flex|CAREER

Increasing labor market instability among young people?

Labor market entry and early career development among school-leavers in the Netherlands since the mid-1980s

Maarten H.J. Wolbers

ABSTRACT

The aim of this paper is to study the consequences of increased labor market flexibility for young people at the beginning of their careers in the Netherlands since the mid-1980s. The emphasis is on school-leavers, since labor market entrants without any work experience are especially confronted with flexible employment in the competition for available jobs with those who have already gained a position in the labor market. The phase of labor market entry is investigated in terms of (permanent) employment opportunities and quality of work. Early career development is studied in terms of job loss and occupational status mobility. The OSA Labor Supply Panel is used for the empirical analysis. On the basis of this panel study, school-leavers have been selected who left daytime education in the period 1986-2002. The results indicate that in the Netherlands since the mid-1980s, labor market flexibility has been a successful weapon for combating youth unemployment in the sense that the opportunities for school-leavers to find a job have improved considerably, but – at the same time – it has resulted in a higher risk of having a job with a fixed-term contract, where the likelihood of overeducation and job loss is higher.

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INTRODUCTION

The crisis in the world economy in the 1970s led to high pressure on post-war welfare states in many western countries. High unemployment rates stimulated the call for more labor market flexibility (Córdova 1986). As a consequence, the standard employment relationship began to unravel and various kinds of non-standard or flexible work arrangements (such as fixed-term contracts) emerged (Kalleberg 2000). In addition, globalization has caused a rise in labor market flexibility in advanced economies during the last decades (Castells 2000). Both the diffusion of information technology and workplace reorganizations has shifted the demand from low-skilled to high-skilled labor. Especially in Europe, where labor markets are quite rigid, this process of skills upgrading has been adjusted to a large extent through high unemployment and the allocation of an increasingly large proportion of workers in fixed-term contracts (DiPrete 2005).

Despite these common structural developments, there is considerable diversity across countries in how the share of flexible employment in total employment evolved in the last two decades (de Grip et al. 1997; OECD 2002). There are country specific policies and historically grown institutional systems that determine the degree to which people are affected by increasing labor market uncertainty in the course of globalization (Mills and Blossfeld 2005). In particular, young people who enter the labor market for the first time are exposed to this uncertainty, since labor market entrants without any work experience ('outsiders') have to compete for the (scarce) available jobs with those who have already gained a position in the labor market ('insiders') (De Vreyer et al. 2000). The institutional features that matter most with respect to the process of labor market entry refer to industrial relations between employers and employees, the organization and setup of the educational system, and the structure of the welfare regime (Breen and Buchmann 2002).

The aim of this paper is to study the consequences of increased labor market flexibility for young people at the beginning of their careers in the Netherlands since the mid-1980s. The phase of labor market entry is investigated in terms of (permanent) employment opportunities and quality of work. Early career development is studied in terms of job loss and occupational status mobility. For the empirical analysis, the OSA Labor Supply Panel is used. This panel study with detailed information on the employment history of the (potential) Dutch labor force has started in 1985, with subsequent waves that have taken place every two years from 1986 and onwards. On the basis of this panel study, 1,008 school-leavers have been selected who left daytime education in the period 1986-2002.

The remaining part of this paper is organized as follows. The next section gives for the Dutch context a description of the importance of the type of economy and employment relationships, the educational system and the welfare regime in filtering the impact of labor market flexibility on young people's opportunities during labor market entry and early working career. Based on this institutional description, I define the relevant characteristics that need to be analyzed when studying the consequences of labor market flexibility for young people at the beginning of their careers in the Netherlands and deduce the hypotheses to be tested. The empirical part of this paper starts with a description of the data and variables used. I then present the results of the empirical analysis. The paper ends with a concluding section that summarizes and discusses the most important findings.

INSTITUTIONAL CONTEXT

Type of economy and employment relationships

The Netherlands provides an interesting context for an analysis of the consequences of labor market flexibility for young people at the beginning of their careers. As a result of the high (youth) unemployment rates in the beginning of the 1980s, a number of active policy measures have been adopted since then to make the Dutch labor market more flexible. The Wassenaar Agreement of 1982 is considered as the basis for these initiatives and regarded as one of the pillars of the 'Dutch employment miracle' (Visser and Hemerijck 1997). First of all, the government weakened the strictness of employment protection legislation. On the one hand, conditions for using temporary contracts were liberalized, whereas on the other hand redundancy procedures were relaxed. Nevertheless, the level of deregulation has remained comparatively moderate in the Netherlands (OECD 1999), which undermines the labor market opportunities for school-leavers. The Netherlands still has relatively strong unions (although trade union density is relatively low), a coordinated wage bargaining process, a high coverage of collective labor agreements and comparatively strong seniority

principles that safeguard against dismissal. Second, employers tried to adapt the deployment of labor to (temporary) production changes of their firms by means of temporary-help agency employment and on-call employment. In the Netherlands in the course of the 1990s, jobs mediated by temporary-help agencies came to be more numerous than fixed-term contracts (OECD 2002).

As a consequence, these labor market flexibility measures have induced a quite strong job growth in the Netherlands since the end of the 1980s. Between 1983 and 1997 the number of jobs increased at a rate of 1.8 percent per year, four times the EU average (OECD 1998). This job growth was to a large extent as a result of the rise of flexible employment. In fact, the Netherlands had the highest increase in flexible employment in the European Union in the period 1985-1995 (de Grip et al. 1997). This increase was in particular due to the rise of part-time jobs, which in the Netherlands, however, do not necessarily have the characteristics typical of flexible employment (Meulders et al. 1994). In the Netherlands, part-time jobs can certainly not be considered as marginal labor in contrast with other European countries and the United States. Many part-time jobs are permanent positions, are voluntary chosen and protect against unfair dismissal in the same way as full-time jobs (Remery et al. 2002). In addition, the huge increase of part-time work in the Netherlands is closely related to the late and rapid arrival of married women in the labor force and the lack of sufficient child-care provisions (Visser 2002) rather than that it can be considered as a means to reduce (youth) unemployment. Nevertheless, part-time employment does contribute greatly to the increased labor market flexibility in the Netherlands.

