



Young people and temporary employment in Europe

Executive summary

Introduction

Since the onset of the economic and financial crisis in 2008, the number of young people in employment across the European Union has declined considerably. By mid-2013, the unemployment rate among people aged 24 and under had increased to over 23%. A large number of workers in this age group are employed on temporary rather than permanent contracts (42% compared to just 10% of workers aged 25–64). While temporary or fixed-term contracts can be a stepping stone in the transition from education into work, they can also trap young people in insecure jobs.

This comparative report from the European Restructuring Monitor is based on data from correspondents in 28 EU Member States and Norway. It examines the reasons for the growth in temporary employment contracts across the EU and explores the situation regarding access to social protection for young people on temporary or fixed-term contracts. It reviews the measures put in place in various countries to regulate the use of these contracts – often with a view to encouraging the transition to standard contracts – and finally presents the opinions of the social partners on the issue.

Policy context

In most countries in Europe, the use of temporary employment contracts is regulated: the maximum duration is limited as well as the number of times the contract can be renewed. The details of such regulation and the degree of restriction imposed, however, vary markedly between countries. In some countries – notably, Greece, Lithuania, the Netherlands, Poland, Romania and Spain – the regulations have been relaxed during the crisis in the hope of stimulating job creation, although in most cases it has

been made clear that the respite is only temporary. In most countries, the restrictions have remained in place; in Italy and Slovakia they have been tightened to encourage more employers to hire workers on standard contracts. This reflects a concern across Europe, which has also been expressed by the European Commission in its June 2013 Communication *Working together for Europe's young people – a call to action on youth unemployment*, that increasing job opportunities for young people is a priority but should not be done to the detriment of lower job quality and increased levels of insecurity.

Key findings

- The use of temporary employment contracts for young people had been on the rise in most countries before the recession began in late 2008, reflecting the desire of employers to adjust their workforces more easily as market conditions changed. It also pointed to the increased use of traineeships and probationary periods as a way for employers to assess the capabilities of new recruits before offering them permanent positions.
- The economic recession in 2008–2009 led to a disproportionate reduction in the number of young people employed on temporary jobs as many fixed-term contracts were not renewed by employers seeking to cut costs quickly. Since then, however, there has been a relative increase in such contracts, indicative of employers' reluctance to create permanent jobs in a climate of economic uncertainty and of the re-emergence of the trend towards traineeships and probationary periods.

- With a few exceptions, young people on temporary contracts in principle enjoy the same entitlement to social protection as those on standard contracts. In practice, however, the short-term nature of their employment means that they often lack sufficient contributions to qualify for support, such as unemployment, sickness and maternity benefits.
- In a number of countries and sectors, bogus self-employment (when an independent worker is contracted to provide services to a single client or work provider in much the same way as if they were an employee) is widespread. This practice is used by employers as a means of reducing the costs of employment by lowering the social contributions payable and avoiding the costs imposed by employment protection legislation.
- Self-employed workers in most countries have less entitlement to social benefits than employees, as paying contributions tends to be voluntary. Young people on low pay are likely not to make contributions to avoid the extra cost involved. This applies equally to entitlement to insurance-based pensions.
- While temporary contracts can be a stepping-stone to permanent jobs, particularly if they are traineeships or periods of probation, there is evidence that the relative number of young people making the transition to permanent positions has declined over the crisis period.
- The growth of temporary work among young people can be partly explained by measures taken to stimulate youth employment, such as government funding of work experience programmes and state subsidies for employers who take on young people.
- In a number of countries, wage subsidies have been introduced in a form that gives an incentive to employers to create permanent rather than temporary jobs.

- In many countries, young people on temporary contracts do not constitute a major policy concern for the social partners, given the pressing demands of the economic crisis. Where there is debate on the issue, there is often an understandable conflict between the views of employers, who value the flexibility of temporary contracts, and trade unions, who highlight the implicit job insecurity of such contracts.

Policy pointers

While the growth of temporary employment among young people is a cause of concern given the inherent insecurity in this type of contract, it is important to note that people in temporary jobs often either do not want a permanent job or are in training or a probationary period that might lead to a permanent position. However, governments must ensure that the use of fixed-term contracts is not being abused.

Governments also need to monitor self-employment closely. While there is a lack of direct evidence about how genuine some forms of self-employment are, it seems that in some countries a rise in the number of self-employed is being driven by employers who are unwilling to take on permanent workers and to offer them the protection afforded by a standard employment contract.

The issue of social protection needs to be addressed to make sure young people and others in temporary jobs have adequate access to benefits when their contract ends or if they are unable to work because of illness, for instance, or maternity. This may be difficult in cases where social insurance scheme payments are voluntary and the cost of contributions deters young people from joining such schemes. In the present economic climate, it may also be difficult for governments to meet the costs of increasing access to social protection.

Further information

The report, *Young people and temporary employment in Europe*, is available at <http://www.eurofound.europa.eu/emcc/erm/studies/tn1304017s/index.htm>

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