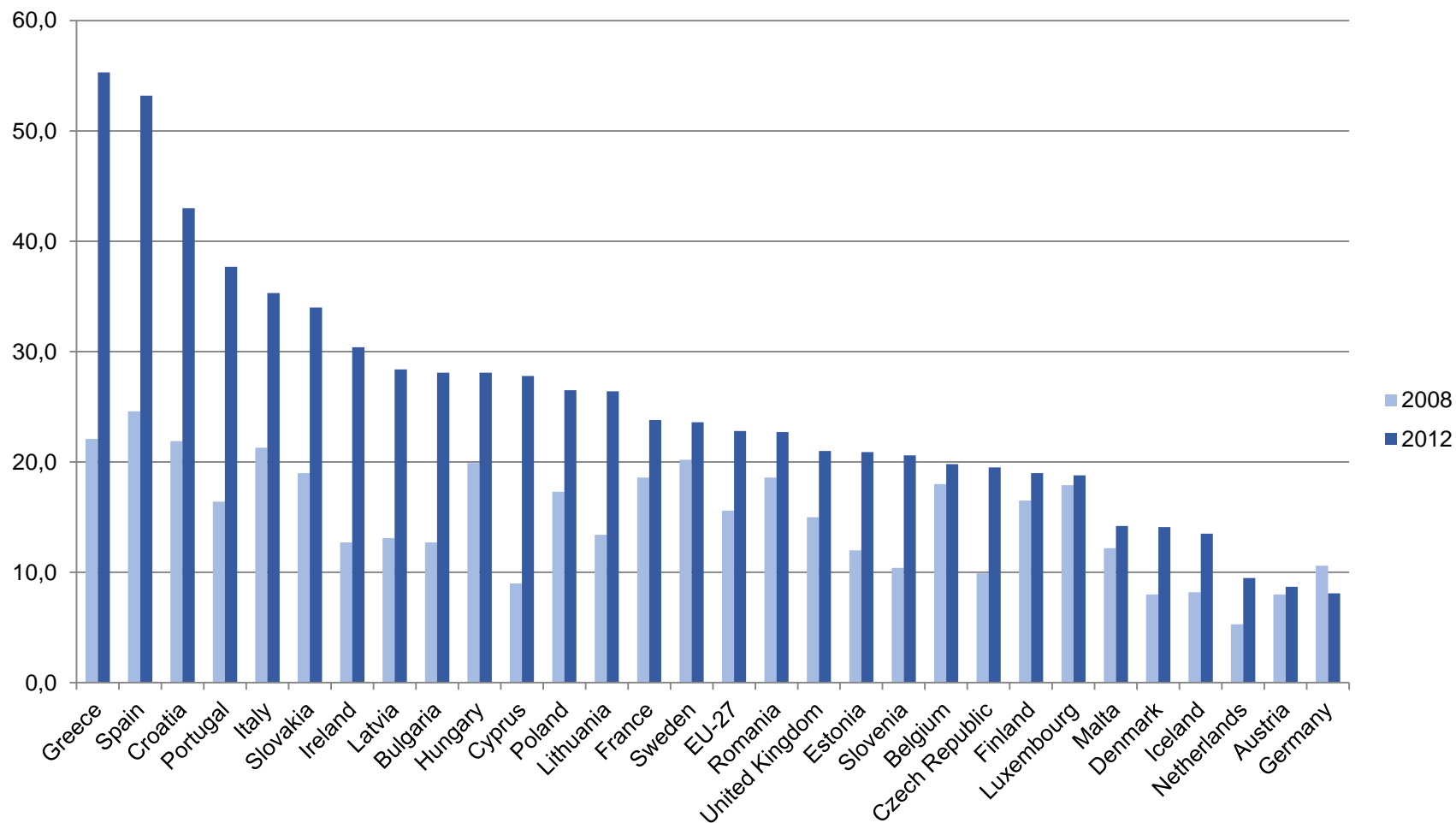
“The Unequal Distribution of Labor Market Risks: Permanent vs. Temporary Employment”

