Introduction

As outlined in the previous chapters and in the 2021 edition of *World Employment and Social Outlook: Trends*, COVID-19 has impacted on regions, sectors, occupations and different groups to varying degrees and through different channels. This heterogeneous impact has widened disparities between groups and countries, exacerbating inequality (ILO 2021a). Temporary employment has a number of important implications for both workers and enterprises; given a backdrop of long-term increasing trends, the question arises: how has the COVID-19 pandemic impacted on temporary workers and what are the prospects of recovery for them? Furthermore, will the pandemic’s impact accelerate structural growth in temporary employment (as discussed in Chapter 1) or contribute only to cyclical fluctuations over the longer term?
Although levels of temporary employment have remained stable through the crisis, beneath the surface there have been high levels of labour market churn of temporary workers. Temporary employment is by nature more flexible, allowing enterprises to scale their workforces more easily in response to shifts in demand. It has a structural basis that determines the degree to which it is present in each economy, although other factors such as social norms also have an influence. Nonetheless, during periods of economic crisis, the easiest course is often to end the contracts of temporary employees (by non-renewal). Available evidence suggests that the experience during the COVID-19 pandemic has been no different. However, temporary employment also quickly increases after a crisis as business activity recovers and firms tentatively hire workers amidst ongoing uncertainty. This chapter provides an overview of the context of temporary employment, including long-term trends, before considering the experience of temporary work during the COVID-19 crisis and what may be expected in the recovery phase. The last section outlines implications for workers, enterprises and economies.

The analysis in this chapter demonstrates that temporary employment has served as a buffer against the shock caused by the pandemic, as it has done in previous crises. Employers have scaled back the use of temporary workers, causing significant gross job loss among this category of workers. At the same time, many permanent employees who lost their jobs have found new opportunities in temporary employment. The net effect is that the share of temporary workers among all employees has remained fairly constant in countries with available annual data. As labour markets recover, however, growth in temporary and permanent jobs may diverge, owing to the asymmetric nature of the opening of the economy (see Chapter 1). This will have important implications for workers, enterprises and the macroeconomy. However, the labour market churn of temporary workers has not been dissimilar to pre-pandemic trends (according to the limited available country-level evidence), which suggests that the use of temporary workers and the implications of doing so are endemic and not necessarily tied to crisis and post-crisis trends.
Temporary employment has different implications for developing and developed economies. In developed countries, it usually takes the form of fixed-term contracts and in some instances can be a stepping stone to a more permanent job, but this depends on how widespread the use of fixed-term contracts is in the labour market in question. In developing countries, temporary employment is more commonly associated with informal employment and is thus characterized by a lack of social security and other labour protection, including employment protection. In both contexts, temporary employment can be a means for enterprises to adjust the size of their workforce according to demand and is thus common in those industries that experience rapid fluctuations in demand, as can be seen in the case of garment manufacturers in global supply chains (World Solidarity 2009) (see also box 3.1 for examples of temporary workers). The lack of job retention resulting from the use of temporary contracts can have negative impacts on firms, including in relation to skills and innovation (see “Implications for workers, enterprises and the economy” below for further elaboration). There are also negative impacts for workers, especially in countries where temporary employment is widespread and workers shift from temporary employment to unemployment to temporary employment.

Defining temporary employment

“Temporary employment” refers to wage and salaried employment for a short or fixed duration. It is an employment situation that deviates from one that is full-time, indefinite and formal, and instead involves a subordinate relationship between employee and employer (ILO 2018a). There are, however, a number of variations of the definition that complicate the process of compiling data and analysing temporary employment across countries and regions. A new resolution adopted at the 20th International Conference of Labour Statisticians (ICLS), defining types of employees, may help to harmonize data in the future (ILO 2018b).

The most common forms of temporary employment are fixed-term work and casual work. “Fixed-term work” refers to an arrangement for which an end date is implicitly or explicitly foreseen and usually tied to conditions such as a period of time or the completion of a specific task or project. Although fixed-term contracts are not directly regulated by international labour standards, the Termination of Employment Convention, 1982 (No. 158), states that fixed-term contracts should not be used with the sole purpose of avoiding employment protection laws and clauses (ILO 2016a). Another common form of temporary employment is “casual work”. This can be defined as work that is executed for a short period (e.g. daily work), occasionally or intermittently and is typically informal. Although legislation or regulation on casual work exists in more than 40 countries worldwide, enforcement is often lacking (ILO 2016a). Apprentices, trainees and interns are also considered temporary workers.
Different forms of work arrangements

Temporary employment, as in fixed-term contracts, casual or daily work and some forms of on-call work

Part-time and on-call work

Multiparty employment arrangements such as labour hire, despatch, brokerage, temporary agency work and subcontracted labour supply

Dependent self-employment when dependent workers have contractual arrangements of a commercial nature

**Box 3.1 Hypothetical examples of different types of temporary workers**

**Seasonal agricultural worker, Sudan**
Migrant worker who travels from Ethiopia to Sudan every year to work in the cotton harvest. Contracts are commonly fixed term and informal, for 3–4 months, with no benefits or paid leave. The employer relies on cheap seasonal labour as an alternative to investing in mechanical methods of harvesting.

