

# Temporary Employment Boom in Poland. A Job Quality Quantity Trade-off?

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## Poland has the highest temporary jobs share in the EU. It's still puzzling why

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- Temporary employment more than doubled since the recession of early 2000s
- There were no major legal reforms, no Spain-like deregulation
- Quality of jobs replaced unemployment as the main labour issue

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## This paper analyses

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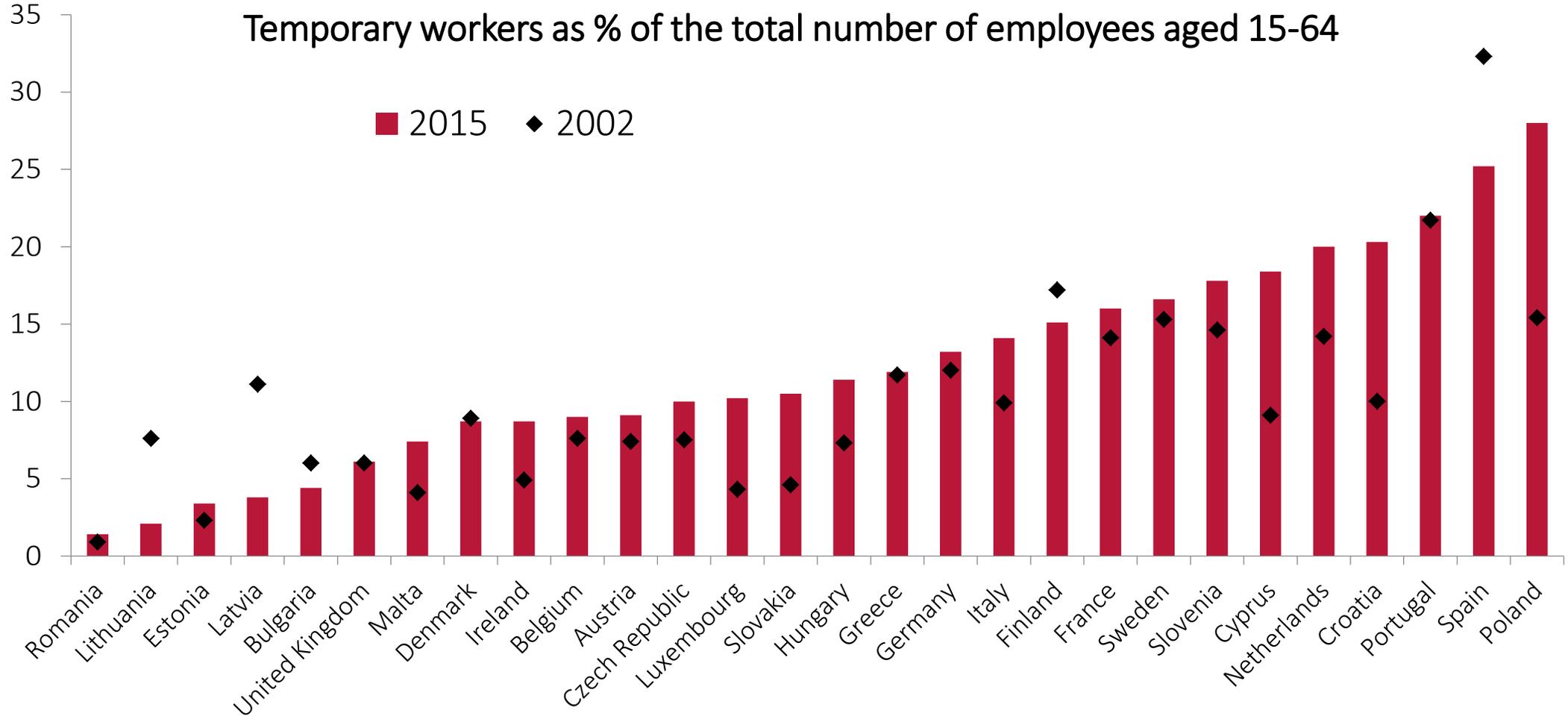


- Temporary jobs from the cost of hiring perspective
- Multidimensional job quality of permanent and temporary workers
- Potential net employment effect of temporary employment boom