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VEF

Bonn, 11 July 2013

Youth unemployment rates, 2008 and 2012

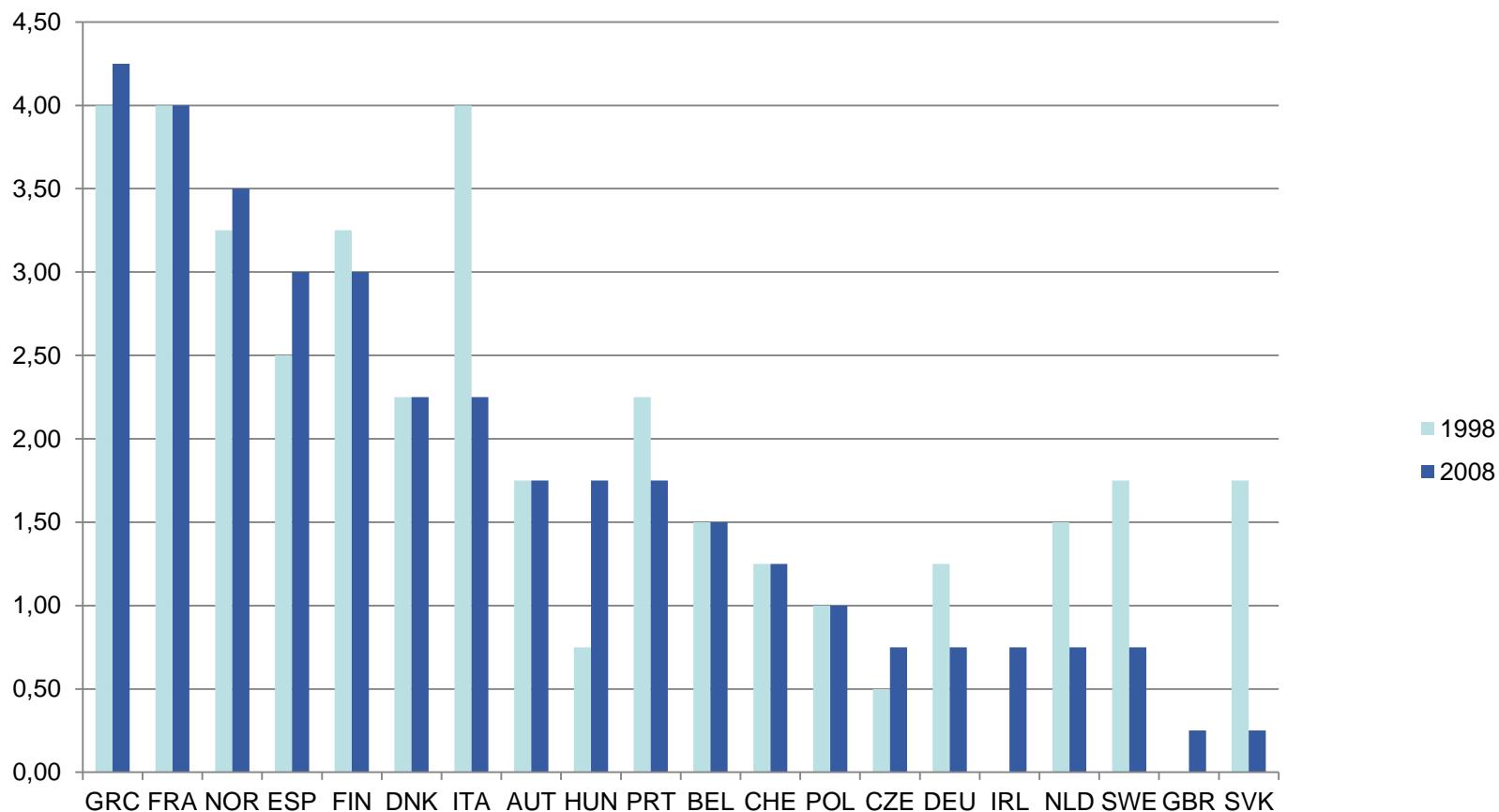


Source: Eurostat.

