

Non-technical summaries

Paper NO 1: *The role of fixed-term contracts at labour market entry in Poland: stepping stones, screening devices, traps or search subsidies?*

Poland has become an interesting outlier in Europe in terms of employment flexibility with an extremely high incidence of fixed-term contracts (second largest in Europe after Spain). This applies particularly to young people, who currently very rarely start employment career with permanent contracts. This study explores which groups of Polish graduates have the highest risk of receiving fixed-term contract at labour market entry. Special attention is paid to the role of individual education and family background characteristics, which are central resources that youths possess at the start of their working life.

Moreover, this study investigates the role of fixed-term contracts at labour market entry for the further early career development. The central question is whether young people get trapped in such insecure positions or whether they manage to find stable jobs. Furthermore, this study highlights the role of fixed-term contracts as screening mechanisms for employers and search subsidies for young people with limited resources. The analysis is based on a large-scale Polish School Leavers Survey with more than 20,000 graduates, which allows exploring the entry and exit dynamics of temporary jobs in a detailed way.

The key findings can be summarised in the following way:

- neither firm-based vocational training, which should provide graduates with job-specific human capital, nor diplomas from more selective and prestigious tertiary education institutions provide better access to permanent jobs;
- graduates from disadvantaged families have the lowest chances to employment at all, while graduates from advantaged families can avoid entry into less desirable fixed-term contracts;
- the longer unemployed youth look for jobs the more willing they are to enter inferior temporary jobs;
- regarding exits from fixed-term contracts, the probability of transition from fixed-term to permanent contracts is initially low, then it increases in the period between 3-12 months, but then it declines again, with unemployment and inactivity becoming most frequent destination states; this suggests that in Poland fixed-term contracts serve employers' needs to sort out the best workers;
- some young people indeed use fixed-term contracts as a form of subsidy for subsequent off-the-job search.

Paper NO 2 The effects of fixed-term contracts on wages in the early career in Poland

Poland has become an interesting outlier in Europe in terms of employment flexibility with an extremely high incidence of fixed-term contracts (second largest in Europe after Spain). This applies particularly to young people, who currently very rarely start employment career with permanent contracts. Drawing on a large-scale Polish School Leavers Survey with over 20,000 graduates, this study evaluates the consequences of fixed term contracts for level of earnings and for wage growth.

The key findings can be summarised in the following way:

- the difference in the average level of earnings between young workers, who have different types of contracts suggests a large wage penalty received by graduates entering temporary employment at the start of the working career
- controlling for observed determinants of contract type reduces the difference in earnings of temporary and permanent workers, but substantial wage gap persists
- temporary workers, who receive permanent contracts from their employers, do not gain after this change; the lack of substantial wage increase suggests that the wage penalty of temporary workers concerns association rather than a causal effect of contract type.

Our findings reveal that the wage gap observed between workers with different types of contract and similar observed characteristics may be due to influences, which cannot be fully controlled, such as the bargaining power of employer or the characteristics of the enterprise, where the job was offered.