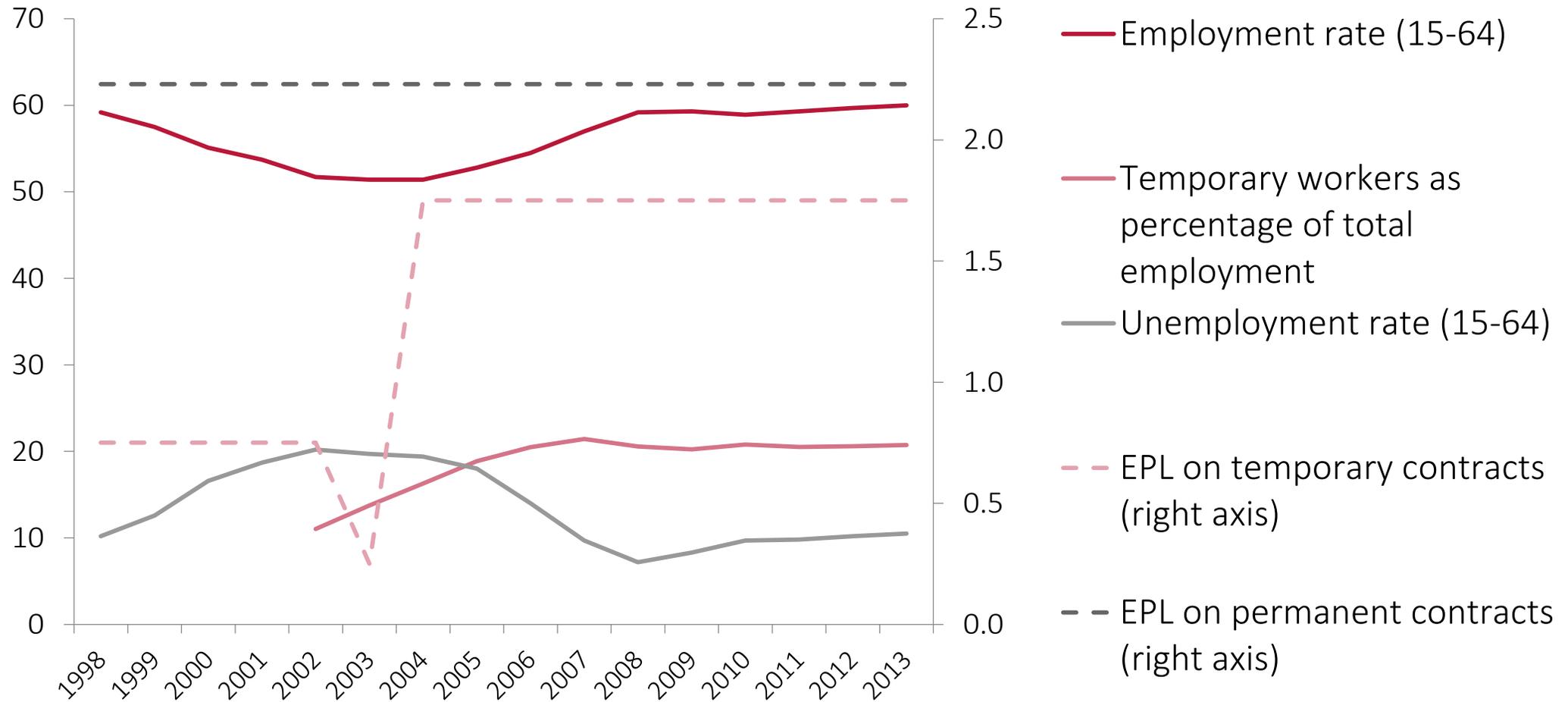
# 86% of the net employment growth in Poland (2002 to 2015) can be attributed to temporary jobs



# Poland became „the second Spain” in terms of temporary jobs share . | :



# Poland is no second Spain in terms of EPL - no partial deregulation. High unemployment preceded the temporary jobs boom



## Important reasons to use temporary contracts are not accounted for by the EPL

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Fixed-term employment contracts are easier to terminate:

- Notice period of 2 weeks
- No need to give a justified cause

Civil law contracts are barely regulated:

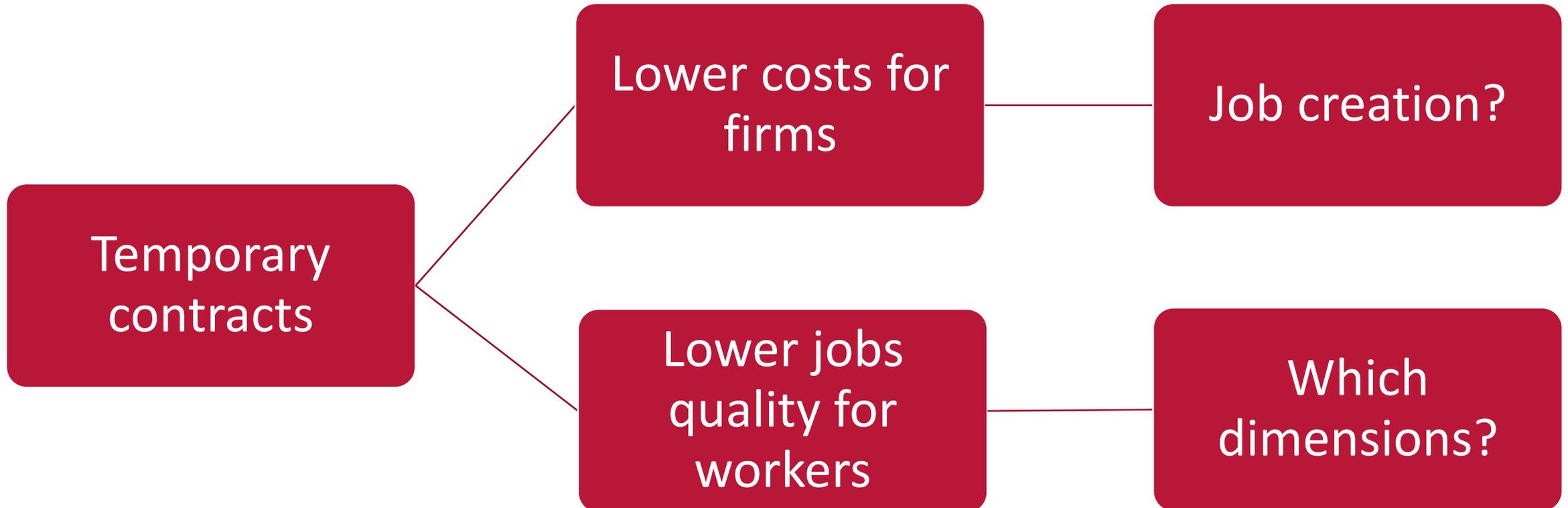
- Even easier termination than FTC
- Lower tax wedge (social security contributions)
- Minimum wage not binding

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We aim to quantify the quantity – quality trade-off

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# We analyse 5 dimensions of job quality



