

CHAPTER 1

Recent labour market developments and prospects

A. INTRODUCTION

Output in the OECD area has grown only modestly over the past two years and, as Member countries expansions have evolved, the economic situation has become more differentiated. In the United States, growth appears relatively strong and has been associated with stable, low inflation and unemployment. In the Pacific region, Australia and New Zealand have recorded continued growth over the past few years; the upswing finally got underway in Japan in late 1995. In Europe, growth has slowed significantly from the second half of 1995 and, in some countries, unemployment rates are again rising. The OECD-area unemployment rate in the first half of 1996 is estimated to be 7.7 per cent compared with 7.6 per cent in 1995, or over 33½ million people unemployed.

A brief overview of labour market developments and prospects is provided in Section B. The special topic for this year's chapter, temporary employment, is developed in Section C. Among the issues analysed are: How important a labour market phenomenon is temporary employment? How does its incidence vary by age and gender? Is it an important route into jobs for the unemployed? And, on the basis of various longitudinal data sets, is it a persistent or fleeting labour market state? Section D presents the main conclusions.

B. SHORT-TERM OUTLOOK AND PROSPECTS

1. Recent economic trends

Output growth in the OECD area in 1995 was weaker than expected. Real GDP grew by 1.9 per cent compared with 2.7 per cent in 1994. Relative to 1994, growth slowed particularly in North America, Germany, France, the United Kingdom and Denmark (Table 1.1). Weaker-than-anticipated final domestic demand seems to be one factor behind the slowdown, particularly in Europe. On the other hand, Japan experienced a small improvement from 0.5 per cent output growth in 1994 to about 1 per cent in 1995. However, the widespread inventory correction,

which has contributed to the weakness of demand, appears to be coming to an end, and recent indicators suggest that activity is strengthening in North America, while growth in Europe should pick up in the second half of 1996. For the OECD area as a whole, the short-term prospects are for continued moderate growth of 2.1 per cent in 1996, followed by slightly stronger growth in 1997, stemming mainly from a recovery in final domestic demand. However, it is not likely that OECD area unemployment will show much improvement.

The underlying conditions for growth are generally favourable; inflation is low; interest rates have fallen in most countries; and key currency relationships have been brought closer into line with fundamentals. On the other hand, qualitative indicators of business confidence have deteriorated nearly everywhere over the past year, except in Japan. Consumer confidence also seems to have fallen in many countries, particularly France, Germany and some of the smaller European countries [OECD (1996)]. This has given rise to considerable comment and speculation about the link between lower expectations and uncertainty about future prospects and the weakness of final domestic demand. However, interpreting such figures is difficult and the policy implications, if any, are not clear. Nonetheless, provided the underlying conditions are maintained, business and consumer confidence should revive, and demand should strengthen. As a result, output growth is projected to pick-up again in the second half of 1996 and in 1997.

2. Employment and unemployment

Employment in the OECD area as a whole grew by a modest 1 per cent in 1995, roughly the same as 1994. It is projected to slow down to 0.6 per cent in 1996, before recovering to about 1 per cent in 1997 (Table 1.2).

There is considerable variation across countries. Employment growth in 1995 was strongest in Australia and New Zealand, followed by Ireland and Spain. Compared with 1994, it slowed down considerably in North America, which has been in recovery for a relatively long period of time. The modest rate of job growth in the European Union – 0.6 per cent –

Table 1.1. **Growth of real GDP in OECD countries^a**

Annual percentage change

	Share in total OECD GDP	Average			Projections	
	1991	1983-1993	1994	1995	1996	1997
North America	42.8	2.8	3.5	1.5	2.3	2.3
Canada	3.3	2.7	4.6	2.2	2.1	3.4
Mexico	2.7	2.0	3.5	-6.8	3.0	4.0
United States	36.8	2.9	3.5	2.0	2.3	2.0
Japan	14.9	3.6	0.5	0.9	2.2	2.4
Central and Western Europe	25.7	2.3	3.0	2.2	1.3	2.6
Austria	0.8	2.4	3.0	1.8	0.8	1.5
Belgium	1.1	2.0	2.2	1.9	1.0	2.4
Czech Republic	0.6	..	2.6	4.8	5.6	5.8
France	6.4	2.0	2.8	2.2	1.0	2.4
Germany ^b	8.4	2.8	2.9	1.9	0.5	2.4
Ireland	0.3	3.9	6.4	7.7	6.0	5.0
Luxembourg	0.1	3.7	3.3	3.7	1.9	3.0
Netherlands	1.5	2.6	2.7	2.4	1.6	2.6
Switzerland	0.9	1.8	1.2	0.7	0.5	1.7
United Kingdom	5.6	2.2	3.8	2.4	2.2	3.0
Southern Europe	12.1	2.8	1.0	3.5	2.3	2.8
Greece	0.6	1.8	1.5	2.0	2.2	2.3
Italy	6.1	2.1	2.2	3.0	1.7	2.3
Portugal	0.6	2.9	0.8	2.5	2.3	2.7
Spain	3.1	2.8	2.1	3.0	2.3	2.7
Turkey	1.7	5.4	-5.5	7.3	4.5	5.0
Nordic countries	2.5	1.7	4.0	3.3	2.1	2.5
Denmark	0.6	1.9	4.4	2.6	1.1	2.7
Finland	0.5	1.1	4.4	4.2	2.4	3.5
Iceland	0.0	2.2	3.5	2.0	3.6	3.4
Norway	0.5	2.7	5.7	3.7	4.2	2.4
Sweden	0.9	1.2	2.6	3.0	1.3	2.0
Oceania	2.0	3.0	5.0	2.9	3.0	3.3
Australia	1.7	3.3	5.2	3.1	3.1	3.3
New Zealand	0.3	1.5	4.1	2.2	2.7	3.4
OECD Europe	40.3	2.4	2.5	2.7	1.6	2.7
EU	36.6	2.3	2.8	2.5	1.4	2.5
Total OECD	100.0	2.8	2.7	1.9	2.1	2.5

.. Data not available.

a) Aggregates are computed on the basis of 1991 GDP weights expressed in 1991 purchasing power parities.

b) The average growth rate has been calculated by chaining on data for the whole of Germany to the corresponding data for western Germany prior to 1992.

Source: *OECD Economic Outlook*, No. 59, June 1996.

was the first gain since 1991; in particular, Finland and Sweden recorded employment increases for the first time since the major employment losses of employment of the early 1990s.

Labour force growth in the OECD area slowed to 0.7 per cent in 1995, down from about one per cent in 1994 (Table 1.2). In fact, in Austria, Germany, the United Kingdom, Denmark, Portugal and Switzerland the labour force fell. In Australia, on the other hand, the labour force grew strongly, at 2.8 per cent.

During 1995, employment growth slightly outpaced the labour force so that the unemployment

rate fell slightly to 7.6 per cent for the OECD area as a whole (Table 1.3). However, the rate rose back to 7.7 per cent over the first half of 1996. There are very large differences across countries. Unemployment in Europe is well over 10 per cent compared with about 6 per cent in North America. In Japan, the unemployment rate edged up to 3.1 per cent in 1995 and is expected to be around 3.2 per cent by 1997. The latest projections embody little improvement for the OECD as a whole before the end of 1997.

Thus, labour market performance remains unsatisfactory in many OECD countries. Weak employment

Table 1.2. **Employment and labour force growth in OECD countries**
Annual percentage change

	Employment						Labour force					
	Level 1994 (000s)	Average 1983-1993	1994	1995	Projections 1996 1997		Level 1994 (000s)	Average 1983-1993	1994	1995	Projections 1996 1997	
North America^a	151 066	1.8 |	2.2	1.3	1.2	1.3	161 145	1.5 |	1.4	1.1	1.1	1.3
Canada	13 292	1.6	2.1	1.6	1.4	2.1	14 832	1.5	1.1	0.7	1.2	1.7
Mexico ^b	14 709	..	1.4	-1.0	2.0	2.5	15 276	..	1.7	1.7	1.7	2.0
United States	123 065	1.8	2.3	1.6	1.1	1.1	131 036	1.5	1.4	1.0	1.0	1.1
Japan	64 536	1.2	0.1	0.1	0.1	0.4	66 455	1.2	0.4	0.3	0.2	0.3
Central and Western Europe	106 092	0.6	0.0	0.5	-0.1	0.5	117 305	0.7	0.2	0.0	0.3	0.4
Austria	3 452	0.8	0.2	-0.4	-0.6	-0.2	3 667	1.0	0.0	-0.3	-0.3	0.1
Belgium	3 686	0.5	-0.7	0.4	-0.1	0.3	4 240	0.3	0.4	0.3	0.0	0.1
Czech Republic	5 049	..	1.2	2.0	1.6	1.4	5 215	..	0.8	1.8	1.7	1.5
France	22 295	0.1	0.3	1.1	-0.3	0.2	25 409	0.5	0.9	0.3	0.2	0.4
Germany ^c	34 957	0.7	-0.7	-0.2	-0.9	0.2	38 655	0.7	0.1	-0.4	0.2	0.2
Ireland	1 225	0.4	3.5	3.0	2.3	2.1	1 429	0.6	1.9	1.3	1.8	1.8
Luxembourg	165	0.8	0.7	0.7	0.1	0.6	170	0.9	1.4	1.0	0.1	0.5
Netherlands	5 920	1.8	-0.1	1.5	1.2	1.2	6 406	1.3	1.0	1.0	1.1	1.1
Switzerland	3 775	1.5	-0.2	0.2	0.2	0.3	3 962	1.9	0.0	-0.4	0.2	0.1
United Kingdom	25 567	0.6	0.7	0.6	0.3	1.0	28 153	0.6	-0.4	-0.5	0.0	0.5
Southern Europe	59 521	0.7	0.2	1.2	0.9	1.2	68 276	0.9	1.2	0.9	1.0	1.0
Greece	3 790	0.5	1.9	0.9	0.7	1.0	4 193	0.7	1.8	1.3	0.9	1.2
Italy	20 120	0.0	-1.7	-0.6	0.2	0.2	22 680	0.2	-0.5	0.2	0.4	0.1
Portugal	4 218	0.3	-0.1	-0.6	0.1	0.2	4 531	0.1	1.3	-0.3	0.3	0.3
Spain	11 730	0.6	-0.9	2.7	0.7	1.1	15 468	1.2	1.0	1.0	0.7	0.8
Turkey	19 664	1.7	2.5	2.5	1.8	2.3	21 403	1.7	3.0	1.8	2.0	2.0
Nordic countries	10 581	-0.4	-0.3	1.8	0.7	1.0	11 843	0.1	-0.5	0.8	0.1	0.5
Denmark	2 471	0.2	-0.6	1.8	0.3	0.6	2 815	0.4	-0.7	-0.6	-0.6	0.5
Finland	2 024	-1.6	-0.8	2.2	1.1	1.7	2 480	-0.2	-0.2	0.7	0.2	0.6
Iceland	126	0.8	1.0	1.0	1.7	1.4	132	1.2	1.4	1.3	1.0	1.0
Norway	2 034	0.3	1.5	2.0	1.5	1.1	2 150	0.6	0.9	1.5	0.9	0.9
Sweden	3 926	-0.6	-0.9	1.6	0.3	0.7	4 266	-0.1	-1.2	1.3	0.2	0.3
Oceania	9 507	1.6	3.3	4.2	1.6	1.8	10 497	1.8	1.9	2.8	1.8	1.7
Australia	7 947	1.9	3.1	4.1	1.5	1.8	8 800	2.1	1.7	2.8	1.7	1.7
New Zealand	1 559	0.3	4.2	4.7	2.2	1.8	1 698	0.7	2.7	2.6	2.1	2.0
OECD Europe	176 194	0.6	0.1	0.8	0.3	0.8	197 424	0.7	0.5	0.3	0.5	0.6
EU	145 546	0.4	-0.3	0.6	0.0	0.5	164 562	0.6	0.2	0.1	0.3	0.4
Total OECD^a	401 303	1.1 |	0.9	1.0	0.6	0.9	435 521	1.1 |	0.9	0.7	0.7	0.8

