Temporary Employment and Firm-Sponsored Training*

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Abstract

This paper empirically analyses the effect of holding a temporary job rather than an open-ended contract on the probability of receiving firm-sponsored training. The economic theory does not provide clear-cut predictions about the relation between the job contract and firms' incentives to invest in training. On the one hand, as the expected duration of a temporary job is shorter than that of a permanent job and, thereby, the probability of recouping the training investment is lower, firms will be less likely to provide temporary workers with training. On the other hand, since training, in addition to fostering human capital, induces self-selection of more able workers and facilitates workers' screening, firms might be willing to provide temporary workers with training before locking themselves in an open-ended job relationship, especially if the employment protection of permanent workers is high.

The empirical analysis exploits the Longitudinal Internet Studies for the Social Sciences panel, carried out by CentERdata of Tilburg University. We estimate dynamic panel data models which control for unobserved heterogeneity and feedbacks from shocks in the training status to future propensity of having an open-ended or a temporary job contract. We find that in the Netherlands temporary workers are significantly less likely to receive firm-sponsored training and that firm-sponsored training does not increases the chances of temporary workers to jump into a permanent position.

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