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# ► Moving towards a life course perspective to labour market transitions: approaches and challenges

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## ► Abstract

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Over recent decades, the importance of studying labour market transitions has been recognized both amongst policymakers who focus on getting people out of unemployment and into jobs and academics who have used the increasing availability of relevant data to measure transitions and identify their determinants. At the same time, sociologists have developed a more holistic approach to studying transitions by applying a life course perspective, which takes a historical view of changes and involves transitions not only related to the labour market but also others that are central to both work and family life, e.g. shift from paid to unpaid work and exit from the labour force and into retirement. This more encompassing view of how the world of work interacts with other spheres of our lives is also in line with the challenges being posed by future of work trends, together with the impact of COVID-19. To bring a life course perspective to the analysis of labour market transitions requires different methodologies, and depends heavily on data availability, which is a major challenge in developing countries. For this reason, the choice of methodology needs to be based on an assessment of available data and the research/policy objectives. This paper provides some insights that will help further research on labour market transitions using a life course perspective. Further research in this area will help shed more light on the nature of transitions and how they are being impacted by not only the future of work drivers, but also the COVID-19 crisis. In addition, this analysis will provide important inputs in identifying the elements that make up decent labour market transitions, ones which reflect people's agency and their ability to freely choose the steps of their course, in line with their personal values.

Keywords: labour market transitions, life course perspective, panel data, school to work

JEL: C33, J11, J46, J62

## 1. Introduction

Our lives are defined by the transitions we make including the move from education and training to work, changes in jobs, and ultimately, from work to retirement. Life is also full of other events that shape how and where we work, including marriage and the birth of children, along with episodes of illness or adult education. Despite this broader significance, the analysis of the labour market has often viewed transitions through a narrow lens, focused mainly on changes in labour market statuses.

The traditional analysis of labour market transitions, which has dominated the literature and policy discussions over recent decades, has largely stemmed from the theoretical work of Diamond-Mortensen-Pissarides on search and matching models (see Mortensen and Pissarides 1994 and 1999). Drawing on the assumption of imperfect information, these authors renewed economic theory by looking for an explanation to the coexistence of unemployment and vacant jobs. Different “frictions”, such as imperfect information on job quality, rigidities in workers’ mobility, transaction and job-search costs, imply that markets cannot adjust automatically through prices. Their model provides a standard framework to understand the persistence of unemployment due to unmatched job seekers and vacancies but also invites to look more closely at the conditions under which transitions between labour markets status and status dependency occur. Search models also helps to predict the complex effects of adverse economic shocks on labour markets. The existence of job search frictions explains why the rise in unemployment after a shock is in general more rapid than the fall in unemployment when the economic situation starts to improve again.

Arising from this theoretical approach, the traditional policy response to labour market transitions has mainly focused on the transition from unemployment to employment supported through a combination of active labour market policies<sup>1</sup> and tax and benefit systems to support entry into employment. Despite important nuances between the strategies promoted by the EU and the OECD (Casey 2004), the key preoccupation has been to identify the optimal policies and institutions that enable integrative and maintenance transitions (enabling people to stay in employment by moving between different forms of flexible employment) in contrast to exclusionary transitions (which result in unemployment or inactivity).

In Europe, these policies have often been grouped under the expression of “flexicurity” (Bekker et al., 2008). On the security side, public employment services, and increasingly, private agencies, play a critical role in implementing these programmes and supporting the unemployed and other jobseekers to make successful transitions in the labour market. On the flexibility side, this approach has also advocated for reforms to ease employment protection legislations in order to favour increasing transitions from unemployment and inactivity to employment. The balance between flexibility and security measures has been a much-debated issue, especially from the trade union perspective (Auer 2009 and 2010). Several academics also pointed out the very specific, but often omitted, institutional arrangements which allow this trade-off between flexibility and security to be effective, including a strong involvement of trade unions in economic governance and a strong social consensus to maintain a highly qualified workforce (Barbier, 2007; Boyer, 2006).

In light of the policy emphasis on certain transitions (i.e. supporting the jobless to exit unemployment), a vast empirical literature has built up over recent decades on analysing labour market transitions. These studies generally require analytical instruments which track individuals over time in order to study flows between different states and sequences of transitions/trajectories over several years. It also requires gathering information related to people’s activities, individual characteristics (e.g. human capital formation) and household types (e.g. family/care responsibilities). There are a number of different types of transitions that have been studied more than others, such as the transition from unemployment to employment and young people’s school-to-work transition. For example, the ILO’s School-to-work Transitions Surveys (SWTS), carried out between 2012 and 2016 in 34 developing countries, looked at the length and quality of youth’s movement from school into labour markets by collecting nationally representative cross-sectional data. The availability of data represents, nonetheless, a key challenge in many countries, especially in low and middle-income economies.

This research and analysis of labour market transitions often treats transitions as isolated events, or discrete measures of individual transition, focused, in most cases, on status changes. Researchers often rely on transition matrices to estimate probabilities of transitions between different individual states. However, this approach may limit our understanding of the potentially increasing complexity of life courses (i.e. the increase in the number of distinct states throughout the life

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<sup>1</sup> Active labour market programmes are interventions which seek to improve labour demand and supply, and the match between the two. The main types of ALMPs are job search assistance, training, wage subsidies, public employment programmes and entrepreneurship support.

course), their de-standardization (their increasing differentiation from a traditional age-related trajectory) but also possible convergence or divergence of life courses between genders.

In comparison, a more holistic approach has been developed in recent decades, mostly by sociologists, in which different life courses are considered as the unit of analysis and transitions as segments of specific trajectories. Such a life course approach departs from a purely probabilistic perspective by relying on, among other types of analysis, sequence analysis, a method which allows reducing complexity by comparing, sorting and grouping different sequences of time-ordered elements in order to identify different ideal-types. Elder (1985) emphasizes the importance of combining research on work and family trajectories as a process outcome to avoid the “short view on analytical scope” (Elder 1985, p. 31) inherent in exclusively focusing on specific events. He proposed moving beyond point-in-time and trend outcomes by bringing a longitudinal life course perspective into the debate and conceptualizing the work-family interplay as a “process outcome”, which unfolds across individual life courses from early adulthood to midlife (Abbott 2005).

In addition to looking at transitions in the labour market in a larger life course context, another issue that is, arguably, far more prominent in public discourse is the notion that transitions are not only changing in nature but are also speeding up and becoming more frequent. In particular, there has been widespread discussion over recent decades in academic and public circles on the perceived impact of technological change on our lives. In this context, it is often assumed that our work relationships have become more turbulent in response to the acceleration of the fourth industrial revolution, in particular the rapid rise in automation through robotics and artificial intelligence. Such studies as Frey and Osborne (2017) suggested that a large proportion of jobs were at risk due to automation. However, empirical evidence on the impact of the drivers of the future work is far more nuanced but remains limited in terms of insights on how transitions have been impacted by such changes. In fact, some empirical evidence suggests that in OECD countries job tenure has increased slightly over the past decade contrary to the perception of greater turbulence. However, after adjusting for demographic structure, the job tenure decreased modestly by 4.9 per cent (or around 5 months) with considerable variable across countries (OECD, 2019). This is an area that requires further research and ongoing monitoring to understand whether transitions are actually accelerating or changing in nature.

The mandate of the ILO and the 2019 Centenary Declaration for the Future of Work provides such a broader perspective. The ILO Declaration for the Future of Work has called upon all Member States to strengthen “the capacities of all people to benefit from the opportunities of a changing world of work”, especially through “effective measures to support people through the transitions they will face throughout their working lives” among other interventions, while iterating that “(a)ll workers will require strong support through future of work transitions so that they integrate into labour markets and become lifelong active members of societies”<sup>2</sup>. In this Declaration, member States have thus placed the issue of the management of labour market transitions throughout the working life at the core of the human-centred approach to the future of work.

On top of these longer-term changes, the COVID-19 crisis has created the worst global jobs crisis since the Great Depression and has already had substantial implications for the labour market and transitions within and outside work. As highlighted in the seventh edition of the ILO Monitor, global working hours fell by 8.8 per cent in 2020, leading to a fall in employment of 114 million (compared with 2019). Contrary to typical recessions and crisis periods, most of the job losses translated into increased inactivity rather than unemployment, which can be attributed to the impact of lockdown measures on job search and availability for work (which distinguish being unemployed and inactive from a definitional perspective). Youth and women have been hit hard due to their predominance in such sectors as accommodation and food services. Resulting from the closure of workplaces and care services, the care burden has fallen harder on women and is driving more women out of the labour force. These impacts, therefore, already have had significant implications for labour market transitions, and are likely to leave long-lasting effects on them over the coming years, especially for the young people and women who have withdrawn from the labour force or are being impacted by persistent underemployment (i.e. scarring effects).