.. Data not available.

| Break in the series.

a) Averages for 1983-1993 exclude Mexico.

b) Data based on the National Survey of Urban Employment (see "Sources and Methods", *OECD Economic Outlook*, No. 59, June 1996).

c) The average growth rate has been calculated by chaining on data for the whole of Germany to the corresponding data for western Germany prior to 1992.

Source: *OECD Economic Outlook*, No. 59, June 1996.

Table 1.3. **Unemployment in OECD countries^a**

	Percentage of labour force					Millions				
	Average 1983-1993	1994	1995	Projections 1996 1997		Average 1983-1993	1994	1995	Projections 1996 1997	
North America^b	7.1	6.3	6.0	5.9	5.9	9.6	10.1	9.8	9.7	9.8
Canada	9.9	10.4	9.5	9.3	9.0	1.4	1.5	1.4	1.4	1.4
Mexico ^c	..	3.7	6.3	6.0	5.5	..	0.6	1.0	0.9	0.9
United States	6.8	6.1	5.6	5.5	5.6	8.2	8.0	7.4	7.4	7.5
Japan	2.5	2.9	3.1	3.3	3.2	1.5	1.9	2.1	2.2	2.1
Central and Western Europe	8.5	9.6	9.0	9.4	9.3	8.7	11.2	10.6	11.0	11.0
Austria	4.7	5.9	5.9	6.2	6.5	0.2	0.2	0.2	0.2	0.2
Belgium	11.2	13.1	13.0	13.2	13.0	0.5	0.6	0.6	0.6	0.6
Czech Republic	..	3.2	3.0	3.1	3.2	..	0.2	0.2	0.2	0.2
France	9.9	12.3	11.6	12.1	12.2	2.4	3.1	3.0	3.1	3.1
Germany ^d	7.5	9.6	9.4	10.3	10.4	2.4	3.7	3.6	4.0	4.0
Ireland	15.5	14.2	12.9	12.4	12.2	0.2	0.2	0.2	0.2	0.2
Luxembourg	1.6	2.7	3.0	2.9	2.8	0.0	0.0	0.0	0.0	0.0
Netherlands	7.7	7.6	7.1	7.0	6.9	0.5	0.5	0.5	0.5	0.5
Switzerland	1.3	4.7	4.2	4.2	4.0	0.0	0.2	0.2	0.2	0.2
United Kingdom	9.2	9.2	8.2	7.9	7.5	2.5	2.6	2.3	2.2	2.1
Southern Europe	10.8	12.8	12.6	12.7	12.6	6.9	8.8	8.7	8.9	8.8
Greece	7.9	9.6	10.0	10.2	10.4	0.3	0.4	0.4	0.4	0.4
Italy	9.3	11.3	12.0	12.1	12.0	2.1	2.6	2.7	2.8	2.7
Portugal	6.4	6.9	7.2	7.4	7.5	0.3	0.3	0.3	0.3	0.3
Spain	19.3	24.2	22.9	22.9	22.7	2.7	3.7	3.6	3.6	3.6
Turkey	7.9	8.1	7.5	7.7	7.4	1.5	1.7	1.6	1.7	1.7
Nordic countries	5.6	10.7	9.7	9.2	8.8	0.6	1.3	1.2	1.1	1.1
Denmark	9.7	12.2	10.0	9.2	9.2	0.3	0.3	0.3	0.3	0.3
Finland	6.9	18.4	17.2	16.4	15.5	0.1	0.5	0.4	0.4	0.4
Iceland	1.6	4.7	5.0	4.4	4.0	0.0	0.0	0.0	0.0	0.0
Norway	4.0	5.4	4.9	4.3	4.1	0.1	0.1	0.1	0.1	0.1
Sweden	3.2	8.0	7.7	7.6	7.2	0.1	0.3	0.3	0.3	0.3
Oceania	8.2	9.4	8.2	8.3	8.3	0.7	1.0	0.9	0.9	0.9
Australia	8.6	9.7	8.5	8.7	8.6	0.6	0.9	0.8	0.8	0.8
New Zealand	6.5	8.1	6.3	6.2	6.4	0.1	0.1	0.1	0.1	0.1
OECD Europe	9.1	10.8	10.3	10.5	10.4	16.2	21.2	20.5	21.0	20.9
EU	9.5	11.6	11.2	11.4	11.3	14.6	19.0	18.4	18.9	18.8
Total OECD^b	7.3	7.9	7.6	7.7	7.6	28.0	34.2	33.2	33.8	33.7

.. Data not available.

| Break in the series.

a) According to commonly used definitions (see *OECD Economic Outlook*, No. 59, June 1996).

b) Averages for 1983 -1993 exclude Mexico.

c) Data based on the National Survey of Urban Employment (see "Sources and Methods", *OECD Economic Outlook*, No. 59, June 1996).

d) Data prior to 1991 refer to western Germany only.

Source: *OECD Economic Outlook*, No. 59, June 1996.

growth and persistently high levels of unemployment have gone hand-in-hand with large numbers of long-term unemployed (see Statistical Annex Table Q). In countries such as Belgium, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain and the United Kingdom, 40 per cent or more of the unemployed have been looking for work for at least one year. Youth unemployment rates are especially high and, in a number of countries, have increased from the early 1980s (see Chapter 4). Persistent unemployment imposes hardship on many households and

individuals, and may also have contributed to the recent decline in consumer confidence mentioned above.

3. Wages, unit labour costs and inflation

Wage increases, as measured by average compensation per employee in the business sector (Table 1.4), picked up in 1995 in the OECD area, and are projected to increase slightly further in 1996,

Table 1.4. **Business sector labour costs in OECD countries^a**
 Percentage changes from previous period

	Compensation per employee					Unit labour costs				
	Average 1983-1993	1994	1995	Projections 1996 1997		Average 1983-1993	1994	1995	Projections 1996 1997	
North America	7.1	2.9	4.1	4.4	4.3	6.1	2.1	4.7	3.5	3.1
Canada	4.6	1.8	1.1	2.7	2.5	3.3	-0.8	0.8	2.2	1.3
Mexico	48.4	9.3	25.0	27.0	19.0	48.9	7.0	35.2	24.3	16.5
United States	4.2	2.5	2.8	2.9	3.3	3.2	2.0	2.8	2.1	2.3
Japan	3.0	1.3	1.1	1.6	1.9	0.4	0.9	0.2	-0.8	-0.3
Central and Western Europe^b	5.0	2.9	2.9	3.4	3.3	2.9	-0.1	1.1	1.7	1.0
Austria	5.1	3.4	4.1	3.2	3.4	3.0	-0.3	1.5	1.5	1.4
Belgium	5.0	3.1	1.4	1.9	2.7	3.2	0.0	-0.2	0.6	0.5
Czech Republic	..	18.4	18.3	17.6	17.8	..	16.8	14.9	12.7	12.5
France	4.8	1.6	1.8	2.8	2.7	2.4	-1.5	0.5	1.2	0.2
Germany ^c	4.3	3.5	3.4	3.7	2.9	2.0	-0.5	1.0	2.0	0.5
Ireland	6.2	2.9	3.0	3.5	3.8	2.4	-0.3	-1.7	-0.6	0.9
Netherlands	2.4	2.5	2.6	1.8	2.7	1.0	-0.4	1.0	1.0	0.9
Switzerland	5.0	1.4	1.4	1.4	1.9	4.7	-0.2	0.8	1.1	0.4
United Kingdom	7.1	2.5	2.4	3.5	3.7	5.4	0.4	1.1	1.5	1.5
Southern Europe^b	8.9	4.4	4.6	4.7	4.7	6.5	0.9	1.8	2.9	2.6
Greece	15.0	13.8	13.7	10.2	8.2	13.4	14.3	12.3	8.4	6.6
Italy	8.1	3.8	4.2	4.5	4.9	5.8	-0.5	0.3	2.6	2.5
Portugal	15.1	6.5	6.5	5.5	4.9	11.6	5.4	2.8	2.7	1.9
Spain	8.0	3.4	3.2	3.9	3.7	5.4	0.1	2.6	2.3	2.1
Nordic countries^b	6.8	4.5	3.9	4.0	4.5	4.4	-0.3	2.7	2.9	2.6
Denmark	4.8	3.3	3.7	3.8	3.9	2.7	-1.8	3.1	2.4	1.2
Finland	7.8	5.3	3.8	2.9	2.9	4.0	-1.5	1.5	1.3	1.0
Norway	6.0	2.9	2.5	2.8	5.7	4.4	-0.8	1.6	2.2	4.2
Sweden	7.9	5.6	4.7	5.2	4.9	5.6	1.6	3.8	4.3	3.6
Oceania	6.0	0.8	2.5	4.4	3.9	4.5	-0.7	4.0	2.8	2.3
Australia	5.8	0.6	2.6	4.7	4.1	4.2	-1.2	3.8	2.9	2.4
New Zealand	7.1	1.7	2.0	3.1	3.1	5.7	2.1	5.2	2.7	1.5
OECD Europe^b	6.2	3.4	3.4	3.8	3.8	4.0	0.1	1.4	2.1	1.5
EU^b	6.3	3.3	3.3	3.7	3.6	4.0	-0.1	1.2	2.0	1.3
Total OECD^b	6.1	2.8	3.4	3.8	3.7	4.4	1.1	2.7	2.3	1.9

.. Data not available.

a) Aggregates are computed on the basis of 1991 GDP weights expressed in 1991 purchasing power parities.

b) Countries shown.

c) The average growth rate has been calculated by chaining on data for the whole of Germany to the corresponding data for western Germany prior to 1992.

