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Flexibilisation Without Hesitation? Temporary Contracts and Workers' Satisfaction

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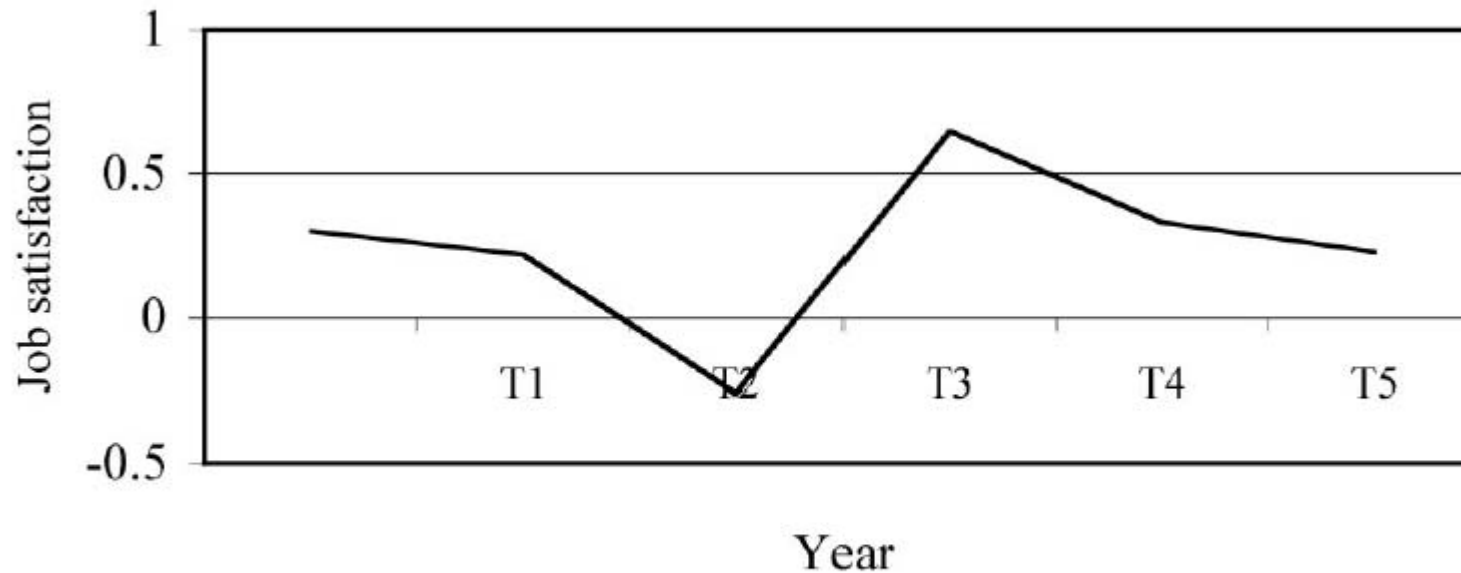
Motivation

- Labour market research using data on well-being
- Policy implications (e.g. involuntary unemployment)
- Research on consequences of temporary employment
- Inconsistent findings in previous investigations
 - “The evidence is mixed.” (Jahn et al. 2012)
 - “This review concludes that research results have been inconsistent and inconclusive, unlike the predictions that follow from the theoretical frameworks.” (de Cuyper et al. 2008)
- Important criteria for studying temporary contracts
 - Data sample (e.g. inferior jobs)
 - Control variables (e.g. positive aspects of temporary jobs)

Research objectives

- “Flexibilisation Without Hesitation?”
 - The effect of fixed-term contracts on job satisfaction
 - Use of “Big 5”-factors to control for personality
 - Individual fixed effects in panel data
- Causes of dissatisfaction
- Evaluation of „Flexicurity“ idea
 - Job security
 - Employment security

The Honeymoon-Hangover Effect



Job satisfaction pattern for a job change in T3. T = time.

