



REDUCING THE LABOUR MARKET DIVIDE

JOB SECURITY, EPL AND SEGMENTATION

2015 IBS Jobs Conference, Warsaw,
27-28 October 2015



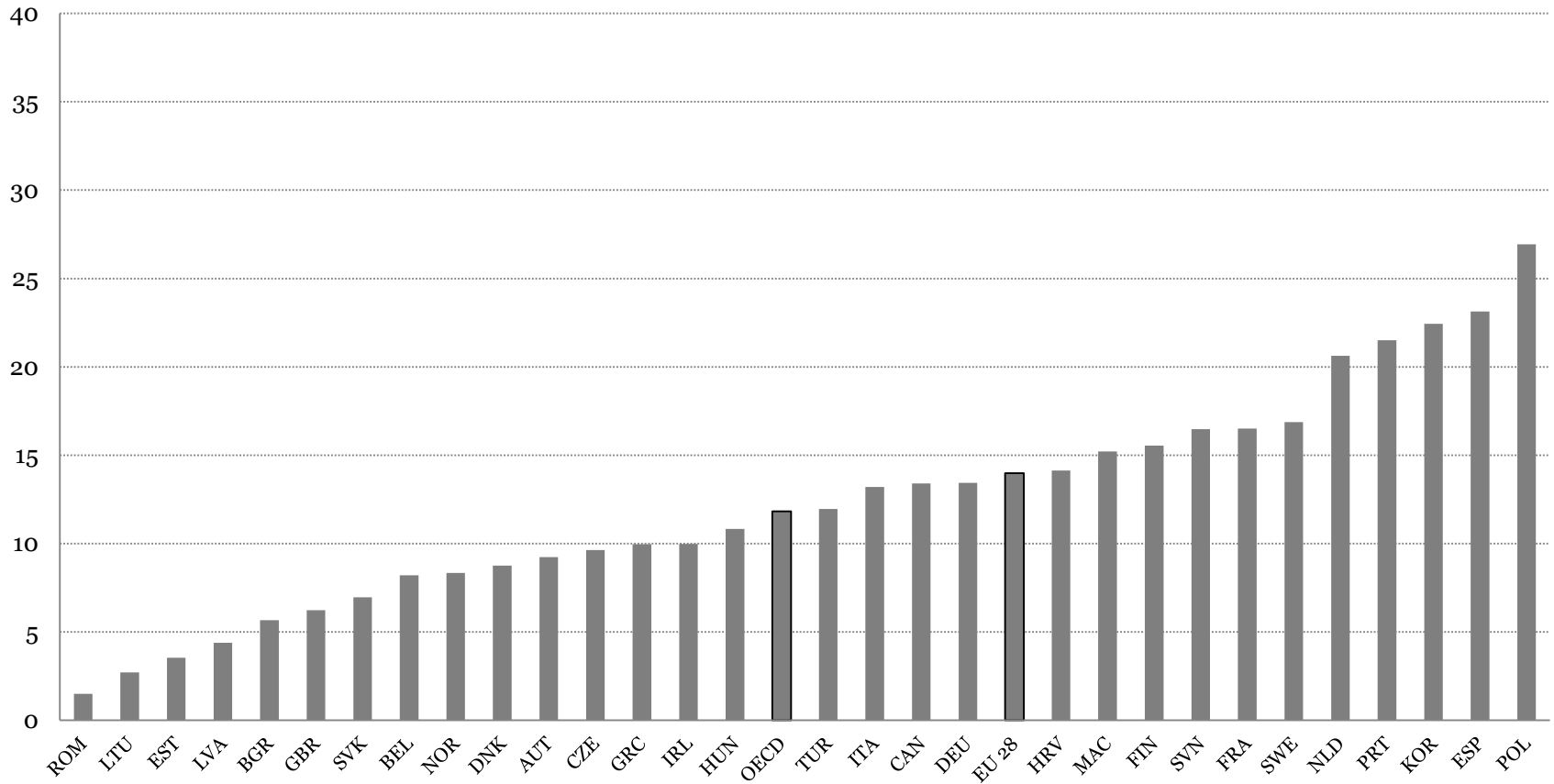
Background and motivation

- Expansion of new forms of flexible forms of employment in many OECD countries over the last decades
- Introduce the concept of non-regular employment (temporary employment, casual employment, dependent self-employed workers)
- Assess to which extent different those forms produce disparities in terms of quality (security) across groups & whether those are likely to persist over time