In the late 1990s, legal rules and collective agreements between unions and employers' organizations have been introduced to reconcile and balance both flexibility and security in the Dutch labor market ('flexicurity' strategies). Flexicurity consists of increasing labor market regulation on the one hand accompanied with more employment security for flex workers on the other hand (Wilthagen 1998).[1] For example: temporary-help agency employment has become tied to less conditions (that is, the obligation for temporary-help agencies to be in possession of a permit has been withdrawn and the maximum term for this type of employment is abolished), while more protection is offered for individual workers who are hired through job agencies (their contracts are considered a regular employment contract now). The principle of flexicurity is that – given the role played by labor market institutions – the balance between flexibility and security can be kept more effectively through activation of both employers and employees. The central element here is the logic of the 'knowledge economy'. Human capital investments over the entire career ('life long learning') raise the employability and flexibility of workers, which improve their chances of staying employed and remaining work secure over the life course. In other words, a 'double bind' is assumed: a high level of flexibility is required to safeguard a high level of work security, which is a necessity for maintaining a high level of flexibility (Muffels and Luijkx 2006). It remains to

be seen, however, whether flexicurity really works, as it is known that employers invest less in training activities for the least qualified workers (Wolbers 2005), which may – in combination with a tightly regulated labor market – lead to more rather than less marginalization of the most vulnerable groups in the Dutch labor market, for whom flexicurity measures originally were aimed at.

Educational system

The Dutch educational system is regarded as being highly stratified (both vertical and horizontal) and highly standardized (Müller and Shavit 1998). Vertical stratification appears relatively early in the educational career of pupils. At the start of secondary education (at age 12), pupils are allocated to three major tracks that differ in both length and level. This allocation is based on a national school performance test and the advice of the teacher from primary education. None of these tracks is considered to be proper final levels of education and, hence, a large majority of the degree takers go on to further (vocational) education. Pupils who completed the highest of the three tracks (*VWO*) mainly go to the master programs at the universities (*WO*). Pupils who finished the next highest track (*HAVO*) usually continue in the bachelor programs in colleges of higher vocational education (*HBO*). Pupils from the lowest track (*VMBO*) go on to the school-based vocational programs in upper secondary vocational education (*BOL*) or to the dual system of apprenticeship training (*BBL*). The high horizontal stratification (or vocational differentiation) of the Dutch system of upper secondary vocational and tertiary education can be read from the fact that students can choose between some hundreds of study programs within each level. Most educational institutions offer a broad range of study programs and there is no relationship between school quality and the set of study programs offered (van der Velden and Wolbers 2007). Due to the high level of standardization in the Dutch educational system (mainly through national agreed curricula and certification procedures), the content of these programs is quite similar across schools.

   Given the high horizontal stratification, vocational education has a clear occupation-specific character in the Netherlands, despite the fact that the provision of vocational skills is primarily school-based (Müller and Wolbers 2003). Many study programs in vocational education prepare for one or a few occupations, which are not accessible without the proper qualifications and certificates. Given the differentiated system of vocational education, certificates provide employers with reliable information about the suitability of school-leavers. Therefore, the association between education and labor market outcomes is expected to be close in the Netherlands and, subsequently, the transition from school to work is rather smooth. This refers to both the speed and the stability of the labor market entry process.

Welfare regime

Welfare regimes are responsible for the degree of protection for the most vulnerable groups in the labor market by offering them social security facilities. According to most typologies of welfare regimes, the Netherlands belongs to the 'conservative' regime type (Arts and Gelissen 1999; Blossfeld 2002). The conservative welfare regime is strongly transfer-oriented. This means that social policies are primarily designed to protect individuals with no (or a marginal) labor market position from serious declines in their standard of living by offering them ample benefits. Well-known for the Netherlands are the disability scheme *WAO* and early retirement program *VUT* that have been used thoroughly in the 1980s as a social safety net for (older) workers who were forced to leave their jobs during the economic recession in that period. For young people, in the 1980s there was the *JOB* scheme. It offered subsidies to both public and private sector employers for creating jobs to young, long-term unemployed people. This scheme was continued by the Youth Work Guarantee (*JWG*) scheme in 1991, which put more emphasis on training activities for the purpose of improving the labor market prospects – in addition to the provision of a minimum wage job. Nevertheless, the employment effects were limited: the outflow to regular jobs was minimal. For that reason, this kind of subsidized labor for unemployed youth was integrated in 1998 with the more general *WIW* scheme – available for all long-term unemployed in the Netherlands.

In addition, the conservative welfare regime is committed to the traditional male breadwinner model: men specialize in labor market activities, whereas women take up the main responsibility within the household. As a result, facilities and support for child care were hardly developed in the Netherlands until recently, which made part-time employment the dominant coping mechanism for mothers who wanted to participate in the labor market (Visser 2002). For female labor market entrants, therefore, this may restrict their labor market opportunities, as they (and their employers) probably anticipate upon their future role as being mother and (part-time) worker simultaneously.

STUDYING LABOR MARKET ENTRIES AND EARLY CAREERS IN THE NETHERLANDS

The combination of these institutional features – together with macro-economic conditions – shape the opportunity structure of newcomers in the labor market. Recent research has indicated that with regard to the explanation of cross-national differences in youth labor market integration the degree of labor market regulation and the degree to which the educational system sends clear signals to employers about the (occupation-specific) skills of job seekers are institutional factors that matter most (van der Velden and Wolbers 2003; Breen 2005). The former authors looked at both the likelihood of being unemployed and of having

a temporary job as indicators for youth labor market integration. Compared to other EU countries, they describe the position of the Netherlands as rather good. On average over the period 1992-1997, less than 10 percent of the school-leavers in the Netherlands were without a job, just like it was the case in Germany, Austria and Luxembourg. Also the proportion of school-leavers holding a temporary job was relatively low in the Netherlands in this period. In addition to favorable general labor market conditions, it is particularly the vocational orientation of the educational system that explains the good performance of the Netherlands.