(Boswell, Boudreau & Tichy 2005)

Data

- German Socio-Economic Panel Study (SOEP) data
- 5000+ observations of employed individuals each year
- Socio-demographic and job-related information, like:
 - Education, partner status, (un)employment experience
 - Industry sector, firm size, working hours, earnings
 - Job security, employment security
 - Tenure, recent job change
- Particular rich set of job characteristics in 2001 survey
- Panel data from 2001 to 2010

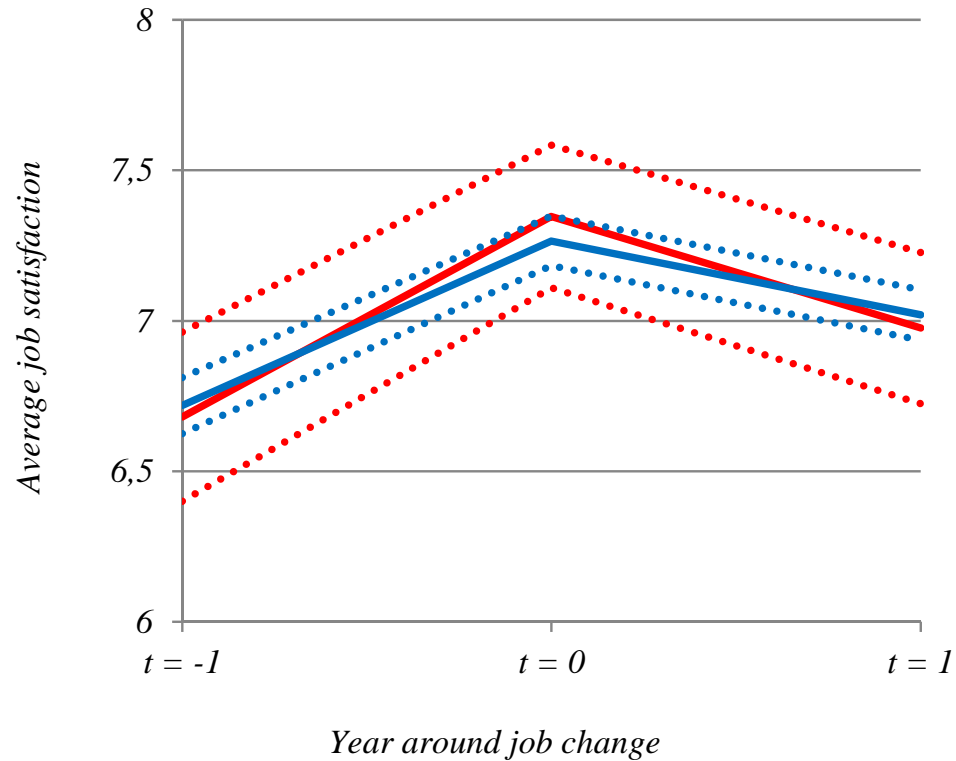
Data restrictions

- Employed individuals
- No self-employment
- Individuals reporting to work at least 15 hours a week
- Excluding “inferior jobs” such as agency workers, workers who take part in workfare schemes and workers with so-called “Mini-Jobs”
- Excluding apprentices and individuals in other forms of occupational education or retraining
- Age restriction: 20 to 65 years

Some descriptive figures

Contract type		Temporary (N = 328)		Permanent (N = 5,441)	
		<i>scale</i>	<i>mean/share</i>	<i>SD</i>	<i>mean/share</i>
<i>Variable</i>	<i>scale</i>	<i>mean/share</i>	<i>SD</i>	<i>mean/share</i>	<i>SD</i>
Job satisfaction (mean)	0 - 10	7.16	2.05	7.19	1.92
Job security (mean)	1 - 3	2.05	0.75	2.39	0.67
Educational level	1 - 3	2.28	0.61	2.19	0.62
Age in years (mean)		35.60	10.17	41.56	9.96
Years of unemployment (mean)		0.96	1.75	0.38	1.05
Years of employment (mean)		11.51	9.63	18.89	10.34
Promotion probability (mean)		0.22	0.29	0.18	0.25
Level of occupational autonomy (mean)	1 - 5	2.54	1.09	2.68	1.02
Monthly net wage in Euro (mean)		1220.53	556.13	1506.64	702.45
Weekly work hours (mean)		35.42	7.68	36.40	6.32
Tenure in years (mean)		2.85	5.06	11.27	9.63
New job (share)		56.4%		12.5%	