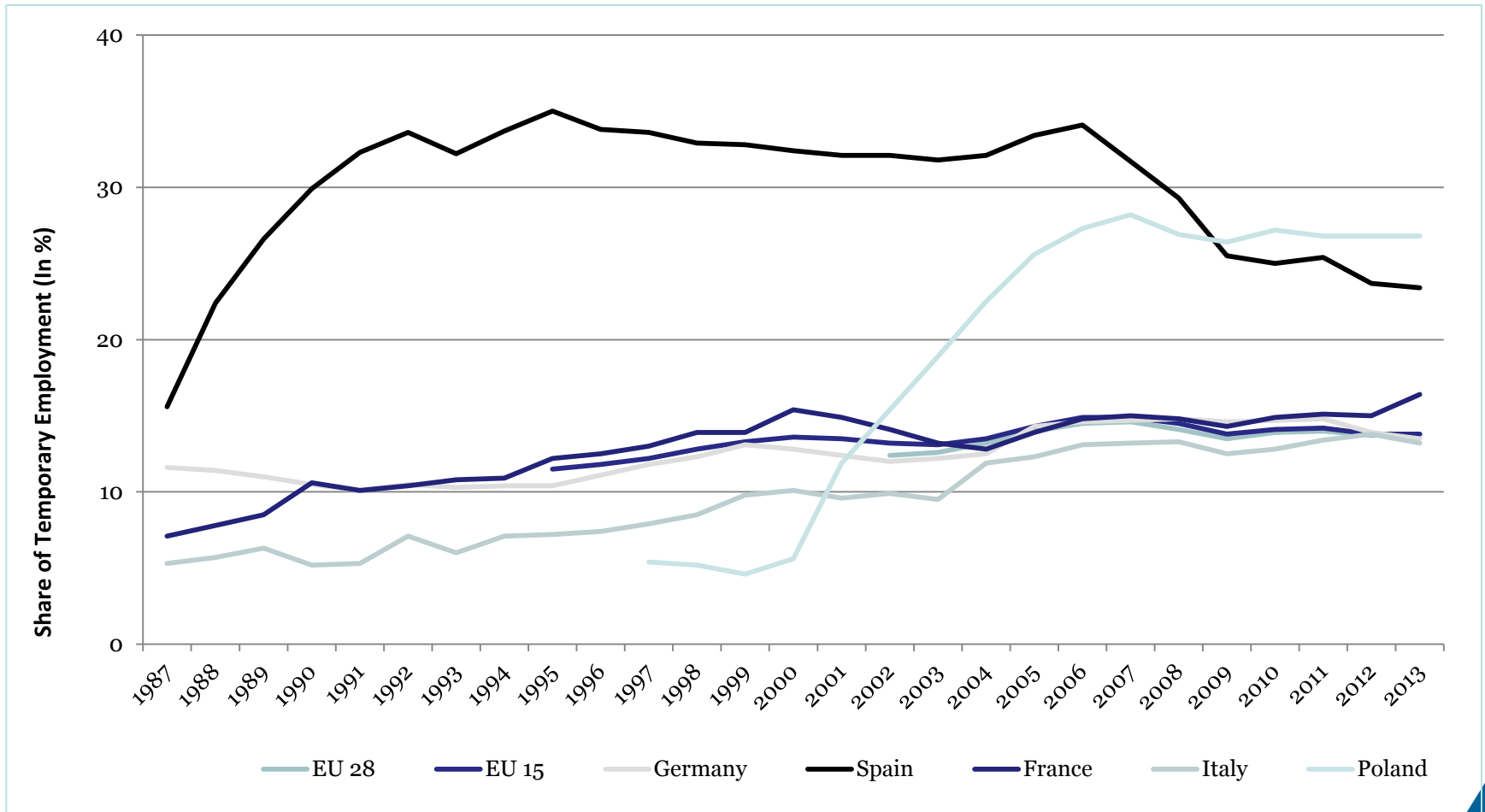
Temporary employment widely used in many OECD countries