Against this backdrop, this paper seeks to explore these issues to better understand labour market transitions from a life course perspective and build appropriate policy responses to this broader view of the world of work. The remainder of the paper is structured as follow: section 2 reviews both the relevance of the capabilities approach to a conceptual framework and the insights from the life course literature that has tackled a range of issues, including from a sociology and

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<sup>2</sup> A lifelong active society responds to the structural challenges presented by an ageing population. It is a society in which the will and ability of older people is fully utilized. It promotes the employment of older people should they choose to continue working and seeks to reduce the social protection burden on future generations.

demography perspective. Section 3 compares the different methodological approaches to analysing labour market transitions, while section 4 discusses the relevance and implications of the future of work and COVID-19 crisis. Section 5 proposes some issues to consider towards building an ILO approach to labour market transitions with a life course perspective, while section 6 concludes.

## 2. Life course theory and the capabilities approach

### 2.1. Life course theory and implications for labour market transitions

In order to connect labour market transitions to a life course perspective, it is necessary to understand the theoretical basis for this approach and how it relates to labour markets. Life course theory (LCT) focuses on the impact of age, relationships, life transitions and events, social change, and other choices on people's lives over the life cycle (i.e. from birth to death) (Hutchinson, 2017). LCT has been used for example to understand how adolescence is connected to earlier development and life events as well as to understand how circumstances in adolescence are connected to later health and well-being (Johnson et al., 2017). LCT has been the leading perspective driving longitudinal studies of human behaviours and associated economic and social outcomes.

One of the pioneers of life course theory, Glen H. Elder, began developing its concepts in the 1960s based on his research into how the changing economic conditions of the Great Depression effected family stability (Elder, 1998). Elder realized that there existed patterns in life pathways of groups of people that were experiencing similar economic shocks and how they recovered from these shocks. Work and employment were central in his research and were seen as a key determinant in social mobility as well and societal behaviour. Elder was also involved in developing the first definition of "human agency", a notion he developed to explain the divergences he observed in individuals' human development. While life course is determined by historical influences that shape your education, family or career outcome, individuals have the power to alter those outcomes – known as human agency. Elder (1998: 2) told us that:

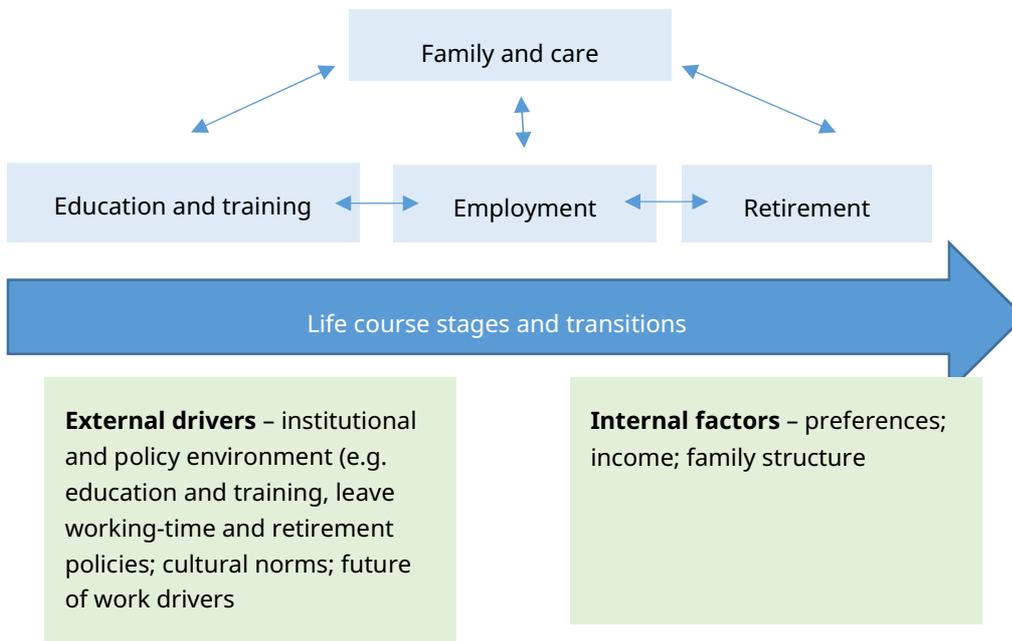
"Some individuals are able to select the paths they follow, a phenomenon known as human agency, but these choices are not made in a social vacuum. All life choices are contingent on the opportunities and constraints of social structure and culture."

Other researchers expanded on his concepts, including a branch of sociological studies that focused on age and temporality. These concepts, originally proposed by Clausen in 1993, show how the timing of major life decisions affect how individuals' life courses are constructed. Again, the timing of decisions about work and income is used a main application of this concept and shows that early life decisions about career will impact the rest of the working life. The "early timing hypothesis" emerged, which theorized that early institutional intervention into a young person's life, for example in military service, on the job experience or vocational training, enhanced occupational status and economic well-being.

The life course can be defined as a sequence of "positions" of a particular person over time. A position can be a major influence in a person's life and includes not only employment and education but also marital status, parenthood or residence/migration patterns. A life course analysis studies the frequencies and the timing of changes, generally of groups such as birth cohorts. These changes are called events or transitions. Every life course is characterized by a sequence and combination of transitions, such as leaving home, finding work, finding a partner and becoming a parent (Kok, 2007).

Moving from the sociology and social psychology fields to the world of work, Moen and Sweet (2004: 212) argue that: "The life course intersects with studies of work and organizational policy around the concept of 'career.' . . . What a life course perspective brings to both research and policy agendas is recognition of the fact that, as currently configured, occupational career building and family career building occur simultaneously, even though they are often studied and legislated about, separately." (Moen and Sweet, 2004)

**Figure 1. Life course stages and transitions**



The literature on labour-related life course studies provides different examples of positions and transitions centred on the labour market. For example, Flippen and Tienda (2000), in a study on the various pathways to retirement in the USA, offer four common employment patterns which help conceptualize these notions. The first is the pathway of steady employment, or sustained employment throughout individuals' careers, with few or no interruptions. Second, a trajectory of delayed employment, low levels of employment early in individuals' careers (associated with having children at young ages or extended education or training), followed by increased employment rates toward the later portions of their careers. Third, a trajectory of midcareer reduced employment: beginning with high employment levels but then cutting back for a substantial period in midcareer as family demands ramp up, and returning to high levels of employment in late career. Finally, a trajectory associated with early reductions in employment: stable high employment levels that start decreasing in the late career, resulting from family demands or reduced workplace opportunities (Flippen and Tienda, 2000).

## 2.2. Sen's capabilities approach and Schmid's Transitional Labour Market

Taking a broader perspective on labour market transitions requires reflecting on not only the type of transitions over the life course, but also the normative underpinning to the notion of transitions and how this is embedded within the labour markets of not only advanced countries but also developing and emerging economies. In this perspective, this section explores the approach of transitions underpinned by two different bodies of literature: Amartya Sen's capabilities approach (Sen, 2000) and the related concepts of aspirations (Appadurai, 2004; Ray, 2006), and the Transitional Labour Markets (TLM) approach initiated by Gunther Schmid (Schmid, 2017).

Firstly, Sen's capabilities approach stresses that human freedoms are both the main objective and the primary means of development (Sen, 2000). The capabilities approach sees an individual's wellbeing in terms of their functionings ("beings and doings") and their capability to choose from different combinations of functionings (Sen, 2000; Bartelheimer et al., 2012). That is, the wellbeing of an individual depends on their achieved functionings and the set of functionings they could choose from.

In the context of labour market transitions, the capabilities approach implies that the freedom to make labour market transitions is a goal in itself, along with being the primary means of achieving the goal of full and productive employment for all (SDG 8.5). The application of the capabilities approach, and its core emphasis on freedoms, is highly relevant given that labour market transitions are based on the ability and choice of individuals to engage in the labour force. For example, as recognized by Sen and feminist economists for many years, the freedom of women to seek employment outside the family/home is a crucial transition in the development process. In countries where women face persistent barriers to exercise choice over their participation in the labour market, it is important to look at the complementarity and interaction

between different institutions, including non-market organizations (e.g. family) and the market (Sen, 2000; Dasgupta and Verick, 2016). The persistence of gender disparities in the labour market stems from an interaction between individual agency and control with social norms and structures.

