

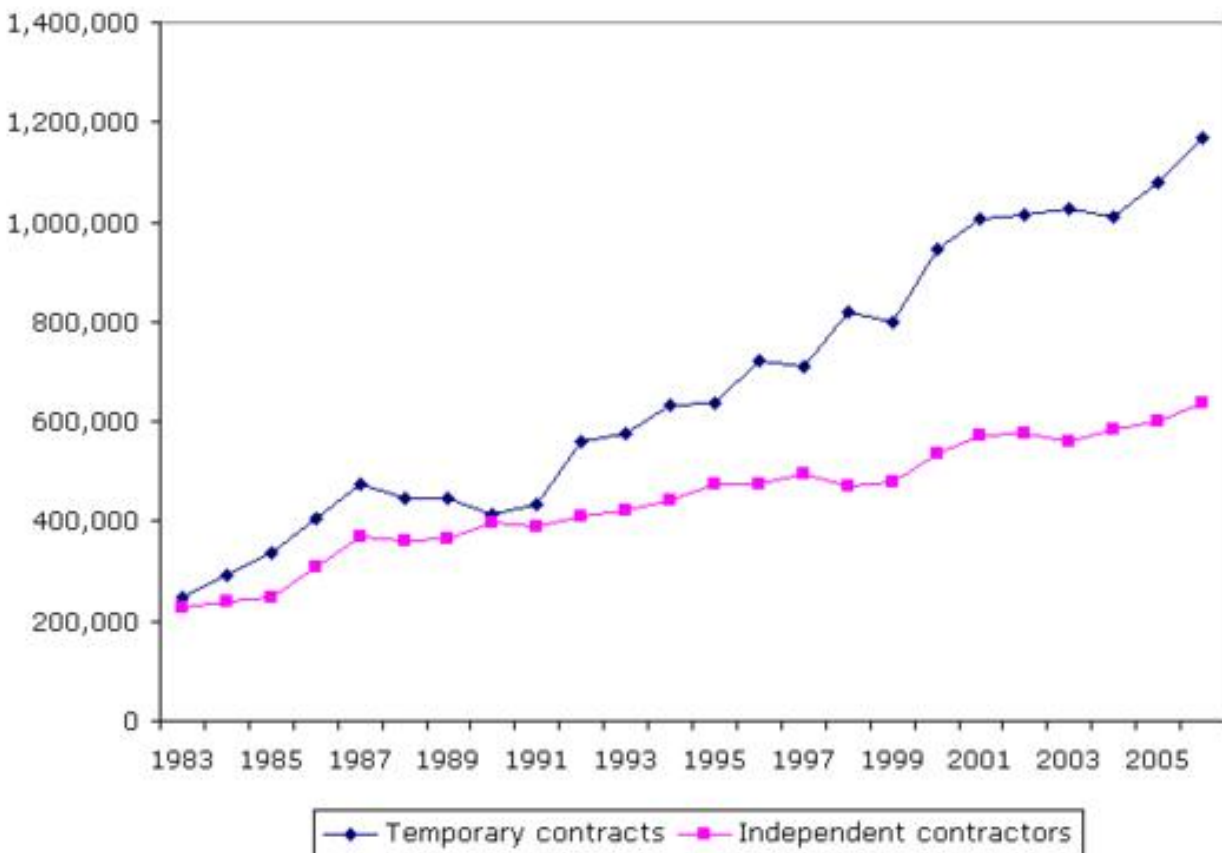
# Rising numbers of temporary employees and independent contractors

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The use of temporary employment contracts is a well-used labour market strategy in the Netherlands. Employers use them to explore the suitability of employees and temporary employees are often entrants to the labour market. In some sectors, organisations prefer to hire independent contractors who are generally highly motivated. Numbers of independent contractors and those on temporary contracts has been increasing since 1983, in absolute as well as relative terms.