Temporary Employment (% of dependent employment), 2013





Temporary employment in EU countries, 1987-2013



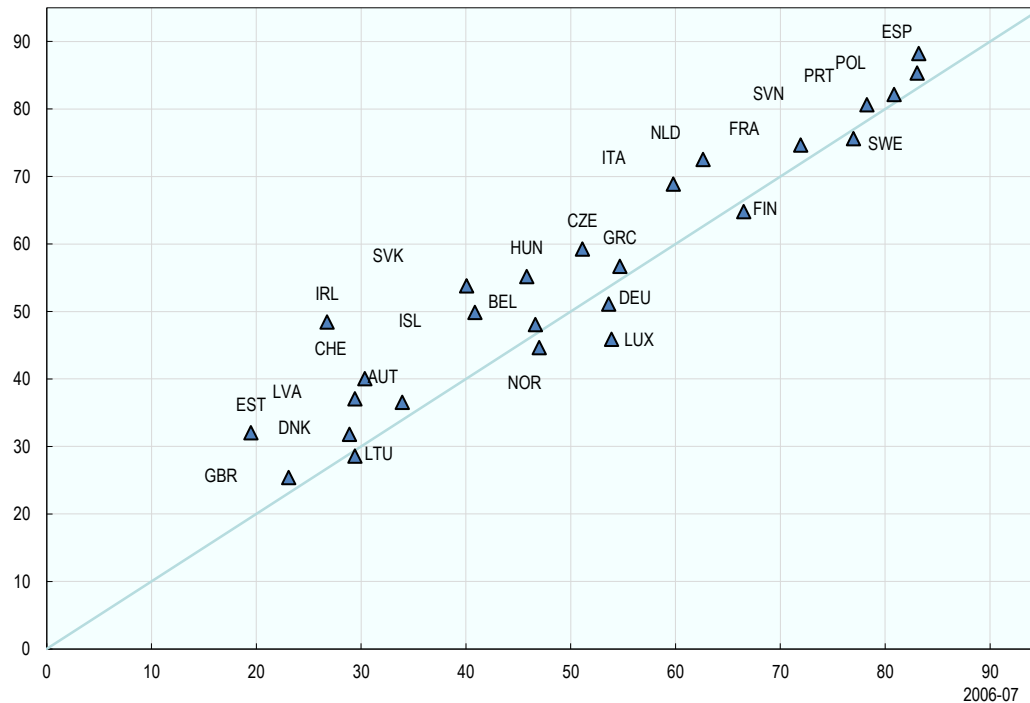


... fixed-term contracts are increasingly used for new hires

Fixed-term contracts among new hires, 2006-07 and 2011-12

