Dual labour markets at work: The impact of employers' use of temporary agency work on regular workers' job stability

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Abstract

Fitting duration models on an inflow sample of jobs in Germany starting in 2002-2010, this paper investigates the impact of employers' use of temporary agency work on regular workers' job stability. In line with dual labour market theory, I find that non-temp jobs are significantly more stable if employers utilise temps. The rise in job stability stems mainly from reduced transitions into non-employment suggesting that non-temp workers are safeguarded against involuntary job losses. My findings are robust to controlling for unobserved permanent employer characteristics and changes in the observational window that includes the labour market disruption of the Great Recession.

Author note

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