**Construction worker, Germany**
Medium-skilled worker, working on a project basis, who is hired for construction work for periods of 4–6 months. Employed on a formal basis and has paid leave and access to similar benefits as counterparts in permanent employment. Owing to the variety of projects and locations, the employer relies on a pool of temporary workers to fulfill manpower and skill needs.

**Tourist guide, Canada**
Seasonal worker. Hired formally and with access to social security support during the off season as well as help from public employment services to find alternative work. Receives specialist training from the employer and has an informal agreement to be rehired in the following season. The employer relies largely on youth to fulfill labour needs each season.

**Garment worker, Bangladesh**
Medium-skilled worker hired on a short-term basis. Paid on a pro rata monthly salary rate based on a fixed number of hours per week. Formally hired, with paid leave, but without the same benefits as permanent counterparts. The employer relies on workers available for short-term work in order to meet short-notice requirements from overseas clients.

**Casual agricultural labourer, Ecuador**
Daily wage labourer hired with only a verbal contract. Informally employed. Paid on a task basis, with no negotiation on pay and subject to the employer's discretion as to whether or not the work is satisfactory. The employer uses casual labour on a long-term basis as a way to minimize costs.

**High-skilled office worker, United States**
Employee on a temporary contract but hired on a long-term or permanent basis. Such situations are designed to avoid paying benefits to employees while maintaining a pseudo-permanent employee relationship.
Long-term trends and characteristics

Temporary employment as a share of all employees has been gradually increasing over time. According to the latest available data, the average temporary employment rate - that is, the share of temporary employees among all employees – is estimated to be 28 per cent (figure 3.2). This value is weighted by the size of the employee population and only includes those countries with annual data available for the period 2010–19. It is slightly higher than the unweighted average, 25 per cent, which reflects the higher temporary employment rates in countries with a larger number of wage and salaried workers. Although the rates are heavily influenced by the availability of survey data in each period, data suggest that from the 2001–10 period to 2011–19 the temporary employment rate increased by approximately 3 percentage points (unweighted average) or 6 percentage points (employee-population weighted average). This upward trend is consistent with wider research on the growth of forms of employment that diverge from permanent, full-time and formal employment (ILO 2015, 2016a).

The incidence of temporary employment varies among different economies. Differences in employment protection legislation, unionization and the labour share of national income all contribute to differences between countries in the prevalence of temporary work. The regulation of fixed-term contracts is an important consideration, particularly factors such as whether there are restrictions on how often temporary contracts can be renewed and for how long. In economies with relatively loose restrictions, such as the Andean countries, there is quite high use of temporary employment even in formal firms (Araújo and Sánchez 2016; Molina 2012). Elsewhere, in Europe for example, there have been attempts to reduce labour market segmentation between permanent and temporary workers, for instance by raising employers’ unemployment insurance contributions for temporary workers (as in France and Slovenia) (Eichhorst, Marx and Wehner 2017). However, the use of temporary work is endemic and also driven by labour market structures and norms.

Temporary employment as a proportion of all employees decreases most markedly for high-income countries. The temporary employment

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5 For a list of countries please see the source for figure 3.2.

6 An alternative method is to use a fixed effects approach. A country dummy variable absorbs all cross-country variation not explained by other regressors, which means it can control for differences between surveys (as long as the numbers for each country are based upon only one survey). Once differences between countries are controlled for in this way, the share of temporary employment is estimated to have increased by around 0.14 percentage points per year during the last two decades. This is a modest trend towards more temporary work, but it adds up to 3 percentage points over 20 years.
The rate (employee-population weighted) is highest for upper-middle-income countries at 35.4 per cent, followed by lower-middle-income (34.7 per cent), low-income (33.7 per cent) and high-income (15 per cent) countries. The unweighted average displays a stronger tendency of decreasing temporary employment with increasing country income (figure 3.3). The tendency raises the question of whether temporary employment rates are structural, that is, related to the sectoral or occupational composition of the economy, or are driven more by other factors such as socio-economic, cultural and legislative changes.

