Part-Time Contracts: An Engine for Job Creation?

IESE's Sandalio Gómez analyzes the Dutch workplace to see how part-time work contracts provide flexibility, create jobs and facilitate work/life balance.

March 10, 2014

The Netherlands is the third most developed country in the world, according to the United Nations, and its economy stands out for its high level of competitiveness.

Most Dutch part-time workers are women who voluntarily choose the arrangement. This stands in sharp contrast with Spain, where part-time contracts tend to be imposed because of the limits of the labor market.

Could Spain encourage part-time contracts? What benefits could this practice provide? IESE's Sandalio Gómez examines these questions in his paper on the subject.

A favorable job market

In the Netherlands, the workforce represents more than 50 percent of the total population, while per capita income hovers 30 percent higher than the European average. The unemployment rate is just 7 percent.

Despite the current economic crisis, the Netherlands has remained strong in large part due to the flexibility of its job market. Since the 1990s a major part of the Dutch economy has been based on part-time work, which now accounts for 49.8 percent of all hiring.

This is the highest such proportion in the world, far exceeding the 20 percent average seen in the European Union as a whole.

©IESE Business School

The Dutch experience

The growth of part-time work in the Netherlands in the 1970s stemmed from women joining the workforce later in life. Day-care facilities were expensive, and working fewer hours made it easier to reconcile work and family life.

The trend was reinforced in the 1980s as a way to confront the delicate economic situation threatening the country at the time. Business leaders and labor unions, backed by the government, signed the so-called Wassenaar Agreement, which prioritized work over salary and aimed to save jobs.

Workers agreed to reduce their salaries in exchange for shorter work days, which went from 40 to 38 hours, and part-time work was encouraged further.

In the 1990s, due to the positive effect that part-time hiring had on employment, the agreement's guarantees for part-time work were broadened to make them equivalent to those for full-time work.

These days a part-time employee has the right to an equivalent salary, unemployment benefits, retirement pension and social benefits -- in proportion to the number of hours worked -- as a full-time worker.

Throughout the years, the Dutch government has supported part-time hiring with subsidies and other forms of assistance.

A win-win situation

Business leaders have confirmed that part-time arrangements provide flexibility to organize working hours and maintain productivity without workers losing commitment to the company. In fact, the opposite is observed.

Unions have learned that part-time contracts are not substandard if they offer financial and social benefits that are in line with other hiring schemes.

As for the government, it sees part-time contracts as a viable response to the needs of citizens seeking to reconcile work life with family life.

©IESE Business School

The Spanish reality

In Spain, part-time contracts currently account for 15 percent of all work contracts and their numbers are growing very slowly. This is because for many years Spanish labor laws were less inclined to support part-time arrangements compared with the Netherlands, and Spanish business leaders and unions withheld their support.

Part-time contracts in Spain have always been associated with low-skilled jobs that have few prospects for advancement.

In the 1980s, part-time workers earned proportionally less and had fewer benefits than full-time workers.

But the situation is changing in Spain, due to laws passed during the past two years. Social security benefits and workplace terms have improved for part-time workers. At the same time,more flexibility has been achieved by businesses using this type of hiring.

A key tool

Under the current circumstances, Gómez believes that part-time work could become an important source of job creation in Spain.

In order to encourage this kind of hiring, an ambitious social pact is needed to bring together business leaders, labor unions and the government. Once flexibility, labor terms and social benefits are improved and agreed upon, such a pact could give a major boost to part-time jobs with open-ended contracts.

The Dutch experience shows that part-time employment can become an engine for job creation and holds lessons for how Spain might at least bring itself up to the European average on part-time hiring.

www.iese.edu/insight

©IESE Business School