Source: *OECD Economic Outlook*, No. 59, June 1996.

before falling in 1997. However, at 3.4 per cent they are still below the average annual rate of growth for the period 1983-1993. The growth of the average compensation per employee is projected to increase from 2.5 per cent in 1995 to 2.9 per cent in 1996 in the G-7 countries and to 3.1 per cent in 1997. It is also expected to increase in Europe, from 3.5 to 3.8 per cent, in both 1996 and 1997.

The growth of unit labour costs rose from 0.8 per cent in 1994 to 1.6 per cent in 1995 in the G-7 countries, and increased from 1.1 per cent to 2.7 per cent, in the OECD area as a whole. However, the rate of increase is expected to slacken in both 1996 and

1997, owing to a projected slowdown in nominal compensation growth. Labour productivity is expected to grow about 1.5 per cent in 1996 and about 1.6 per cent in 1997 in the OECD area as a whole, up from just under 1 per cent in 1995.

C. TEMPORARY JOBS

1. Introduction

The phenomenon of temporary employment arrangements has led to considerable analysis over

the last decade. Indeed, a lively debate exists about its role in fostering labour market flexibility and its association with the issues of job insecurity and instability. In addition, some commentators have argued that non-standard forms of employment may exacerbate insider bargaining power in wage formation and segmentation in labour markets by creating a pool of marginal labour [Bentolila and Dolado (1994)]. It is especially germane to take-up the issue again because the availability of a long time series for a number of OECD countries enables analysis of temporary employment over a complete economic cycle. This section updates and expands upon the analysis of temporary employment presented in the 1993 *Employment Outlook*.

Any analysis of temporary work arrangements must bear in mind that the definitions and regulations governing it differ across countries and have often changed over time [OECD (1993); Marullo (1995)]. That is, there are many employment arrangements that might be considered temporary and their relative importance can differ across institutional, legal and policy settings. The 1993 *Employment Outlook* examined in-depth the regulations and requirements for the use of temporary work arrangements, in particular fixed-term contracts and temporary work through temporary work agencies. Given the important differences in definitions and regulations of temporary employment across OECD countries, cross-country comparisons of the incidence of temporary employment are hazardous.

This section addresses the following issues: First, how has temporary employment varied across countries by age, gender and time? Second, is there any evidence that temporary job arrangements exhibit cyclical behaviour? Third, using retrospective data from labour force surveys, what was the previous labour force status of persons currently holding temporary jobs? In particular, the section considers flows from unemployment and the temporary/permanent job split. Finally, use is made of longitudinal data for several countries (France, Germany, Great Britain and Spain). The importance of such data is that it is possible to examine the critical question of whether or not workers get trapped in a series of short-term jobs or whether such jobs are simply stepping stones eventually leading to more stable and permanent employment.¹

2. The evolution of temporary employment

The data come from the European Union Labour Force Survey, supplied by EUROSTAT, and from national labour force surveys. The relevant coverage and definitions are outlined in Table 1.5. It is obvious from the table that definitions can differ considerably. For example, in Ireland reference is to occasional or

seasonal jobs, in Germany the focus is on limited duration contracts, in France there is a wide variety of temporary contractual arrangements, and in Australia this group refers to casual employment.² In addition, countries differ in the way that questions are asked. In some, respondents are simply asked to describe whether or not their job is temporary or of limited duration. In others, a series of questions are posed to distinguish a variety of work/contract arrangements. Because of such dissimilarities, caution is required in interpreting cross-country differences in this form of employment.

Table 1.6 shows that the incidence of temporary employment differs greatly by age and, to some extent, by gender. Thus, in all countries, employed teenagers are generally far more likely to be in temporary jobs. Indeed, in both France and Spain in 1994 at least eight out of every ten teenage workers were in temporary jobs. However, the incidence of temporary work declines steadily with age in all countries. Finally, in all countries, employed women are more likely than employed men to be in a temporary work arrangement of some kind.

Trends in temporary employment also differ considerably across countries (Chart 1.1). Contrary to some widely-held beliefs, the data in Table 1.6 and Chart 1.1 show that temporary work arrangements have not grown much in most OECD countries. As a proportion of total employment, it has grown considerably since the early 1980s in Australia, France, the Netherlands and, especially, Spain. At the same time, it has decreased somewhat in Belgium, Greece, Luxembourg and Portugal. In Germany, Japan, Denmark and Italy, it has remained relatively constant, while it is pro-cyclical in the United Kingdom, and, perhaps, Sweden. In the cases of Spain and France, the growth of temporary work is clearly related to changes in legislation.

While there are differences in levels as between men and women, the evolution in the incidence of temporary employment has tended to be similar (Table 1.6). That is, where it has increased for men, it has also increased among women. The only exceptions are Japan and Germany, where temporary employment increased slightly among men and declined slightly among women, and Denmark, which shows the opposite pattern. In countries where the incidence of temporary employment has increased substantially, e.g. Australia, France and Spain, it has also increased, often substantially, *within* every age group. On the other hand, where it has not varied much overall (examples are Denmark and the United Kingdom), the incidence has declined among teenagers, while increasing somewhat among young and mature adults.³

Table 1.5. **Definitions of temporary employment in selected OECD countries' labour force surveys**

	Coverage	Questionnaire ask whether the job is:	Are fixed-term contracts separable from agency working?	Is agency working included?	Special categories identifiable
Australia	Employees	Casual	Not applicable	Not known	
Belgium	All working (including self-employment)	Temporary job or fixed-term contract	No	Yes	Probationary contracts and participants in special measures
Canada	Paid workers, employees	Job with a specific end-date			
Denmark	Employees	Temporary job	Not applicable	Yes	No
Finland	Employees	Fixed-term contract, contract for a specific task, replacement contract or job creation participants	Yes	Not known	Participants in special measures
France	Employees	Agency work, apprentices, trainees (including those on special measures), time-limited or seasonal contracts	Yes, time-limited and seasonal also separable	Yes	Temporary employees in the public sector
Germany	Employees	Time-limited contracts including apprenticeships	Not applicable	No (have open-ended contracts)	Apprentices
Greece	Employees	Temporary job or fixed-term contract	No	No (not permitted)	Probationary contracts
Ireland	All working (including self-employment)	Occasional or seasonal job	No	Yes	No
Italy	Employees	Temporary job	Not applicable	No (not permitted)	Probationary contracts
Japan	Employees	Employed on a contract lasting more than 1 month, but less than 1 year	No	Not known	Day workers
Luxembourg	Employees	Time-limited contracts, including apprenticeships	Not applicable	Yes	Probationary contracts and apprentices
Netherlands	Employees	Agency work, on-call contract or replacement contract	Yes	Yes	Probationary contracts and temporary contracts, unless there is no time limit
Portugal	All working (including self-employment)	Non-permanent contract	Not applicable	Yes	No
Spain	Employees	Temporary contract or job	No	Allowed recently, very strict limitations	Probationary contracts, seasonal or temporary work
United Kingdom	Employees not in special measures	Seasonal job, fixed-term contract, agency work, casual work, and other temporary work	Yes	Yes	Participants in special measures and temporary workers (no time limit on contract)
United States	All working (including self-employment)	Lack of an implicit or explicit contract for ongoing employment	Not applicable	Yes	Workers who do not expect their job to last

Sources: Updated from Bernard Casey (1994) (EU countries); United States: *Report on the American Workforce*, US Department of Labor, 1995; Canada: *Perspectives on Labour and Income*, 1995; and Japan: Houseman and Osawa (1995).

Table 1.6. **Incidence of temporary employment by age and gender**

Percentages

	1983	1994	Mean (1983-1994)	Standard deviation	Men		Women		Aged 16-19 years		Aged 20-24 years		Aged 25 years	
					1983	1994	1983	1994	1983	1994	1983	1994	1983	1994
Australia ^a	15.6	23.5	19.6	2.7	9.0	17.9	26.2	30.6	29.8	58.7	14.0	26.1	14.0	19.5
Belgium	5.4	5.1	5.6	0.7	3.8	3.5	8.5	7.5	29.2	38.6	12.9	16.0	3.2	3.6
Canada ^b	7.5	8.8	..	..	6.9	9.2	8.2	8.5	13.6	16.7	..	..	6.0	7.3
Denmark	12.5	12.0	11.4	0.8	12.2	11.1	12.7	12.9	40.1	28.6	25.7	33.1	6.6	7.6
Finland ^c	11.3	13.5	11.8	1.1	9.3	12.3	13.3	14.7	..	..	..	..	..	..
France	3.3	11.0	7.8	2.9	3.3	9.7	3.4	12.4	36.5	80.8	5.9	35.0	1.4	7.6
Germany ^d	10.0	10.3	10.6	0.6	9.0	9.8	11.5	11.0	62.3	74.0	16.9	23.2	3.5	5.9
Greece ^e	16.2	10.3	15.7	3.6	16.6	10.2	15.4	10.5	33.8	29.6	25.9	20.3	14.0	8.8
Ireland	6.1	9.4	8.2	1.0	4.7	7.4	8.8	12.1	18.4	32.8	7.2	14.3	3.9	6.8
Italy	6.6	7.3	5.8	1.0	5.2	6.1	9.4	9.3	15.1	24.0	10.2	14.5	5.6	5.9
Japan ^f	10.3	10.4	10.5	0.2	5.3	5.4	19.5	18.3	17.0	31.7	8.5	11.8	10.2	9.4
Luxembourg	3.2	2.9	3.5	0.6	2.2	2.0	5.5	4.4	17.1	28.5	3.5	7.0	1.6	1.7
Netherlands	5.8	10.9	8.6	1.5	4.1	7.9	9.3	15.0	19.0	40.5	9.9	20.7	4.3	7.4
Portugal ^g	14.4	9.4	14.8	3.8	13.5	8.5	15.9	10.5	39.8	27.2	28.3	22.7	9.3	6.4
Spain ^h	15.6	33.7	28.2	6.4	14.4	31.4	18.4	37.9	48.2	87.5	31.6	70.6	11.0	26.5
Sweden ^h	12.0	13.5	11.2	1.2	9.7	12.3	13.9	14.6	57.0	61.1	26.5	39.5	6.9	9.6
United Kingdom	5.5	6.5	6.0	0.6	4.2	5.5	7.3	7.5	20.4	15.7	5.7	10.1	3.9	5.4
United States ⁱ	..	2.2	..	..	..	2.0	..	2.4	..	8.1	..	5.1	..	1.4

.. Data not available.

a) 1984 and 1994. The age group is 15 to 19.

b) 1989 and 1994. The age group is 15 to 24.

c) 1982 and 1993.

d) 1984 and 1994. Data refer to western Germany prior to 1992.

e) Due to a definitional change in 1992, the data are not strictly comparable with 1983.

f) The age group is 15 to 19. Data by age refer to non-agricultural industries only.

g) 1986 and 1994. Due to a definitional change in 1992, the data are not strictly comparable with 1986.

h) 1987 and 1994.

i) February 1995.

