

Estimating employers' preferences for employment contracts using conjoint analysis

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European societies have faced a tremendous increase in the use of flexible employment. A growing branch of research is focussing on the economic and social impacts of new forms of employment. Most research concludes that flexible jobs are associated with worse terms of employment. On the other hand evidence exists that in some countries temporary employment serves as a stepping-stone towards regular jobs. Temporary jobs might therefore be a good investment for workers: the short-term loss – worse terms of employment – is smaller than the long-term gain – better employment opportunities. But in countries where no such stepping-stone effect exists, such as Spain, the labour market becomes segmented. A low paid segment with worse working conditions, little benefit entitlements and low job security versus a higher paid segment with better working conditions, benefit entitlements and high job security. We know too little about employers' motives for using flexible forms of employment to be able to explain why in some countries the labour market becomes segmented, while in others it does not. Why is it that in some countries or even in some companies, temporary employment is detrimental for workers, while in others it is beneficial? There must be a difference in the reasons why employers use these contracts. Recently the European Commission organised a two-day workshop on Temporary Employment. One of the main conclusions was that understanding the labour demand side of this issue is the most important open question remaining. In this paper we show that employers' motives for using different employment contracts can be measured using conjoint analysis.

It is commonly known that self-explicative methods lead to socially acceptable – and thus biased – answers. Furthermore, if individuals choose between options that differ on several elements, asking them directly for the considerations on the basis of which they choose doesn't properly take into account the multi-dimensionality of the choice. It is better to let them make the actual choice. Therefore, when analysing preferences, conjoint analysis is often used. This method stems from marketing research and psychology, but is used in economics and sporadically in labour economics as well. A good example is Van Beek, Koopmans and Van Praag (1997). They use conjoint analysis to determine employers' preferences for gender, ethnicity, age, work experience, unemployment history, etc. Conjoint analysis uses profiles of 'products' - in our case employment contracts - which differ on several attributes. We use attributes that discern types of employment contracts from each other (see Table 1). Each respondent is shown ten profiles and is asked to indicate the attractiveness of the combination of attributes on the profiles, on a scale from 1-10. We use an orthogonal design of the profiles, to ensure maximum efficiency. We analyse the data by OLS and ordered log it, taking into account the individual specific effect. Several firm characteristics, such as firm size, industry and market turbulence are used as explanatory variables. In this way we can answer the question which characteristics make employment contracts such as fixed-term, on-call, temporary agency, freelance, etcetera attractive. What is the role of firing cost? How important are wage cost? And in which cases do employers prefer one type of contract to the others. We are especially interested in the influence of product market turbulence. Do employers act differently in turbulent markets?