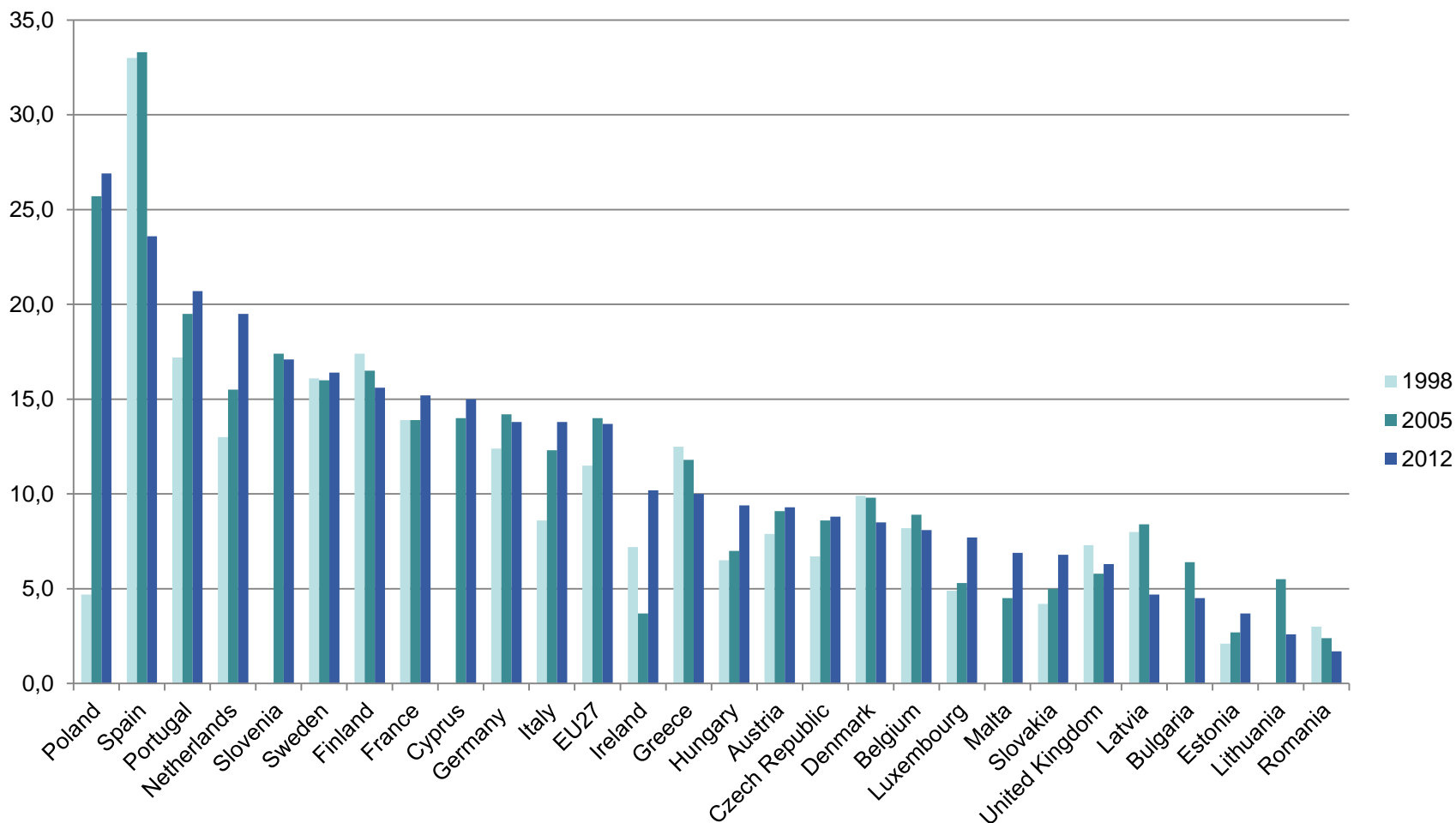
Fixed-term contracts

- Fixed-term contracts were deregulated in many European countries since the 1980s
- Motive: create more jobs in a more flexible labor market without questioning dismissal protection
- Fixed-term contracts are a substantial part of (youth) employment in Europe

EPL for fixed-term contracts (OECD Indicator)

