

Temporary employment reduces productivity of technology and energy companies

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"Our study proves that one of the leading factors affecting progress in Spanish [productivity](#) is the high rate of temporary hiring among workers

in highly technologically intense industries. These sectors are also those that most contribute to overall productivity growth (of all sectors) in the country's economy", Bienvenido Ortega, co-author of the study and a researcher at the UMA, tells SINC.

The 1984 overhaul of Spain's employment legislation led to the possibility of various forms of temporary contracting, and since further reforms in 1994, 1997 and 2001, the use of temporary contracts has only fallen marginally since 1995 in certain sectors.

"We agree that this type of contracting can have many positive effects, such as providing companies with the flexibility to adjust their workforce to reflect fluctuations in demand, helping companies to provide maternity or sickness cover, and encouraging entrepreneurs to open new businesses by reducing their fixed costs", says the researcher.

However, the study shows that the increase in temporary contracting has had a negative impact on productivity growth in Spain, and has generated greater instability in employment.

The temporary contracting ratio between temporary employment and total salaried employment stood at 34.6% in Spain in 2004, even rising to 47.2% in some autonomous regions, such as Andalusia. That year, the average ratio for the countries of the Organisation for [Economic Cooperation](#) and Development (OECD) stood at 13%.

"Spain's rate of temporary employment is three times higher than that in countries that are similar it in terms of the labour market culture and regulation, such as France and Italy", explains Ortega.

Use of temporary contracts loses value

"It is clear that business owners use temporary contracts as an

employment adjustment mechanism, and that is why these kinds of contracts predominate over selection-based ones. Similarly, the increase in temporary contracting reduces the ability to invest in human capital or receive specific training within a company", warns Ortega.

The information obtained by this study shows that the increase in the rate of temporary contracts in the construction and services industries has not had any significant effect on productivity growth. However, in the energy and advanced manufacturing sectors there is a "clear" reduction in the rate of annual growth with regard to productivity.

"The high rate of temporary contracts can also encourage sectoral displacement to industries in which this form of employment is prevalent, to low productivity fields such as agriculture, construction and the hotel and catering trades, diverting investment to these. This is a further impediment to the development of high added value sectors", the researchers explain.

"We need an urgent reform of the labour market to achieve effective sectoral policies for increasing long-term contracting, at least in companies within these productive areas", the expert concludes.

More information: Bienvenido Ortega, Andrés J. Marchante. 'Temporary contracts and labour productivity in Spain: a sectoral analysis', JOURNAL OF PRODUCTIVITY ANALYSIS 34 (3): 199-212, December 2010.

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