Sources: Secretariat calculations from the European Labour Force Survey data supplied by EUROSTAT, plus labour force survey data supplied by national authorities.

Given the cross-country differences in the overall patterns of change in temporary employment, it is not surprising that its contribution to overall annual employment changes also differs greatly. In France, Spain, the Netherlands (since 1992) and Sweden (since 1992), temporary employment arrangements have been the main contributor to employment change (Table 1.7). In Australia, both have contributed to growth in employment, especially in 1994.

3. Temporary employment and the economic cycle

It is not clear, *a priori* whether the incidence of temporary employment should show any cyclical pattern. On the one hand, if temporary employment arrangements are allowed, in particular when they imply a lower cost and/or easier procedures of hiring and firing, economic growth might lead to employment growth mainly through such jobs. In a slump, employers would tend to let these workers go first. During upturns, the bulk of hirings would then be in the form of temporary work arrangements. The inci-

dence of temporary work should thus increase in upturns and decrease in downturns.

On the other hand, temporary work arrangements may also be used as an "intermediate" form of employment allowing firms to screen out good from bad job matches. It can also be used as a way of providing access to employment for certain vulnerable groups (e.g. youth and the long-term unemployed) as in some targeted active labour market programmes.⁴ In this case, temporary employment may not be at all cyclical. Indeed, it could be counter-cyclical to the extent that temporary work arrangements are used more widely in recessions.

The data in Chart 1.1 suggest little evidence of cyclicity. Individual country regressions⁵ (though subject to the fact that the time series is short) also suggest no statistically significant relation, except in Denmark, Portugal and the United Kingdom, where there is a significant positive relationship. Temporary employment is likely to be driven by many, not necessarily well-understood, factors. Cross-country differences and changes in institutional and legal settings

Table 1.7. **Contribution of permanent and temporary employment to employment growth**
Annual growth rates

	Employment growth	Due to				Employment growth	Due to		
		Permanent	Temporary	Other ^a			Permanent	Temporary	Other ^a
Australia					Italy				
1985	3.2	1.8	0.6	0.8	1984	-1.1	-0.6	-1.2	0.5
1989	4.9	3.4	0.8	0.7	1989	-1.4	-0.9	0.4	-0.8
1992	-0.2	-1.5	1.8	-0.4	1992	-4.1	-4.6	1.3	-0.8
1993	0.0	-0.4	0.3	0.2	1993	-1.4	0.3	-1.1	-0.5
1994	3.5	1.2	1.5	0.8	1994	-1.5	-2.0	0.8	-0.3
Belgium					Japan				
1984	1.4	-0.8	0.3	1.9	1984	0.6	0.9	0.1	0.7
1989	3.0	1.3	-0.2	1.8	1989	2.0	2.0	0.3	-0.8
1992	1.4	0.6	-0.1	0.8	1992	1.1	1.7	0.1	-0.8
1993	-0.7	-0.7	0.1	-0.1	1993	0.2	1.1	0.2	-0.6
1994	0.1	0.2	0.0	-0.2	1994	0.1	0.5	0.0	-0.3
Denmark					Luxembourg				
1985	2.5	2.6	0.2	-0.2	1984	1.5	0.9	0.7	-0.4
1989	-2.0	-0.4	-1.5	-0.1	1989	1.0	1.1	-0.2	-0.4
1992	0.0	0.9	-0.8	-0.1	1992	1.7	2.4	-0.3	-0.7
1993	-2.6	-1.8	-0.5	-0.3	1993	0.1	-0.8	0.1	-1.1
1994	-1.2	-1.3	1.1	-1.0	1994	-0.1	0.2	-0.1	-0.5
Finland					Netherlands				
1983	0.5	-0.3	-0.1	0.9	1985	3.0	1.4	1.8	-0.2
1989	1.9	2.9	0.9	-1.8	1989	2.0	1.9	0.0	0.1
1993	-12.9	-9.2	-1.1	-2.6	1992	3.2	0.8	2.1	0.3
					1993	0.4	-0.2	0.2	0.4
					1994	1.0	-0.6	0.8	0.8
France					Portugal				
1984	-0.1	-0.3	-0.1	0.3	1987	3.0	-0.5	1.8	1.7
1989	1.2	1.0	0.7	-0.5	1989	2.6	2.1	0.6	-0.2
1992	-0.3	-0.3	0.2	-0.3	1992	-7.5	2.7	-3.9	-6.3
1993	-0.5	0.1	0.4	-1.0	1993	-1.1	-0.1	-1.0	0.0
1994	-0.7	-0.5	0.0	-0.2	1994	-0.4	-1.3	-0.5	1.4
Germany^b					Spain				
1985	0.0	0.6	0.1	-0.7	1988	3.4	-1.9	5.5	-0.3
1989	1.5	1.7	-0.2	-0.1	1989	4.1	0.3	4.1	-0.3
1992	-1.2	-1.7	0.3	0.2	1992	-1.3	-2.2	0.3	0.6
1993	-0.8	-0.7	-0.3	0.2	1993	-4.7	-1.4	-2.1	-1.2
1994	-0.5	-0.7	0.0	0.2	1994	-1.2	-1.6	0.8	-0.4
Greece					Sweden				
1984	0.5	-0.3	1.2	-0.4	1988	1.4	1.5	-0.1	-0.1
1989	0.3	1.2	0.0	-0.8	1989	1.5	2.0	-0.8	0.3
1992	1.4	2.5	-2.3	1.2	1992	-4.3	-4.7	0.2	0.3
1993	1.0	1.0	0.2	-0.2	1993	-5.8	-6.2	0.1	0.3
1994	1.9	0.9	0.1	0.9	1994	-0.9	-2.7	1.6	0.2
Ireland					United Kingdom				
1984	-1.8	-1.6	0.4	-0.5	1984	1.7	-0.1	0.6	1.2
1989	0.4	1.0	-0.3	-0.4	1989	3.7	2.4	-0.4	1.7
1992	1.2	0.0	0.4	0.8	1992	-2.9	-2.4	0.1	-0.5
1993	0.7	0.6	0.6	-0.5	1993	-1.1	-1.0	0.2	-0.3
					1994	0.9	-0.1	0.5	0.4

a) Persons, such as the self-employed, not classified as permanent/temporary.

b) Data refer to western Germany prior to 1992.

Sources: See Table 1.6.

Chart 1.1.