Percentage of employees with no more than three months of tenure

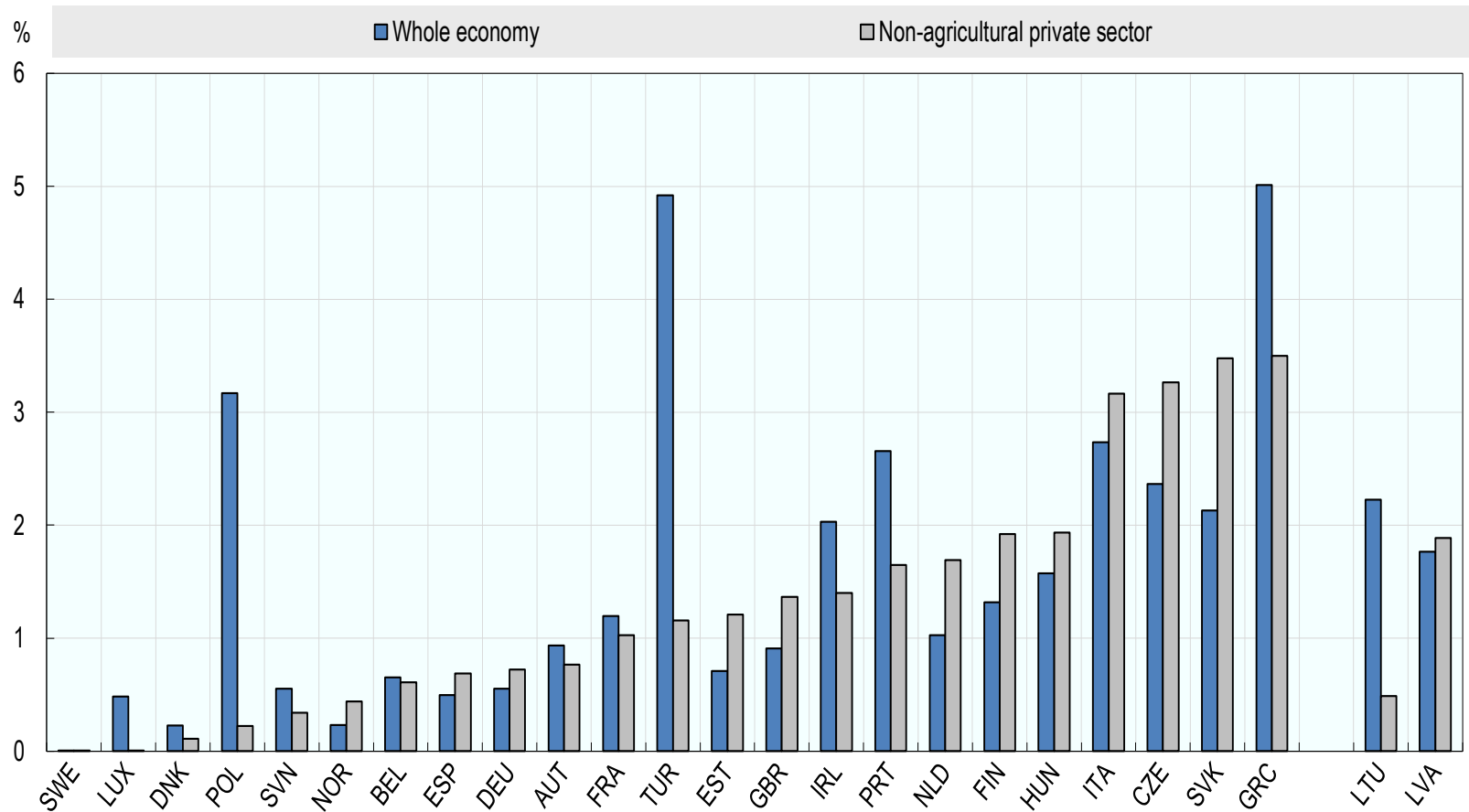
2011-12



Source: OECD calculations based on microdata from the European Union Labour Force Survey (EU-LFS).