It is often said that the capabilities approach is primarily focused on the individual. It is true that this approach implies individual's endowments are critical not only in terms of their labour, but also ownership of other assets, such as land, capital and technology. The next level comprises of an individual's entitlements, which reflects their ability to make a claim on their resources. As noted by Osmani (2016: page 4): "The entitlement set is the set of all possible commodity bundles which an individual can conceivably enjoy given her initial endowments and the possibilities of converting endowments into commodities that exist in her entitlement mapping." This, in turn, determines the capability set, from which, the individual chooses a vector of functionings. Each step of this process is influenced by the broader economic, social and political context. Therefore, society and the policies set by governments and actions taken by others matter at all stages of this process.

There have been various attempts to operationalize the capabilities approach, and make it an explicit objective of policymaking (e.g. Stiglitz-Sen-Fitoussi report commissioned by the former French President Sarkozy). However, measuring wellbeing is by no means an easy task due to its multiple dimensions and challenges in distinguishing factors determining wellbeing and the outcome itself. Efforts to do so include, most notably, the UNDP's Human Development Index.

Linked to this is the relative importance people perceive work in their lives and how global forces are affecting preferences towards work. According to Appadurai (2004), the capacity to aspire is the ability to navigate social life and combine wants, preferences, choices and calculations with the circumstances to which you are born into. Aspirations are highly affected and determined through labour market attainment. An aspiration gap is the measure of how realistic and attainable a career preference is *vis à vis* the labour market. Reducing this gap should be a primary objective of labour market policy. However, many countries do not have an accurate picture of the labour market preferences and aspirations of jobseekers, which leads to unresponsive policy measures (Gardiner and Goedhuys, 2020). A large part of promoting well-being is to assist jobseekers in realizing their aspirations.

The analytical framework developed by Günther Schmid on TLM draws from some of the key tenets of Sen's capabilities approach and views on freedom. Indeed, Schmid (2008 and 2017) argues that the effectiveness of labour markets should not be only measured by the level of income security they provide (freedom from want) but also by the capabilities provided by the institutions (including market and non-market institutions) in ensuring freely chosen career perspectives over the life courses including through unpaid work (freedom to act). The TLM framework has progressively integrated a life course perspective which relies on two fundamental elements: the acknowledgement of irreversibility life courses and the social embeddedness of labour markets. Following Anxo et al. (2008), individual trajectories can be viewed as partly irreversible as earlier transitions, opportunities and constraints can have consequences on the entire working life. Thus, to understand this complex set of opportunities and constraints, it is essential to consider the many spheres of social interaction which shape people's opportunities and constraints such as work, family and care obligations, education, etc. In such a perspective, individual trajectories are not the result of continuous optimising choices by individuals but "the outcome of sequences of positions embedded in social structures" (Gautié and Gazier, 2011)<sup>3</sup>.

Consequently, in this setting, labour market transitions go well beyond the mainstream approach presented in the introduction where only transition from unemployment to employment really mattered. As Schmid (2017) points out, "the TLM perspective breaks with the illusion that ... unemployed come immediately from the status of employment, or ... that most unemployed transit sooner or later back into employment. Moreover, transitions over the life course will be numerous, at times by choice (e.g. care) or involuntarily (e.g. sickness, job loss)." Job-to-job transitions, along with entry to and exit from the labour force, are, therefore, also relevant. Also important in this analytical framework and in line with ILO Declaration on the Future of work, the term "work" encompasses all activities of social obligatory character, whether paid or unpaid.

The TLM framework also provides an opportunity to look at the set of policies promoting full employment with fresh eyes. Such an approach remains fully compatible with the mandate of the ILO, especially with the Employment Policy Convention, 1964 (No. 122), which supports the design of policies promoting full, productive and freely chosen employment. However, if full employment is an objective of policy, its approach must be adapted to the requirements of

<sup>3</sup> As explained by Gautié and Gazier (2011), the "life course approach" is also a reaction to the "life-cycle approach" used in mainstream economics as "an inter-temporal extension of the standard conception of the optimising "homo economicus".

modern societies according to Schmid (2008). Governments should reconfigure their policies in order to promote “sustainable full employment”. This would include all the working-age population, including all women, take into account domestic and voluntary work (all activities of social obligatory character) and consider a continuous learning process throughout life. This view is also consistent with the statistical definition of work adopted by the 19<sup>th</sup> International Conference of Labour Statisticians.<sup>4</sup>

The TLM approach requires individuals to be empowered to take more risk during the life course, which needs to be matched by a more pro-active approach to (active) labour market programmes and for individuals to have a voice and choice over their career in line with their own aspirational and development goals (rather than purely welfare-oriented interventions). To ensure this “right to transitions”, it is necessary to secure all critical transitions over the life course (Schmid, 2015) through a reconfiguration of social protection systems, training and active labour market programmes. One of the solutions proposed by Schmid (2015) is to transform unemployment insurance and training programmes into an “employment insurance” that would aim at empowering people to have greater control over their careers and anticipate economic shocks. Such a measure would also aim at reducing the inequalities among workers in the access to continuing education and training. In complement, access to paid leave could be facilitated in order to seize opportunities of lifelong learning and policies should be implemented in order to ensure more sharing in the provision of care and other social and family obligations. The TLM approach also has natural linkages with the concept of universal social drawing rights developed by Supiot (1999) that aims at conferring legal rights to any members of the labour force (not just those with a status of employee) in order to be able face more smoothly career breaks and changes of occupations. In addition to these protections and rights, the role of lifelong learning to support transitions throughout the working life requires further analysis and integration in these conceptual approaches.

## 3. Comparing methodological approaches of labour market transitions

### 3.1. A comparison of event and life course analysis

Various approaches and methodologies have been applied in the literature to measure and analyse labour market transitions depending on the theoretical framework, the research questions and the availability of data. The amount and the quality of data will largely determine the type of analytical approach adopted in the analysis. Event analysis generally relies on panel data with a time interval of one year or one quarter, while life course analysis requires much richer data tracing the trajectory of individuals throughout their entire life or for a certain period of time deemed important in the life course (e.g. 15 to 29 years old). Here we review two levels of analysis and corresponding data collection designs and methods commonly used in labour related studies: event analysis and life course analysis.

In the table 1, freely adapted from Aisenbrey and Fasang (2010), we provide a summary of the two main methodological approaches of labour market transitions. These two approaches generally correspond to specific underlying theories, definitions of transitions (event versus sequence), methodologies and research questions. And while the below comparison is simplified for stylistic purposes, most study design combine event and life course analysis by collecting both historic and present information about an individual.

<sup>4</sup> <https://ilostat.ilo.org/about/standards/icls/icls-documents/#icls19>

**Table 1 – Main methodological approaches of labour market transitions**

	<b>Event analysis</b>	<b>Life course analysis</b>
<b>Level of analysis</b>	Specific and isolated events; changes in labour market status (for example, transitions from unemployment or inactivity to employment)	Holistic: life course as the unit of analysis or any policy relevant time lapse, e.g. 15-29 years old to assess the complexity of school to work transition or 50-70 years old to assess work to retirement transitions
<b>Concepts used</b>	<ul style="list-style-type: none"> <li>- Transitions (between different states)</li> <li>- Flows/turnover/dynamics (especially between labour market status)</li> <li>- Duration within different states (e.g. job tenure)</li> <li>- Occupational mobility (job-to-job mobility)</li> </ul>	<ul style="list-style-type: none"> <li>- Transitions (as a process)</li> <li>- Trajectory (as a sequence of different states or transitions)</li> <li>- Life course</li> </ul>
<b>Sources</b>	<ul style="list-style-type: none"> <li>- Panel data</li> <li>- Cross-sectional data (for self-reported duration in employment/unemployment)</li> </ul>	<ul style="list-style-type: none"> <li>- Panel data (if covering sufficient time spell)</li> <li>- Retrospective survey data</li> <li>- Data with different cohorts</li> </ul>
<b>Methods of analysis</b>	<ul style="list-style-type: none"> <li>- Stochastic/probabilistic analysis (through transition matrices)</li> <li>- Analysing the determinants of transitions using individual, household and external data and their impact on the probability of making certain transitions (e.g. education on the likelihood of transiting from informal to formal employment)</li> </ul>	<ul style="list-style-type: none"> <li>- Algorithmic analysis: sequence analysis (e.g. optimal matching analysis)</li> <li>- Also probabilistic to identify the factors explaining the differences in sequences between groups or cohorts</li> </ul>
<b>Typical research questions (examples)</b>	<ul style="list-style-type: none"> <li>- What is the impact of labour market institutions on transitions (i.e. those that favour transitions towards employment)?</li> <li>- What are the impacts of recessions on labour market flows (short term analysis)?</li> </ul>	<ul style="list-style-type: none"> <li>- Are we observing a de-standardization in life course (i.e. the growing differentiation from a standard life course)?</li> <li>- Are we observing a complexification of life courses (i.e. the increase in the number of states and transitions experienced by individuals)?</li> </ul>

### 3.2. Event analysis

Apart from the measurement of duration in specific statuses and job stability, which can be carried out with cross-sectional data (Auer and Cazes 2000, and 2003), the most common method of analysis considers transitions (column 1) through measurement of gross flows (reported as levels or rates) between different states through data collected at least two

different points in time (e.g. labour force surveys with a fixed or rotating panel). In a majority of cases, the analysis is limited to the three traditional statuses (employment, unemployment and inactivity) but in some cases, employment is disaggregated by working duration levels (O'Reilly and Bothfeld, 2002), wage levels (Eurofound 2017) and type of contracts (Watson 2013), or by distinguishing formal and informal jobs or the type of employers (public, private, self-employed)<sup>5</sup>. This approach is also particularly relevant to analyse the short-term impacts of economic shocks (for example a health crisis or a recession) on labour market flows (entry/exit into/from employment).