Contract Limitation and the Honeymoon-Hangover-Effect of a New Job



Source: SOEP 2001-2010

Note: The red lines (blue lines) always denote temporarily (permanently) employed persons in $t=0$ and $t=1$. The dashed lines always label 95% confidence intervals.

Results of the Cross-Section Analysis (Basic Sample, OLS Estimates)

<i>Model specification:</i>	(1)	(2)	(3)	(4)	(5)	(6)
Temporary contract	-0.035 (0.116)	-0.006 (0.115)	-0.037 (0.117)	-0.122 (0.114)	-0.196* (0.116)	-0.235** (0.117)
Tenure					-0.027*** (0.009)	-0.017* (0.010)
Tenure ²					0.001** (0.000)	0.000 (0.000)
New job						0.184** (0.082)
Personality		yes	yes	yes	yes	yes
Socio-demographics			yes	yes	yes	yes
Job characteristics				yes	yes	yes
Observations	5,769	5,769	5,769	5,769	5,769	5,769
Adjusted R ²	0.000	0.031	0.037	0.150	0.152	0.152

Source: SOEP 2001, 2005 (Personality)

*Note: * denotes significance at the 10% level, ** at the 5% level and *** at the 1% level. Robust standard errors are in parentheses. The dependent variable is job satisfaction. Personality includes openness to experience, conscientiousness, extraversion, agreeableness and neuroticism. Socio-demographic characteristics include gender, age, migration background, single, educational levels, handicap, unemployment experience and employment experience. Job characteristics include firm size, occupational autonomy, industry sector, wage, working hours, promotion probability, task variety, hard manual labour, independence in carrying out tasks, performance control, shift work, learning opportunities and environmental burden.*

Additional analyses

- Matching techniques
 - Restricted sample
 - Propensity Score Matching
- Panel estimations
 - Use of data from 2001 to 2010
- Extension of cross-sectional analysis to explain dissatisfaction from flexible employment contracts

Results of the Cross-Section Analysis (Basic Sample, OLS Estimates)

<i>Model specification:</i>	(6)	(7)	(8)	(9)	(10)
Temporary contract	-0.235** (0.117)	-0.231** (0.117)	-0.044 (0.116)	-0.039 (0.116)	0.000 (0.108)
High employment security		0.106* (0.060)	-0.073 (0.061)		
Low employment security		-0.194*** (0.075)	-0.130* (0.074)		
High job security			0.497*** (0.054)	0.485*** (0.053)	0.398*** (0.050)
Low job security			-0.680*** (0.095)	-0.690*** (0.095)	-0.661*** (0.089)
Overtime (log)					-0.130*** (0.026)
Good relations with colleagues					0.445*** (0.064)
Bad relations with colleagues					0.163 (0.171)
No conflicts with supervisors					0.947*** (0.060)
Often conflicts with supervisors					-0.943*** (0.186)
Observations	5,769	5,769	5,769	5,769	5,769
Adjusted R ²	0.152	0.154	0.184	0.184	0.258

Source: SOEP 2001, 2005 (Personality)

*Note: * denotes significance at the 10% level, ** at the 5% level and *** at the 1% level. Robust standard errors are in parentheses. The dependent variable is job satisfaction. Personality, socio-demographic and job characteristics included.*

Conclusions

- Psychological costs from temporary contracts
- Results reject previous findings on the impact of this flexibilisation tool and thus answer the title question
- Loss in job security for regularly employed people may outweigh any positive effects on employment prospects of involuntarily unemployed job seekers
- Basic idea of “Flexicurity” is supported
- No full compensation with employment security
- Dynamics of job satisfaction and job changes appears as important field for further research