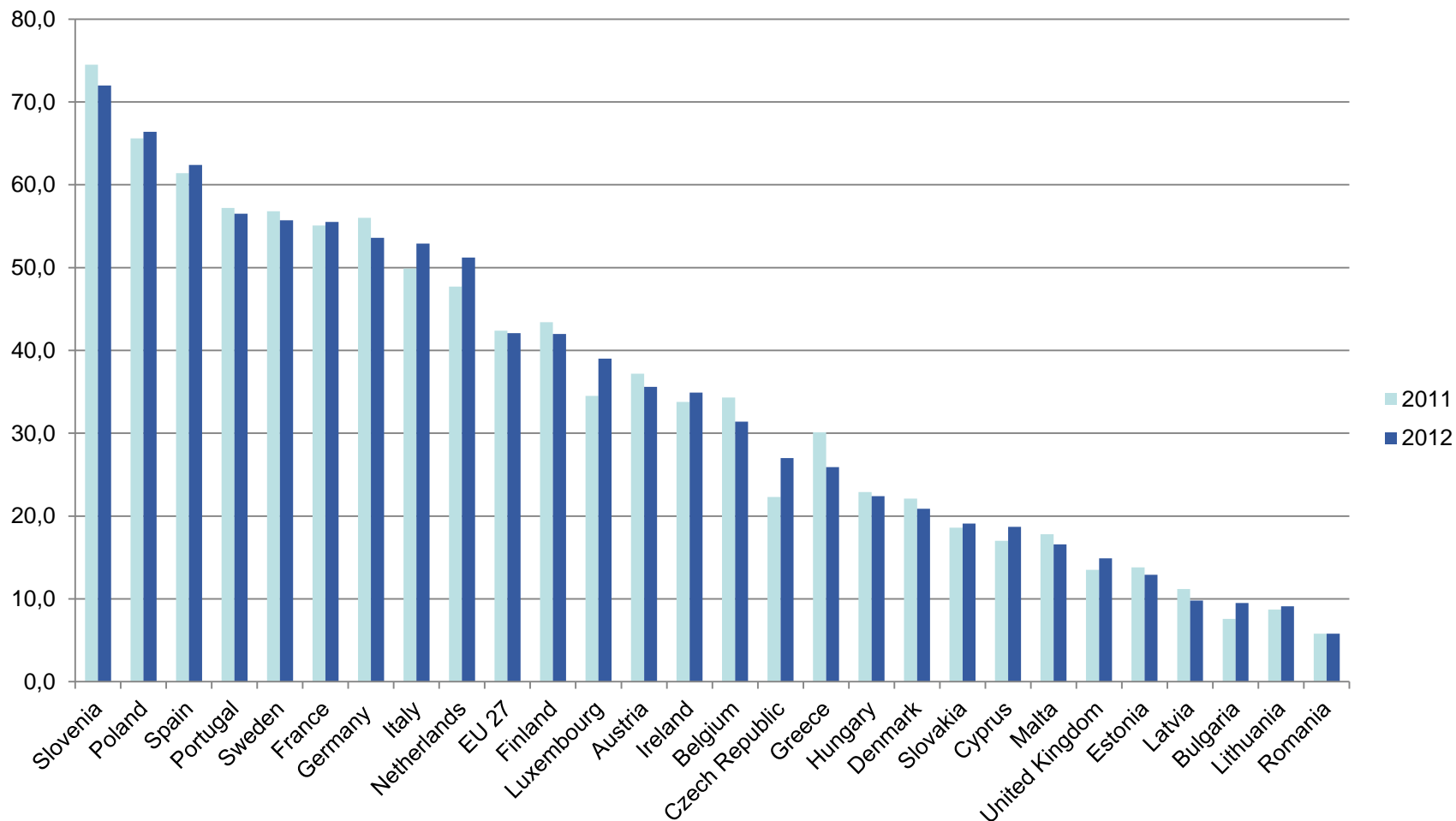


Fixed-term contracts in total employment, 1998 and 2012, in EU Member States



Source: Eurostat.

Fixed-term contract share in total employment of young people (15-24), 2011/12



Source: Eurostat.