For example, over the period 2020Q2 to 2020Q3, during the height of the COVID-19 lockdowns, 2.6 million working-age people transited from unemployment to employment in the EU (excluding Germany), while 2.3 million employed workers shifted into unemployment (Figure 2). A record high of 9.2 million economically inactive people entered the labour force during the same period (5.1 million towards unemployment and 4.1 million towards employment) while flows out of the labour force correspond to 6.4 million persons (3.7 million from employment and 2.7 million from unemployment).

Flows are often expressed as a percentage of the initial status in order to estimate probabilities of transitions between different individual states. In the previous example, 21.1 per cent of the unemployed moved into employment, while 22.4 per cent shifted into inactivity. The remaining 56.5 per cent stayed unemployed from 2020Q2 to 2020Q3. Given the multiple flows, comparing stocks of employment, unemployment and inactivity over time can be misleading given that there are both in and outflows from any state. The probabilities are grouped into a transition matrix which can serve to test and model different potential factors of transitions relating to the individuals' characteristics (education, gender, age etc.) or to the political and institutional setting.

**Figure 2. A traditional overview of labour market flows 2020Q2-2020Q3, EU-27 excluding Germany (millions of persons)**



Source: EUROSTAT<sup>6</sup>

However, as pointed out by Brzinsky-Fay (2010 and 2014), the central shortcoming of many studies analysing transition is “that they only consider one single transition between labour market statuses (or on two-time points, one initial and one destination point), while neglecting the long-term character of the basic concept of transition”. For example, the transition from school to work cannot be in most cases simply summarized by a simple event but by a process or a sequence of different steps including different labour market status (inactivity, employment, unemployment), work contracts (short term or permanent) and personal or family arrangements (Chacaltana et al., 2020)<sup>7</sup>.

<sup>5</sup> See, for example, Tansel and Ozdemir (2019) on Egypt, Vega Nunez (2018) on Ecuador, Gutierrez et al. (2019) on Bangladesh, Cuesta and Bohórquez (2011) on Colombia, Cho et al. (2015) on 12 developing countries and Verick (2012) on South Africa.

<sup>6</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php/Labour\\_market\\_flow\\_statistics\\_in\\_the\\_EU](https://ec.europa.eu/eurostat/statistics-explained/index.php/Labour_market_flow_statistics_in_the_EU)

<sup>7</sup> The ILO's School-to-work Transitions Surveys (SWTS) were designed in a way that allow to consider transitions as a process generally covering several years between the (voluntary or involuntary) end of education and a situation of stable employment (see discussion 3 and footnote 24).

The school-to-work transition has been an important research area for the ILO in recent years. In previous studies, the organization has made important contributions to identifying and measuring the length and quality of the transition using a specific instrument, the school-to-work transition surveys (SWTS)<sup>8</sup>. In this research, a youth “labour market transition” has been defined as the passage of a young person from the end of education to his/her first stable and satisfactory job. A “stable” job has been defined as a worker with at least a one-year contract, while “satisfactory” is based on a self-assessment on whether the young worker’s education matched their current job<sup>9</sup>. A basic classification based on three stages of transition is used, “transited”, “in transition” or “transition not yet started”<sup>10</sup>.

Being limited to discrete measures of individual transition (in most case status changes), event analysis is not sufficient to accurately assess the increasingly complex and diverse life courses of individuals in modern societies. Transition patterns may indeed vary across and within cohorts (due to changing or varying social, educational, demographic and economic circumstances. Several studies carried out on European country cases have indicated, for example, that transitions into adulthood and entry on labour market are becoming increasingly diverse and instable (see Martin et al. (2008) on the case of UK, Bekker and Pop (2020) on the Netherlands or Brückner and Mayer (2005) on Germany). Recent studies on life courses have also shown that they were becoming increasingly more complex (i.e. people are experiencing a greater number of changes and transitions during their life) (Elzinga, 2010),<sup>11</sup> deviating from a traditional age-related trajectory (Aisenbrey and Fasang, 2010)). At the same time, there is evidence of convergence in the life courses of men and women in specific contexts (Robette, 2020).

### 3.3. Life course analysis

In order to explore these issues (and in reaction to the limitations of event or “flow” analysis of transitions), another approach has been developed in recent decades mostly by sociologists and adopting a more holistic vision (column 2 in Table 1). In this approach, life courses (or any policy-relevant time-lapse) are considered as the unit of analysis. In this case, transitions are considered as segments of specific trajectories or life courses. Such an approach departs from the purely probabilistic perspective inherent in event analysis (Aisenbrey and Fasang, 2010; Brzinsky-Fay 2014).

One of the main analytical tools in life course research is sequence analysis (SA), which aims to efficiently recover the most relevant patterns and features of the life course. It is an exploratory data-driven approach, based on the idea that transitions and changes within sequences might have effects on future outcomes. This type of analysis is designed to reduce complexity by comparing, sorting and grouping different sequences of time-ordered elements in order to identify different typical patterns of transitions. Key questions relate to the occurrence, the order, the temporality and the frequencies of these elements.

In employment studies, the elements of interest are generally the various labour market statuses with more or fewer details on the type of jobs occupied (temporary, working time, wage/informal/self-employed etc.). Importantly, when combined with regression techniques, sequence analysis allows also the assessment of the determinants of these trajectories (see, for example, Biemann et al. (2012)).

In studies applying SA approaches, one needs to define what is contained in these “sequences” or “trajectories” in order to determine the events in the life course. For instance, a study of early occupational attainment in West Germany by Brzinsky-Fay and Solga (2016) uses the German National Education Panel Study (NEPS) and sequence analysis by grouping together individuals, which have experienced similar labour market patterns over their schooling and employment entry. Importantly, the researchers needed to determine the type and number of clusters or typical labour market sequences that the individuals would be grouped into. An “8 cluster solution” was decided on in order to derive distinct cluster types. The eight clusters contained different patterns of compulsory education, vocational training, university, unemployment/instability and care work. By applying longitudinal data and SA, the researchers argue that they were able

<sup>8</sup> See ILO School-to-Work Transition Surveys and associated publications at [https://www.ilo.org/employment/areas/WCMS\\_140862/lang--en/index.htm](https://www.ilo.org/employment/areas/WCMS_140862/lang--en/index.htm)

<sup>9</sup> Notably, this measure of transitions did not take into account other decent work indicators such as wages or rights at work.

<sup>10</sup> For a discussion on the adaptation of the school to work transition calculation using available (cross-sectional) data (LFS), see Mehran (2016).

<sup>11</sup> For a review of possible indicators measuring life course complexity, see Pelletier et al. (2020).

to overcome the limitation of viewing labour market entry as a single event and are able to provide evidence on the positive correlation between early vocational training and labour market outcomes by providing the time dimension to their analysis.

It is also possible to assess the long-term impact of a past trajectory or transition (e.g. scarring effects of youth unemployment). According to Zagel and Van Winkle (2020), “a crucial advantage of sequence analysis is that patterns are identified empirically based on regularities in the prevalence, timing, duration, and ordering of life course states and events, rather than a priori assumptions”. It is, therefore, “useful as an exploratory method to discover patterns and validate assumptions on the patterns most prevalent in a population”. Sequence analysis has also been used, but more scarcely due to data limitation, to allow comparison across generations (cohorts) in order to measure the effects of changing economic and institutional structures. The difficulty in this kind of analysis is to be able to distinguish cohorts’ effects from other effects related to economic cycles or ages (Becker and Bossfeld, 2017).