In this paper, therefore, I start to analyze the labor market entry process of school-leavers in the Netherlands by looking at (permanent) employment opportunities: the likelihood of being unemployed after leaving education and of having a fixed-term contract for those who entered first employment. The observation window begins after leaving initial education. So, the labor force participation of young people who combine learning and working (as working students or dual system students) is not considered here. Furthermore, I decided not to look at part-time employment, although it is without doubt part of the Dutch story about labor market flexibility. The reason is that – as argued above – the increase in part-time employment in the Netherlands is primarily linked to the rise of female labor force participation rather than to attempts to combat high youth unemployment rates.[2]

Then, the consequences of labor market flexibility are studied. A main concern here is whether flexible employment constitutes an entrapment outside of, or a stepping-stone into, a stable position in the labor market. In the latter case, the consequences of flexible employment at labor market entry are only temporary and, therefore, less problematic. The few analyses performed on this topic so far seem to support this view. Although inconclusive, the results indicate that (in the long run) flexible employment does not harm future occupational positions despite being accompanied by higher instability (that is, more unemployment spells) in the beginning of the working career (McGinnity et al. 2005; Scherer 2004). In the same vein, Steijn et al. (2006) quite recently investigated the long-term effects of a 'bad' labor market entry in the Netherlands. Also these authors observed that individuals, who started their career as unemployed or as working in a non-standard job, are more likely to become unemployed later. At the same time, however, they found – in line with the stepping-stone hypothesis – that workers who started their career in a non-standard job are more often upward mobile. In addition, it is known for the Netherlands that school-leavers who have a non-standard contract earn less in their jobs than those with regular work arrangements (de Vries and Wolbers 2005). Large part of the wage differences found between school-leavers with a regular employment contract and those with a non-standard employment contract can be attributed to the level of education attained by school-leavers and, related to that, the segment of the labor market (primary versus secondary) that they have entered.

For the purpose of this paper, it is of particular interest to determine the impact of labor market flexibility on this kind of labor market outcomes. First of all, the quality of work is considered. I will not analyze wages. Instead, the quality of work is defined here as the likelihood of being overeducated in first employment. Individuals are overeducated when they work in jobs for which a lower level of education is required than actually obtained. Second, it is important to look at how flexible employment affects early career development. Two characteristics referring to the early career of labor market entrants are investigated: the likelihood of becoming unemployed and of upward and downward occupational status mobility.

HYPOTHESES

The empirical scope of this paper starts in the mid-1980s. This period was characterized by high youth unemployment rates due to the economic crisis that captured the Dutch labor market in the beginning of the 1980s. Youth unemployment reached its peak in the Netherlands in 1984 with 25 percent (Salverda 1992). Labor market flexibility was regarded as an important tool in the fight against this high unemployment. Assuming that the active policy measures that have been adopted since then to make the Dutch labor market more flexible had their intended effect, I expect that the employment opportunities of school-leavers have improved since the mid-1980s. Concurrently, flexibilizing the labor market has given rise to a marked increase in fixed-term contracts among school-leavers. While it is argued that there may be positive effects of flexible work arrangements on unemployment avoidance (Korpi and Levin 2001), most authors stress their negative implications (see for instance Kalleberg et al. 2000). I will do so as well in this paper. First of all, it is predicted that fixed-term employment coincides with another kind of non-optimal labor market entry: overeducation. Temporary employment often leads to a loss of productive skills and a lack of relevant work experience, and employers use overeducation as compensation for that (Groot and Maassen van den Brink 1996). Second, I expect that fixed-term employment has negative consequences for the subsequent working career of individuals – probably not permanent, but at least in the beginning of their career. So, the main hypothesis of this paper reads as follows:

In the Netherlands since the mid-1980s, increased labor market flexibility has led to better opportunities for school-leavers to find employment, but – at the same time – it has resulted in a higher likelihood of having fixed-term jobs, which are accompanied by a higher risk of overeducation and less chances of early career development.

In addition to this hypothesis, I consider standard sociological factors to explain the labor market opportunities of school-leavers during the beginning of their careers. First of all, it is expected that level of education matters. In general, higher educated school-leavers have better labor market opportunities than lower educated ones. The risk of unemployment, occupational status, income level, work security and job satisfaction are all strongly related to educational level. Moreover, the distinction between vocational and general tracks (within each level) is relevant. Especially with regard to employment opportunities and overeducation is hypothesized that school-leavers from vocational education do better than those from general education, as employers know and can rely on the occupation-specific skills that are taught in vocational education (Shavit and Müller 2000).

Besides education, sex affects labor market opportunities. Women in general have less favorable prospects in the labor market than men, because they often combine their working careers with domestic tasks and bringing up children (Blossfeld and Hakim 1997). Although this paper focuses on school-leavers – where marriage and motherhood is probably not relevant yet – , it may well be that the labor market choices of young women and their employers are made in anticipation of this.

Apart from these individual characteristics, occupational class is relevant. Jobs based on service relations protect young workers against market risks, whereas labor contract jobs expose their incumbents to the fluctuations of the market (Breen 1997; Goldthorpe 2000). The better labor market opportunities for school-leavers in (highly qualified) service occupations is related to the idea that these jobs are based on trust – since the tasks of employees in these occupations cannot easily be controlled by employers – and, therefore, employers are willing to offer these workers more employment stability to bind them to the firm.

Finally, organizational characteristics impact upon the labor market opportunities of school-leavers. This notion is in line with labor market segmentation theory (Doeringer and Piore 1971), which emphasizes that the labor market cannot be regarded as a single entity, but should be subdivided in separate segments with varying employment conditions and career prospects. Type of industry and firm size are relevant characteristics in this respect. For instance, it is expected that the promotion chances of school-leavers in large firms are greater than in small firms.

DATA AND METHODS

The empirical analysis that follows is based on data from the OSA Labor Supply Panel. This panel study with detailed information on (changes in) the employment situation of the (potential) labor force in the Netherlands has started in 1985, with subsequent waves that have taken place every two years from 1986 and onwards. In the first wave, the panel included some 4,000 respondents from

a representative Dutch sample population of around 2,100 households. The target population consisted of household members between 16-64 years of age, who are not following daytime education. If panel members of the original sample were unwilling or unable to take part in future waves, they were replaced by newly selected respondents and/or households who corresponded as closely as possible to the original participants in such characteristics as age, sex, family size and geographical region. For the current analysis, I am able to use the data obtained in surveys conducted in the period 1998-2002.