Earnings quality – OECD tercile weighted measure of hourly pay

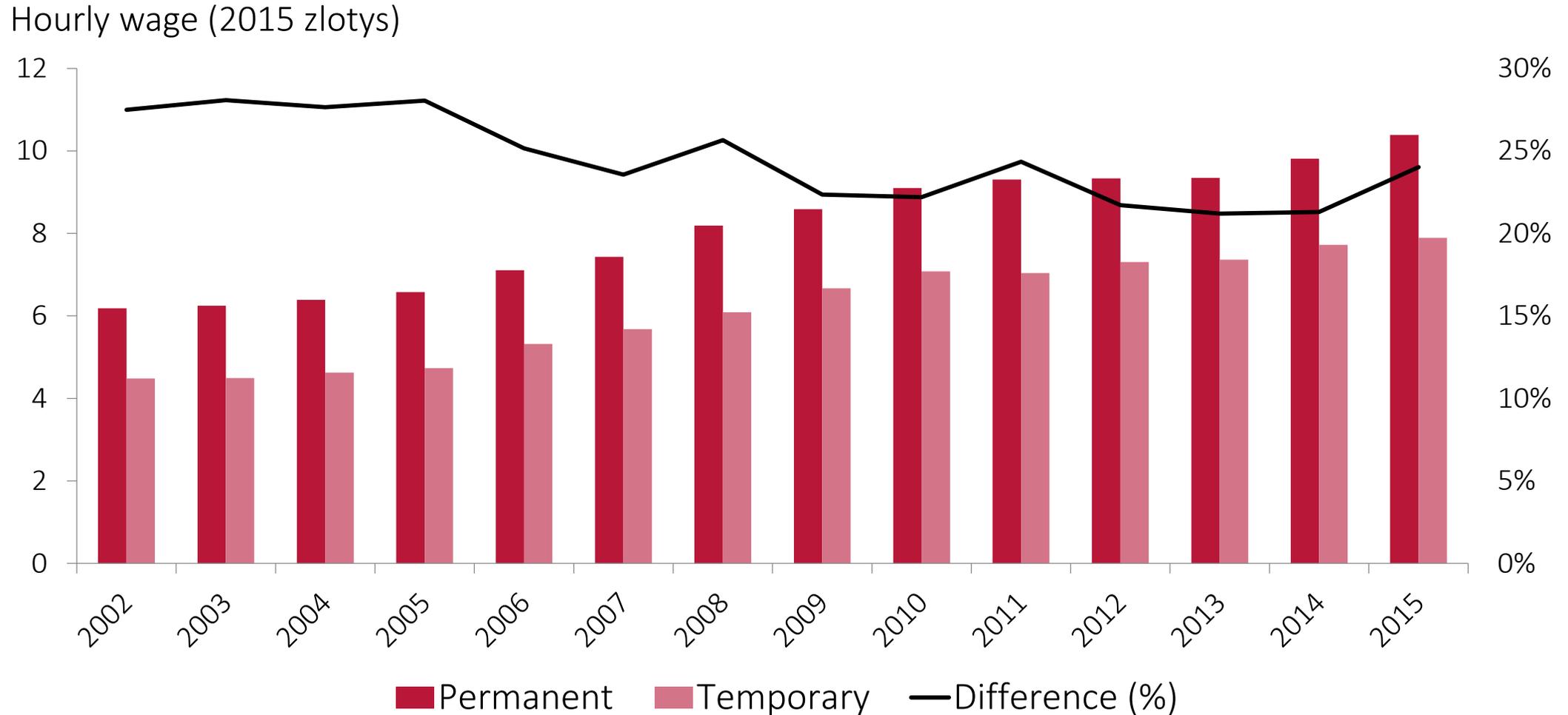
Labour market security – yearly flows to unemployment

Development opportunities – participation in training

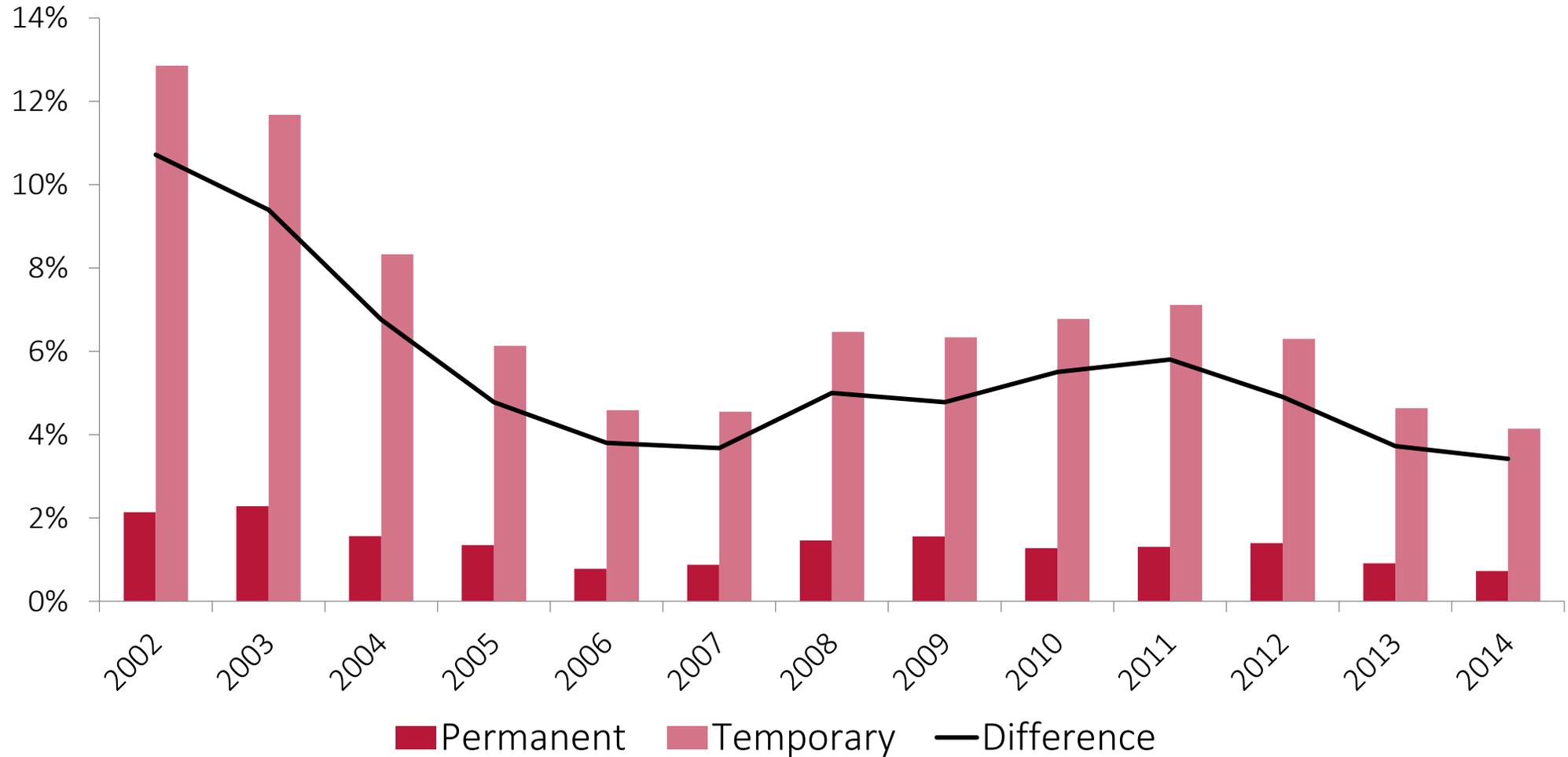
Incidence of long (over 50 hours per week) working hours