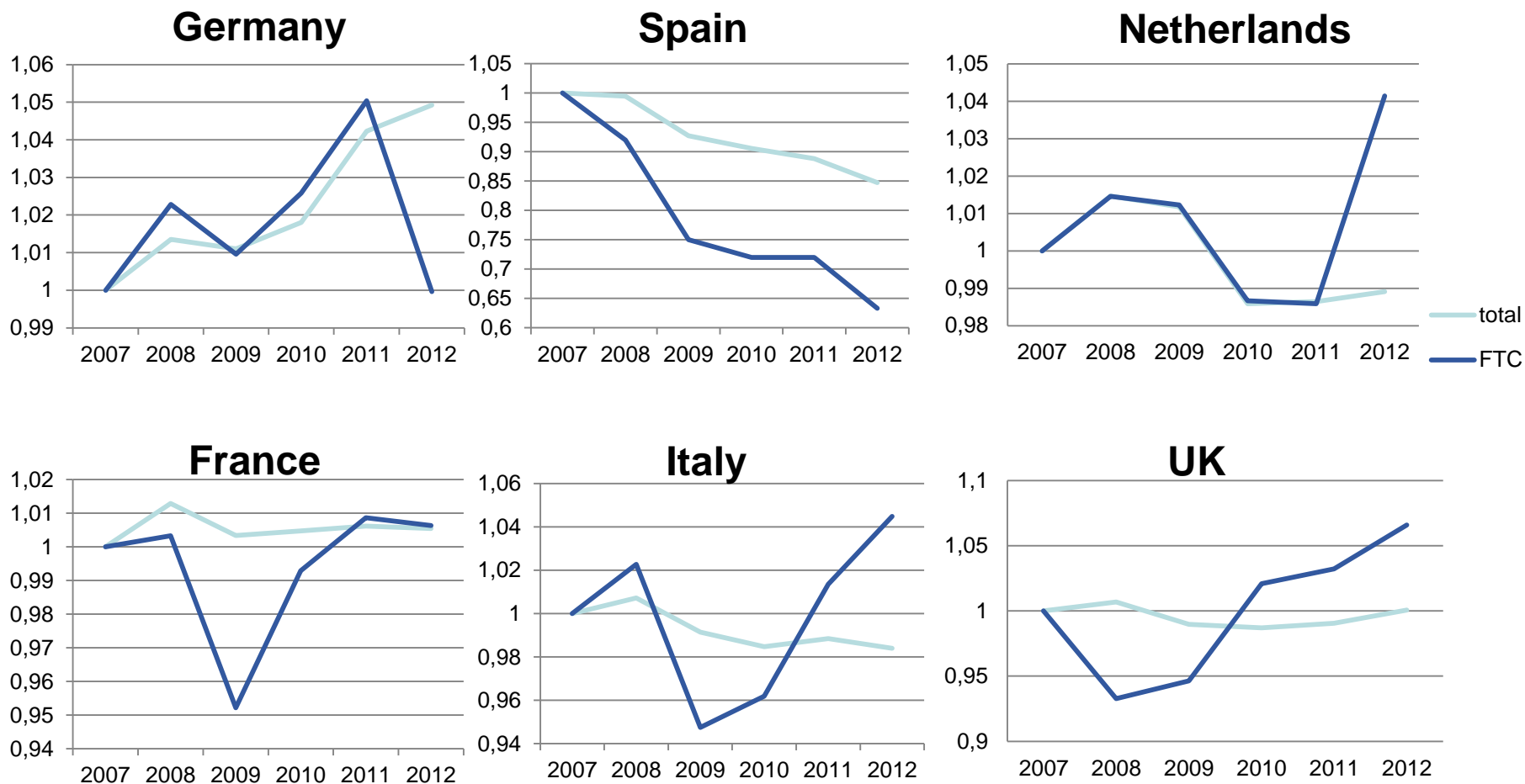
FTC as (potential) stepping stones

- FTC can create additional employment and reduce overall unemployment
- FTC can shorten individual unemployment spells
- FTC can be used as an extended probationary period
- FTC as screening device for employees whose productivity potential is not known
- FTC can act as stepping stones towards permanent positions (under certain conditions, and for some)

FTC as (potential) dead-end jobs

- FTC can reduce willingness of employers to hire on a permanent basis
- FTC may lead to repeated temporary (un)employment spells
- FTC tend to deepen labor market segmentation to the detriment of young people and create excess turnover
- FTC may have repercussions on business model and set incentives to establish low productivity (entry) jobs
- FTC tend to be associated with less pay, low training
- FTC do not offer a realistic chance of promotion also when subsidized FTC are used to combat youth unemployment
- Workers on FTC tend to suffer more during recessions

FTC in the crisis (2007 = 100)

