

# Contract Duration in the Labour Market: Theory and Evidence

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## Abstract

This paper studies the determinants of contract duration in the Australian labour market using the Workplace Agreements Database (WAD), which provides comprehensive coverage of both large and small firms and includes variation in union involvement and industrial relations legislation. We document two novel findings: (i) contract durations lengthen in periods when legislation favours firms, and when unfair dismissal protections are removed; (ii) contracts involving unions are significantly shorter than non-union contracts, even within firms over time. We develop a bargaining model of contract duration that rationalises these findings and highlights implications for wage rigidity.

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