Scheduling – a la Eurofound (evening, night, Sat, Sun; 0/50/100)

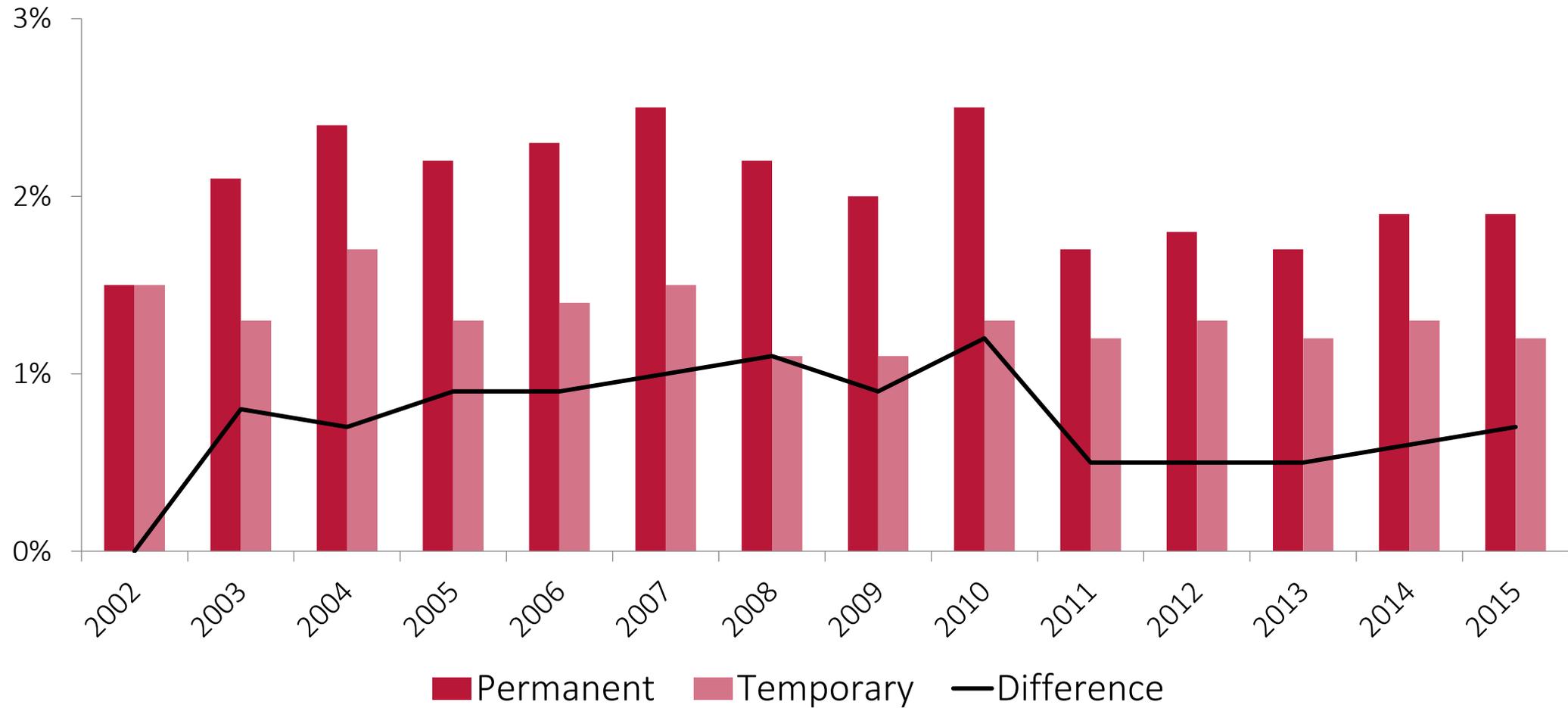
# Earnings quality rose and the gap declined, but it is the crucial margin distinguishing both groups