School-leavers are defined as those who were in daytime education two years before the moment of survey and who were not in daytime education (anymore) at the moment of survey (that is, comparing year t and year t-2). School-leavers older than 30 years of age are excluded. The same holds for those who were in military service immediately after leaving initial education.[3] On the basis of these selections, an analytic sample of 1,008 school-leavers remained, who left education in the period 1986-2002. Labor market entry characteristics are measured at the moment of first interview after leaving education (year t). The following entry characteristics are analyzed: being unemployed, having a fixed-term contract and being overeducated. School-leavers without work, but who are searching for employment, are considered as unemployed. For school-leavers with work, it is then determined whether or not their first employment is based on a fixed-term contract (of any kind). A probation period is treated as permanent employment. Furthermore, self-employed workers are excluded from the analysis. Overeducation in first employment is subjectively measured by asking workers whether they consider their level of education attained as higher than the level required on the work floor. The labor market entry characteristics are analyzed by means of logit models.

Early career development is based on (changes in) the employment situation in the three subsequent waves (year t+2, year t+4 and year t+6). So, school-leavers are followed during the first six years after leaving education. First of all, the likelihood of becoming unemployed is examined. Unemployed individuals are those without work, but who are actively seeking for a job. Second, occupational status mobility is investigated. Upward and downward mobility is measured in terms of changes in the occupational status associated with a job change by using the ISEI-scale (Ganzeboom, Treiman and De Graaf 1992). An increase of 10 percent or more of the occupational status score refers to upward mobility. A decrease of 10 percent or more refers to downward mobility. Discrete-time transition rate models are applied to analyze early career opportunities. The risk set is restricted to individuals who entered first employment after leaving education. Workers who neither did experience unemployment nor were upward and/or downward mobile are treated as right censored. Repeatable events are possible in the case of upward and downward mobility.

Various explanatory variables are included in the analysis. Year of leaving education is based on the year in which school-leavers left initial education. The single years are categorized in four class intervals: 1986-1988, 1989-1992, 1993-

1996 and 1997-2002.[4] Time since leaving education refers to the period between the moment of leaving initial education and the moment of interview (expressed in number of months). The following categories are distinguished: 0-3 months, 4-6 months, 7-12 months, 13-24 months, 25-48 months, 49-72 months. Sex differences are investigated by distinguishing men and women. Education is measured according to the CASMIN classification (Braun and Müller 1997). I make a distinction between six educational categories: elementary education (1ab), basic vocational education (1c), intermediate vocational education (2a), intermediate general education (2bc), lower tertiary education (3a) and higher tertiary education (3b). Occupational class is based on the EGP class schema (Erikson, Goldthorpe and Portocarero 1979) with seven categories: upper service (class I), lower service (class II), routine non-manual employees (class IIIa), lower-grade routine non-manual employees (class IIIb), small proprietors, self-employed, farmers (class IVabc), skilled workers, supervisors of manual workers (class V-VI) and unskilled workers (VIIab).[5] Industry type is defined on the basis of a classification of industrial sectors developed by Stinchcombe (1979). The following industry types are determined: primary, classical capitalist, small skilled, engineering, petty bourgeois services, professional, bureaucratic and other. Firm size refers to the number of employees in the local establishment (1-19 employees, 20-199 employees, 200-1,999 employees, 2000 and more employees).

Structural circumstances in the labor market are determined on the basis of cohort- and period effects (Blossfeld 1986). I start to assess the cohort effect by using the year of leaving education. Then, I investigate to what extent the differences found between the cohorts can be explained by macro-economic developments. These developments are indicated by the unemployment rate for the year when individuals left school. When analyzing early career opportunities, the current unemployment rate stands for the period effect. The unemployment rates are based on figures about the unemployed labor force from Statistics Netherlands (CBS 2006).

To estimate the effect of labor market flexibility on overeducation and early career development, the earlier described variable that indicates whether or not workers are employed in a fixed-term contract is included as an explanatory variable. This measure refers to the current employment situation rather than the situation in first employment.

In the analysis of early career development, most explanatory variables are measured time-dependently. Only the variables year of leaving education, unemployment rate in year of leaving education and sex are included as time-independent characteristics.

RESULTS

Labor market entry

Table 7.1 presents the results of a logistic regression analysis that examines the likelihood of being unemployed after leaving education. Model 1 shows that the employment opportunities for school-leavers differ considerably between periods of time. Young people who left initial education in the period 1986-1988 are worst off, followed by those who left school between 1993 and 1996. School-leavers from the cohort 1997-2002, on the other hand, entered the labor market under the best circumstances. Their likelihood of being unemployed in the period immediately after leaving education is lowest. School-leavers who left education in the period 1989-1992 take a position in between.

In Model 2, the effects of time since leaving education, sex and education are estimated – in addition to the effect of year of leaving education. Time since leaving education has a negative effect on the likelihood of being unemployed. Young people who left education quite recently (0-3 months) are more likely to be unemployed than those who left education more than one year ago (13-24 months). The implied odds ratio is around 50 percent smaller in the latter case ($e^{-0.75} = 0.47$). Furthermore, educational qualifications matter with respect to the employment opportunities of labor market entrants. School-leavers with a qualification at the level of intermediate vocational education are least likely to be unemployed, whereas graduates from tertiary education are relatively more often unemployed after leaving vocational college or university. These findings confirm results found elsewhere (ROA 2002). In fact, they reflect the much stronger orientation towards occupation-specific skills acquisition in upper secondary vocational education than in tertiary education. Moreover, the effects must be interpreted as indicating higher reservation wages for graduates from tertiary education. They expect a job to meet certain standards (that is, a secure and matching job) and can afford themselves to wait for a proper job offer.

The differential employment opportunities for school-leavers in the period 1986-2002 follow exactly the general unemployment pattern in the Netherlands for this period (see Model 3). When replacing the dummy variables, that indicate the year of leaving education by the aggregate unemployment level in the various years, the model fit does not worsen. This implies that only macro-economic conditions matter when explaining cross-temporal variation in employment opportunities among labor market entrants.

