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

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<th>Age Group</th>
<th>Permanent</th>
<th>Temporary</th>
<th>Self-employed</th>
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<td>15-25</td>
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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!)