

Temporary Contracts and Training: Theory and Evidence from the Netherlands

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Abstract

This paper offers a theoretical and empirical analysis of the effects of holding a temporary contract on the training of workers. Firing costs are lower for temporary employees compared to permanent employees, implying a higher uncertainty over the future of the employment relation of temporary employees. This can be expected to lower employer investments in training for workers on temporary contracts. Furthermore, we hypothesize that the uncertainty is driven by the higher standard of productivity expected from temporary employees. We empirically test these predictions using LISS data (2008-2010), a large longitudinal survey from the Netherlands containing detailed information on training activities.