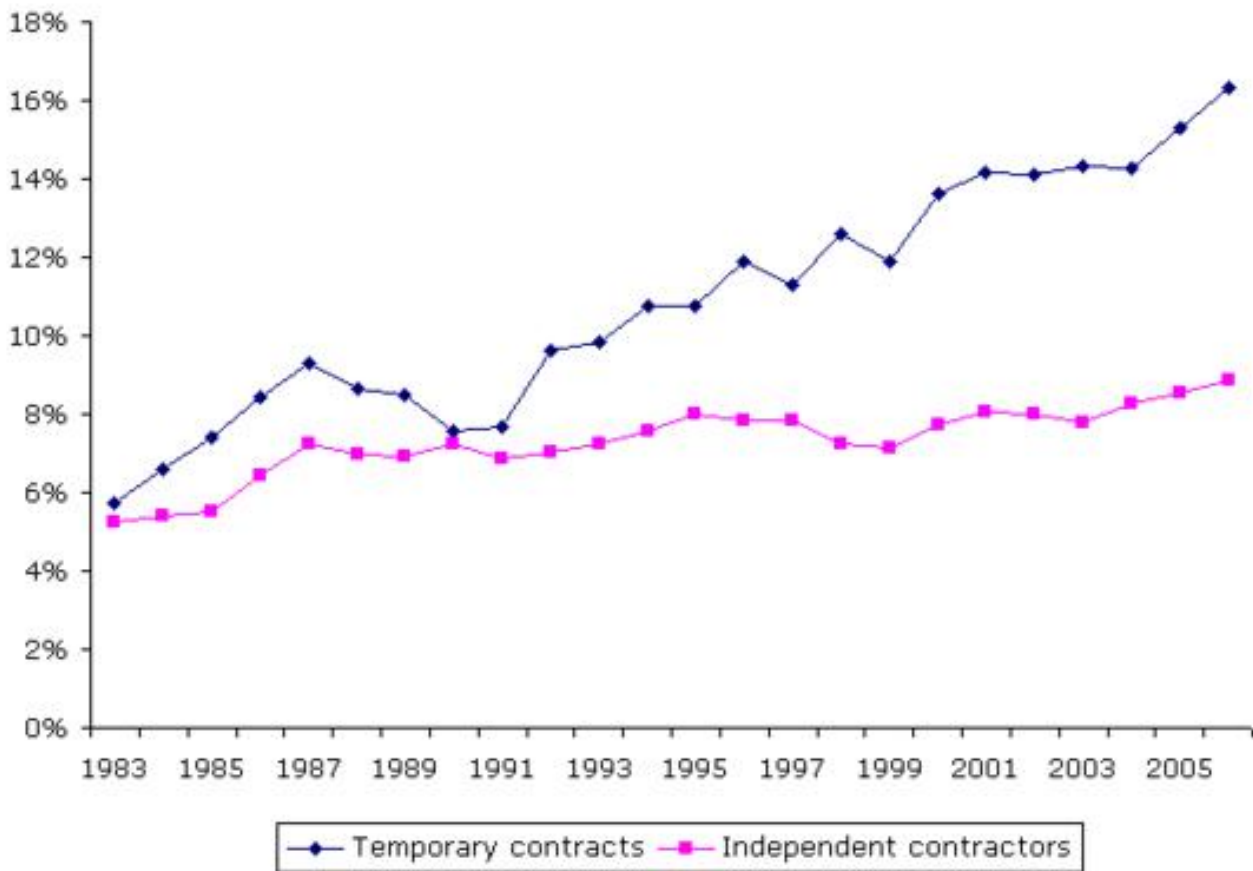
The number of employees with a fixed contract and independent contractors in the Dutch labour market has risen almost constantly over the last few decades, with only some decline in harsh economic times and a more than average increase after the recession. This rise is absolute (Figure 1) as well as relative (Figure 2).