**Trends in temporary employment are largely structural.** By sector, the highest rate of temporary employment is in agriculture, at 50.9 per cent, followed by industry at 31.5 per cent and then services at 20.2 per cent (figure 3.4). If one analyses trends over the long term to see whether the probability of being in temporary employment is explained more by the sectoral and occupational composition of the employee population (structural factors) or is instead driven by within-sector or within-occupation changes, one finds that structural factors, particularly sectoral composition, are the main drivers. Around 40 per cent of the change in
Temporary employment rates is explained by the sectoral composition and around a quarter by the occupational composition. The structural factors are strongest for upper-middle, lower-middle and low-income economies, being driven by movements from agriculture into higher-value-added work, such as manufacturing and services.

**Female employees are not necessarily more likely to be in temporary employment.** In fact, on average, according to the latest available data from before the crisis, around 20 per cent of female employees were on temporary contracts, compared with 23 per cent of male employees. The figures do, however, vary in different contexts. For instance, in European countries women are more likely to be in temporary employment than their male counterparts (ILO 2016b); this can be attributed in part to reforms designed to promote female participation in the labour market, such as the liberalization of fixed-term contract legislation (ILO 2016b). It may also be that women have weaker bargaining power owing to their disproportionate burden of unpaid care responsibilities, which can force them to accept contracts with less job stability (ILO 2016b). However, in most countries with available data, men are more likely to be in temporary employment than are women. In 57 per cent of a sample of 103 economies with available microdata with which to measure temporary employment and sex, men were more likely than women to be in temporary work. A fixed effects regression of these data shows that the effect of being female on the rate of temporary work, controlling for other variables such as age and education, is both small and inconsistent. It is worth noting that certain occupations account for significant shares of female temporary work. These include “service and sales workers” and “clerical support workers”, two occupations that have suffered significant employment losses from the impact of the COVID-19 pandemic (figure 3.5).

**In all countries for which data are available the informal employment rate for temporary workers is significantly higher than that for permanent employees.** This is because it can be easier to hire temporary workers, particularly casual or daily wage workers, on an informal basis. In economies with a high proportion of informal employment, precarious forms of employment, including temporary employment, often have poorer conditions of work, including lack of paid leave or sick leave and lack of social protection, owing to the temporary engagement and low hours. Such findings underscore the importance of social protection access and provision in these economies.

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**Figure 3.5 Distribution of temporary employees by occupation and sex, latest pre-crisis data (percentages)**

| Occupation                              | Distribution of male temporary employees by occupation | Distribution of female temporary employees by occupation |
|-----------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
| Managers                                | 1.5                                                   | 1.0                                                   |
| Professional                            | 5.6                                                   | 13.9                                                  |
| Technicians and associate professionals  | 4.8                                                   | 6.3                                                   |
| Clerical support workers                | 3.8                                                   | 8.4                                                   |
| Service and sales workers               | 13.4                                                  | 21.8                                                  |
| Skilled agricultural, forestry and fishery workers | 4.7                               | 2.2                                                   |
| Craft and related trades workers        | 21.7                                                  | 9.2                                                   |
| Plant and machine operators, and assemblers | 12.7                                         | 6.1                                                   |
| Elementary occupations                  | 31.4                                                  | 30.9                                                  |

**Note:** Employee-population weighted average of latest year of available data within the period 2011–19 for countries with available annual data (n = 90). Occupations according to International Standard Classification of Occupations (ISCO) 1-digit level.

**Source:** ILO estimates based on ILO Harmonized Microdata collection.
**Temporary employment and the COVID-19 pandemic**

The COVID-19 experience suggests that, although the net effect on temporary employment rates appears to be small, there is significant labour market churn under the surface. The COVID-19 pandemic has produced an almost unique type of global crisis with highly uneven sectoral effects, accompanied by an assortment of policy responses targeting different areas of the economy and labour market. One consequence of these measures is that, despite considerable job losses among temporary workers during the crisis, the proportion of employees in temporary work has remained relatively stable. This suggests that new temporary jobs have been created that have offset the loss of temporary jobs. Some of these new temporary jobs may have been taken by people who were previously in permanent jobs or out of work.

The net change in temporary workers

The available data suggest that the share of temporary workers among total employees has been relatively stable. In countries with available annual data the impact of the pandemic has caused little change in the proportion of temporary workers: from 2019 to 2020, there was a marginal increase in the rate of temporary employment (figure 3.6). The corollary is that the share of non-temporary (permanent and “other”7) employees has also remained relatively stable.

However, in countries with available longitudinal data, the period of the pandemic has seen temporary workers losing their jobs at a faster rate than non-temporary workers. Table 3.1 shows a transition matrix for countries with available quarterly data, outlining the transitions from temporary or non-temporary contracts.