### 3.4. Data for analysing labour market transitions

The life course perspective emphasizes the need to consider the working life from the point of view of trajectories or experiences. This implies the need to collect longitudinal data. The main observation techniques are either to collect prospective or retrospective data<sup>12</sup>. The former involves collecting data prospectively by a series of surveys over time on respondents’ current circumstances. The latter relies on respondents’ present recollections about the past.

Prospective designs mainly use panel approaches, which involve interviewing the same person multiple times. The first and most common one is rotating-panel surveys, which are employed in many household-type surveys, including in labour force surveys, or others such as the EU-SILC on European households’ incomes and living conditions. Many rotating-panel surveys use a 2-2-2 rotation, meaning that selected dwellings are surveyed two consecutive quarters, then dropped for the two next quarters, and finally return for the two last quarters. Given these technical specificities, data from rotating-panel surveys can in general only be used to track down transitions for a relatively short spell of time, on a quarterly or annual basis in general.<sup>13</sup>

The second type of prospective design using a panel approach is to interview a stable sample at a regular frequency (every X years for example). In comparison with rotating panel surveys, sample-type surveys allow to follow the interrogated persons for a longer period of time but the risk of attrition is higher. It can be indeed particularly challenging to follow for several years the same population, especially when an important share of this population faces an unstable living situation in terms of housing, locations, revenue, etc. Surveys with a fixed sample are in general not intended to produce representative indicators for the whole population over several waves due to attrition<sup>14</sup>. To avoid attrition effects, the sample is in general partially refreshed with a regular frequency (along with the use of attrition weights to account for non-random exiting from the sample). In more sophisticated surveys, procedures are also in place to be able to follow individuals who split from the original households to form their own household (e.g. children leaving parents’ households, and divorces).

One prominent example of this type of surveys is the US Panel Study of Income Dynamics, which has been carried out every year since 1968 with the original sample of 18,000 people in 5,000 households growing naturally with children (reaching 10,000 households in 2017). In other developed economies, there are other ongoing surveys as the Household Income and Labour Dynamics in Australia survey (HILDA), the Keio Household Panel Survey and Japan Household Panel Survey in Japan and the Korean Labor & Income Panel Study. In the last decades, the national statistical institutes of several

<sup>12</sup> In rare cases, administrative sources can also be used to analyse transitions such as Nagore Garcia and Van Soest (2014) which makes use of administrative records data from the Spanish social security.

<sup>13</sup> There are however exceptions such as the EU-SILC survey which is the EU annual survey on income and living conditions. In EU-SILC, one fourth of the sample is renewed every year, meaning that a same household is interrogated four consecutive years. Another notable exception is the China Labor-force Dynamics Surveys which is run every two years since 2012 and in which one fourth of the sample is renewed at every interrogation, meaning that the same household remains in the sample six years (Wang, Zhou, Liu, 2017)

<sup>14</sup> See, for example, Xue Dong (2016) on the comparison of the consistency of the Sakernas survey (the official Labour Force Survey) and the sample style survey Indonesia Family Life Survey (IFLS) for analyses of the Indonesian labour market.

developing and emerging economies have also started to implement this type of survey, albeit with, in general, longer spans of time between waves (e.g. Indonesia, South Africa and Egypt)<sup>15</sup>.

Retrospective data can be generated from specific surveys and rely on people's recounting of their life history. Retrospective questions and variables can be more or less sophisticated. For example, in an LFS survey, it is quite a common feature to find variables on the previous occupation, educational attainment and on the duration of unemployment. In other surveys, especially when data collections are particularly distant in time, interviewees are often interrogated on their life courses events since the last interrogation. The SWTS conducted by the ILO included a section relating to work history, which collected information on the most recent three employment spells. This allowed for analysing the path until their current activity at the time of collection, in terms of education, working experience, status, etc. Currently employed youth were also asked numerous questions relating to the period of job search prior to engagement<sup>16</sup>.

Many study designs combine both panel and retrospective techniques. For example, a panel labour survey will inevitably ask respondents about their employment history over the last, for example, 2 months. This brings into question then what is the acceptable length of time which one can recall events accurately. An analysis technique which embeds period retrospective recall with a panel approach is the life history calendar (LHC), sometimes also known as "diaries". This technique tracks respondents over precise intervals, say on a month-to-month basis.

The literature is abundant on the respective advantages and disadvantages of panel and retrospective data. Panel data are sometimes seen as higher quality but suffer from seam effects which makes it complicated to re-arrange the discontinuous information about statuses or occupations into a continuous flow. They also face problems of attrition which can cause considerable problems with population representativeness. As noted above, in panel surveys, the sample size decreases wave by wave and non-response doesn't occur randomly. It is especially the case of sample surveys where the data collection is made on the sample of households over a long period of time.

Retrospective data suffer in particular from two main measurement errors: selection bias due to prior mortality, since estimates are only representative for the survivors, and memory bias causing understated transition probabilities. There is a substantial literature which points out that inaccurate reporting can be unintentional; for example, due to the length of the recall or the shortness or the "salience" of employment spells, but can be also due to conscious misrepresentation (Manzoni et al., 2011). Various studies have aimed at comparing the consistency of estimates of labour market transitions rates from panel and retrospective data in both developed and developing economies (see Manzoni et al. (2011) on Germany and Asaad et al. (2018) on Egypt). They generally highlight substantial differences between the two results, i.e. lower transition rates in retrospective studies, which should invite to cautiousness in the use of data. However, retrospective surveys are considerably more cost effective and less complex to design and, if proper study protocols are applied, can provide accurate information.

Finally, an alternative method can be exploited for longitudinal analysis, especially when reliable panel data are not available: pseudo-panels. The aim of pseudo-panels is to track cohorts, i.e. a group with fixed membership, not individuals, over time (individual variables are replaced by their intra-cohort means) (Deaton, 1985). The construction of cohorts should meet several requirements. The criteria of differentiation among cohorts should be observable for all the individuals and correspond to a characteristic of the individuals that will not change over time. Also, the size of the cohorts should be large enough to limit the extent of measurement error without losing too much variability (Guillerm, 2017). One of the most obvious criteria to build cohorts is the date of birth but additional criteria can be used (sex, level of education, etc.). As they rely on repeated and renewed samples, pseudo-panels have also the advantage, in comparison with sample surveys, to remain representative.

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<sup>15</sup>We could also mention cohort surveys who follow a specific cohort (or several cohorts) for several years like the US National Longitudinal Survey, the UK British Cohort Survey or the Young Lives Survey (run in Ethiopia, India, Peru and Viet Nam). This type of survey can be particularly interesting to analyse the effects of structural changes on life course.

<sup>16</sup>See ILO School-to-Work Transition survey: a methodological guide, Module 2, SWTS Questionnaires (2009)

The use of pseudo-panels has remained so far relatively limited in the literature analysing labour market transitions. In an event-analysis perspective, Canavire-Bacarreza et al. (2017) examined one-shot transitions between the formal and the informal sectors to illustrate the low level of mobility in Bolivia and Colombia. Pseudo-panels have also been used to renew the economic life-cycle approach. In advanced economies, this approach has been used to analyze the long-term changes in (women) participation by distinguishing the respective time (or cycle), age and cohort effects (Beaudry and Lemieux (1999) on Canada, Afssa and Buffeteau (2006) on France and Grigoli et al. (2018) for 17 advanced economies).

The first effect (time or cycle effect) measures the global macroeconomic situation affecting all the cohorts. The second effect (age) is the typical life-cycle effect that influence cohorts' participation according to education, birth of children, retirement or other life-cycles decisions. It has generally an inverted U-shape, showing a higher level of participation at mid-working life. Finally, the third effect (cohort effect) measures the effect that is specific to each cohort and may stem from differences in access to education, changes in social norms or fertility across generations.

Cohort studies tend to show the prominent role of the cohort effect in the recent stagnation of women participation in labour markets after decades of sustained increases. In developing economies, the few studies show contrasting situations. Tunali et al. (2019) demonstrated that in the case of women with a low level of education, the cohort effect tends to be positive on labour participation over a 25-year period (1988-2013) in Turkey. To the contrary, Lassassi and Tansel (2019) observed for a shorter spell of time (2000-2014) a relatively stable participation over generations, and even a decrease for more educated women, in countries such as Jordan, Tunisia and Egypt. In the case of Mexico, Duval and Orraca (2011), in addition to confirming an overall increased participation of younger generations of women, interestingly showed a higher participation of younger generations to the informal sector. Finally, the use of pseudo-panels has been experimented also to describe age-related specific patterns of transitions such as transitions between working life and retirement in Canada (Denton et al., 2013) or transitions from education to the labour market in the United Kingdom (Kirchner Sala et al., 2015).<sup>17,18</sup>

## 4. Challenges to taking a life course approach to labour market transitions

As highlighted above, moving towards a life course approach to labour market transitions requires a robust conceptual framework along with appropriate data and methodologies. In addition to these fundamental requirements, a number of issues deserve further exploration, namely the challenges in developing countries, along with the implications of the future of work drivers and the COVID-19 crisis for transitions.