Share of DSE as % of dependent workers, 2010

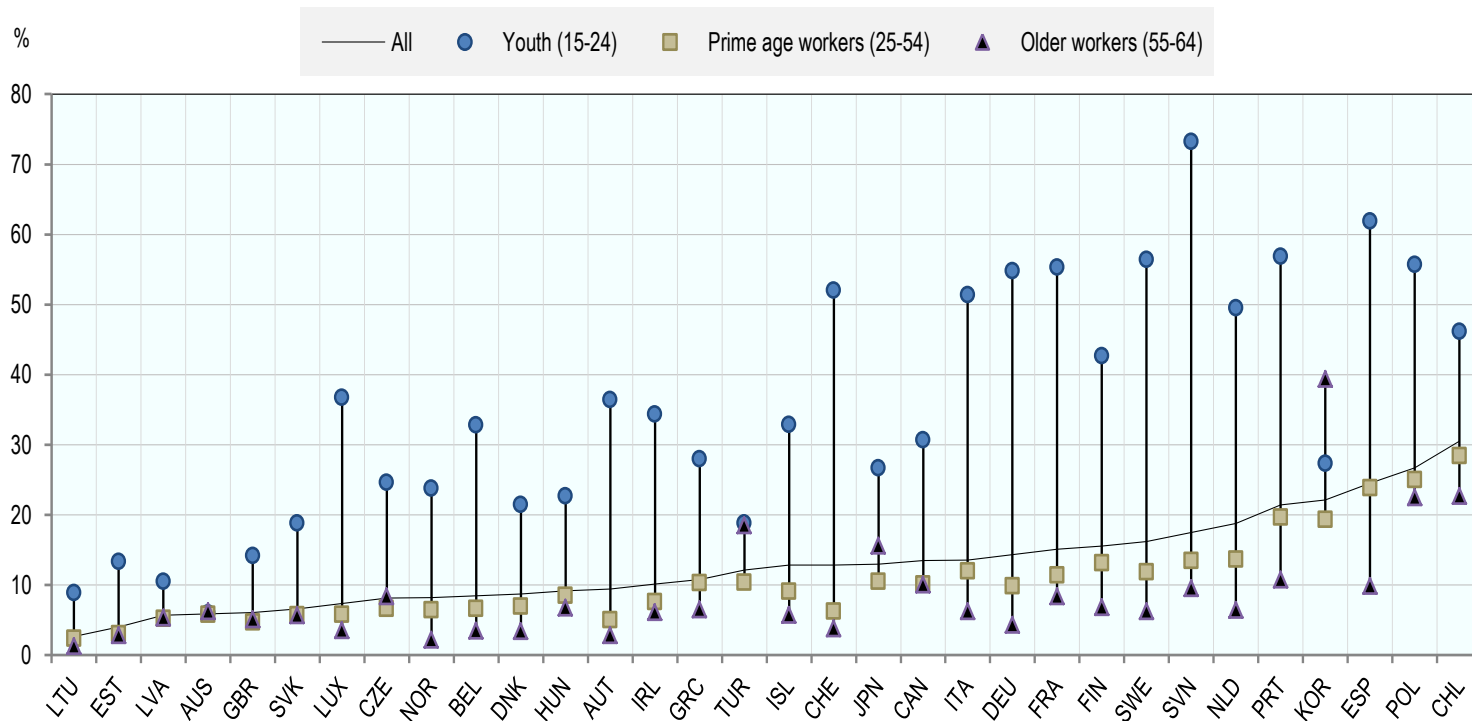


Source: Eurofound, 2010, 5th EWCS.



Non-regular jobs still disproportionately held by younger

Temporary employment by age group , 2011-12
All fixed-term contracts (share of employees with a FT contract)



Source: OECD calculations based on microdata from the European Union Labour Force Survey (EU-LFS)..



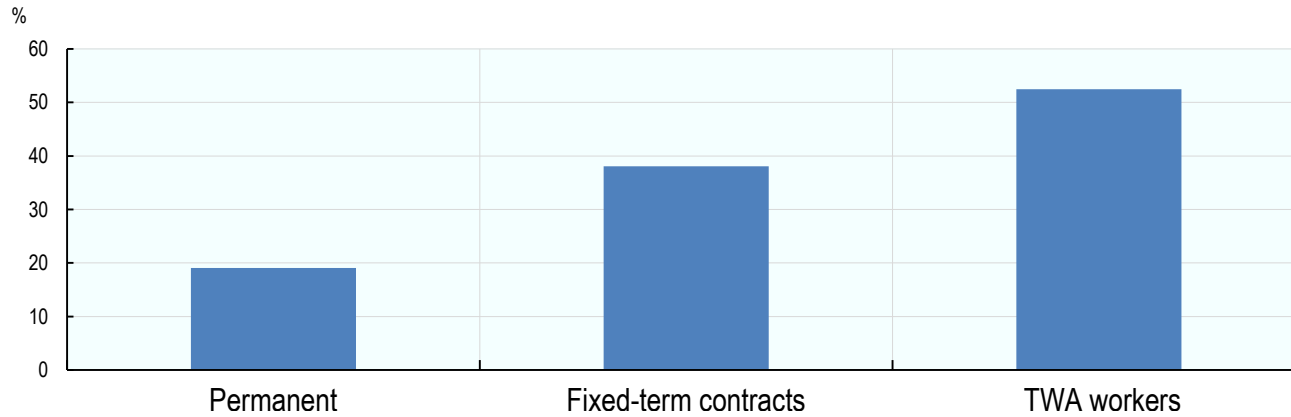
Non-regular workers exposed to greater job insecurity

