



CPB Netherlands Bureau for Economic  
Policy Analysis

## Labour Market Flexibility in the Netherlands

CPB-ROA Publication

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# Not laying off flexible workers

Fraction of workers that worked in quarter t-1 and was unemployed in t





# Introduction

## Permanent employment

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

## Temporary employment

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

## Self-employment

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



# Introduction

## Contribution of this study

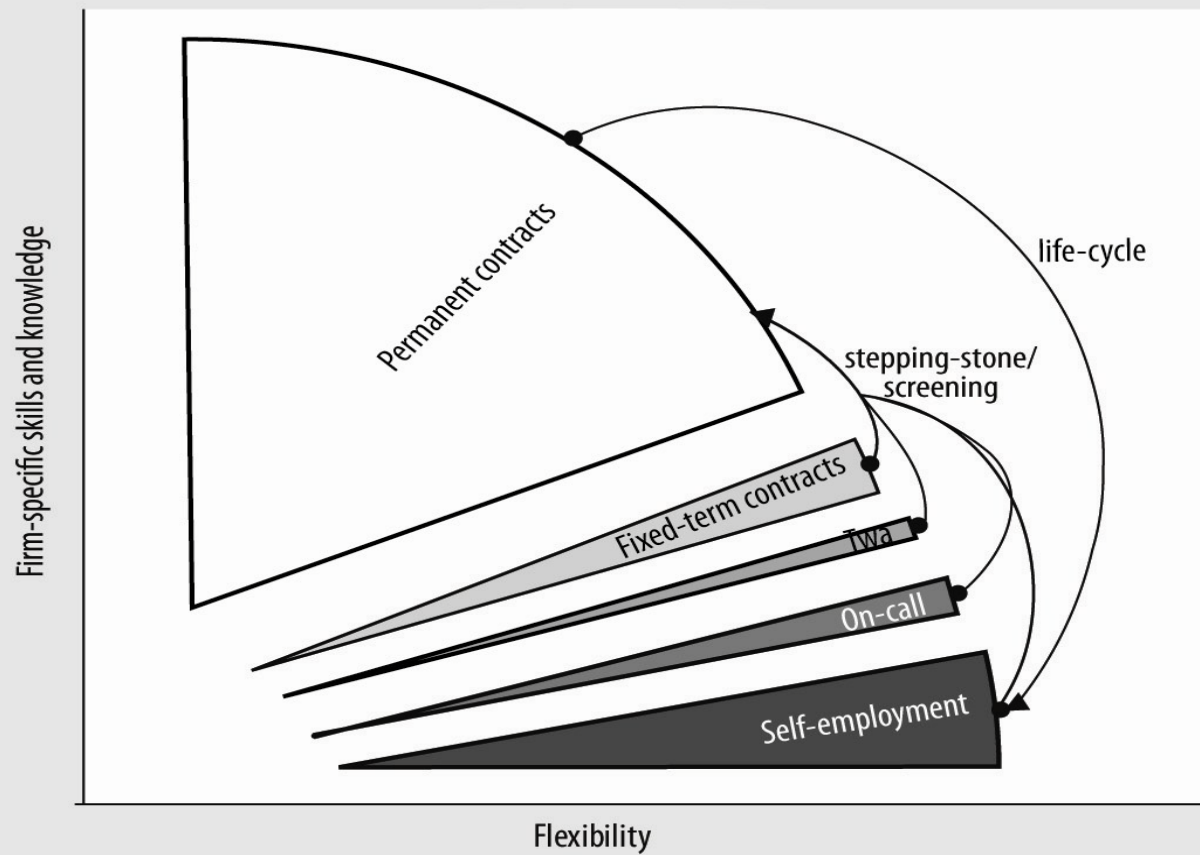
- New empirical evidence on Netherlands
- Framework to discuss advantages and disadvantages of labour market flexibility

## Policy discussion

- What is the role of the various types of labour?
- Does it make sense to have different types of labour?



# Introduction





## Introduction: highly educated men





## Framework: permanent contracts

Permanent contract:

- Highly protected in NL (and other European countries)

Role of such contracts and their protection:

- Fiscal externality (firing costs, experience rating)
- Commitment device (human capital investments)
- However: 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



## Framework: temporary contracts

Temporary contract:

- Low level of protection in NL

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





## Framework: self-employment

Self-employment:

- Highly regulated in NL

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



## Conclusion on different types of labour contracts

Dutch labour market:

- Performs very well (low U, high Pr)
- But concerns about duality

Policy options:

- One type of contract (Spain/Italy/France)
- Mitigate current institutions (comprehensive!)