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7 “Other” includes employee relationships that are difficult to categorize as either temporary or permanent, such as some on-call work.
Table 3.1 Transitions of temporary and non-temporary employees (percentage of employees in 2020 Q1 not employed in subsequent quarters), selected economies

| Economy                              | Temporary employees | Non-temporary employees |
|--------------------------------------|---------------------|------------------------|
|                                      | 2020 Q2  | 2020 Q3  | 2020 Q4  | 2021 Q1  | 2020 Q2  | 2020 Q3  | 2020 Q4  | 2021 Q1  |
| Argentina                            | 42       | 22       | 23       | 17       | 12       | 12       |
| Bolivia (Plurinational State of)     | 49       | 31       | 12       | 9        |
| Brazil                               | 22       | 29       | 31       | 37       | 14       | 20       | 23       | 31       |
| Chile                                | 73       | 70       | 61       | 54       | 75       | 50       |
| Costa Rica                           | 49       | 50       | 40       | 38       | 20       | 22       | 26       | 34       |
| Mexico                               | 33       | 24       | 20       | 21       | 12       | 11       | 10       | 10       |
| North Macedonia                      | 26       | 17       |          | 15       | 4        |
| Occupied Palestinian Territory       | 26       | 23       |          | 9        | 8        |
| Poland                               | 9        | 10       | 10       | 3        | 4        | 4        |
| Portugal                             | 17       | 19       | 16       | 3        | 4        | 4        |
| Serbia                               | 13       |          | 2        |          |
| Slovakia                             | 13       |          | 5        |          |
| United Kingdom                       | 12       |          | 2        |          |
| Unweighted mean                      | 30       | 30       | 29       | 30       | 13       | 17       | 18       | 22       |
| Unweighted median                    | 26       | 24       | 22       | 30       | 12       | 9        | 12       | 22       |

Note: The matrix shows transitions of temporary employees (left) and non-temporary employees (right) in 2020 Q1 to being out of work in subsequent quarters. The table does not include transitions to other forms of work (such as labour reallocation from temporary to non-temporary employment or from wage or salaried work to self-employment). It is limited to countries with labour force surveys and household surveys with longitudinal identifiers. Blanks denote absence of data.

Source: ILO Harmonized Microdata collection.

in the first quarter of 2020 to being out of work in the second, third and fourth quarter of 2020 and in the first quarter of 2021. Although the data do not take into account seasonality, they show that people in temporary employment were more likely than non-temporary employees to be out of work from the second quarter of 2020 onwards as the pandemic took hold and containment measures were implemented.8 For example, in Argentina, 42 per cent of those who were temporary employees in the first quarter of 2020 were out of work in the second quarter of 2020, compared with 17 per cent of non-temporary workers. It should be noted that such changes were not dissimilar to trends a year earlier in the same economies, which suggests that COVID-19 was not exacerbating the existing trends.

Previous crisis experience suggests that temporary workers initially lose their jobs faster than permanent workers. In recent economic crises, particularly the global financial crisis of 2008–09, there is evidence that temporary workers were disproportionately laid off as firms adjusted to the demand shock.

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8 Although it is not possible to take seasonality into account in the transition matrix, it is possible to control for characteristics such as age, sex and education. Doing so produces no universal widening of the gaps: around half the countries display reduced gaps and the remainder show increased gaps.
(Guest and Isaksson 2019). In Spain, for instance, there was a 26 per cent reduction in temporary employment, compared with 8 per cent in permanent employment. In Greece, the decrease was 28 per cent for temporary employees, while it amounted to 17 per cent for permanent employees (Eurofound 2015). Elsewhere, including Ireland (2011–12), Bangladesh (2010) and the Republic of Korea (1998) in the aftermath of the financial crisis, economic downturns have led to increased hiring on short temporary contracts as a substitute for permanent hiring, in order to keep labour costs flexible given the prevailing economic uncertainty (ILO 2016a). However, these were largely the initial impacts, reflecting the relative ease of ending a temporary worker’s employment compared with terminating a permanent contract. A key finding was that, further into the period of crisis impact, temporary workers and permanent workers in Europe as a whole were laid off at a similar rate (Eurofound 2015). This suggests that, although temporary workers are among the first to lose their jobs as a crisis gets under way, permanent workers will then also lose their contracts.