### 4.1. Implementing the life course approach in developing countries

Overall, analysing labour market transitions in developing countries faces a number of challenges and specific features that need to be tackled in the analysis. The core challenge is the lack of prospective or retrospective data, apart from a handful of countries, such as the South African National Income Dynamics Study which is run every two years since 2008, and various ad-hoc surveys (e.g. ILO STW surveys).

A second issue is the nature of labour markets in low- and middle-income countries, which are characterized by differences between formal and informal jobs. More generally, developing country labour markets typically consist of multiple segments that embody qualitatively different types of employment (Fields, 2007). However, it is worth noting also that while the immense majority of research on transitions has concerned so far the EU/OECD countries, an expanded analytical framework on labour market transitions is also equally relevant for emerging and developing economies. In these countries, several studies have highlighted the overall lack of mobility among status (employment, unemployment

<sup>17</sup> Inkmann et al. (1998) also analyzed the long-term scarring effects of a failed apprenticeship training or a difficult transition into regular employment at a young age. The study relies on the data from three waves of the German "Qualification and Career Survey" allowing the authors to exploit both present and retrospective information on individuals.

<sup>18</sup> Note also that several authors used pseudo-panel data to estimate the returns to education in different institutional contexts (see Dickerson et al. 2001 on Brazil, Brunello and Comi 2003 on Europe, Warunsiri and McNown 2010 on Thailand, Himaz and Aturupane 2016 on Sri Lanka, Bhattacharya and Sato 2017 on India and Kemelbayeva 2020 on Kazakhstan)

and inactivity) and the high persistence of individuals in inferior working conditions such as informality or unemployment, especially in countries such as South Africa, Egypt or India (Verick (2012), Tansel and Ozdemir (2019), Raj Natarajan et al. (2020)). Yet, in Latin America, it has also been shown that the level of turnover was, on average, higher than in Europe (Beccaria and Maurizio, 2020).

Looking more specifically at sub-Saharan Africa, formal wage jobs are typically severely rationed, due to limited labour demand in the formal sector and a fast-growing labour force. Surplus labour is absorbed by a large informal sector dominated by small household farms and enterprises (De Vreyer and Roubaud, 2013; Stampini et al., 2013; Golub and Hayat, 2015). Ideally, labour market segmentation and (the lack of) movement between segments are studied using individual-level panel data. Such data is however unavailable or of poor quality for most Sub-Saharan African countries (Fox and Pimhidzai, 2013; Fox et al., 2013)<sup>19</sup>.

When considering the case of emerging and developing economies, it is necessary to acknowledge that the freedom to make transitions is constrained by the lack of supporting institutions and policies, while the prominence of the informal economy adds to the complexity of life courses (and transitions in the labour market). Women also have to face many more barriers to participate in work for pay or profit outside the home/family, particularly where the gender gap in labour force participation is high (e.g. Middle East, North Africa, and South Asia). While the importance of the school-to-work transition is well recognized in most countries, it should also be noted that the accelerated pace of ageing makes the situation of older workers a matter of increasing concern for employment and social protection policies, especially in middle-income economies.

## 4.2. Future of work drivers

The effects of future of work drivers, including globalization, climate changes and the greening of economies, technological change and digitalization, and demographic changes, on the complexity of labour market transition patterns and life courses remain largely under-researched. These structural changes imply massive shifts in production processes, locations, sourcing and business models. To cope with them and remain competitive, many enterprises have moved towards more flexible forms of production, especially with regards to the management of their workforce. In many cases, a substantial portion of this demand is already being dealt with internally through, for example, reskilling programmes and other mobility arrangements. But in many others, this demand for flexibility has also led to more external flexibility and consequently to an acceleration of disruptions in labour market transitions (e.g. the rise of the platform economy<sup>20</sup>).

Significant reconfigurations are likely to occur in coming years because of the ongoing greening of the economy and technological changes (automation, artificial intelligence and digitalization). While these changes are globally beneficial and can lead to the creation of new employment opportunities (ILO, 2018), they are also inducing important changes for individuals and in the skill needs in enterprises. This can have serious impacts on the probabilities of certain workers keeping their jobs or progressing up the wage ladder in the case that their skills become obsolete. At the same time, the emergence of the platform economy while still relatively small in proportion of the total workforce is likely to disrupt labour markets not only because it entails a movement of some jobs from the offline to the online economy but also because it can lead to an increasing blurring of labour market status and jobs attributes (e.g. working time and the employment relationships). Besides, while we know that insufficient work is often an important concern for certain platform workers, especially crowdworkers (Berg, 2016; ILO, 2021), we lack hindsight about the bridges between online and offline jobs markets and the possibility for these workers to rely on their online experience to build careers on and off/line.

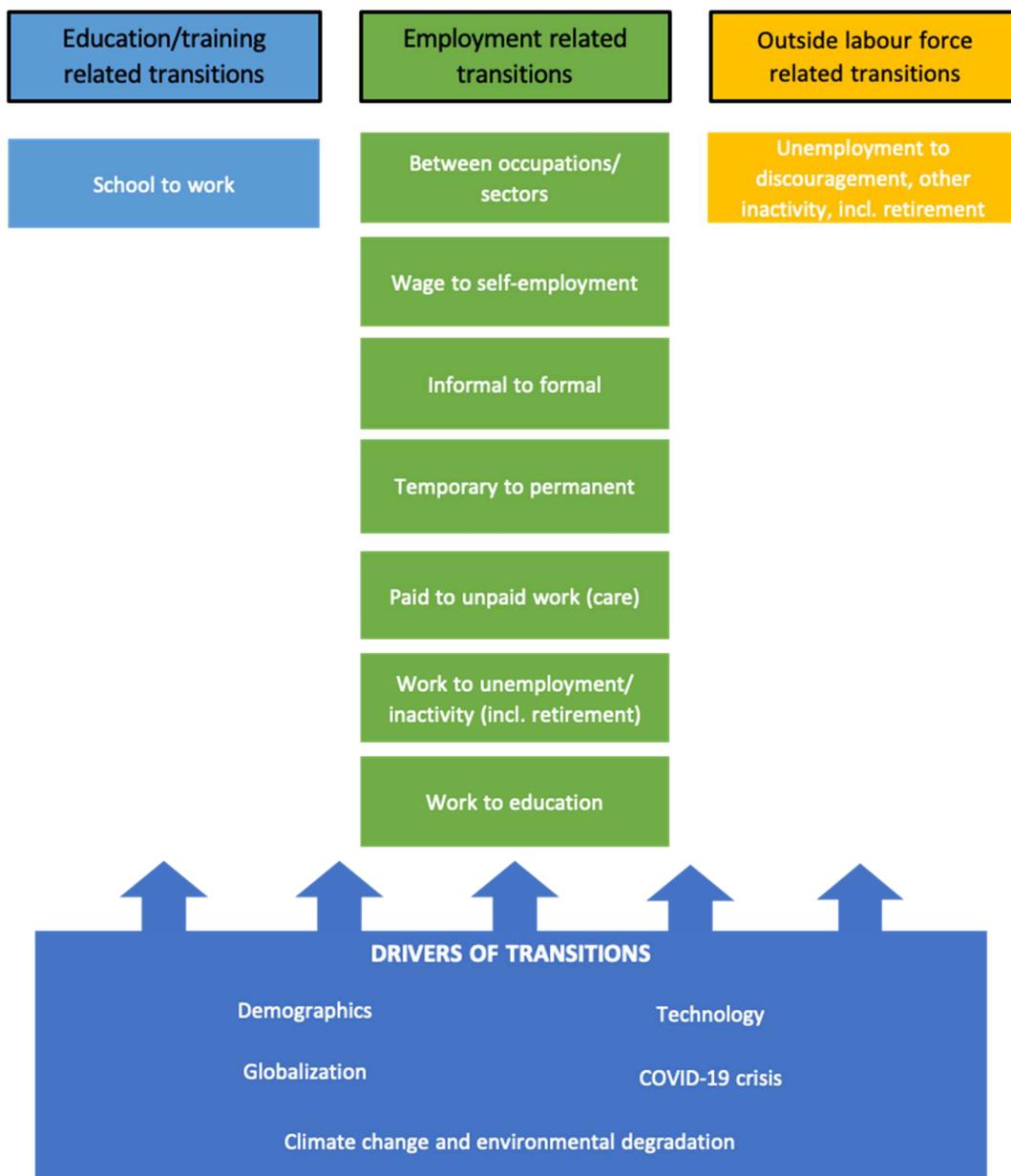
Figure 3 provides some examples of the most important types of transition individuals can face throughout their life and some of the current economic, social and environmental drivers which may affect the occurrence, frequency and quality of these transitions. In accordance with the ILO Centenary Declaration on the Future of Work, we consider here a rather

<sup>19</sup> Available studies show that existing Ghanaian, Tanzanian and Ethiopian panel data are ill-suited for an in-depth analysis of labour market dynamics due to small samples, large panel attrition and a narrow focus on urban centres (Sandefur et al., 2007; Quinn and Teal, 2008; Falco et al., 2011; Falco and Haywood, 2016).