Figure 1: Absolute increase in the number of temporary contracts and independent contractors, 1983–2006



Source: Eurostat, Labour Force Survey

Figure 2: Relative increase (in relation to the total labour force) in the percentage of temporary contracts and independent contractors, 1983–2006



Source: Eurostat, Labour Force Survey

## Study on temporary employees and independent contractors

A short online survey of 98,914 Dutch workers was carried out in 2007 of whom 72,804 (74%) responded. A representative sub-sample of 1,862 workers in four employment groups was selected randomly from this sample for an in-depth investigation of the way in which employees and self-employed people deal with uncertainty in the labour market. A total of 1,506 people (81%) in this sub-sample responded.

In an internet-based survey, it is possible to match numbers of respondents precisely, making it possible to compare relatively easily the responses of:

- 502 employees with a permanent employment contract and 502 employees with a fixed contract;
- 251 independent contractors and 251 entrepreneurs owning an enterprise.

Table 1 lists the sectors where these four groups of respondents (employees with permanent contracts, temporary employees, independent contractors and entrepreneurs) work. Some of the findings from the survey on the personal and working situation of these workers, their absence through sickness and employability are reported below.

Table 1: Sectors where respondents work

Sector	Employees with:		Self-employed	
	Fixed contract	Permanent contract	Independent contractor	Entrepreneur
Agriculture and fishing	2.1%	0.9%	0.9%	6.8%

Industry	10.2%	12.0%	2.1%	4.5%
Energy and water supply	0.1%	0.4%	0.0%	0.0%
Construction	3.7%	4.7%	11.9%	7.7%
Retail and trade	8.5%	6.4%	6.1%	17.4%
Hotels and restaurants	5.9%	1.7%	0.8%	4.5%
Transport and communications	3.9%	5.9%	3.2%	5.0%
Financial services	4.1%	3.6%	4.7%	6.0%
Commercial services/ Information and communication technologies (ICT)	6.1%	9.1%	18.5%	21.4%
Education	10.0%	6.4%	7.2%	1.8%
Health and social care	15.0%	15.3%	13.8%	6.4%
Civil service and government	6.1%	9.1%	1.2%	0.0%
Other services	5.8%	6.0%	7.8%	7.1%
Other	7.3%	4.4%	6.0%	2.9%
No response to this question	11.2%	14.0%	16.0%	8.5%
Total percentage	100%	100%	100%	100%
Total number of respondents	502	502	251	251

Source: Klein Hesselink et al, 2008

Sector preferences on hiring workers mostly depend on the volume of available work and whether the employer intends to keep the worker more permanently. Employees with a fixed contract are most often employed in the industry, retail and trade, education, and health and social care sectors where the contracts last, on average, six months to two years. In education, there are relatively more employees with a fixed contract than with a permanent contract.

Most independent contractors work in the construction, commercial services/ICT, and health and social care sectors, where the contracts often last for two weeks or less. In the industry, energy and water supply, hotels and restaurants, and civil service and government sectors, employers do not use independent contractors very often.

Table 2 provides an overview of some demographic and income characteristics of the four groups of employees and self-employed workers. Women and younger employees more often have fixed contracts. Employees with a fixed contract do not earn a high salary, but they often originate from households with a relatively high income and are often new entrants to the labour market. It is well-known in the Netherlands that employers today often use temporary employment contracts to increase the probation time of their employees.

Table 2: Demographics and income

	Employees with:		Self-employed	
	Fixed contract	Permanent contract	Independent contractor	Entrepreneur
Percentage of women	58.2%	44.6%	42.6%	30.1%
Mean age in years	33.2	41.8	42.8	44.2
Income of respondent:				
<€500	15.9%	3.6%	9.0%	6.1%
€500–1,000	23.2%	14.8%	17.5%	12.6%
€1000–1,500	33.4%	28.7%	19.3%	16.0%
€1,500–2,000	18.9%	31.4%	23.3%	14.9%
€2,000–2,500	6.1%	13.1%	12.6%	17.6%
>€2,500	2.5%	8.4%	18.3%	32.8%
Total number of respondents	502	502	251	251

Source: Klein Hesselink et al, 2008

Independent contractors are more often women but their average age is about the same as that of entrepreneurs. The income of independent contractors is lower than that of entrepreneurs, but is about the same as employees on permanent contracts. The income of entrepreneurs is the highest of all four groups.