Labour market churn of temporary workers

The available evidence on the impact of COVID-19 suggests that the outflow of temporary workers was offset by increased movement into temporary work, hence the small net change. Expanding the transition matrix further to examine transitions for those in temporary and non-temporary jobs, and also those out of work (unemployed or out of the labour force), sheds further light on some of the findings. Using the annual transitions (2020 Q1 to 2021 Q1) to control for seasonality, it is evident that the proportion who transition out of work is always higher among temporary workers, but varies among economies. In this regard, the trends for the pandemic period are not dissimilar to the trends before the pandemic, which suggests that the transitions of temporary workers are an endemic feature of labour markets and economies.

Significantly, only around 32 per cent of temporary employees in 2020 Q1 were still temporary employees a year later. Around 29 per cent were out of work, 27 per cent in non-temporary wage employment and 13 per cent in self-employment (figure 3.7). The proportion of those who remained in temporary wage employment was slightly higher than a year earlier (2019 Q1 to 2020 Q1). It should be noted that the limited availability of data prevents a global analysis; the findings in this section are based on the five economies (Argentina, Brazil, Costa Rica, Mexico, South Africa) that at the time of writing had longitudinal data spanning 2020 Q1 to 2021 Q1. The analysis is only indicative of early trends rather than representative of global or regional labour markets.

It should be noted, however, that much of the evidence on the impact of the global financial crisis on temporary employment is drawn from European case studies. The findings are therefore not necessarily representative of developing economies, where the role of temporary employment differs and is closely tied to informality; nor do the findings necessarily apply to other developed economies, such as the United States, where there are significant differences in employment protection legislation. Nonetheless, the findings do shed light on the impact and role of temporary employment during crises, which may help us to assess whether similar trends are likely to be observed in the COVID-19 crisis.
More than a quarter of those in temporary work in 2021 Q1 were previously in non-temporary (permanent or “other” employee) jobs. Of non-temporary employees, 67 per cent remained in non-temporary jobs, around 20 per cent were out of work, 7 per cent were in self-employment and 6 per cent were in temporary work. Despite the small share of non-temporary employees transitioning to temporary work, in absolute numbers they accounted for more than a quarter of all temporary workers in 2021 Q1. This helps explain why the share of temporary work remains fairly stable: despite large numbers of temporary workers losing their jobs during the pandemic, part of the decrease is offset by a small share of non-temporary workers moving into temporary work.

The available data suggest that temporary work can provide significant opportunities for those not already in work. Around 3.5 per cent of all individuals who were out of work in 2020 Q1 were in temporary wage employment in 2021 Q1. Although the share of out-of-work people moving into temporary wage employment was low, in absolute numbers they accounted for 28 per cent of all temporary workers in 2021 Q1 (figure 3.8). Thus, the number of temporary workers who moved out of work was similar to the number of people out of work who became temporary workers; this is a key characteristic of temporary wage employment.

Prospects during recovery

In previous crises, after the main impact and shedding of workers, the hiring of temporary workers increased. There is evidence in European data that negative demand shocks result in increased use of temporary contracts, which provide a means for firms to mitigate the impact of shocks in contexts where stringent legislation can make adjustments costly (Lydon, Mathä and Millard 2019). In the 2008–09 global financial crisis, sectors with a high incidence of short-term workers were found to exhibit significantly less cyclical variation in employment (Lydon, Mathä and Millard 2019). In Germany, findings suggest that establishments that made greater use of temporary workers coped better with declines in demand (Baumgarten and Kvasnicka 2016). The increased use of temporary workers in the wake of a demand shock is not, however, without challenges. In the Netherlands, for instance, there was growth in the hiring of temporary workers in the wake of the global financial crisis. However, the increased use of temporary workers presented inherent challenges of sustainability, particularly with regard to management, roles and worker integration (de Jong, Wilkin and Rubino 2019). Such challenges suggest that the use of temporary workers in response to uncertainty in the wake of a crisis may not be a sustainable measure and that there may be a cyclical component in the post-crisis use of this mode of employment.

There is also the challenge that some temporary work falls under other categories of employment and so its role during and after crises may not be recognized. For instance, gig work and platform work have surged in recent years (ILO 2021b).
This may result in many temporary workers being classified as self-employed. Hence the need for clear definitions and measurement in order to understand the role of temporary workers in the labour market and the economy and to facilitate targeted policy responses. The new resolution on work relationships adopted at the 20th ICLS should give scope for improved data availability and harmonization in the future.

The temporary employment rate for youth has been relatively stable during the COVID-19 pandemic – a difference from the findings of previous crises. In the European Union (EU), temporary employment among youth grew faster than among adults both during and after the 2008–09 global financial crisis (ILO 2012). In contrast, the proportion of youth employees in the EU-27 who were temporary workers was relatively stable during the first year of the pandemic (2020 Q2 to 2020 Q4), but has since shown signs of increasing, whereas for adults the proportion has remained relatively stable throughout. For example, the share of youth temporary workers in the EU-27 was recorded as 47.8 per cent in 2021 Q1, compared with 45.8 in 2020 Q1. It is too early to tell whether the increase will become a structural feature of European labour markets after the pandemic. In all other countries for which quarterly data are available for 2021 Q1, there has similarly been an increase in the youth share of temporary employment, relative to the previous year, with the notable exceptions of Canada and Peru.