- In depth review of statutory employment protection across contracts shows that non-regular workers generally less protected by EP than regular workers (*De Jure*)
- Cross-country heterogeneity in termination rules between permanent and temporary contracts:
 - Termination of fixed-term contracts *before the end date* is more difficult and costly than terminating contract with indefinite duration **only in a few countries**. In the majority of OECD countries no significant differences
 - Termination of fixed-term contracts *at the end date* is usually easier than terminating permanent contracts and almost at zero cost in most countries
- Regulation on hiring: usually effective in preventing excessive use of fixed-term contracts but can be counterproductive

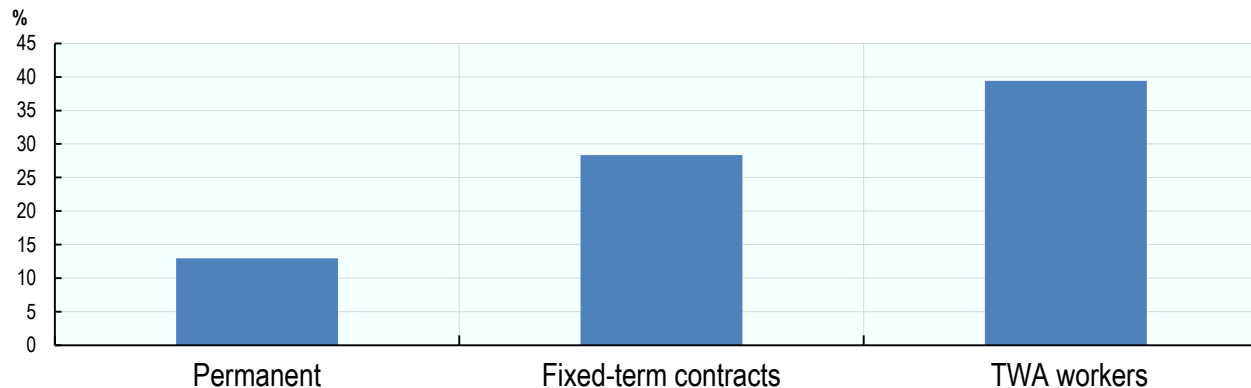


Average percentage of workers with high perception of job insecurity, by type of contract, 2010