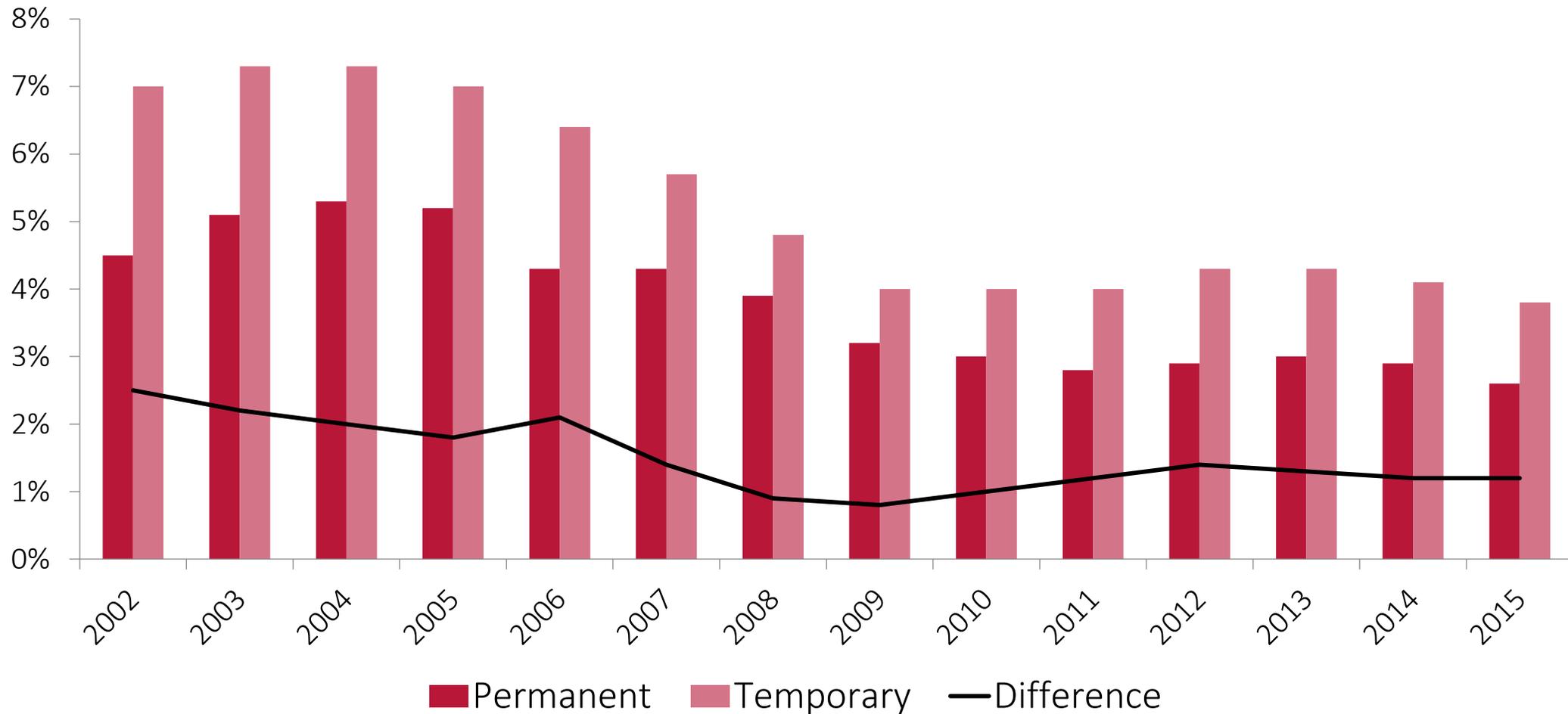
# Job security – the gap in flows to unemployment shrank but remained substantial



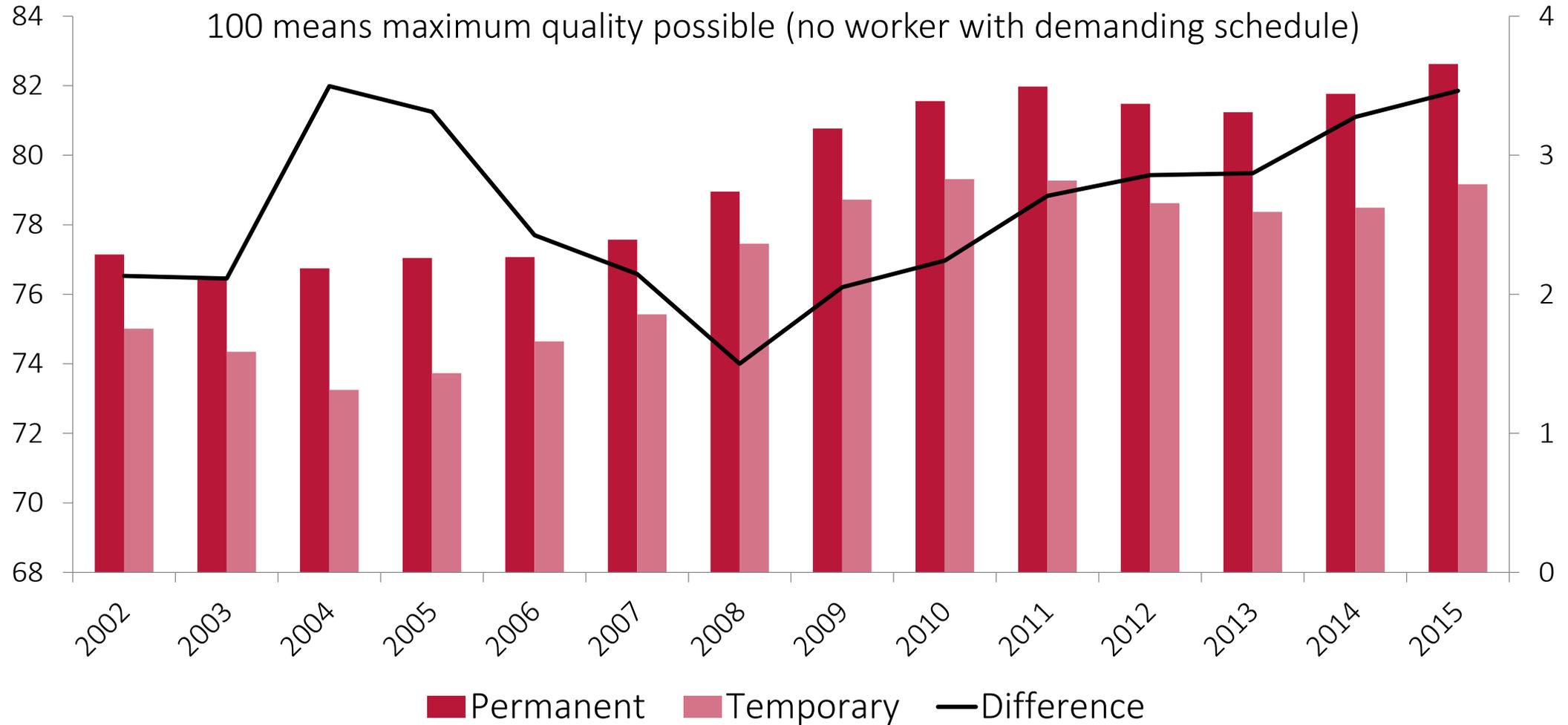
# Participation in training – very low for both groups