The recovery period is likely to see an increase in temporary jobs, mostly in low- and medium-skilled occupations. Weighted averages of 58 countries with available quarterly data on occupations show that employees in high-skilled occupations were least likely to be temporary workers, making up only 15.0 per cent of temporary workers (according to the latest data available for each country). The share was 53.5 per cent for medium-skilled employees and 31.2 per cent for low-skilled employees (figure 3.9). To judge by the characteristics of temporary workers before the pandemic, the recovery phase may see an increase in temporary work for low- and medium-skilled occupations.

Temporary work varies considerably by economic activity, as well as occupation, sex and age, with implications for the recovery. Much of the recovery will be determined at the industry level, given that the impacts of the crisis have been highly concentrated in particular sectors of economic activity. Figure 3.10 lists selected industries that were particularly affected by the crisis, according to World Employment and Social Outlook: Trends 2021 (ILO 2021a), and the corresponding pre-crisis share of temporary workers and temporary employment rate. It tells an important story about not only the crisis impact – with regard to the high shares of temporary employment in some key industries – but also the prospects for temporary employment in these industries during the recovery.

The manufacturing sector is a major source of temporary work and was among the sectors hit most severely at the start of the pandemic, initially via supply chain disruption and then

![Figure 3.9 Distribution of temporary employment and temporary employee share of all employees, by occupational skill levels, in selected economies (percentages)](distribution_of_temporary_employment_and_temporary_employee_share_of_all_employees_by_occupational_skill_levels_in_selected_economies_percentages)

**Note:** Employee-population weighted average of latest year of available data within the period 2011–19 for countries with available annual data (n = 90).

**Source:** ILO Harmonized Microdata collection.
by a decline in demand. More than one in four employees in manufacturing were in temporary employment before the crisis; they accounted for nearly 20 per cent of all temporary employees. Although many temporary workers in the manufacturing industry will therefore have lost their jobs because of the pandemic, the recovery of activity in the sector is likely to bring more temporary jobs, given the characteristics of the sector before the crisis and also the ongoing uncertainty facing, for example, temporary workers in global supply chains. Similarly, in construction, where more than 46 per cent of employees were in temporary employment, many will have lost their jobs to the crisis. In countries where migrant workers form a large part of the workforce in construction (and other industries), ongoing limitations on travel and cross-border movements may hinder the filling of vacancies, for both permanent and temporary employees.\footnote{Many migrant workers are engaged in temporary employment via employment and recruitment agencies. Such agencies are not included in this analysis because they fall within the “multiparty employment arrangements” category (see figure 3.1) despite the often temporary nature of the migrant workers’ work.}

The prospects of a surge in temporary employment in services rest on the ability of key service industries to recover. In accommodation and food service activities, nearly one in three employees were on temporary contracts (figure 3.10). The widespread job losses in this industry (including tourism services) as a result of lockdowns and other COVID-19 containment measures are likely to have brought significant job losses among temporary workers. Again, however, the prospects for recovery are mixed, given the ongoing cross-border and travel restrictions in many economies (see Chapter 2). In health and social work, a key industry affected by the crisis – particularly in terms of exposure to the COVID-19 virus – around one in six workers were in temporary employment before the pandemic. When they do not receive the same benefits as permanent workers, temporary workers in certain industries face considerable risk.
Implications for workers, enterprises and the economy

The COVID-19 pandemic has had an impact on all types of work. The available data suggest that it has resulted in both the creation and destruction of temporary jobs and hence a relatively stable net rate of temporary employment. Evidence from previous crises suggests that, although temporary workers often lose their jobs early on (via non-renewal), they may be likely to return to work more quickly than permanent workers because they work in industries with an already high rotation of workers. The temporary employment rate having steadily increased over the past two decades (see “The temporary employment context” above), it is too early to ascertain whether the impact of COVID-19 will accelerate structural growth in temporary employment (as discussed in Chapter 1) or merely contribute to cyclical fluctuations over the longer term.