Employees with a fixed contract have a lower rate of sickness absence than employees with a permanent contract (Table 3); only the mean spell frequency is about the same. The lower sickness absence of workers with a fixed contract can largely be explained by the younger average age of this group. Their 'presenteeism' percentage (days at work when ill) is also lower.

Table 3: Sickness absence in the past 12 months (corrected for part-time work)

	Employees with:		Self-employed	
	Fixed contract	Permanent contract	Independent contractor	Entrepreneur
Sick leave	47.7%	56.0%	31.7%	23.0%
Mean number of working days	174	214	183	218
Mean spell frequency	1.6	1.5	1.3	0.8
Mean number of absence days	15.0	20.9	18.4	11.8
Absence percentage	4.1%	5.6%	3.8%	2.3%
Presenteeism percentage	4.2%	6.2%	9.3%	3.9%
Total number of respondents	502	502	251	251

Source: Klein Hesselink et al, 2008

Sickness absence among self-employed workers is remarkably low; entrepreneurs have the lowest of all four groups. Independent contractors have more sickness absence than entrepreneurs, but less than both employee groups, with the exception of the average 15 absence days of employees with a fixed contract. Independent contractors have the highest presenteeism percentage of all four groups.

The findings on employability are summarised in Table 4. The 'development' score is calculated from three questions on possibilities for development in and outside the company and the area of activity. The rating on being involved in applying for jobs (in the case of employees) or expanding the business (in the case of self-employed workers) is based on two questions on intention and actual behaviour. Scores are recalculated from 0 to 1. Employees do not differ much in terms of both scores. Independent contractors and entrepreneurs manifest their energy not through their career but in the expansion of their business. Both groups are remarkably active – entrepreneurs even more so than independent contractors.

The self-employed respondents reported the highest work satisfaction. This score is based on one single item with five categories coded from zero to one. There is an almost linear relationship in the self-efficacy scores, with employees on a fixed contract having the lowest and entrepreneurs the highest. Both entrepreneurs and independent contractors appear highly motivated in their work.

Table 4: Behaviour related to employability

	Employees with:		Self-employed	
	Fixed contract	Permanent contract	Independent contractor	Entrepreneur
Mean score: development	0.41	0.46	0.75	0.85
Mean score: applying for jobs/expanding the business	0.21	0.14	0.40	0.54
Mean score: work satisfaction	0.70	0.73	0.77	0.77
Self-efficacy (I am good at ...)				
- solving problems	0.76	0.77	0.80	0.83

- winning despite hindrances	0.59	0.61	0.63	0.69
- continuing plans until realised	0.67	0.69	0.72	0.73
- handling unexpected situations	0.76	0.78	0.79	0.81
- handling unforeseen situations	0.72	0.76	0.78	0.79
- staying calm and trusting myself	0.76	0.78	0.81	0.81
- conceptualising multiple solutions	0.72	0.75	0.76	0.78
- problem-solving in difficult situations	0.72	0.75	0.77	0.78
- finding a solution in the end	0.80	0.80	0.83	0.83
Mean score: self-efficacy	0.72	0.74	0.76	0.79
Total number of respondents	502	502	251	251

Source: Klein Hesselink et al, 2008

## Commentary

There is a growing preference among Dutch employers for more flexibility and less strict contractual obligations. This preference is fuelled by the fact that temporary employees and independent contractors are often highly motivated and accept lower wages. However, increased flexibility has its price. A recent doctoral thesis by Houwing (2010) indicates that socially negotiated agreements tend to be in the direction of increased flexibility and less security for employees. The Dutch media nowadays often reports that independent contractors and temporary employees are among the first victims of the recession. Nonetheless, the number of temporary employees and independent contractors remains relatively stable because many employees who have been made redundant start a new future with a fixed contract or as an independent contractor. In addition, there are no known initiatives from the Dutch government to introduce legislation that will repair the growing employment insecurity.

## References

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John Klein Hesselink, TNO Work and Employment