# Incidence of long hours (>50 per week) declined for both groups but the gap remained flat after 2008



# The quality of scheduling improved but the gap widened since 2008 . | :



Employment dynamics depends on aggregate demand and the acceptance of temporary contracts



Aggregate demand



- Employment ↑
- Share of temporary jobs –

Acceptance of temporary contracts



- **Employment** ↑?
- Share of temporary jobs ↑

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## Assumptions to identify the potential net employment effect

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- The **lower bound** is **0**: lower labour costs reduce total costs (possibly true for the public sector)
- The **upper bound** identified by assuming that **payroll fund remains fixed**
  - Net employment growth determined by the difference in labour costs between contracts
- Three sources of labour costs difference between contract types:
  - Net wage penalty (Mincerian regression, ~8.5%)
  - Tax wedge (tax model, 5-18%)
  - Firing costs (0-10%-34.5% of annual wage, Heckman and Pages-Serra, 2000)

Jobs of a given type are a function of aggregate demand ( $AD$ )  
and acceptance of temporary contracts ( $\lambda_{prv}$ )



$$T_{prv} = f_T^{prv}(\lambda_{prv}, AD) \quad (\text{temporary jobs})$$

$$M_{prv} = f_M^{prv}(\lambda_{prv}, AD) \quad (\text{permanent jobs})$$

$$\frac{dT_{prv}}{dt} = \overbrace{\frac{\partial T_{prv}}{\partial AD}}^{a_T} \overbrace{\frac{dAD}{dt}}^x + \overbrace{\frac{\partial T_{prv}}{\partial \lambda_{prv}}}^{y_T} \frac{d\lambda_{prv}}{dt} = a_T x + y_T \frac{d\lambda_{prv}}{dt}$$

$$\frac{dM_{prv}}{dt} = \overbrace{\frac{\partial M_{prv}}{\partial AD}}^{a_M} \overbrace{\frac{dAD}{dt}}^x + \overbrace{\frac{\partial M_{prv}}{\partial \lambda_{prv}}}^{y_M} \frac{d\lambda_{prv}}{dt} = a_M x + y_M \frac{d\lambda_{prv}}{dt}$$

Net employment effect doesn't depend on the functional form of temporary contract acceptance, just on the cost difference



$$y_T = -\frac{LC_M}{LC_T} y_M \quad (\text{relative cost drives demand})$$

$$a_T = 1 - a_M = \frac{T_{prv}}{T_{prv} + M_{prv}} \quad (\text{initial temporary share gives neutral AD effect})$$

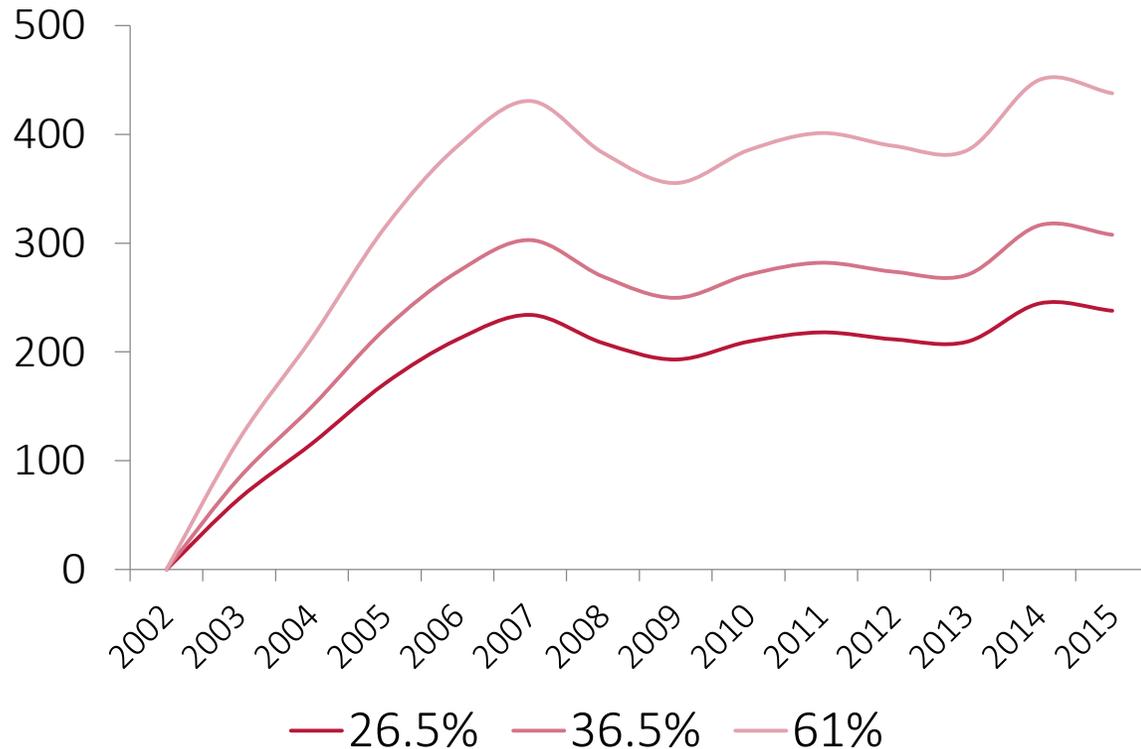
Net employment effect is:

$$\begin{aligned} \frac{d\hat{E}_{prv}}{dt} &= y_T \frac{d\lambda_{prv}}{dt} + y_M \frac{d\lambda_{prv}}{dt} = \left(1 - \frac{LC_M}{LC_T}\right) y_M \frac{d\lambda_{prv}}{dt} = \\ &= \left(1 - \frac{LC_M}{LC_T}\right) \left(\frac{dM_{prv}}{dt} - a_M \frac{dAD}{dt}\right) \end{aligned}$$

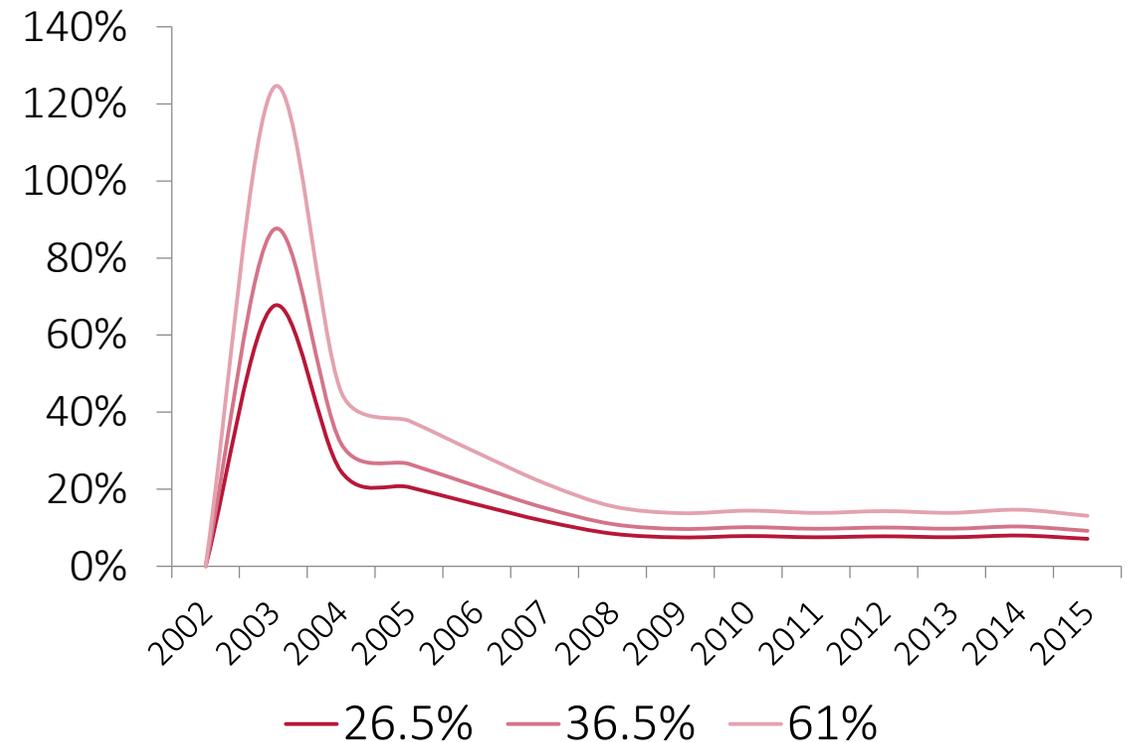
# Net private sector job creation due to temporary jobs boom: upper bound amounts to 7-13% of recorded employment growth



Number of workers (thousands)