Previous crisis experience suggests that the immediate recovery period will see a surge in the use of temporary employment. There is evidence from, for instance, the global financial crisis that firms are more inclined to use temporary employment as a means of keeping labour costs flexible while uncertainty continues (ILO 2016a). Those industries and occupations that already had a high rate of temporary employment before the pandemic are particularly likely to be in a position to respond to the demand shock and ongoing uncertainty through the use of temporary workers. In developing economies, where the rate of temporary employment was already considerably higher than in more developed economies, greater use of temporary workers is likely to continue as long as uncertainty continues. In developing and developed economies the use of temporary employment during and after the crisis has different implications for workers, enterprises and the economy.

Implications for workers

Temporary work in developed economies most commonly relates to contracts of a fixed duration, is tied to employment protection legislation and has both positive and negative aspects. It can provide a means for individuals to be introduced to different occupations or roles in work; this is particularly the case for first-time employees. It can provide an opportunity to gain experience in a new firm, enable on-the-job learning and ultimately be a stepping stone to a permanent job. For others, it can provide a means to build networks, gain exposure and experience and secure more work in the long term.

In developing economies, workers’ concerns are less about employment protection legislation than about vulnerability, both in work and between jobs. In such economies, temporary work is more widespread and closely linked to informality. Employment protection legislation may be in place but is not necessarily complied with or enforced. Temporary employment, through fixed-term contracts or casual work, is common – in particular, casual employment in agriculture, and especially in informal jobs – but temporary work has also increased as a share of formal jobs in some cases (see, for example, Araújo and Sánchez 2016). The occurrence of temporary work, whether structurally inherent to industries, occupations or economies, or cyclical, is likely to have negative implications for workers. This is firstly because of the prevalence of decent work deficits in developing economies and the lack of rights and benefits for informal temporary workers: increases in the use of temporary employment may exacerbate these pre-existing decent work deficits. Secondly, the relative absence of social security and the insufficiency of contingency measures for workers contribute to the vulnerability of temporary jobs. Such issues are more concerning, however, when there is some
degree of informality in the labour market. They are then more to do with the underlying informality than with the temporary nature of the work.

Certain aspects of precariousness in temporary employment are common to both developed and developing economies, such as the absence of, or lack of eligibility for, social protection. In some industries or occupations, workers can get trapped in endless cycles of intermittent temporary jobs. They have to cope with lack of regular income, job insecurity and limited social protection (ILO 2015), not to mention the absence of the socio-economic benefits of longer-term employment within the same firm in which one has the same colleagues, work environment and work activities. One of the main differences between temporary workers and their permanent counterparts stems from the extent to which temporary workers are covered by social protection. When workers dip in and out of temporary jobs, social protection is not consistently in place, and often they move in and out of unemployment or self-employment.

Temporary workers are also typically paid less than permanent workers. Analysis of 59 countries with available annual data has found that temporary workers suffer significant wage penalties, of around 26 per cent (median monthly wage) or 18 per cent (median hourly wage), even when one controls for age, sex and education. This can be explained in part by the more precarious nature of temporary employment, which entails weaker bargaining power, and is also consistent with the notion of a dual labour market, divided between those in stable full-time jobs with open-ended contracts and those in temporary employment. Other factors that can influence the wage deficit of temporary workers include the bargaining system in place, the higher degree of informality experienced by temporary workers and the lower compliance with minimum wages in the payment of informal workers (ILO 2020).

Ultimately, temporary workers tend to face more precariousness, particularly in contexts of falling labour share and falling unionization, which mean that workers’ voice is weakened. The fixed-term or short-term nature of the work can weaken job security, chopping and changing between jobs can affect the regularity of income, and temporary workers may not be eligible for company benefits or even social protection, given their irregular contributions. Temporary workers are also less likely to benefit from training than are permanent employees, which reduces their chances of career progression. Declining labour share (see Chapter 2) and falling unionization rates are weakening the bargaining power of employees. At the same time, greater use of temporary workers can contribute to falling unionization rates owing to the lesser propensity of temporary workers to join unions (ILO 2021c). Moreover, there is a clear overlap between informality and temporary work, both of which contribute to workers’ experience of precarious employment. Evidence on the links between poverty and worker contracts and labour force status has also shown that temporary employees are among those most vulnerable to poverty (ILO 2015).

Implications for enterprises

Temporary contracts can provide firms with flexibility in hiring and firing, facilitating adjustments of the workforce in response to temporary periods of high or low demand. They also allow periods of probation for potential full-time new employees. For other firms, including start-ups and new firms, temporary employment can provide a less risky way to build a workforce in the absence of capital or other means to commit to longer-term arrangements. These are additional ways in which the use of temporary workers enables firms to reduce the cost of labour (Lydon, Mathä and Millard 2019).