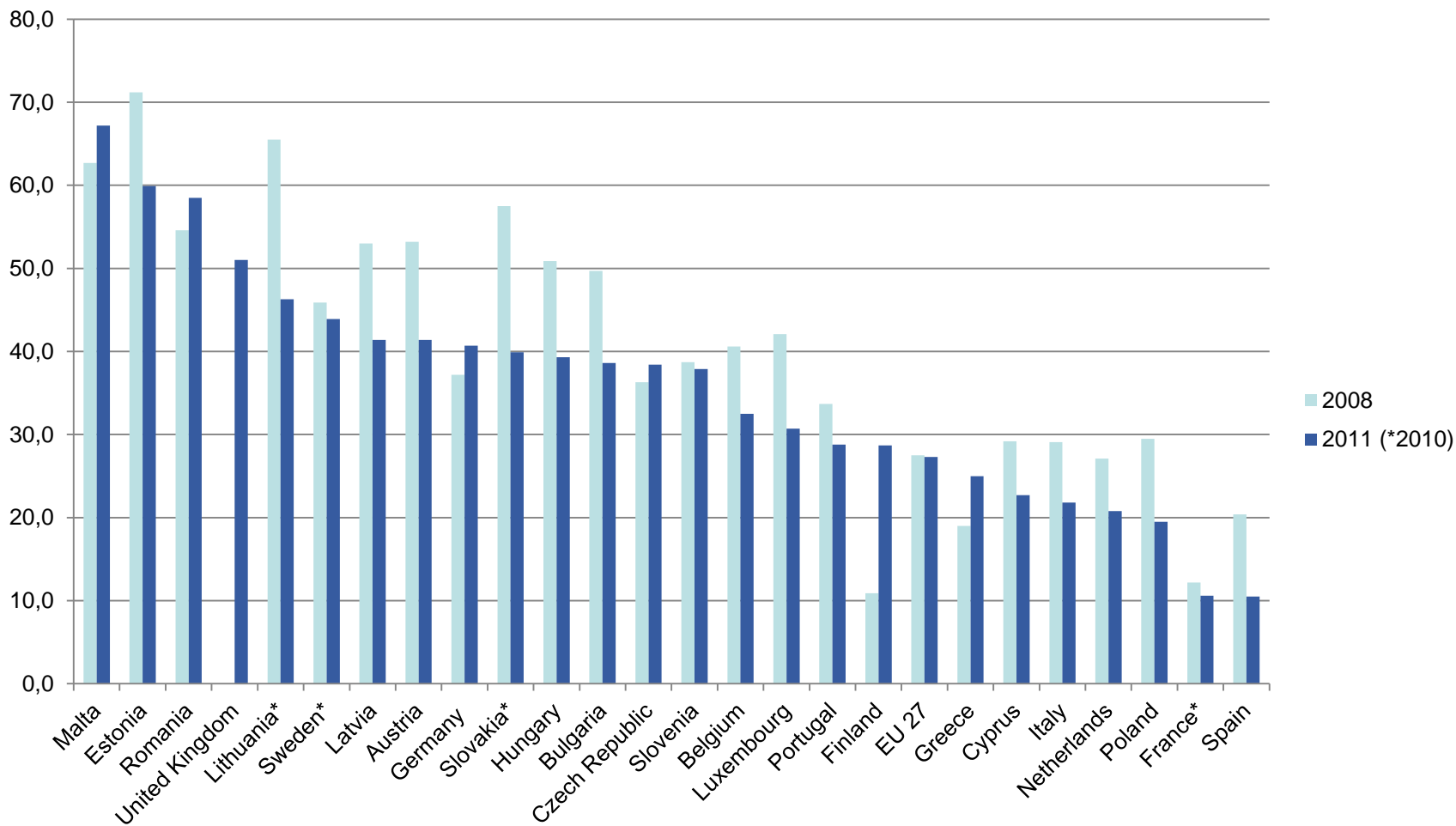


Source: Eurostat.