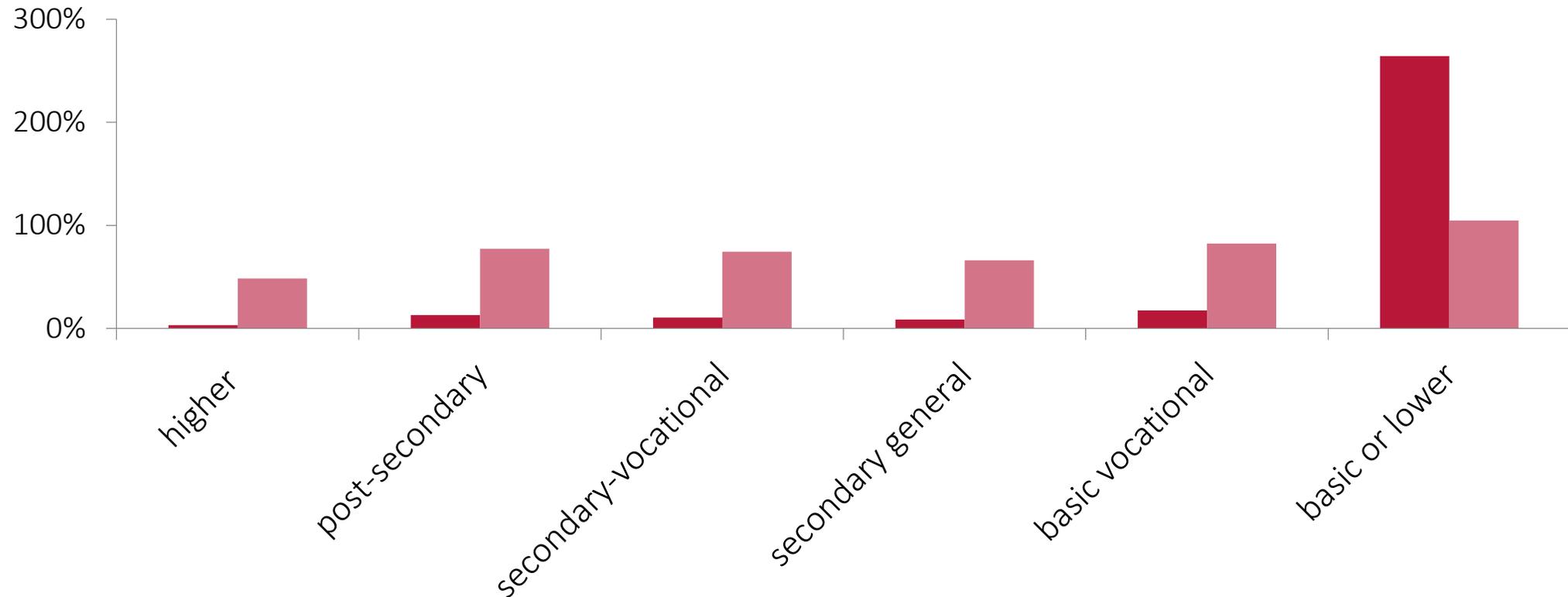


Relative to total employment change



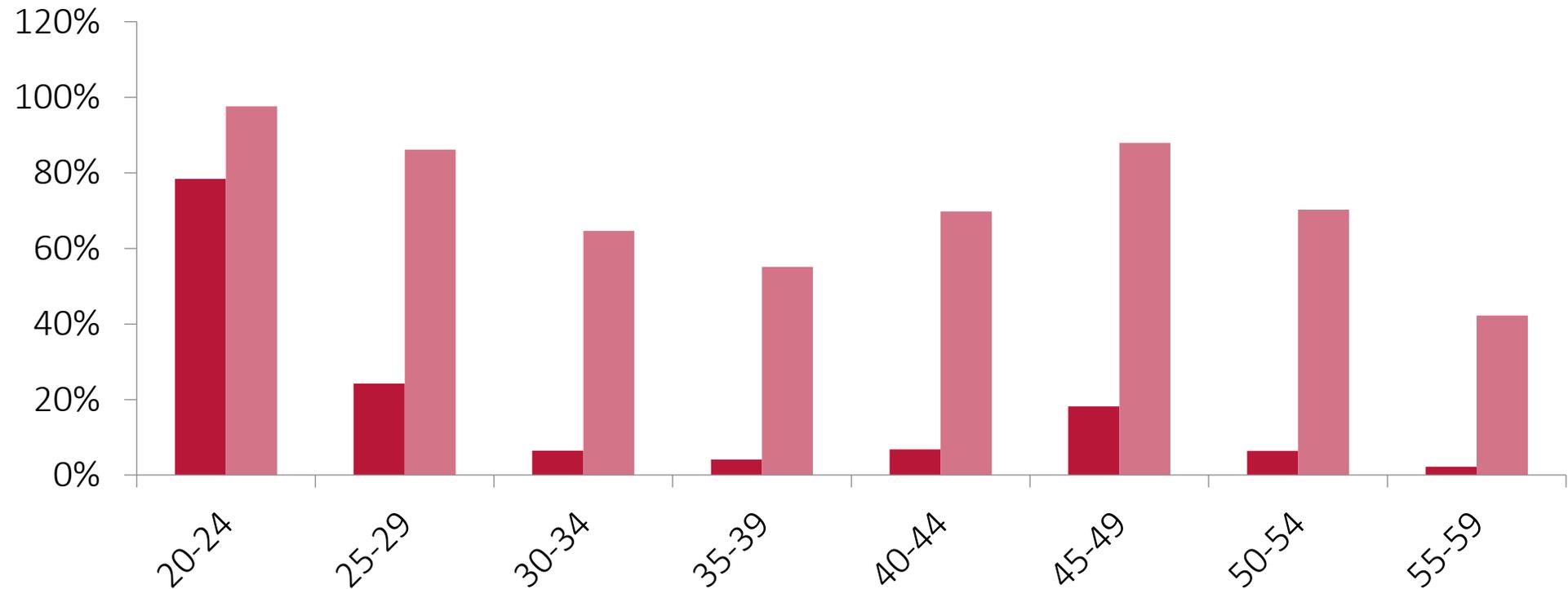
Low (26.5%), medium (36.5%) and high (61%) cost difference scenarios

# Employment net effect concentrated in groups with high unemployment risk



- net job creation due to proliferation of temporary contracts in employment growth
- temporary jobs due to proliferation of temporary jobs in all new temporary jobs

## ... and high labour market flows



- net job creation due to proliferation of temporary contracts in employment growth
- temporary jobs due to proliferation of temporary jobs in all new temporary jobs

## The growth of temporary contracts in Poland involved a moderate job quality and job quantity trade-off

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- Temporary contracts grew in Poland without a change in regulation
- Easier firing and lower tax wedge -> incentives to use them
- Earnings, job security and scheduling most important margins of job quality penalty for temporary workers
- Job creation related to lower cost of temporary contracts  
no more than 7-13% of employment growth between 2002 and 2015

Thanks for listening  
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