Temporary employees as a proportion of total employees, 1983-1994
Percentages

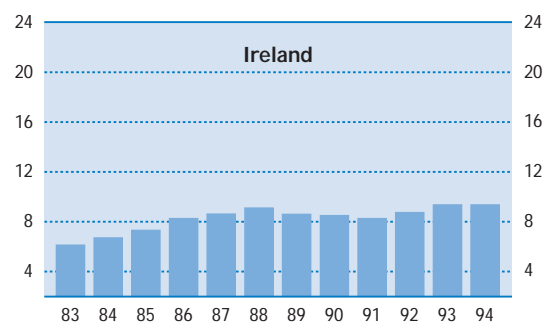
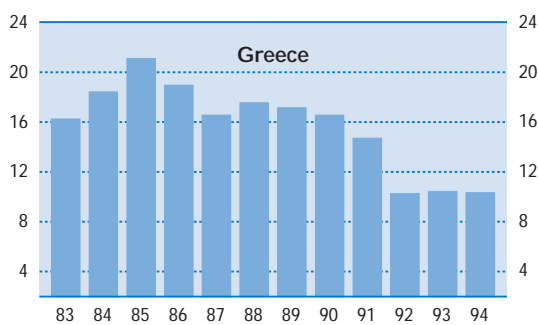
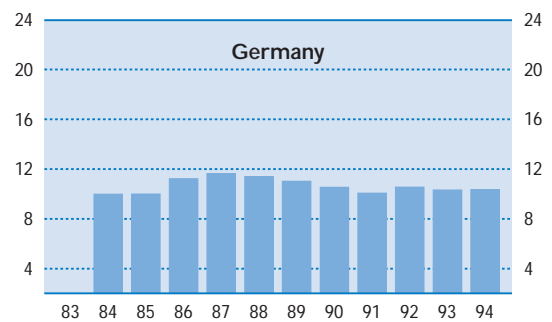
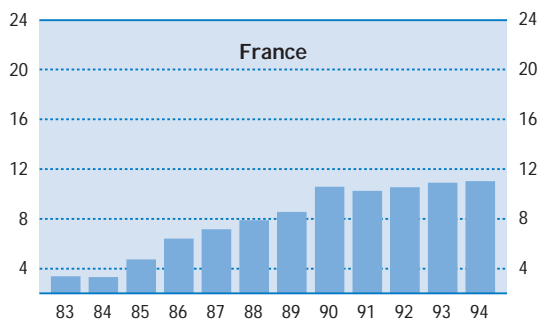
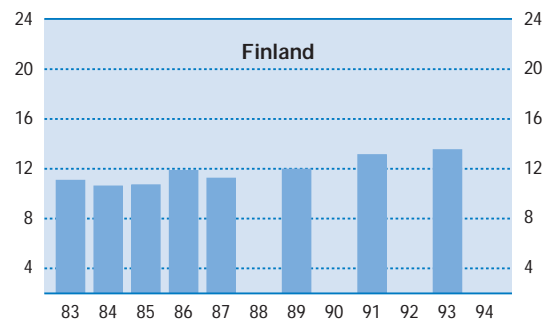
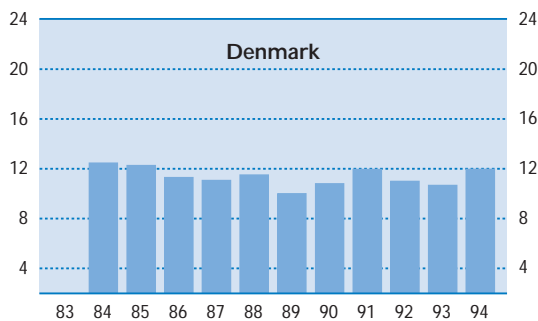
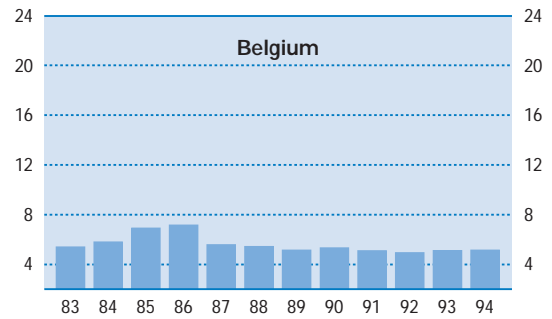
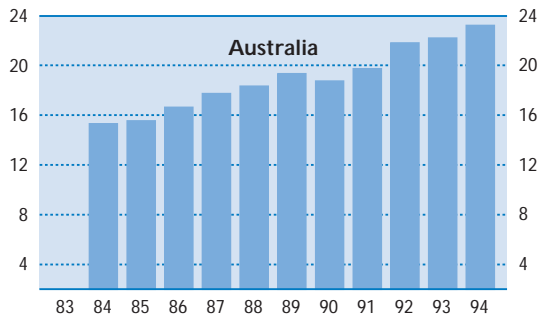
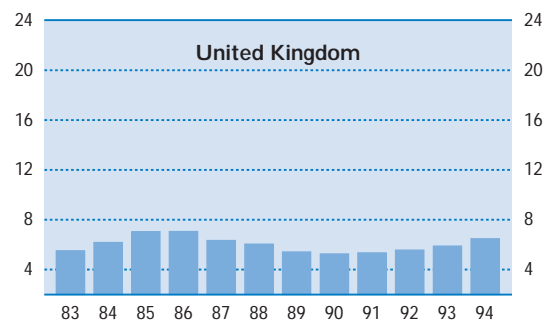
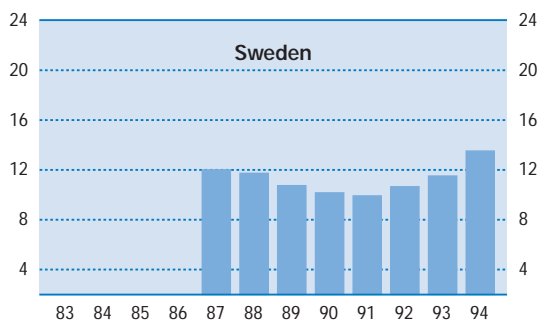
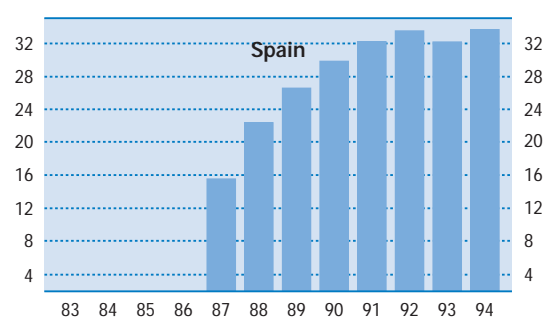
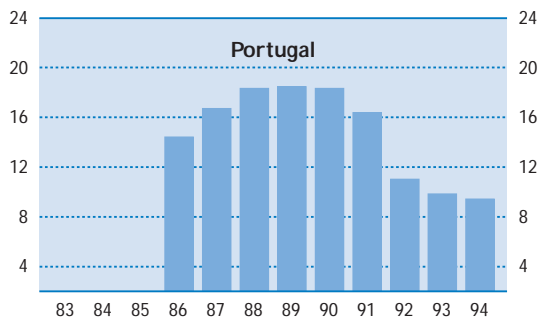
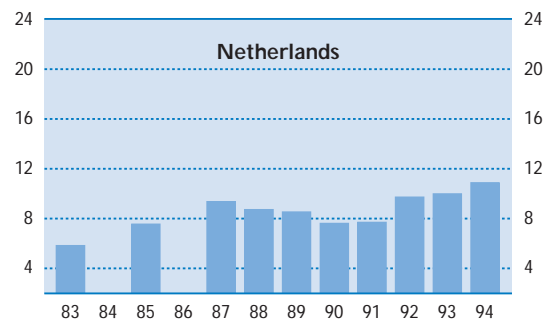
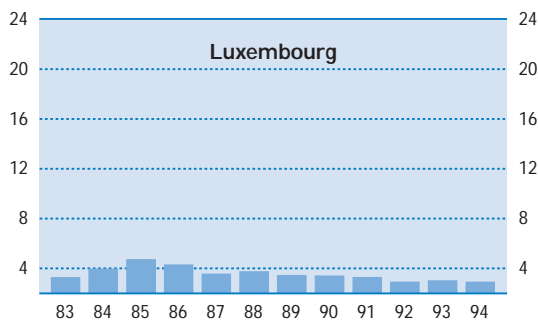
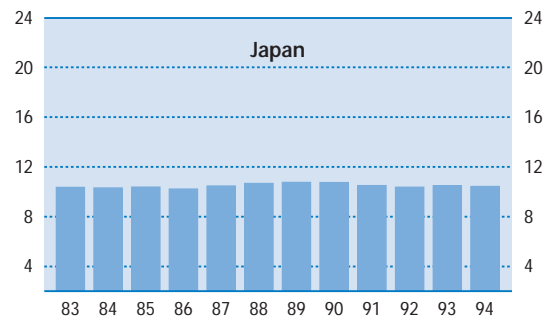
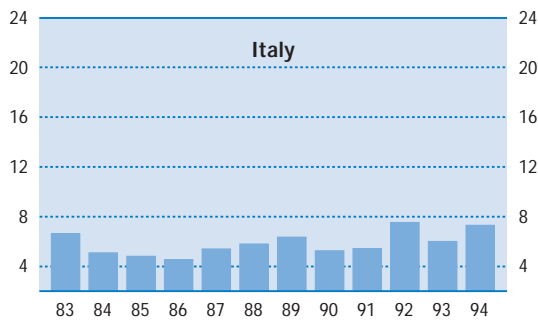


Chart 1.1. (cont.)

Temporary employees as a proportion of total employees, 1983-1994
Percentages



Note: The scale is the same for all countries, except Spain.

are two of them. For example, the liberalisation of regulations on temporary contracts in Spain in the mid-1980s has clearly been the dominant factor in that country, together with the more strict regulation of permanent contracts. In France, different types of temporary work arrangements show different cyclical behaviour which offset each other in the aggregate [Belloc and Lagarenne (1996)].

4. Flows into temporary employment

Cross-section and time series data on temporary and permanent employment provide useful information about their significance. However, they cannot be used to describe the underlying labour force dynamics showing where, in the sense of prior labour force status, these workers came from. Analysis of labour force flows can help shed light on this process. Accordingly, this subsection uses retrospective information from the European Union Labour Force Surveys to analyse the following issues:⁶ first, what is the probability of an unemployed person at time t being employed one year later? Second, conditional upon finding a job, what is the temporary/permanent split? Third, to what extent are there differences across countries and time?

Table 1.8 shows the probability of an over-the-year change in labour force status among people who said they were unemployed a year prior to the survey.

In general, people previously unemployed remain unemployed one year later. For 1994, the chance of moving into employment is highest in Luxembourg (just over half), followed by France and the United Kingdom (about one-third), and is lowest in Belgium and Ireland. The time profile of this likelihood has been quite constant over the period (data not shown), except in the case of Spain and the United Kingdom. The likelihood of remaining unemployed decreased in Spain during the 1987-1990 expansion, remained constant through 1991-1992, and then increased sharply during the 1993-1994 recession. In the United Kingdom, it decreased continuously until 1989-1990, increased again during the last recession and fell again in 1994. In both countries, this was accompanied by an opposite movement in the likelihood of becoming employed.

Table 1.9 shows that, among those unemployed who found wage and salary work, the mix of permanent and temporary jobs differs greatly between countries. In 1994, a higher proportion entered employment through permanent jobs, except in France, Portugal and Spain. Indeed, France has seen a reversal over the period. Over the 1980s, among the unemployed who moved into employment, a figure roughly the same for the three years shown in Table 1.8, well over half were in positions considered permanent. However, by 1994 over 50 per cent were in temporary jobs. The Spanish case shows that

Table 1.8. **Current labour force status of people unemployed one year earlier, selected years^a**
Percentages

	1983 ^b				1989				1994			
	Total	Employed	Unemployed	Not in labour force	Total	Employed	Unemployed	Not in labour force	Total	Employed	Unemployed	Not in labour force
Belgium	100.0	21.0	71.6	7.4	100.0	20.3	67.3	12.5	100.0	18.3	51.3	30.5
Denmark	100.0	35.8	51.1	13.2	100.0	40.5	40.6	18.9	100.0	28.3	32.2	39.5
France	100.0	35.0	47.5	17.5	100.0	34.1	46.3	19.6	100.0	32.7	52.5	14.8
Germany ^c	100.0	14.3	51.1	34.7	100.0	15.2	47.0	37.8	100.0	27.1	49.7	23.3
Greece	100.0	37.5	55.7	6.8	100.0	35.7	58.1	6.3	100.0	25.9	62.3	11.8
Ireland	100.0	20.6	65.8	13.6	100.0	19.4	66.1	14.5	100.0	17.7	58.3	24.0
Italy	100.0	31.9	61.6	6.6	100.0	..	..	..	100.0	23.3	46.6	30.1
Luxembourg	100.0	47.2	45.5	7.3	100.0	65.9	26.5	7.6	100.0	50.8	42.8	6.4
Netherlands ^d	100.0	23.7	65.0	11.3	100.0	27.6	55.7	16.8	100.0	22.0	30.2	47.7
Portugal	100.0	27.4	58.5	14.0	100.0	39.8	44.6	15.6	100.0	28.9	45.5	25.6
Spain	100.0	28.4	66.1	5.5	100.0	35.0	60.0	5.1	100.0	26.4	66.8	6.7
United Kingdom	100.0	27.7	56.6	15.7	100.0	39.4	44.7	15.8	100.0	33.4	49.3	17.3

.. Data not available.

a) All employed people (employees and self-employed).

b) Denmark, 1985; Germany, 1985; Portugal, 1986; and Spain, 1987.

c) Data refer to western Germany prior to 1992.

d) The Central Bureau for Statistics (CBS) constructs "proxy-flows", which are the basis of the data used here. However, these are considered to be of low reliability. The flow data under-represent the unemployed. Therefore, these data should be interpreted with particular caution.