The intensity of temporary work in different industries can prompt different crisis response measures to support businesses. Temporary work is common in global supply chains as well as in domestic production (ILO 2015). For instance, in garment manufacturing, production fluctuates according to the season (World Solidarity 2009). As a result, temporary contracts allow enterprises to hire workers on a short-term seasonal basis. Such practices support the viability of the sector but at the same time elicit criticism. There is also evidence that two distinct categories of firms in developing
economies employ temporary workers: those that use temporary employment intensively and those that do so moderately. Firms’ use of temporary employment may be fundamental to the business model but is also a reflection of the wider situation of temporary labour in the countries in question (Aleksynska and Berg 2016). There is scope for policy responses to support short-term worker schemes during crises, in industries that make significant use of temporary workers, including manufacturing and construction, in order to help sustain output and prevent wider lay-offs (Lydon, Mathä and Millard 2019). However, a more sustained policy response would be to reduce the negative impacts on workers and wider society by discouraging the use of temporary contracts, for instance by closing the gaps in legislation and regulation between permanent and temporary workers, either by de-regulating permanent contracts or re-regulating temporary contacts (Eichhorst, Marx and Wehner 2017). A study on the demand for temporary labour in developing countries offered evidence that prohibiting the use of fixed-term contracts on tasks more suitable for permanent workers is the strongest means of deterring firms from using temporary labour (Aleksynska and Berg 2016).

Segmented labour markets with a high proportion of temporary workers are not always beneficial for firms. A high turnover of temporary workers means that a firm will forfeit the benefits of investing in employee skills and training and of organizational knowledge and experience. Hiring procedures can be costly and time-consuming and distract from the core operations of the business. Apprenticeships and traineeships can enable enterprises to select the best-performing workers and save on recruitment costs further down the line. High turnover can also have an impact on worker morale and the retention of valued longer-term employees. There is indeed evidence of the negative impact of temporary employment on productivity growth (Lisi and Malo 2017). There are also firms that abuse temporary work contracts and use sequential temporary contracts as a means of circumventing rights and benefits encoded in law. The workers involved often end up rotating in and out of temporary contracts and as a result have poorer social security benefits and are less likely to be in a trade union (ILO 2016a) than permanent workers. This strategy is also problematic for the enterprises themselves because skills development and innovation suffer (OECD 2011; Moric et al. 2021).

For enterprises, temporary work offers flexibility and even viability, but is not without its downsides, including compromises to employees’ conditions of work. Whether or not temporary work continues its long-term upward trend, it remains endemic in various industries, and whether or not there will be greater use of temporary work in the immediate post-pandemic recovery period, the desirability of temporary work for the enterprise needs to be balanced with the implications for workers.

Macroeconomic implications

The use of temporary work has implications not only for workers and firms but equally for the wider economy, including the functionality of the labour market. Temporary work can help alleviate unemployment, by providing short-term opportunities for those out of work and so keeping employment rates buoyant. However, the impact can be considered in terms of a “honeymoon effect” (Boeri and Garibaldi 2007): it can result in a brief period of employment growth, particularly while macroeconomic conditions are stable and positive (ILO 2016a); but the benefits can cease during downturns in the business cycle and can also have a detrimental effect on permanent employment if they strengthen the incentives to hire temporary workers for tasks that are more suitable for permanent workers (ILO 2016a).

A significant risk is that wider use of temporary contracts will lead to segmented labour markets that will have suboptimal outcomes for both workers and employers and may affect long-term productivity growth. As outlined in the previous section, persistent use of temporary work can hamper skills development and innovation, with implications for workers and enterprises but also for the economy’s long-term productivity growth. Moreover, segmented labour markets can result in a widening gap between permanent employees, with more favourable working conditions and benefits, and temporary employees, with poorer conditions of work and a more vulnerable status even when they perform similar tasks. Such conditions can result in increased volatility in employment and unemployment, since one segment will be disproportionately absorbing the impact of economic adjustments (ILO 2016a).
Conclusion

This chapter has looked at trends in temporary work and at the impact on temporary workers, as suggested by the early evidence of the COVID-19 pandemic. It shows that temporary work has a significant structural element, but that there can also be increased use of temporary work during crises as a result of business uncertainty. In countries with available data, there are signs of significant labour market churn of temporary workers since the onset of the pandemic, but the trends have not been dissimilar to those evident the year before the pandemic. It appears that the implications of these dynamics for workers, enterprises and the macroeconomy are long term and not necessarily tied to the crisis. Although temporary work offers benefits to enterprises and to workers, it also brings negative effects for both enterprises and workers. While there is no consensus on the optimal mix of flexibility and security, certain measures can be used to discourage the use of temporary work for tasks more suitable for permanent workers and as a means of sidestepping regulations that would apply to permanent workers.
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