Table 7.1   Likelihood of being unemployed after leaving education (logit effects)

	Model 1	Model 2	Model 3
Constant	-2.82**	-2.90**	-4.43**
Year of leaving education			
1986-1988	1.36**	1.48**	
1989-1992	0.84*	0.96**	
1993-1996	1.09**	1.18**	
1997-2002	ref.	ref.	
Unemployment rate in year of leaving education			0.35**
Time since leaving education			
0-3 months		ref.	ref.
4-6 months		-0.30	-0.30
7-12 months		-0.42	-0.46+
13-24 months		-0.75**	-0.80**
Sex			
Male		ref.	ref.
Female		-0.26	-0.28
Education			
Elementary education		0.59	0.63
Basic vocational education		0.33	0.35
Intermediate vocational education		ref.	ref.
Intermediate general education		0.49	0.53
Lower tertiary		0.92**	0.94**
Higher tertiary		0.89+	0.88+
Model Chi^2	19.06**	43.73**	44.34**
Degrees of freedom	3	12	10
Number of cases	1008	1008	1008

Source: Own calculations based on the OSA Labor Supply Panel (1988-2002).

Note:
** Effect significant at $p < 0.01$; * effect significant at $p < 0.05$; + effect significant at $p < 0.10$.

In Table 7.2, the likelihood of having a fixed-term contract in first employment after leaving education is modeled. Model 1 demonstrates that the likelihood of having a fixed-term contract is largest for school-leavers who left education in the period 1993-1996. For them, the odds of having a fixed-term contract in first employment is two times larger than for school-leavers from the 1997-2002 cohort ($e^{0.69}$ = 2.00). Furthermore, I find that time since leaving education has a negative effect on the likelihood of a having a fixed-term contract – just like the analysis of unemployment. Across all cohorts, school-leavers who left education 13-24 months ago have a smaller chance of entering a first job with a fixed-term contract than those who left 0-3 months ago. In addition, Model 1 shows a negative effect of education on the likelihood of having a fixed-term contract, although only marginally. School-leavers with elementary education only have the highest expected probability of entering first employment on a temporary basis.

In Model 2, occupational and organizational characteristics are included. First of all, this model shows that school-leavers, who entered the service class, are least likely to be employed in a fixed-term contract. However, the estimated effect is only significant for those in the lower service class. Second, industry type matters with respect to the likelihood of having a fixed-term contract in first employment after leaving education. School-leavers who found first employment in the rest category run the highest risk of being temporary employed. Large part of this category consists of school-leavers who are employed through a temporary-help agency, which, of course, explains this effect. In addition, school-leavers who are employed in the professional, engineering or classical capitalist sector are relatively often employed on a temporary basis.

Model 3 shows that the unemployment level in the year of leaving education has a positive effect on the likelihood of having a fixed-term contract in first employment. Each percent point increase in the aggregate unemployment rate increases the odds of being employed in a temporary job with 14 percent ($e^{0.13}$ = 1.14). In fact, this finding supports the view that labor market flexibility has been used as a weapon for combating (youth) unemployment in the sense that in times of high unemployment school-leavers run a higher risk of having a job with a fixed-term contract.

Table 7.2   Likelihood of having a fixed-term contract in first employment after leaving education (logit effects)

	Model 1	Model 2	Model 3
Constant	-0.64**	-0.96**	-1.66**
Year of leaving education			
1986-1988	-0.18	-0.17	
1989-1992	-0.03	-0.04	
1993-1996	0.69**	0.70**	
1997-2002	ref.	ref.	
Unemployment rate in year of leaving education			0.13*
Time since leaving education			
0-3 months	ref.	ref.	ref.
4-6 months	0.14	0.04	0.03
7-12 months	-0.37+	-0.38+	-0.41+
13-24 months	-0.76**	-0.78**	-0.83**
Sex			
Male	ref.	ref.	ref.
Female	-0.18	-0.15	-0.14
Education			
Elementary education	0.61+	0.50	0.51
Basic vocational education	0.20	0.08	0.08
Intermediate vocational education	ref.	ref.	ref.
Intermediate general education	-0.02	-0.11	-0.11
Lower tertiary	-0.19	0.10	0.15
Higher tertiary	-0.02	0.01	0.16
Occupational class			
Upper service		-0.75	-0.76
Lower service		-0.95**	-0.89**
Routine non-manual employees		-0.42	-0.51
Lower-grade routine non-manual employees		-0.06	-0.01
Skilled workers, supervisors of manual workers		ref.	ref.
Unskilled workers		0.40	0.43

Industry type		
Primary	0.80	0.99
Classical capitalist	0.68+	0.70+
Small skilled	ref.	ref.
Engineering	0.72+	0.71+
Petty bourgeois services	0.44	0.44
Professional	0.77*	0.77*
Bureaucratic	-0.05	-0.05
Other	1.29**	1.26**
Firm size		
1-19 employees	ref.	ref.
20-199 employees	0.03	0.05
200-1,999 employees	0.26	0.27
2000 and more employees	0.57	0.76
Model Chi^2	48.45**	85.03**	70.29**
Degrees of freedom	12	27	25
Number of cases	778	778	778

Source: Own calculations based on the OSA Labor Supply Panel (1988-2002).

Note:
** Effect significant at $p < 0.01$; * effect significant at $p < 0.05$; + effect significant at $p < 0.10$.

Being employed in a temporary job coincides with a much higher likelihood of being overeducated in that job. According to Model 1 of Table 7.3, the estimated odds of being overeducated is for school-leavers who have a fixed-term contract in their first employment after leaving education more than three times larger than the corresponding odds for those who immediately started in a permanent position ($e^{1.15} = 3.16$). In addition, this model displays that the incidence of overeducation has lowered over time, at least when controlling for the effect of fixed-term employment. School-leavers who left initial education in period 1988-1998 have less often more qualifications than required in their first job than school-leavers from the 1997-2002 cohort. Furthermore, Model 1 suggests an inverse U-shaped relationship between the time since leaving education and the likelihood of being overeducated in first employment. Those who left education 7-12 months ago run the highest risk of being employed in a job that requires less qualifications than actually acquired. Finally, the estimates reveal that school-leavers with basic vocational education are least likely to be overeducated, whereas those with intermediate general education are most likely to be overeducated. For the latter group of school-leavers this finding is easily interpretable, since intermediate general education is not considered to be a proper final level of education leading to a position in the labor market. The overwhelming majority of degree takers continue in tertiary education.