A. High perceived risk of job loss



C. High perceived risk of costly job loss



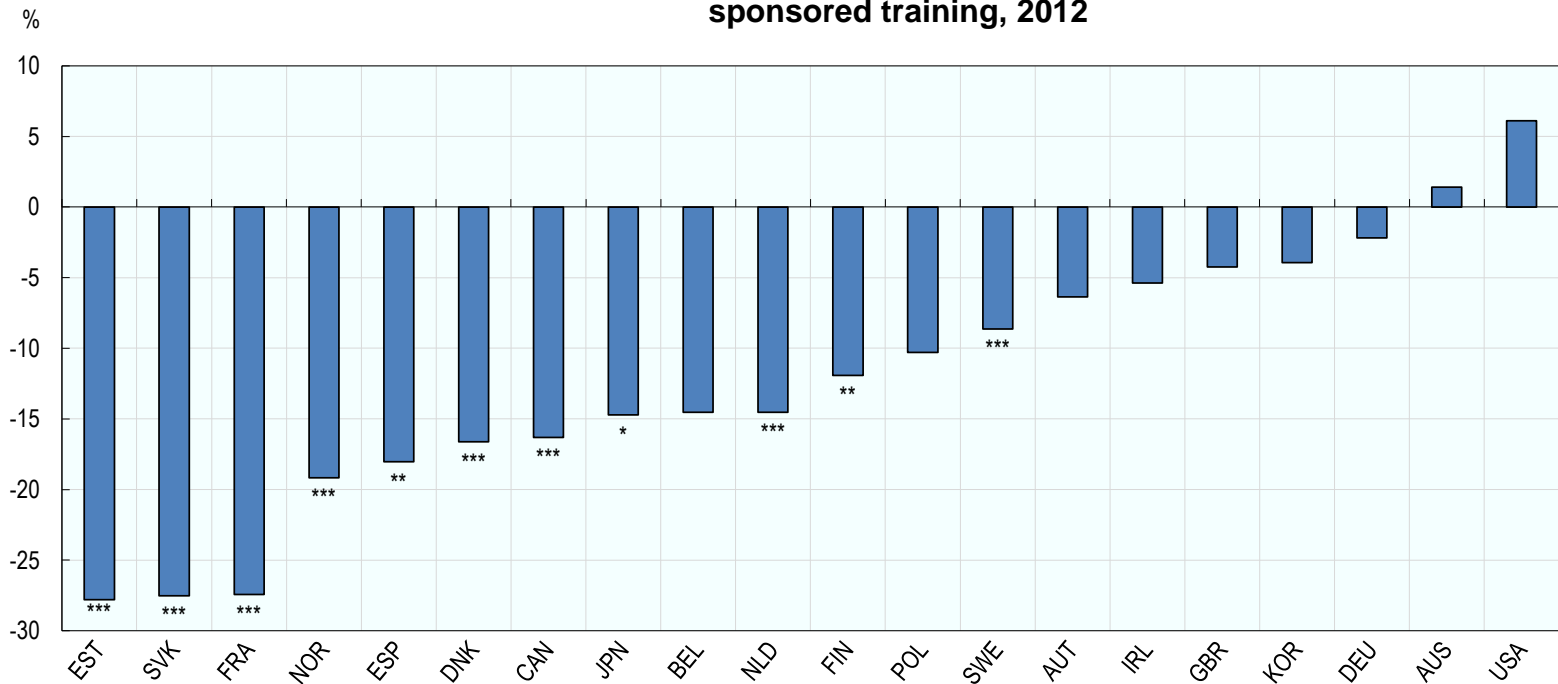
Source: EWCS



Non-regular workers tend to cumulate unfavourable conditions

- They face a wage penalty, about 6-10% for temporary workers once unobservables are taken into account (OECD, 2014a)
- They receive less training (on average probability of receiving employer-sponsored training – 14%)

Estimated percentage effect of temporary contract status on the probability of receiving employer-sponsored training, 2012

