

**Labour demand and innovation behaviour: a firm-level panel data
exploration for the Netherlands**

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It is often assumed that a firm's workforce can be subdivided into two groups of core and periphery workers. In this paper we estimate models for (changes in) both types of a firm's labour demand. Among other determinants we look specifically at the role of innovative behaviour of the firm and its influence on labour demand. We explicitly assume that a firm's labour demand can be heterogeneous.

This paper investigates the employment levels of Dutch firms, using OSA firm-level panel data from collected biannually from 1992 to 2000. A main driver of general employment growth is the growth of turnover, both for industrial and service sector firms. This is a robust finding in all of our analyses. Indicators for innovative behaviour have mixed effects on employment growth. In order to further investigate the role of innovative behaviour on a firm's heterogeneous employment growth, we distinguish two types of employment: regular and flexible employment. Two conflicting hypotheses can be found in the literature. One hypothesis states that innovative behaviour requires and will result in a more flexible workforce and higher turnover. An opposing view is that a firm requires a stable workforce and low turnover to build social capital necessary for innovation. The very detailed OSA data will allow us to test these hypotheses for the Netherlands and shed some light on the determinants of labour demand in general.