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Does the Sector Experience Affect the Pay Gap for Temporary Agency Workers?

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Abstract:

It is a well-known fact that temporary agency workers have to accept high pay penalties. However, remarkably little is known about the remuneration of workers who are frequently employed in this sector or who are employed for a substantial length of time. Based on a rich administrative data set, we estimate the effects of the intensity of agency employment on the temp wage gap and post-temp earnings in Germany. Using a two-stage selection-corrected method in a panel data framework, we show that the wage gap for temps with low treatment intensity is high but decreases with exposure to the sector. It seems that temps are able to accumulate human capital while being employed in this sector. Temps who move to permanent jobs have to accept a sizeable wage disadvantage at first, indicating that temporary agency employment might stigmatise workers. However, agency employment does not seem to leave a long-lasting scar.

Text: See [Discussion Paper No. 5837](#)



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