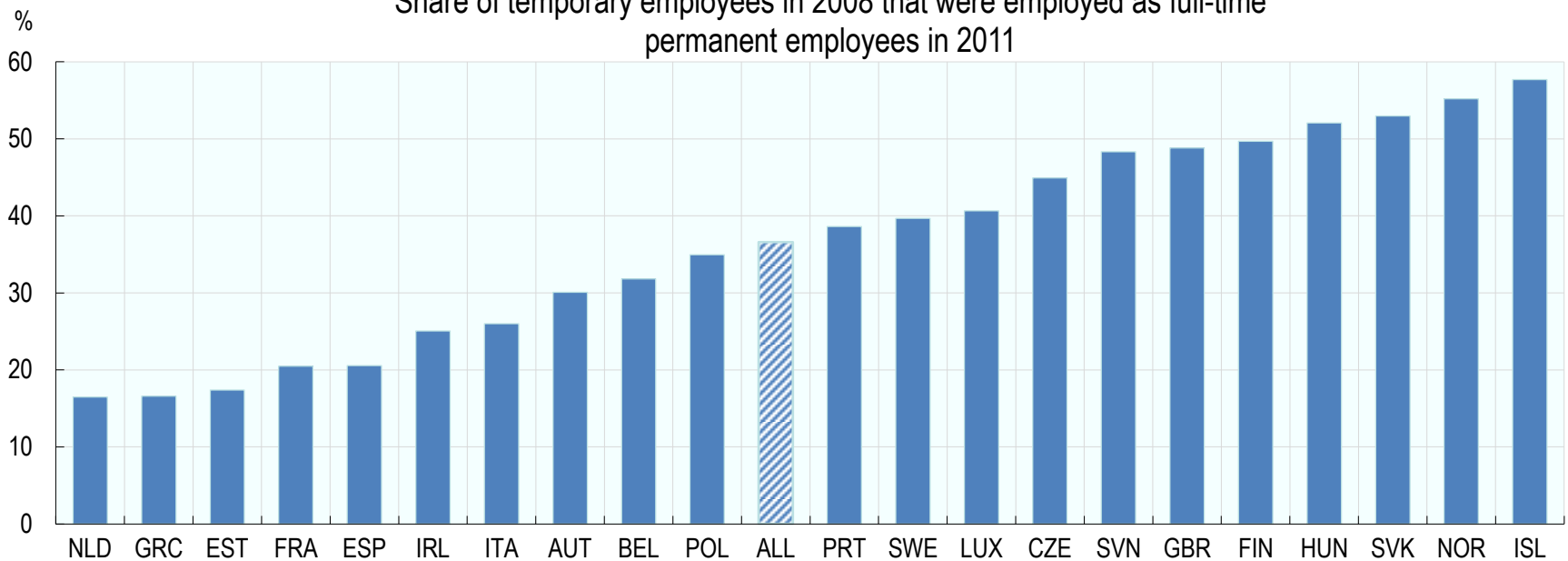




...temporary employment not an automatic stepping-stone to permanent work

Three-year transition rates from temporary to permanent contracts

Share of temporary employees in 2008 that were employed as full-time permanent employees in 2011





POLICY OBJECTIVE

- Reduce gaps between permanent and temporary workers and alleviate (contractual) segmentation in the labour market
- Equity issue, but not only
- Efficiency as well
 - Depress productivity growth (Dolado et al., 2012; Bassanini et al., 2009)
 - Excessive adjustment at the margin (volatility): impact of a downturn on job losses is greater among those atypical jobs. OECD, 2014c (Spain)
- Avoid “excessive” use of non-regular employment



Hiring and Firing rules matter...

- Non-Regular workers have lower job security than permanent workers (*De jure*)
- Evidence found that this also holds de facto (OECD, 2014)
- Gaps in employment protection should be reduced (in line with theoretical arguments):
 - Asymmetric liberalisation of temporary contracts in Europe lead firms to substitute temporary for permanent workers--increase in the % of workers on fixed-term contracts (Boeri and Garibaldi, 2007; Bentolila et al., 2008)
 - Gaps between the EP provisions applying to the two types of contracts reduce the conversion rate of fixed-term contract into permanent ones (Boeri, 2011)



Policy options

- Make *hiring* on temporary contracts more difficult & costly ?
 - Restricting renewals, duration and/or scope of use of FTCs (incl. TWA employment)

- Reduce the wedge between termination costs of permanent and temporary contracts ?
 - By introducing a single or unified Contract
 - This involves overcoming implementation difficulties and requires complementary reforms to be effective

- Enhance convergence of termination costs across contracts where possible?
 - However...convergence will not eliminate all forms of duality



Thank you

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OECD Employment Outlook, via www.oecd.org/employment/outlook

OECD Employment Database, via www.oecd.org/employment/database

OECD EPL Database www.oecd.org/employment/protection



OECD indicator of employment protection for temporary contracts

2008 and 2013 (where available)