<sup>20</sup> ILO (2021)

broad conception of labour market transitions that could be briefly defined as “any kind of labour market movements, including job shifts and movement in and out of the labour market” (Fehring and Bessant 2009). Labour market transitions are not limited to changes in employment status (employment/unemployment/inactivity), but also cover all types of changes which are likely to have a substantial impact on individuals’ life courses or on their households. This includes changes in career (transitions to another job and/or sector), changes in the conditions of work and employment (formal/informal, non-standard/standard, etc.), changes in the access to education and training and changes in the conciliation between paid work and other social obligations (unpaid work), including care activities. In this framework, all relevant transitions can go in both directions (for example, school to work but also work to school, work to care but also care to work, etc.).

**Figure 3. Examples of transitions throughout the life course and drivers of change**



### 4.3. The COVID-19 crisis

In addition to these structural drivers, the current COVID-19 crisis is also likely to upset massively labour market dynamics and have long term effects on life courses. Recessions involve complex effects on labour market flows, which are difficult to predict. Increasing layoffs is not the only shift which is likely to be expected during a crisis. For instance, the Great Recession had contrasting effects on US and European labour markets. Research showed, for example, that in the US, it led to an increase in total job tenure (despite important layoffs) due to a decline in hiring and quitting<sup>21</sup> rates (Hollister, 2011). In Europe, the impact of the crisis on unemployment has been mostly noticeable in the increase in job losses (dismissals and termination of temporary contracts) rather than through a decrease in hiring (Eurofound (2017)<sup>22</sup>, Bachmann et al. (2015))<sup>23</sup>. The first years of the crisis were also associated with a postponement in retirements (Meschi et al., 2013).

Since March 2020, the series of ILO Monitors has brought to light a constantly changing but also diverse picture according to local sanitary situations and the decisions taken by governments to contain the pandemics and respond to the most urgent economic and social needs. Governments, especially in Europe, have put in place policies which aimed especially at mitigating labour market volatility through such programmes as job retention schemes (covering both short-time work measures and wage subsidies. Governments have also supported demand through income support measures to households). Consequently, recent data shows that the impact of the crisis on employment and its distributive effects differ substantially from one region (or one country) to another. Departing from a traditional approach of stock analysis, a labour market transitions approach is needed to understand the complex effects of the crisis, including the shift of workers from employment to inactivity (rather than unemployment).<sup>24</sup> This would allow for a differentiation of these effects according to the characteristics of the individuals, which would reveal those most important factors and consequently help fine tune policy responses to avoid long-term scarring effects<sup>25</sup>.

Analysis of the impact of the current crisis tend to show that there are considerable differences in the composition of working-hours losses between countries as a result of the labour market institutions and their responsiveness and the political decisions taken (e.g. ILO Monitor 5<sup>th</sup> edition). In certain countries, the loss was overwhelmingly caused by shorter hours and/or by people being employed but not working. These types of arrangements are more likely to preserve the attachment of workers to their current jobs, thereby reducing the risk of scarring effects on their medium-term individual trajectories. In other countries, increasing inactivity (and to a lesser extent, increasing unemployment) were the main reasons behind the reduction in working hours witnessed in 2020, which sparks worries on the long-term resilience of labour markets.

It is widely considered that the COVID-19 pandemic has worked as an accelerator for trends that were already under way, especially those related to the use of digital platforms and other digital technologies which allowed the rapid expansion of remote working arrangements. It is likely that these changes will have a significant influence on working lives in the coming years. The ILO has already gathered evidence on the increase in labour supply for work on online web-based platforms during the crisis. The demand has also increased at the same time but much slower than the supply leaving many workers without an opportunity (ILO, 2021). In developing and emerging economies, it is also likely that the current crisis, in absence of effective social protection systems, will lead to increased flows from formal to informal employment but will also force more youth to start their careers in informal jobs. The crisis is likely to have disparate and complex effects on labour market transitions according to gender and parental status. Previous research has indeed shown that spouses of husbands who stopped working during the recession increased their labour supply (returning to work or increasing their working time). In contrast, COVID-19 lockdowns have made it harder for women to remain in the work

<sup>21</sup> Workers may be less likely to leave their jobs as opportunities disappear and feelings of insecurity increase.

<sup>22</sup> The same study also found that transitions from unemployment into mid-paid and well-paid jobs declined more significantly in most of the countries after the recession than transitions into lower-paid jobs.

<sup>23</sup> Interestingly, research shows however that the union density can have a moderating effect on labour market outflows in time of crisis (Bachmann and Felder, 2018).

<sup>24</sup> ILO Monitor, seventh edition.

<sup>25</sup> For a first analysis of the changes in labour market transitions in the current, see Soares and Berg (forthcoming).

force due to the unequal care burden. Other research also demonstrated that unemployment shock affecting parents significantly increases the probability that a child drops out of school and enters the labour force causing long term negative consequences on its working life (Duryea, Lam and Levison, 2007). Meanwhile, it is clear that the impact of the current crisis is uneven across sectors reinforcing the need to understand the dynamics of transition across and within industries.

As found in previous crises, there is a risk that the most vulnerable will face long-lasting impacts of the current downturn. Several studies have indeed shown the negative long-term effect that unemployment and inactivity have on future labour market possibilities in itself, i.e. the “scarring effect” (Arulampalam et al. (2001), Gregg (2001), Biewen and Steffens (2010), Nilsen and Holm Reiso (2014)).<sup>26 27</sup>

## 5. Discussion: Defining “good” labour market transitions

The above discussion on concepts, data and methodologies, along with the implications of the future of work and the COVID-19 crisis, provide a basis to develop a more robust framework to labour market transitions from a life course perspective. An important step in this regard is developing the concept of a “good” or “decent” labour market transition.

By accepting that individuals are free to make various transitions during their life course, we cannot limit our definition of a “good” (or a “decent”) labour market transition to a single metric focusing on discrete transition between unemployment or inactivity to employment. As mentioned earlier, this effort of conceptualization has already started with the work carried by the ILO on school-to-work transition by providing a definition that focus on the length and quality of the transition and the job satisfaction of the young workers. This effort needs now to be extended and systematized to include other working ages and transitions. For example, in light of ageing societies, and the objective of many countries to extend working lives, it is increasingly important to get a better understanding of the reasons behind people’s decisions to continue working, or exit the labour market, and retire. In parallel, it is of prime importance that labour market information systems increasingly focus on flow and longitudinal statistics and not just on stocks (i.e. beyond the unemployment rate) to be able to track down individual trajectories.

The concept will continue to include a successful transition from school to work and unemployment to employment, along with other transitions in employment and to inactivity, for example in the care economy or engaged in lifelong learning. Multidimensional approaches are, therefore, needed in order to:

- Assess both the functionings (what individuals are doing in the labour market, which they value) and freedoms to choose the transitions. Importantly, better tools and guidelines are required on how to measure the qualitative nature of a job and working conditions, beyond the wage level. This would entail monitoring and assessing different transitions across multiple dimensions and population groups.
- Take a life course perspective (instead of focusing alone on the school-to-work perspective) which acknowledges that each phase of life corresponds to specific labour market challenges but also that individual trajectories are partly irreversible as earlier transitions, opportunities and constraints can have consequences on the entire working life.
- Continue to develop frameworks to define transitions in relation to sequences and patterns in the labour market, while adapting them to particular country or socio-economic situations. The basis for life course methods and in particular sequence analysis is to cluster together individuals who are experiencing similar transitions, to allow identification of typical patterns. These clusters inevitably involve different education, work and “out of the labour

<sup>26</sup> Research shows the heterogeneity of this effect: the duration of unemployment is an important factor (Cockx and Picchio, 2013) and men tend to be more affected by persistent scarring effects than women (Gebel, 2010; Gregg, 2001; Mooi- Reci and Ganzeboom, 2015).