Model 2 shows that school-leavers who work as (lower grade) routine non-manual employees or as unskilled workers are most likely to be overeducated in their first job. Furthermore, this model displays that school-leavers who entered the classical capitalist, engineering or petty bourgeois services sector are more likely to be working in a job, which requires less qualifications than obtained than those who entered the small skilled sector.

Replacing the dummies for year of leaving education by the aggregate unemployment rates does not alter the findings (see Models 3 and 4). Nor has the unemployment level itself a significant impact on the likelihood of being overeducated in first employment after leaving education.

Table 7.3   Likelihood of being overeducated in first employment after leaving education (logit effects)

	Model 1	Model 2	Model 3	Model 4
Constant	-2.08**	-3.11**	-2.44**	-3.21**
Fixed-term contract				
No	ref.	ref.	ref.	ref.
Yes	1.15**	0.94**	1.11**	0.92**
Year of leaving education				
1986-1988	0.81*	0.62+		
1989-1992	0.45	0.32		
1993-1996	0.37	0.28		
1997-2002	ref.	ref.		
Unemployment rate in year of leaving education			0.11	0.06
Time since leaving education				
0-3 months	ref.	ref.	ref.	ref.
4-6 months	0.17	0.04	0.16	0.04
7-12 months	0.42+	0.45+	0.40+	0.44+
13-24 months	-0.28	-0.31	-0.28	-0.30
Sex				
Male	ref.	ref.	ref.	ref.
Female	-0.05	-0.03	-0.06	-0.04

Education				
Elementary education	-0.04		-0.03	
Basic vocational education	-0.89**		-0.87**	
Intermediate vocational education	ref.		ref.	
Intermediate general education	0.73*		0.75*	
Lower tertiary	0.37		0.35	
Higher tertiary	0.01		-0.06	
Occupational class				
Upper service		0.19		0.15
Lower service		0.12		0.09
Routine non-manual employees		0.86*		0.88*
Lower-grade routine non-manual employees		0.66+		0.64+
Skilled workers, supervisors of manual workers		ref.		ref.
Unskilled workers		0.92**		0.91**
Industry type				
Primary		-0.76		-0.80
Classical capitalist		1.17*		1.15*
Small skilled		ref.		ref.
Engineering		0.89+		0.88+
Petty bourgeois services		0.71+		0.69+
Professional		-0.19		-0.21
Bureaucratic		0.41		0.43
Other		0.83		0.82
Firm size				
1-19 employees		ref.		ref.
20-199 employees		0.36		0.34
200-1,999 employees		0.38		0.37
2000 and more employees		-0.79		-0.87
Model Chi^2	74.89**	90.34**	70.94**	87.47**
Degrees of freedom	13	23	11	21
Number of cases	773	773	773	773

Source: Own calculations based on the OSA Labor Supply Panel (1988-2002).

Note:
** Effect significant at $p < 0.01$; * effect significant at $p < 0.05$; + effect significant at $p < 0.10$.

Early career development

What role does a fixed-term contract play in the early career development of
school-leavers in the Netherlands? Tables 7.4 and 7.5 show the estimates from a
series of discrete-time transition rate models of becoming unemployed and of
upward and downward occupational status mobility, respectively, in the first six
years after leaving education.[5] In Model 1 of Table 7.4, clear evidence is
presented that school-leavers who have a fixed-term contract are more likely to
become unemployed in their early career than those who are employed on a
permanent basis. The implied odds ratio is 6.30 ($e^{1.84}$), indicating that the relative
risk of becoming unemployed in the next two years is more than six times larger
for school-leavers with a fixed-term contract. Once controlled for educational
qualifications, occupational class, industry type and firm size in Model 2, the
effect of having a fixed term contract is even somewhat stronger. Now, the
implied odds ratio is 7.54 ($e^{2.02}$).

Table 7.4   *Likelihood of becoming unemployed after having entered first employment*
             (logit effects)

	Model 1	Model 2	Model 3
Constant	-4.18**	-4.21**	-6.02*
Fixed-term contract			
No	ref.	ref.	ref.
Yes	1.84**	2.02**	1.98**
Year of leaving education			
1986-1988	0.88	1.07	
1989-1992	0.44	0.47	
1993-1996	0.27	0.57	
1997-2000	ref.	ref.	
Unemployment rate in year of leaving education			0.34
Current unemployment rate			-0.02
Time since leaving education			
0-3 months	ref.	ref.	ref.
4-6 months	-0.18	-0.39	-0.44
7-12 months	-0.65	-0.87	-0.88
13-24 months	-2.09+	-2.18+	-2.26*
25-48 months	-0.57	-0.54	-0.58
49-72 months	-1.34	-1.46	-1.50
Sex			
Male	ref.	ref.	ref.
Female	0.17	0.60	0.52

Education			
Elementary education	-	-	-
Basic vocational education	-0.30	-0.12	-0.06
Intermediate vocational education	ref.	ref.	ref.
Intermediate general education	1.08	1.27	1.41+
Lower tertiary	-0.94	-1.01	-0.98
Higher tertiary	1.35	2.47*	2.52*
Occupational class			
Upper service		-	-
Lower service		0.22	0.25
Routine non-manual employees		-0.13	-0.04
Lower-grade routine non-manual employees		0.20	0.26
Skilled workers, supervisors of manual workers		ref.	ref.
Unskilled workers		0.89	0.86
Industry type			
Primary		-	-
Classical capitalist		-	-
Small skilled		ref.	ref.
Engineering		-1.54	-1.61
Petty bourgeois services		-0.46	-0.40
Professional		-0.94	-0.96
Bureaucratic		-0.82	-0.78
Other		0.16	0.29
Firm size			
1-19 employees		ref.	ref.
20-199 employees		-0.83	-0.85
200-1,999 employees		0.63	0.68
2000 and more employees		-	-
Model Chi^2	29.48*	45.60*	45.71*
Degrees of freedom	15	30	29
Number of events	18	18	18
Number of sub-episodes	634	634	634

Source: Own calculations based on the OSA Labor Supply Panel (1988-2002).

Note:
** Effect significant at $p < 0.01$; * effect significant at $p < 0.05$; + effect significant at $p < 0.10$.
-   Coefficient is not reliable due to small number of cases and is therefore not reported.