Sources: See Table 1.6.

Table 1.9. **People unemployed a year ago who are currently employees by their permanent-temporary status, selected years^a**

Percentages

	1983 ^b			1989			1994		
	Total	Permanent	Temporary	Total	Permanent	Temporary	Total	Permanent	Temporary
Belgium	100.0	67.5	32.5	100.0	71.5	28.5	100.0	71.3	28.7
Denmark	100.0	57.6	42.4	100.0	59.6	40.4	100.0	54.8	45.2
France	100.0	81.5	18.5	100.0	57.3	42.7	100.0	45.1	54.9
Germany ^c	100.0	68.5	31.5	100.0	66.1	33.9	100.0	62.1	37.9
Greece	100.0	60.7	39.3	100.0	56.6	43.4	100.0	63.8	36.2
Ireland	100.0	71.4	28.6	100.0	59.4	40.6	100.0	51.1	48.9
Italy	100.0	65.3	34.7	100.0	..	..	100.0	61.2	38.8
Luxembourg	100.0	81.8	18.2	100.0	79.8	20.2	100.0	81.1	18.9
Netherlands ^d	100.0	59.4	40.6	100.0	56.1	43.9	100.0	61.9	38.1
Portugal	100.0	33.9	66.1	100.0	29.4	70.6	100.0	47.3	52.7
Spain	100.0	39.0	61.0	100.0	22.7	77.3	100.0	9.8	90.2
United Kingdom	100.0	76.6	23.4	100.0	83.9	16.1	100.0	77.6	22.4

.. Data not available.

a) Wage and salary workers only.

b) Denmark, 1985; Germany, 1985; Portugal, 1986; and Spain, 1987.

c) Data refer to western Germany prior to 1992.

d) See note d in Table 1.8.

Sources: See Table 1.6.

temporary work arrangements have been by far the main route for the unemployed to gain employment.

The fact that, in most countries, unemployed people who found work are more likely to enter permanent employment, sometimes considerably more likely as in Belgium and the United Kingdom, partly reflects the fact that permanent jobs are the biggest component of wage and salary employment (Table 1.6). At the same time, however, given the relative size of the temporary job pool, the data indicate that a disproportionate number of the unemployed find work *via* temporary jobs.

Table 1.10 shows, for 1994, gender differences in the likelihood of being employed, unemployed or not in the labour force for those previously unemployed one year earlier. Unemployed women tend to be less likely than men to be employed one year later, except in Ireland, Luxembourg and the United Kingdom. Women are also less likely to be unemployed at both dates than men, except in Germany, Greece and Spain. It follows that women are more likely to be counted as out of the labour force if they were previously unemployed compared with men. Though not shown here, these differences have changed little over time.

As shown in Table 1.11, in most countries, previously unemployed women who were in a wage and salary job at the time of the survey are somewhat more likely to be in a temporary one compared with men. There are, however, exceptions and these gen-

der differences are usually rather small. In the two countries where temporary employment increased the most, Spain and France, the proportion moving from unemployment to employment who say it is a temporary job has also risen greatly for both men and women. Where the incidence of temporary employment has not changed much over time, there has been, equally, little change in the permanent/temporary split among the unemployed moving into jobs.

There are some important differences across age groups (Table 1.12). Regarding the flow into temporary employment, this likelihood is higher for teenagers compared with adults. Exceptions are the Netherlands, where there has been a great deal of variability in this likelihood across age groups and over time; Belgium, where those aged 20 to 24 seem to have the highest likelihood and Ireland and Luxembourg, where those aged 20 to 24 have the lowest likelihood. As a general rule, however, young unemployed people seem to gain employment through temporary work more frequently than do adults.

Table 1.13 focuses on the previous labour market status of people *currently* in temporary employment arrangements. In all countries, the majority of temporary employees were previously employed (however, it is not known what their employment status was one year earlier). However, this varies from around 73 per cent in Germany, Greece and Portugal to 53 per cent in Ireland. The more interesting result is that the

Table 1.10. **Current labour force status of people unemployed one year earlier by gender, selected years**

Percentages

	Employed			Unemployed			Not in the labour force		
	1983 ^a	1989	1994	1983 ^a	1989	1994	1983 ^a	1989	1994
Belgium									
Men	26.4	24.3	22.0	67.1	64.9	52.1	6.5	10.7	25.9
Women	17.2	17.6	15.4	74.8	68.8	50.6	8.0	13.6	33.9
Denmark									
Men	52.8	43.4	34.5	37.4	41.1	36.5	9.8	15.6	29.0
Women	46.8	38.7	24.2	35.7	40.3	29.3	17.5	21.0	46.5
France									
Men	39.7	40.0	34.0	47.0	44.3	55.5	13.3	15.8	10.5
Women	31.2	29.0	31.5	47.9	48.1	49.6	20.9	22.9	18.9
Germany^b									
Men	16.6	17.7	28.0	62.1	56.7	51.3	21.3	25.6	20.7
Women	12.5	13.3	26.3	42.4	39.8	48.3	45.1	46.9	25.4
Greece									
Men	48.8	45.5	35.7	48.0	49.7	55.0	3.2	4.8	9.3
Women	26.4	28.6	19.1	63.3	64.1	67.3	10.3	7.3	13.5
Ireland									
Men	18.2	17.4	16.4	69.9	68.8	60.6	11.9	13.8	23.0
Women	28.8	27.0	21.8	51.7	55.7	51.1	19.5	17.3	27.1
Italy									
Men	37.7	..	25.6	57.9	..	47.2	4.4	..	27.2
Women	26.4	..	20.5	65.0	..	45.9	8.6	..	33.6
Luxembourg									
Men	44.0	63.7	43.9	50.3	28.7	47.1	5.7	7.6	9.0
Women	51.2	68.1	61.6	40.2	23.4	36.2	8.7	8.5	2.2
Netherlands^c									
Men	21.5	26.2	24.1	67.7	57.3	36.2	10.8	16.5	39.7
Women	29.7	31.2	20.5	57.6	51.4	25.7	12.7	17.4	53.8
Portugal									
Men	34.7	47.4	33.0	55.8	41.4	47.5	9.4	11.3	19.5
Women	21.5	34.7	25.8	60.7	46.8	43.9	17.8	18.5	30.3
Spain									
Men	34.0	42.7	31.7	61.9	53.2	63.1	4.1	4.1	5.2
Women	20.5	25.9	20.9	72.0	67.9	70.8	7.5	6.2	8.3
United Kingdom									
Men	25.8	37.6	31.4	59.9	49.5	55.1	14.3	13.0	13.5
Women	32.2	43.3	37.6	48.6	34.9	37.1	19.2	21.8	25.3

.. Data not available.

a) Denmark, 1985; Germany, 1985; Portugal, 1986; and Spain, 1987.

b) Data refer to western Germany prior to 1992.

c) See note d in Table 1.8.

Sources: See Table 1.6.

second most important prior labour market situation is to have been outside the labour force, the sole exceptions being Spain and Italy. The same pattern is generally seen for both men and women.

The retrospective data examined above provide some useful information on where flows into a permanent or temporary job come from, but they do not provide information on what happens to people holding a temporary job. For example, do they move continuously in and out of such jobs, or is a more permanent work arrangement eventually found? The next

subsection considers this issue with longitudinal data. These data are only available for few countries (France, Germany, Spain, and Great Britain).

5. Longitudinal analysis of temporary employment

This sub-section examines the transition rates from temporary employment to other labour market states, the proportion of people originally in temporary employment remaining in temporary employ-

Table 1.11. **People unemployed a year ago who are currently employees by their permanent-temporary status and gender, selected years^a**

	1983 ^b		1989		1994	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
Belgium						
Men	74.8	25.2	80.6	19.4	72.9	27.1
Women	59.7	40.3	62.9	37.1	69.7	30.3
Denmark						
Men	71.0	29.0	68.4	31.6	61.4	38.6
Women	46.7	53.3	53.3	46.7	48.5	51.5
France						
Men	83.7	16.3	58.3	41.7	47.8	52.2
Women	79.3	20.7	56.2	43.8	42.4	57.6
Germany^c						
Men	70.3	29.7	63.4	36.6	65.0	35.0
Women	66.6	33.4	68.8	31.2	59.6	40.4
Greece						
Men	60.7	39.3	52.5	47.5	60.8	39.2
Women	60.7	39.3	61.1	38.9	67.4	32.6
Ireland						
Men	70.2	29.8	56.8	43.2	48.9	51.1
Women	73.7	26.3	65.3	34.7	55.8	44.2
Italy						
Men	64.9	35.1	..	..	63.1	36.9
Women	65.8	34.2	..	..	58.7	41.3
Luxembourg						
Men	88.2	11.8	80.0	20.0	93.5	6.5
Women	75.0	25.0	79.4	20.6	67.1	32.9
Netherlands^d						
Men	62.1	37.9	54.7	45.3	64.1	35.9
Women	54.5	45.5	59.1	40.9	59.8	40.2
Portugal						
Men	34.0	66.0	30.6	69.4	51.2	48.8
Women	33.8	66.2	28.3	71.7	43.6	56.4
Spain						
Men	37.5	62.5	22.6	77.4	8.9	91.1
Women	42.6	57.4	22.9	77.1	11.1	88.9
United Kingdom						
Men	76.6	23.4	83.7	16.3	78.0	22.0
Women	76.6	23.4	84.3	15.7	77.2	22.8

.. Data not available.

a) Wage and salary workers only.

b) Denmark, 1985; Germany, 1985; Portugal, 1986; and Spain, 1987.

c) Data refer to western Germany prior to 1992.

d) See note d in Table 1.8.