<sup>27</sup> Interestingly, a life-cycle approach of scarring effects show that, in the case of the US, if younger workers’ employment recovers more rapidly than older workers’ employment, their earning loss is higher as they remain persistently less likely to work for high-paying employers (Rinz 2019).

market” outcomes, but are also linked to other phases characterized by care responsibilities, instable work periods, upskilling and reskilling, volunteering and retirement, to name a few.

A clear definition of the goal is also needed in this context. As noted above, the traditional perspective is to get jobseekers into employment (as some sort of steady state). Recognizing that individuals go through many transitions, a broader goal would need to focus on individual's wellbeing and supporting/securing transitions, which is in line with the human-centred approach promoted in the ILO Declaration for the Future of Work. Wellbeing should, therefore, be seen in the context of individuals having the freedom to choose the transitions they make in and out of the labour force.

Following Sen's approach, the freedom to make labour market transitions is a goal in itself, as well as a primary means to achieving full and productive employment (by improving the match and, hence, labour market efficiency) and improving individual's wellbeing. Transitions in the labour market would have to be judged not only based on resource-based measures (e.g. income) and utilitarian indicators (e.g. subjective wellbeing) but also on the effectivity of the freedom to choose the pathways over the life course. Therefore, a key topic of further research is to define wellbeing and an appropriate measurement framework to capture the freedoms to make labour market transitions over the life course as a goal and a means to achieving full and productive employment. This step can draw on previous efforts to measure capabilities<sup>28</sup> and develop multidimensional poverty indices.

## 6. Conclusion

Over recent decade, the importance of looking at labour market transitions has been recognized both amongst policymakers who focus on getting people out of unemployment and into jobs and academics who have used the increasing availability of relevant data to measure transitions and identify their determinants. Most of the empirical work has been done for advanced economies, though an increasing number of studies look at these dynamics in a developing-country context. While highly relevant, this approach has largely focus on a narrow set of transitions, i.e. unemployment to employment and school to work without limited attention given other transitions and longer-term consequences (apart from the literature on the scarring effects of unemployment).

At the same time, a more holistic approach to transitions has been developed, mainly within the sociology field, by applying a life course perspective. This approach takes a historic view of changes involving not only those directly related to the labour market but also others that are central to both work and family life, e.g. shift from paid to unpaid work and exit from the labour force and into retirement. More importantly, life course perspective views the changes in terms of patterns and sequences and not only as isolated transitions. How these frameworks for mapping sequences and patterns are developed and applied in analysis is an important methodological avenue, which will in the end allow us to develop a more comprehensive view of labour market transitions.

This more encompassing view of how the world of work interacts with other spheres of our lives is also in line with the challenges being posed by future of work trends, as recognized by the ILO 2019 Centenary Declaration for the Future of Work. The COVID-19 crisis has also exacerbated some of the trends and factors, leading to heightened challenges, which will need to be addressed during the recovery (e.g. getting people out of inactivity and back into employment, exit for/reentry from care and managing a fairer share of care responsibilities).

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<sup>28</sup> Different authors have proposed criteria to define “good” transitions which could serve as references in future research (see for example, Gazier 2008, Van Huizen and Plantenga 2010). According to Gazier (2008), a good transition is a transition that:

- (1) Increase individual liberty (or autonomy), by giving people more power, not only in financial terms but also through participation in employment decisions affecting them,
- (2) promote solidarity (between most-privileged workers and those at-risk) in the management of social and labour market-related risks,
- (3) search for the effectiveness of measures accompanying the transition, through a process of specialization, coordination and cooperation (through a mix of public and private contributions in the design and the implementation of the policies and negotiated decision-making arrangement), and
- (4) mobilize the arsenal of risk management techniques (control, evaluation and self-regulation) through a largely decentralized approach or management by objectives.

To bring a life course perspective to the analysis of labour market transitions requires different methodologies, and depends heavily on the data availability, which is a major challenge in developing countries (though this aspect has improved over recent years). For this reason, the application of this approach needs to be done realistically and pragmatically including in the selection of appropriate event or life course methods, and needs to be based on assessment of the available data and the research/policy objectives.

This paper provides some insights that will help further research on labour market transitions from a life course perspective. More research in this area will help shed more light on the nature of transitions and how they are being impacted by not only the future of work drivers, but also the COVID-19 crisis. In addition, this analysis will provide important inputs towards identifying the elements that make up decent labour market transitions, ones which reflect people's agency and their ability to freely choose the steps of their course, in line with their personal values.

## ► References

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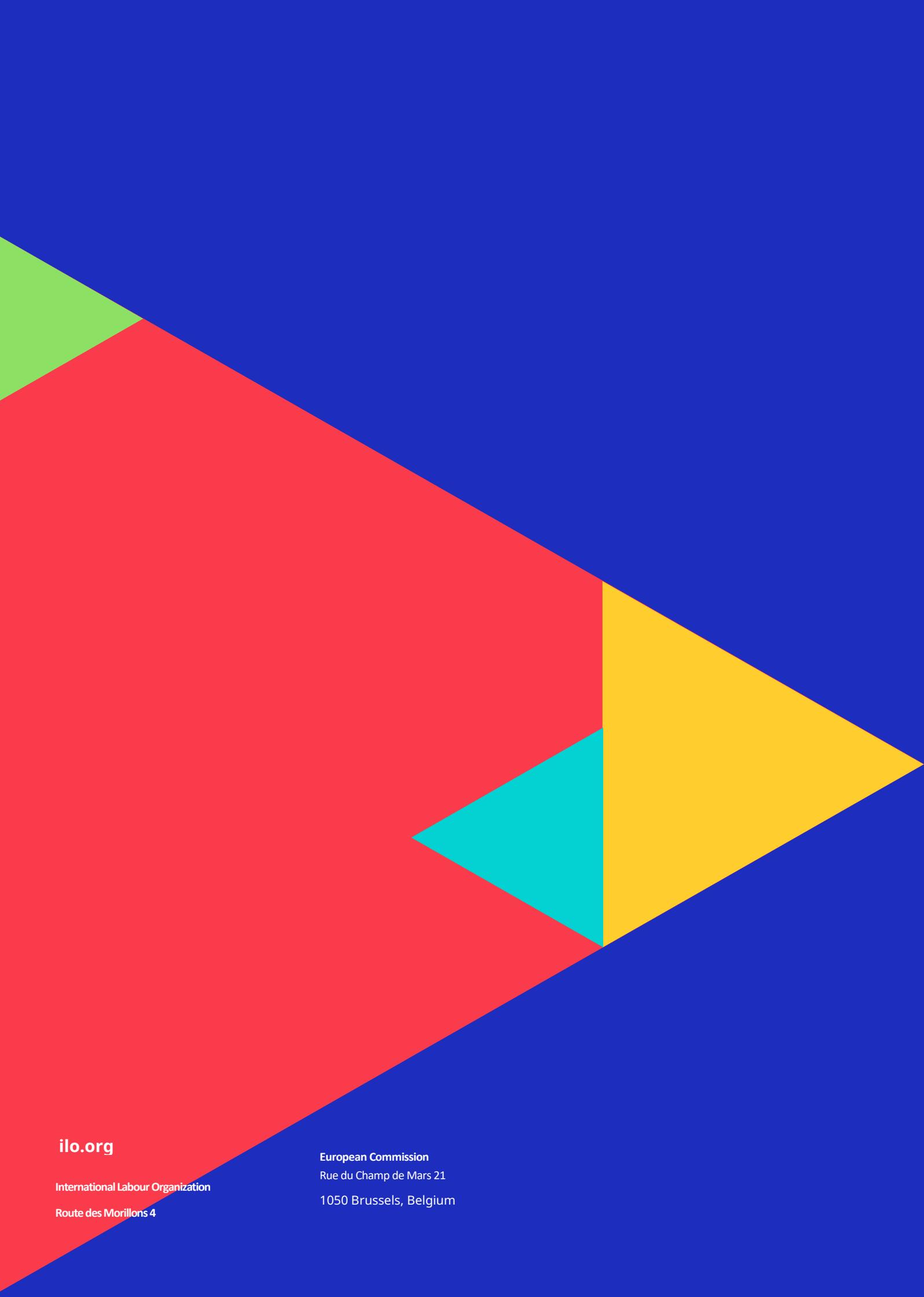
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