In addition to fixed-term employment, time since leaving education and education matter with respect to the likelihood of becoming unemployed (see Model 3). First of all, school-leavers who left education 13-24 months ago, are more likely to become unemployed than those who left education in the last 3 months. Second, graduates from university education and school-leavers from intermediate vocational education run a higher risk of becoming unemployed than school-leavers with basic vocational education.

Table 7.5 shows which factors are decisive for upward and downward occupational status mobility. The models include the occupational status of the current job to control for ceiling and bottom effects, respectively. With regard to upward mobility, the results first of all display that time since leaving education has a positive effect on occupational status gain (see Model 1). The more time has passed since leaving education, the higher the conditional probability of upward occupational status mobility. Second, female labor market entrants are more likely to be upward mobile than male labor market entrants. Third, the lowest educated (that is, school-leavers with primary education or basic vocational education at most) least often experience upward mobility.

Model 2 indicates that the sex effect disappears once occupational and organizational characteristics are taken into account. This suggests that the higher likelihood of upward mobility for women is related to the fact that females are relatively more often found than males in occupational classes and/or organizations where the potential for occupational status gain is high. In particular, in the service classes and the classes of routine non-manual employees, the likelihood of being upward mobile is higher than in the class of skilled workers and supervisors of manual workers. Furthermore, labor market entrants who work in the professional sector are less likely to be upward mobile in terms of occupational status than those who are employed in the sector of small skilled industry. Finally, young workers in firms with 2000 or more employees have better opportunities for upward mobility. This finding is definitely related to the internal labor market structure of large firms, where an experience graded pattern of upward job mobility can be found.

In Model 3, it is demonstrated that structural labor market circumstances affect the early career opportunities of school-leavers. The positive relationship between the current unemployment rate and upward mobility chances implies that the likelihood of upward occupational status mobility is smaller in times of high unemployment than in times of low unemployment.

Also with regard to downward mobility, time since leaving education matters, although the estimated effect is not linear. Model 1 shows that school-leavers who left education 4-6 months ago are most likely to experience downward occupational status mobility. The odds of being downward mobile in the next two years are for labor market entrants who left education 4-6 months ago more than six times larger than for those who left education maximally 3 months ago ($e^{1.82} = 6.17$). In addition, Model 1 reveals that education protects against downward mobility. In particular, graduates from tertiary education face less

often a downward move, but also school-leavers from intermediate general education and basic vocational education are less likely to be downward mobile than those from intermediate vocational education.

Table 7.5   *Likelihood of upward and downward occupational status mobility after having entered first employment (logit effects)*

	Upward			Downward		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
Constant	0.78	1.20	2.35+	-3.20**	-2.81**	-3.68*
Occupational status	-0.07**	-0.13**	-0.13**	0.05**	0.04+	0.04*
Fixed-term contract						
No	ref.	ref.	ref.	ref.	ref.	ref.
Yes	0.18	0.14	0.25	-0.17	-0.11	-0.16
Year of leaving education						
1986-1988	-0.22	0.07		-0.72	-0.76	
1989-1992	0.30	0.68		-0.40	-0.40	
1993-1996	0.24	0.67		0.14	0.14	
1997-2000	ref.	ref.		ref.	ref.	
Unemployment rate in year of leaving education			0.14			-0.19
Current unemployment rate			-0.20+			0.25*
Time since leaving education						
0-3 months	ref.	ref.	ref.	ref.	ref.	ref.
4-6 months	0.03	-0.05	-0.01	1.82**	1.91*	1.73*
7-12 months	0.76+	0.69	0.62	0.55	0.34	0.38
13-24 months	0.45	0.47	0.44	0.69+	0.77+	0.70+
25-48 months	0.76*	0.94*	0.79*	0.13	0.20	0.16
49-72 months	1.08**	1.12*	0.96*	0.73	0.83+	0.70
Sex						
Male	ref.	ref.	ref.	ref.	ref.	ref.
Female	0.57*	0.28	0.18	0.00	0.08	0.16
Education						
Elementary education	-1.23+	-1.10	-1.02	-0.37	-0.65	-0.58
Basic vocational education	-1.02**	-0.85**	-0.78*	-0.91**	-0.97**	-0.99**
Intermediate vocational education	ref.	ref.	ref.	ref.	ref.	ref.
Intermediate general education	-0.02	0.12	0.32	-1.11+	-0.82	-0.95
Lower tertiary	0.02	0.37	0.28	-1.41**	-1.26**	-1.23**
Higher tertiary	0.56	0.83	0.94	-2.12**	-1.97*	-2.17**

Occupational class						
Upper service		2.46**	2.82**		0.27	0.21
Lower service		2.64**	2.76**		0.30	0.17
Routine non-manual employees		2.66**	2.68**		0.14	-0.10
Lower-grade routine non-manual employees		2.01**	2.05**		-0.40	-0.44
Skilled workers, supervisors of manual workers		ref.	ref.		ref.	ref.
Unskilled workers		0.65	0.61		-0.32	-0.21
Industry type						
Primary		-0.59	-0.49		-	-
Classical capitalist		0.50	0.47		0.04	-0.04
Small skilled		ref.	ref.		ref.	ref.
Engineering		0.12	-0.08		-0.13	-0.24
Petty bourgeois services		0.34	0.22		0.43	0.40
Professional		-1.24*	-1.40**		-0.66	-0.62
Bureaucratic		0.56	0.57		0.67	0.50
Other		1.45+	1.22		2.17+	2.32*
Firm size						
1-19 employees		ref.	ref.		ref.	ref.
20-199 employees		-0.00	0.02		-0.27	-0.23
200-1,999 employees		-0.24	-0.27		-0.38	-0.36
2000 and more employees		2.02*	1.96*		0.81	1.31
Model Chi^2	60.32**	108.82**	107.26**	47.03**	66.43**	64.72**
Degrees of freedom	16	31	30	16	30	29
Number of events	114	114	114	87	87	87
Number of sub-episodes	517	517	517	482	482	482

Source: Own calculations based on the OSA Labor Supply Panel (1988-2002).