Sources: See Table 1.6.

ment for each of a number of successive periods, and the labour market status previous to and after spells of temporary and/or permanent employment. Annex 1.A provides definitions, which differ significantly across countries and must be borne in mind when interpreting the results, and explanations of the data sets used.

Table 1.14 reports the current labour market status of individuals who were previously in a temporary job for France (interim and fixed term contracts only⁷), Germany, Spain and Great Britain. The proportion of people who remain employed a year later is similar in all four countries. However, the distribution between temporary, permanent and other

Table 1.12. **People unemployed a year ago who are currently employees by permanent-temporary status and age groups, selected years^a**

Percentages

	Age groups	Permanent			Temporary		
		1983 ^b	1989	1994	1983 ^b	1989	1994
Belgium	15-19	50.5	71.0	65.0	49.5	29.0	35.0
	20-24	62.8	62.6	64.3	37.2	37.4	35.7
	25+	74.1	75.1	75.3	25.9	24.9	24.7
Denmark	15-19	45.3	62.9	60.4	54.7	37.1	39.6
	20-24	58.7	75.9	54.8	41.3	24.1	45.2
	25+	58.0	54.5	54.4	42.0	45.5	45.6
France	15-19	66.4	34.2	25.0	33.6	65.8	75.0
	20-24	81.6	47.5	38.3	18.4	52.5	61.7
	25+	84.5	64.4	47.7	15.5	35.6	52.3
Germany ^c	15-19	46.4	41.7	46.6	53.6	58.3	53.4
	20-24	63.6	56.2	60.7	36.4	43.8	39.3
	25+	72.7	69.7	62.6	27.3	30.3	37.4
Greece	15-19	57.4	57.7	69.5	42.6	42.3	30.5
	20-24	51.1	61.8	68.5	48.9	38.2	31.5
	25+	64.4	54.1	61.1	35.6	45.9	38.9
Ireland	15-19	66.5	61.5	58.2	33.5	38.5	41.8
	20-24	71.2	69.2	63.8	28.8	30.8	36.2
	25+	73.6	54.6	44.2	26.4	45.4	55.8
Italy	15-19	73.3	..	63.8	26.7	..	36.2
	20-24	67.0	..	63.3	33.0	..	36.7
	25+	59.1	..	59.9	40.9	..	40.1
Luxembourg	15-19	84.6	75.0	76.2	15.4	25.0	23.8
	20-24	82.9	83.9	89.7	17.1	16.1	10.3
	25+	77.4	79.3	80.0	22.6	20.7	20.0
Netherlands ^d	15-19	61.1	72.1	60.3	38.9	27.9	39.7
	20-24	53.7	58.7	57.9	46.3	41.3	42.1
	25+	62.6	53.6	63.1	37.4	46.4	36.9
Portugal	15-19	32.2	23.3	41.0	67.8	76.7	59.0
	20-24	34.5	26.2	45.9	65.5	73.8	54.1
	25+	34.8	34.4	50.2	65.2	65.6	49.8
Spain	16-19	36.4	20.4	8.7	63.6	79.6	91.3
	20-24	40.8	22.4	8.8	59.2	77.6	91.2
	25+	38.7	23.6	10.4	61.3	76.4	89.6
United Kingdom	16-19	76.5	89.7	77.7	23.5	10.3	22.3
	20-24	76.1	84.5	79.7	23.9	15.5	20.3
	25+	76.8	82.9	77.0	23.2	17.1	23.0

.. Data not available.

a) Wage and salary workers only.

b) Denmark, 1985; Germany, 1985; Portugal, 1986; and Spain, 1987.

c) Data refer to western Germany prior to 1992.

d) See note d in Table 1.8.

Sources: See Table 1.6.

employment differs. The figures show that in Germany and Spain around two-thirds of those who were in temporary employment a year ago are still in temporary employment, while the figure is only 40 per cent for Great Britain and 30 per cent for France (this last proportion has, however, increased from 16 per cent in 1984-1985). France, with 32 per cent, and Great Britain, with 25 per cent, have the highest per-

centage of people in permanent employment a year later. In Spain the figure is only 9 per cent. On the other hand, one-quarter or more were not employed one year later in France, Spain and Great Britain, compared with just 16 per cent in Germany.

Table 1.15 provides the transition matrix over time for people who were in temporary employment according to their successive labour market statuses.

Table 1.13. **People currently in temporary employment by their labour force status one year earlier, 1994**

Percentages

	Total ^a	Employed	Unemployed	Not in the labour force
Belgium	100.0	68.1	13.3	18.6
Denmark	100.0	64.3	11.3	23.8
France	100.0	56.1	21.1	22.7
Germany	100.0	71.1	9.1	19.7
Greece	100.0	76.9	12.7	10.4
Ireland	100.0	53.0	18.3	28.7
Italy	100.0	67.1	21.0	12.0
Luxembourg	100.0	60.3	7.8	31.9
Netherlands ^b	100.0	67.3	8.7	24.0
Portugal	100.0	72.4	11.0	16.6
Spain	100.0	62.7	25.0	8.7
United Kingdom	100.0	64.5	10.3	20.4

a) Figures do not always add up to 100.0 because of missing data on previous labour force status.

b) See note d in Table 1.8.

Sources: See Table 1.6.

The German data cover four years, the British data two years and the Spanish data five quarters. In Great Britain, 30 per cent of those originally in temporary employment were still in that state two years later, 39 per cent were in permanent employment and one-quarter were jobless. In Germany, 47 per cent after three years and 38 per cent after four years were still in temporary employment. In Spain, after six quarters

59 per cent remained in temporary employment, only 12 per cent were in permanent jobs, and 21 per cent were unemployed. Conditional upon being in a job, Spain shows the most persistence of temporary work: by the second quarter of 1994, 8 out of 10 were still in a temporary job.

Table 1.16 presents information on the sources and destinations of the total number of temporary and permanent job *spells* for Great Britain and Spain (see Annex 1.A). The data are not comparable because the Spanish data refer to spells from the first quarter of 1993 through the second quarter of 1994, while for Great Britain the spells are a retrospective construction of labour market histories since leaving full-time education, leaving much room for recall bias. The definitions also differ greatly. The British survey simply asks respondents if the job in question was considered temporary or permanent, and the interpretation of responses is not clear. For example, individuals could "recall" a prior job as temporary because they only stayed in it for a short time, whereas the job could have been more permanent. However, the data for both countries show a similar picture. Temporary job spells are more likely than permanent ones to follow a spell of unemployment, another temporary job or a spell involving family responsibilities (the number is much higher for Spain). Only 10 per cent of temporary job spells in Spain, and 30 per cent in Great Britain were started by those who had previously held a permanent job. On

Table 1.14. **People in a temporary job at time *t* distributed by their labour market status a year later**

Percentages

	France ^{a, b}	Germany	Spain	Great Britain
	March 1992-1993	1992-1993	First quarter 1993-1994	1992-1993
Incidence of temporary employment at time <i>t</i>	10.2	15.0	31.5	9.3
Employed	68.0	84.2	75.0	74.9
of which:				
Temporary	30.3	68.4	64.0	39.8
Permanent	31.7	14.6	8.9	25.3
Self-employment	6.0	1.2	2.1	9.7
Unemployed	25.3	10.9	18.4	5.7
Not in the labour force	6.7	4.9	6.6	19.5
Total	100.0	100.0	100.0	100.0

a) Data refer to Temporary Agency (*Interim*) and Fixed-term contracts (*CDD*) only. These comprise just 40.1 per cent of all temporary employment.

b) Permanent refers to employment of unlimited duration in both the public and private sector, including "collectivités territoriales", but excluding trainees.

Sources: France: Secretariat calculations from INSEE (1995) from *Enquêtes emploi*, INSEE.

Germany: Secretariat calculations from the German Socio-Economic Panel (GSOEP).

Spain: Secretariat calculations from the linked records of the Spanish labour force survey.

United Kingdom: Secretariat calculations from the British Household Panel Survey (BHPS).

Table 1.15. **Transitions from temporary employment as measured in longitudinal surveys****GERMANY: People in temporary employment in 1990^a by their labour market status over the following four years**

	1991	1992	1993	1994
Employed	90.8	88.3	80.8	77.3
<i>of which:</i>				
Temporary	76.4	59.3	46.9	37.7
Permanent	14.1	28.5	33.1	38.5
Self-employment	0.3	0.5	0.8	1.1
Unemployed	2.4	2.7	6.5	10.6
Not in the labour force	6.8	8.9	12.7	12.2
Total	100.0	100.0	100.0	100.0

a) The incidence of temporary employment in 1990 was 12.7 per cent.

Source: Secretariat calculations from the German Socio-Economic Panel, waves 7-11.

SPAIN: People in temporary employment in the first quarter of 1993^b by their labour market status over the following 5 quarters

	2Q 1993	3Q 1993	4Q 1993	1Q 1994	2Q 1994
Employed	86.4	78.7	77.2	75.0	72.8
<i>of which:</i>					
Temporary	78.9	68.1	66.2	64.0	58.5
Permanent	6.4	8.8	9.1	8.9	11.5
Self-employment	1.2	1.8	2.0	2.1	2.7
Unemployed	9.9	16.2	17.2	18.4	20.6
Not in the labour force	3.7	5.0	5.6	6.6	6.6
Total	100.0	100.0	100.0	100.0	100.0

b) The incidence of temporary employment in the first quarter of 1993 was 31.5 per cent.

Source: Secretariat calculations from the linked records of the Spanish labour force survey.

GREAT BRITAIN: People in temporary employment in 1991^c by their labour market status over the following two years

	1992	1993
Employed	72.5	75.0
<i>of which:</i>		
Temporary	34.3	29.4
Permanent	30.1	38.6
Self-employment	8.1	7.0
Unemployed	5.9	6.4
Not in the labour force	21.6	18.6
Total	100.0	100.0

c) The incidence of temporary employment in 1991 was 10.4 per cent.

Source: Secretariat calculations from the British Household Panel Survey, waves 1-3.

Table 1.16. **Labour force status before and after temporary and permanent job spells**
Percentages

SPAIN: First quarter 1993 to second quarter 1994

	Temporary job spells		Permanent job spells	
	Status before spell	Status after spell	Status before spell	Status after spell
Unemployment	31.6	31.9	2.8	6.4
Permanent employment	9.9	15.0	81.4	75.5
Temporary employment	45.4	40.3	10.3	8.7
Other employment	3.2	3.4	3.3	4.1
Not in the labour force	9.8	9.5	2.2	5.4
Total	100.0	100.0	100.0	100.0

Source: Secretariat calculations from the linked records of the Spanish labour force survey.