FTC and the institutional environment

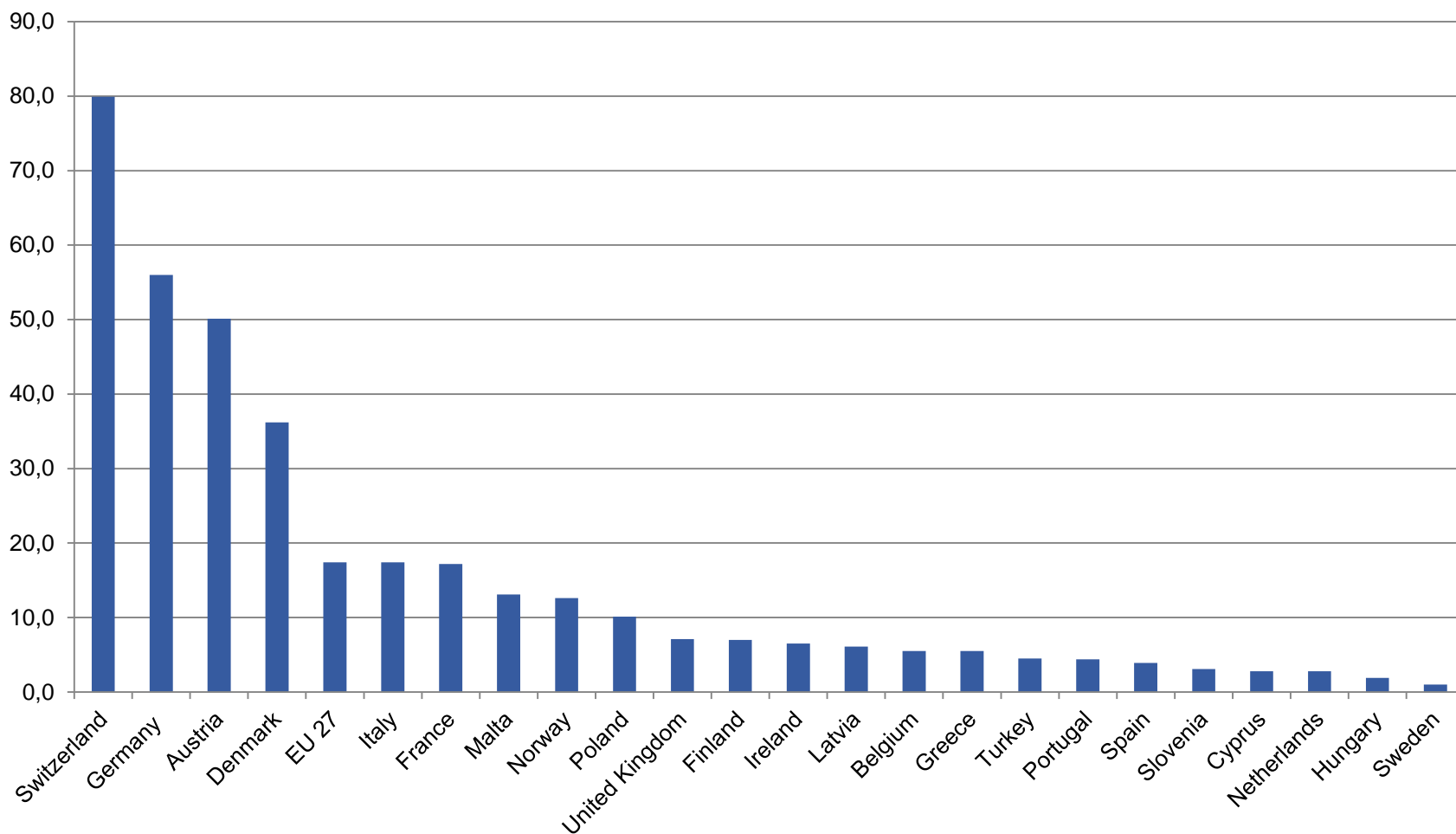
- Countries where FTC is associated with vocational training (DE) and where EPL is more flexible (DK, UK) do better than others (FR, ES, IT) – but individual characteristics also matter

Transition rates (from temporary to permanent job)



Source: Eurostat.

Share of fixed-term contracts for training purposes, 2011



Source: Eurostat.

Assessment

- In general, FTC are ambiguous
- But the effective role of FTC depends on the larger institutional environment (dismissal protection, other flexible forms of employment, vocational training, wage setting, ALMPs etc.)
- FTC may lower the first barrier of labour market participation
- But FTC may deepen labour market dualisation – second barrier may be worse

Policy perspectives

- Currently some approach at reducing strict EPL for permanent contracts (narrowing the regulatory gap between open-ended and permanent contracts) + subsidies for hirings/training in FTC or conversion FTC – open-ended contract (FR, ES, IT)
- Flexicurity approach at the European level

Policy perspectives

- Either flexibilize EPL for permanent contracts or (and) promote training during FTC
- Single open-ended contract with severance pay entitlement increasing with tenure, but simplified dismissal procedures
- Stronger training requirements when allowing for FTC
- Subsidized employment, if considered, e.g. in the context of EU Youth Guarantee, should be associated with training

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