Note:
** Effect significant at $p < 0.01$; * effect significant at $p < 0.05$; + effect significant at $p < 0.10$.
-   Coefficient is not reliable due to small number of cases and is therefore not reported.

Model 2 shows that occupational and organizational characteristics are not important with respect to downward mobility. Only school-leavers who are employed in the rest category of the industry type variable (that is, mainly those who are in temporary-help agency employment) run a somewhat higher risk of downward mobility.

Model 3 once again demonstrates that structural labor market conditions impact upon occupational status mobility. The current aggregate unemployment rate exerts a positive impact on the odds of downward mobility. In times of high unemployment, the likelihood of being downward mobile is larger than in times of low unemployment.

CONCLUSIONS

The aim of this paper was to study the effects of increased labor market flexibility for young people at the beginning of their careers in the Netherlands since the mid-1980s. The emphasis was on school-leavers, since labor market entrants without any work experience are especially confronted with flexible employment in the competition for available jobs with those who have already gained a position in the labor market. The phase of labor market entry was investigated in terms of (permanent) employment opportunities and overeducation – as a measure of the quality of work. Early career development was examined in terms of job loss and occupational status mobility.

With regard to labor market entry, the empirical analysis revealed that employment opportunities have improved considerably for successive school-leaver cohorts in the Netherlands since the mid-1980s. The increased employment chances for school-leavers are fully in line with the improved macro-economic conditions of the Dutch labor market since that period. Graduates from tertiary education face a greater risk of unemployment after leaving education than school-leavers from upper secondary vocational education. This finding reflects the less strong emphasis on occupation-specific skills acquisition in tertiary education than in vocational education. Moreover, this result can be interpreted as indicating higher reservation wages for graduates.

The improved employment opportunities for school-leavers were accompanied by a higher risk of having a fixed-term employment contract. In fact, this finding supports the view that labor market flexibility has been a successful weapon for combating high youth unemployment in the Netherlands. School-leavers who left education in the period 1993-1996 were most likely to be employed in a fixed-term job. As far as social inequality structures are concerned, the analysis showed that the lowest educated school-leavers run the highest risk of entering first employment on a temporary basis. Furthermore, school-leavers, who entered the service class, are least likely to be employed in a fixed-term contract.

Being employed in a job with a fixed-term contract coincides with a much higher chance of being overeducated in that job. This result suggests that employers use overeducation as a compensation for the loss of productive skills and the lack of working experience that temporary employment often leads to. Furthermore, it was found that school-leavers with intermediate general education are most likely to be overeducated, mainly due to the fact that it is not considered as a proper final level of education leading to a position in the labor market. In addition, it was observed that school-leavers who work as routine-non-manual employees or as unskilled workers are most likely to be overeducated in their first job. The same holds for those who entered the classical capitalist, engineering or petty bourgeois services sector.

With regard to early career development, clear empirical evidence was found that school-leavers with a fixed-term contract are more likely to become

unemployed in their early career than those who are employed on a permanent basis. This finding suggests that flexible employment constitutes an entrapment outside of, rather than a stepping-stone into, a stable labor market position. Furthermore, university graduates and school-leavers from intermediate vocational education run a higher risk of job loss after entering first employment than school-leavers with basic vocational education.

Flexible employment has no effect on occupational status mobility for young people at the beginning of their careers. In stead, social inequality structures are the prime factors for upward and downward mobility patterns. Regarding upward mobility, it was first of all found that the lowest educated school-leavers least often experience upward mobility. Second, the likelihood of being upward mobile is highest for school-leavers who entered the services classes or the classes of routine non-manual employees. Third, school-leavers working in very large firms have better opportunities for upward mobility; this finding refers to the internal labor market structure there. Concerning downward mobility, it is mainly education that protects against downward job moves. In particular, tertiary education graduates face less often a downward move, but also school-leavers from intermediate general education and basic vocational education are less likely to be downward mobile than those from intermediate vocational education. Finally, structural labor market conditions impact upon occupational status mobility. In times of high unemployment, the likelihood of being upward mobile is smaller and the likelihood of being downward mobile is larger than in times of low unemployment.

NOTES

1. Notice that the term employment (or work) security is used rather than job security due to the decline of the standard permanent lifetime job.
2. Nevertheless, part-time employment has grown strongly among young people (aged 15-24 years) in the Netherlands. However, this growth is mainly related to the increased labor force participation of students since the 1990s (van der Meer and Wielers 2001). Today, many students in the Netherlands have regular jobs, not just in the summer holidays, but also during the academic year. There are two main economic arguments that explain the rising trend in student jobs. The first is the reduction in student grants, which forced student to take jobs to pay for their studies and to cover their living costs. The second is the increased labor market flexibility that has facilitated student employment. Students are flexible in the sense that they are often free of daily obligations (such as family life) outside college hours and they can often work irregular (evening) hours.
3. This concerns only a very few men, especially since military service is abolished in the Netherlands in 1996.

4. In the analysis of early career development, the last class interval refers to the period 1997-2000.

5. Since self-employed workers are excluded from the analysis, class IVabc is not present in the results.

6. Selective attrition in the panel possibly biases the coefficients estimated. Of all school-leavers who participated in a given wave, only 50 percent were still participating in the next one. This attrition is higher than usual in the OSA Labor Supply Panel – on the whole, the panel attrition is around one third between two subsequent waves –, mainly due to the fact that school-leavers are often household leavers too, and attempts to locate them after moving so that interviews can take place have not always been successful. To correct for panel attrition, a two-step model of sample selection bias has been applied (Maddala 1983). I first estimated a selection equation for the conditional probability that respondents who were interviewed in the previous wave were still in the sample of the current wave. This selection equation includes all explanatory variables used in the analysis and, in order to identify the model, two dummy variables indicating whether respondents were religious and whether they did not answer the question on income (both measured at the moment of the first interview). The error terms generated in this equation were used to construct a correction variable (so-called Inverse Mill's Ratio). This correction variable was subsequently included among the covariates in the substantial equations with the labor market career characteristics as the dependent variables. It turned out that the correction variable has no significant effect on the dependent variables and that the models with and without correction for sample selection bias are essentially the same. Based on these outcomes, I decided to present the results of the analysis of early career development using discrete-time transition rate models without specific control for sample selection bias.

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