GREAT BRITAIN: Retrospective data on job histories

	Temporary job spells		Permanent job spells	
	Status before spell	Status after spell	Status before spell	Status after spell
Unemployment	8.4	11.1	4.2	7.3
Permanent employment	29.7	48.4	50.0	61.5
Temporary employment	14.0	17.8	2.5	3.0
First labour force status ^a	26.0	..	28.9	..
Looking after family or home	14.3	9.7	8.3	12.3
Other	7.7	12.9	6.1	15.9
Total	100.0	100.0	100.0	100.0

a) First status after leaving full-time education.

Source: Retrospective data on labour market status and job histories contained in waves two and three of the British Household Panel Survey.

the other hand, fully one-half of all jobs spells considered as permanent followed on another permanent job in Great Britain, and the figure was 80 per cent in Spain.

Considering destinations, just under half of all temporary employment spells ended in permanent employment in Great Britain, compared with just over 60 per cent for permanent spells. For Spain, the figures are 15 per cent and 75 per cent. It is also important to note that compared with spells of permanent employment, a relatively high proportion of temporary employment spells end up in unemployment or another temporary job, particularly in Spain. Especially in Spain, temporary jobs are not great stepping stones into permanent ones.

D. CONCLUSIONS

The slowdown in output growth intensified late last year, and the growth rate during the first half of

1996 was about 1.7 per cent in the OECD area. However, recent indicators suggest that activity is strengthening in North America, while growth in Europe should pick up later this year. In Japan recovery is now under way. Across the OECD as a whole, output growth in 1996 is expected to be 2.1 per cent. Employment growth will, however, be fairly weak, especially in Europe. OECD area unemployment is estimated at 7.7 per cent in 1996, and little improvement is expected over the next two years.

This chapter has also taken an in-depth look at temporary jobs. The main findings are: first, despite differences in definitions, it is clear that the magnitude of temporary employment varies greatly across OECD countries. The evolution over time also varies considerably. Temporary work arrangements have grown in importance only in Australia, France, the Netherlands and Spain. In some other countries, there has been very little overall change – Belgium, Canada, Denmark, Germany, Japan and the United Kingdom are examples. Second, temporary, as

opposed to permanent employment, has not been the main contributor to employment change, except in France, Spain, the Netherlands and, recently, in Sweden.

Third, employed women and, in particular, youth are more likely to be in temporary work than men and adults, respectively. Between 1983 and 1994, the incidence of temporary employment among employed youth increased in most countries; especially noticeable increases were registered in France, Spain and Australia. Indeed, in these latter three countries, as well as in Germany, Ireland, Italy, the Netherlands and Sweden, the incidence has increased across all age groups. Fourth, the incidence of temporary work tends to show little cyclical pattern.

Fifth, in general, unemployed people who find work are more likely to enter permanent rather than temporary work arrangements. The clear exceptions are Spain and France. Nonetheless, bearing in mind the small share of temporary jobs in total employment, in most countries, there is a disproportionate flow from unemployment to temporary jobs. Sixth, unemployed teenagers are more likely to become employed and less likely to stay unemployed than any other age group. And, when they do find employment, it is more likely through temporary work, while,

for adults, it is more likely to be permanent employment.

Finally, a longitudinal and retrospective analysis of temporary employment for a few countries, suggests several tentative conclusions: First, considered over a 12-month period, half or more of those in temporary jobs at the start date and employed a year later are still in temporary jobs. Second, from 15 to 30 per cent of them are out of work one year later. Third, over a longer period of time there is more movement from temporary to permanent work, except in Spain, although over 50 per cent are either still in temporary work or out of work in the three countries for which data were available. Fourth, the analysis of spells, although difficult to interpret, indicates some significant differences between permanent and temporary job spells. In both Great Britain and Spain, permanent jobs that, for whatever reason, ended are much more likely to be followed by another spell of permanent employment compared with a temporary job that ended. Finally, the status of people prior to entering a temporary or permanent job appears quite different. Compared with those in permanent jobs, a higher proportion of previously-employed workers in temporary jobs came from a temporary job.

Notes

1. A further issue, not addressed here, concerns the reasons for being in temporary employment. The European Union Labour Force Survey provides some indication of these reasons from the point of view of employees. Getting a solid handle on this issue is difficult because in some countries, such as France and Germany, many give no reason whatsoever. Nonetheless, taking only those who respond shows that the proportion of people with a temporary job because they could not find a permanent one ranges from 86 per cent in Spain to 47 and 43 per cent in the Netherlands and the United Kingdom, respectively.
2. In Australia, there is a common law distinction between casual and permanent employment, based on the notion that permanent employees have an ongoing contract of employment, while casual employees do not. This situation is complicated by the operation of legally enforceable awards and/or agreements. While there is no universal definition of casual employment in awards, one factor common to most awards is the front-loading of pay to casual employees to compensate them for not receiving benefits such as sick pay and annual leave. The Australian Bureau of Statistics (ABS) uses this characteristic of casual employment to identify them in surveys. For the purpose of most of these surveys, permanent employees are defined as: "employees who are entitled to annual and/or sick leave in their main job". Casual employees are those who are not entitled to them in their main job.
3. Data on the composition of temporary employment shows that, even though employed teenagers have the highest likelihood of being in a temporary job, and this has increased in many OECD countries, the proportion of temporary jobs held by them decreased everywhere, except in Australia and the Netherlands. This is obviously driven both by declines in the youth population relative to adults and, in many countries, declining youth employment/population ratios.
4. Temporary employment may also be a way to provide special expertise or skills to firms needing them on an occasional basis [Abraham (1990)]. OECD (1993) found that a large percentage of temporary employees worked in seasonal industries, including agriculture and construction. Service sector employment, such as retail and wholesale trade, also had relatively high shares of temporary workers. These facts do not suggest a high proportion of "professionalization" in temporary work. However, more disaggregated data by industry and by occupation would be needed to investigate this further.
5. The proportion of employees working under temporary arrangements was regressed on GDP growth and a time trend. Similar results were obtained from a regression substituting the unemployment rate for GDP growth. A pooled regression, combining all the countries and introducing country dummies, also showed no evidence of any cyclical behaviour. As the dependent variable could not be uniformly measured across all observations, the results cannot be conclusive. However, the country dummies were strongly statistically significant.
6. These data must be used carefully. The information on labour force status one year previously is based on a retrospective question at the time of the survey and there are well-known problems associated with recall bias. In addition, the data inherently underestimate the full labour force dynamics because they do not capture changes in labour force status that have occurred within the year.
7. There is a significant contrast between the different forms of temporary employment with respect to the next year situation in France. Only 54 per cent of "stagiaires" and "emplois aidés" are employed a year after, 32 per cent are unemployed and 14 per cent inactive, compared with 68, 25 and 7 per cent, respectively, for interim and fixed-term contracts.

ANNEX 1.A

Longitudinal data sets used for the analysis of temporary employment

France

The data were taken from the March-March linked records of the labour force survey, as provided in INSEE (1995) and Belloc and Lagarenne (1996).

The data reported in Table 1.14 do not correspond to the full range of temporary employment arrangements as defined in the labour force survey. The data include only limited duration contracts and agency work, which represented 29.9 per cent and 10.2 per cent, respectively, of total temporary employment in France in 1994.

Germany

The longitudinal data set used is the German Socio-Economic Panel (GSOEP), waves 7 to 11, 1990-1994, covering all of Germany.

The GSOEP provides the labour market status of the individual in each wave and the type of employment arrangement: limited contract; unlimited contract; and self-employed. The sample used in Table 1.14 consisted of those with a limited contract in 1992 who were interviewed the following year. The sample used in Table 1.15 consisted of those with a limited contract in 1990 who were successfully interviewed in each of the next four years. Each year their labour force status was determined to establish whether or not a change had occurred.

Spain

The National Statistical Institute (INE) provides linked records of the labour force survey (EPA). All individuals are asked about their labour market status, and employees are asked whether their contract is of unlimited duration or temporary. The latter includes several types of temporary work arrangements allowed (e.g. seasonal, fixed-term or training). Individuals remain in the survey for six consecutive quarters.

The data set constructed from the EPA contains all individuals interviewed for the first time in the first quarter of 1993 and who were interviewed in consecutive quarters up to and including the second quarter of 1994. Those found to be in a temporary employment in the first quarter of 1993 form the sample used for Tables 1.14 and 1.15.

The OECD Secretariat also constructed a data set of temporary and permanent job spells covering these six quarters as reported in Table 1.16. Spells are defined as

periods of activity, during which the labour force status and the job performed remained unchanged. It is assumed that the job performed changed when either the occupation, the industry or both, at the one-digit level, changed. Individuals can have more than one spell of temporary or permanent employment over the period. The calculations of the labour force status previous to and after the temporary-permanent spell do not include those spells which were unbroken over the six quarters.

Great Britain

The data are from the British Household Panel Survey (BHPS). The base for the transition matrix is all individuals who were in a temporary job arrangement at the time of the first wave of interviews, in late 1991. These individuals were followed through waves two and three to obtain information on subsequent labour market statuses as reported in Tables 1.14 and 1.15. Temporary and permanent jobs are based on the self-assessment of the respondent.

In the second and third waves of the BHPS, individuals were asked retrospective questions on their labour force status and job histories from the time they first left full-time education up to the end of 1990. They were also asked whether each job held was temporary or permanent. This self-assessment information is used here to construct data on the number of temporary and permanent job *spells*, in the sense defined above, and on the labour force status of individuals both prior to entering and after leaving a spell of temporary/permanent work. The results are reported in Table 1.16.

The sample used for the job history analysis includes those individuals, interviewed in both waves two and three, for whom both labour force status and job spell information were available, and who reported at least one period of employment since leaving full-time education. The information comes from combining the lifetime labour force status history and lifetime job history. The combination of the two allows the calculation of the starting and ending date of each spell to be identified, even when an individual has been employed throughout the period.

There could well be problems with recall bias in distinguishing between permanent and temporary jobs. For example, individuals might define a job as temporary simply because it lasted for only a short period of time, when in principle it could have been permanent. Also, individuals could recall a job as temporary because they intended it to be so, while the employer believed the job to be permanent.

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