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Temporary employment, work quality, and job satisfaction

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ABSTRACT

Using European Working Conditions Survey, this paper shows that being employed on a temporary, rather than an open-ended, contract has a negative bearing for job satisfaction. While this effect has been established previously, the novelty of this paper is to show that the effect propagates both directly and indirectly, through working conditions and work quality. Accounting for this indirect effect allows to obtain the effect of the contractual status on job satisfaction that is substantially larger in magnitude as compared to simple direct effects, confirming the importance of accounting for unobservable individual, company-specific, and job-specific heterogeneity when addressing this relationship. Moreover, the extent of co-determination of poorer working conditions and temporary contractual status, as well as the resulting bias in estimating only a direct effect of temporary employment on job satisfaction without accounting for such co-determination, vary depending on a country setting. It is shown that in transition economies, this co-determination is larger than in non-transition economies, possibly because of the workers' weaker bargaining power, strategic use of temporary employment to circumvent labor regulations, the absence of regulations prescribing equal treatment of workers with different contractual arrangements, or lack of compliance with such regulations.

1. Introduction

As jobs occupy an important part of workers' life, job satisfaction constitutes a key component of life satisfaction and individual well-being in general. Job satisfaction also has important implication for economic outcomes, being a significant predictor of quits and job mobility (Freeman, 1978; Clark, 2001; Clark et al., 1998; Shields and Price, 2002; Antecol and Cobb-Clark, 2009), sickness absences (Brown and Sessions, 1996), and workers' productivity (Halkos and Bousinakis, 2010).

Recent decades highlighted a changing nature of the employment relationship. In the European context, many countries witnessed a proliferation of temporary employment (ILO, 2016). Increase in temporary employment recently took place both in Western European developed countries, such as France or the Netherlands, as well as in transition economies, such as notably Croatia, Slovakia, Montenegro and Poland. Poland recently became the European champion of temporary employment. At the same time, there have been uneven developments across countries in the reasons for recourse to temporary employment. For example, in Poland, much of the rise in non-stable employment has taken place because of the rise of employment on civil law contracts, rather than on labor contracts (Muszyński, 2016), with the purpose of circumventing existing labor protections. In other words, in some settings temporary contracts are increasingly being used not only for what can be called traditional purposes (replacing a temporarily absent worker, or for a probation), but precisely with the aim of avoiding protections that workers on open-ended contract are due. This risks

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co-determining contractual status with working conditions and work quality.

Interestingly, numerous studies documented a strong independent link between job satisfaction and contractual status, contractual status and working conditions, and also job satisfaction and working conditions. What has been missing from the literature, however, is linking the three outcomes by recognizing the co-determination of poorer working conditions and temporary contractual status, and the role of the unobservable individual, company-specific, and job-specific heterogeneity when addressing these relationships. In other words, most of the studies, relying on single-equation models, assume that the contractual status is exogenous to reported working conditions and job satisfaction. Yet, it is likely that unobservable individual and job-specific characteristics may jointly determine both the contractual status and working conditions and job satisfaction. For example, employers may be reserving temporary contract for periphery jobs of poorer quality, sparing permanent staff of poor working conditions. They may also strategically choose temporary rather than open-ended contracts, if the former allow circumventing some of the labor regulations governing the use of regular contracts, including the regulations about occupational safety and health, training, or equality of treatment of workers regardless of their contractual status. This co-determination of contractual status and working conditions may be all the more strong if temporary employment is involuntary choice, or when temporary workers have little bargaining power to request better working conditions regardless of their contractual status. Conversely, those employees who have chosen temporary contracts voluntarily, may choose them in full awareness what working conditions such contract imply, but consciously accepting such conditions in order to trading them off for work experience and temporary income.

The objective of this paper is to add to the existing literature by highlighting both a direct and an indirect effect of contractual arrangements on job satisfaction, the indirect effect propagating through working conditions. To this end, a simultaneous-equation model is built, in which temporary employment directly affects working conditions, and through them, indirectly affects job satisfaction. Such specification allows the error terms to be correlated across equations, thus accounting for the unobserved effects that jointly determine contractual status, working conditions, and job satisfaction. Using the European Working Conditions Survey, which contains detailed questions on all aspects of working conditions, the paper shows that such indirect effects are indeed large and significant. Accounting for it helps correcting the bias of simple linear equations that link temporary employment and job satisfaction, and helps reinforcing the negative relationship between the two.

Moreover, the paper shows that the co-determination between temporary employment and working conditions differs across countries. Countries are split into transition and non-transition economies, with the idea that in transition economies, there is a potentially higher non-compliance with and poorer enforcement of regulations governing working conditions of temporary workers, including the principles of equal treatment and non-discrimination, as well as laws regulating the use of temporary employment. In such setting, recourse to temporary employment may be more systematically done for the purposes of circumventing existing protections for regular workers, offering lower protections to workers, and hence more systematically resulting in adverse working conditions for temporary workers. Indeed, the results of this paper show that accounting for the indirect effect of temporary employment on job satisfaction gives larger total effects in the transition economies as compared to the non-transition economies, confirming a stronger co-determination of contractual status and working conditions in these countries.

The rest of the paper is structured as follows. [Section 2](#) provides data description. [Section 3](#) explains why and how the model is built, and [Section 4](#) contains estimation results. The last section concludes.

2. Data description and descriptive statistics

The analysis of this paper is based on the Eurofound European Working Conditions Survey (EWCS) for the year 2015. This is a representative survey carried out in 35 European countries (28 EU Member States, plus Albania, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Switzerland and Norway). The latest round of the survey is used, as it has all variables of interest. EWCS is a household survey with face-to-face interviews with a sample size of approximately 1000–3000 individuals per country. The sample is restricted to wage employees with contracts only (self-employed, employees without contracts, and apprentices are excluded from the analysis). After data cleaning, the sample is reduced to 29,300 observations (see [Appendix A](#) for definitions of all variables; [Appendix B](#) for the full descriptive statistics).

The questionnaire contains information on employment status, working life and working conditions, and is considered to be the most comprehensive data source of this kind in Europe. The exact wording of our main question of interest is “On the whole, how satisfied are you with working conditions in your main paid job?”, with answers “Very satisfied; Satisfied; Not very satisfied; and Not at all satisfied”. As there are only 3,5% of observations in the last category, the variable is turned into a dichotomous one, with one indicating two highest levels of satisfaction, and zero indicating the two lowest levels.

The variable reflecting the contractual status is constructed from the survey question “What kind of employment contract do you have in your main paid job?”. A dichotomous variable *Temp_contract* is based on the answers “contract of limited duration” and “a temporary employment agency contract”.²

The overall sample mean of job satisfaction is 0.849, which is consistent with findings from other surveys and country settings (see, for example, [Freeman, 1978](#), for a classical comparison of surveys). However, job satisfaction clearly varies with contractual

² Some workers may be employed by temporary agencies on permanent contracts. I include them into the grouping of temporary contracts because in practice workers in such arrangements may experience similar adverse working conditions as compared to workers on temporary contracts, especially in what concerns access to training, promotions, occupational safety and health issues, and eligibility for social security ([ILO, 2016](#)).

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