IZA Institute of Labor Economics
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The Future of Work – Transitions over the life course

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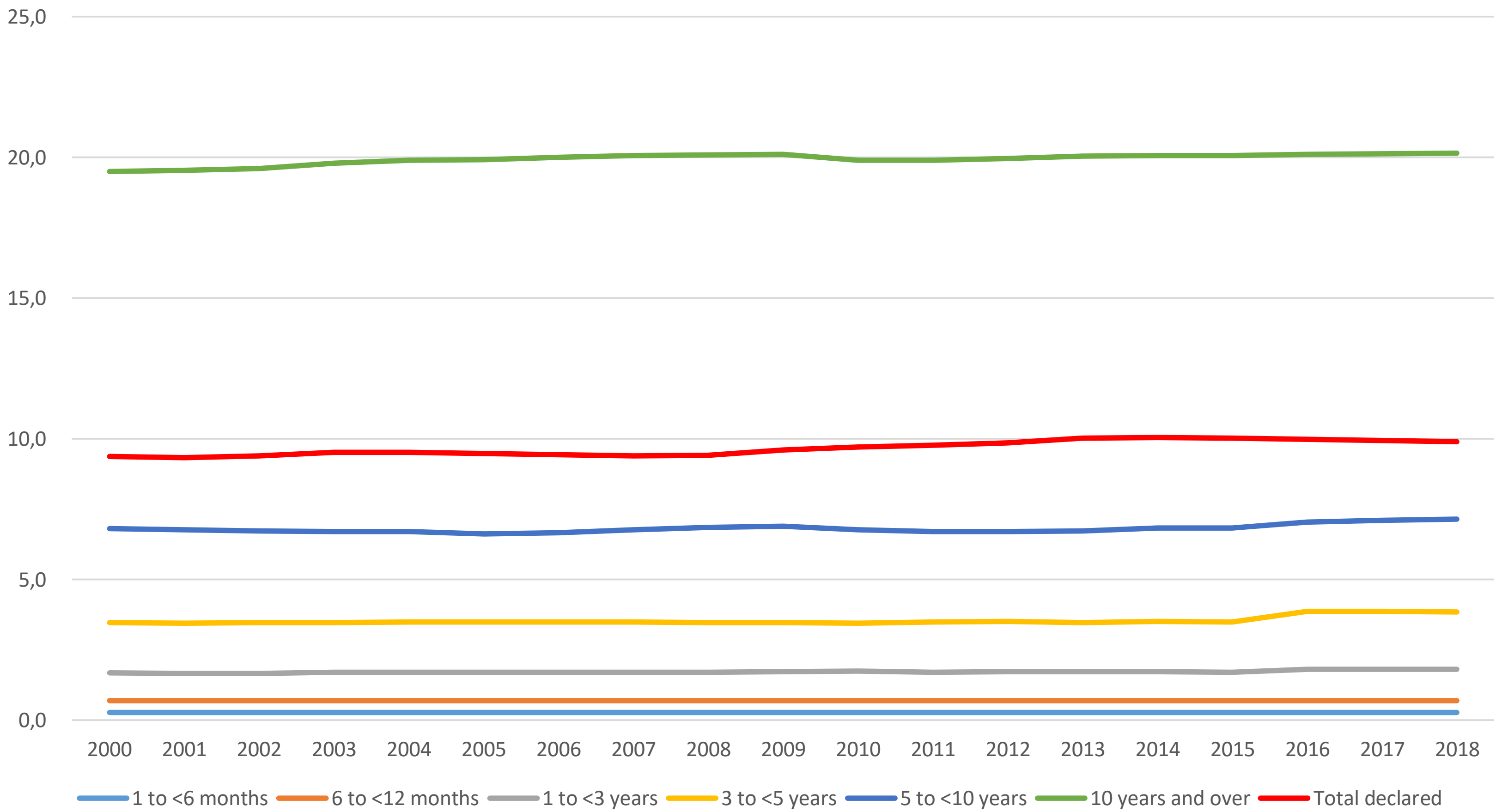
Why should we worry about transitions?

- Often assumed increase in labour market instability due to technological change, global integration, institutional reforms (deregulation)
- Job quality is associated with job stability and the chance to make a ‘positive’ transition
- a) into the labor market and
- b) from a rather ‘bad’ to a rather ‘good’ job

➢ What do we know about job instability and about transitions empirically?

Employment by job tenure intervals, OECD average

In years, 15-64 years old, total employment, 2000-2018



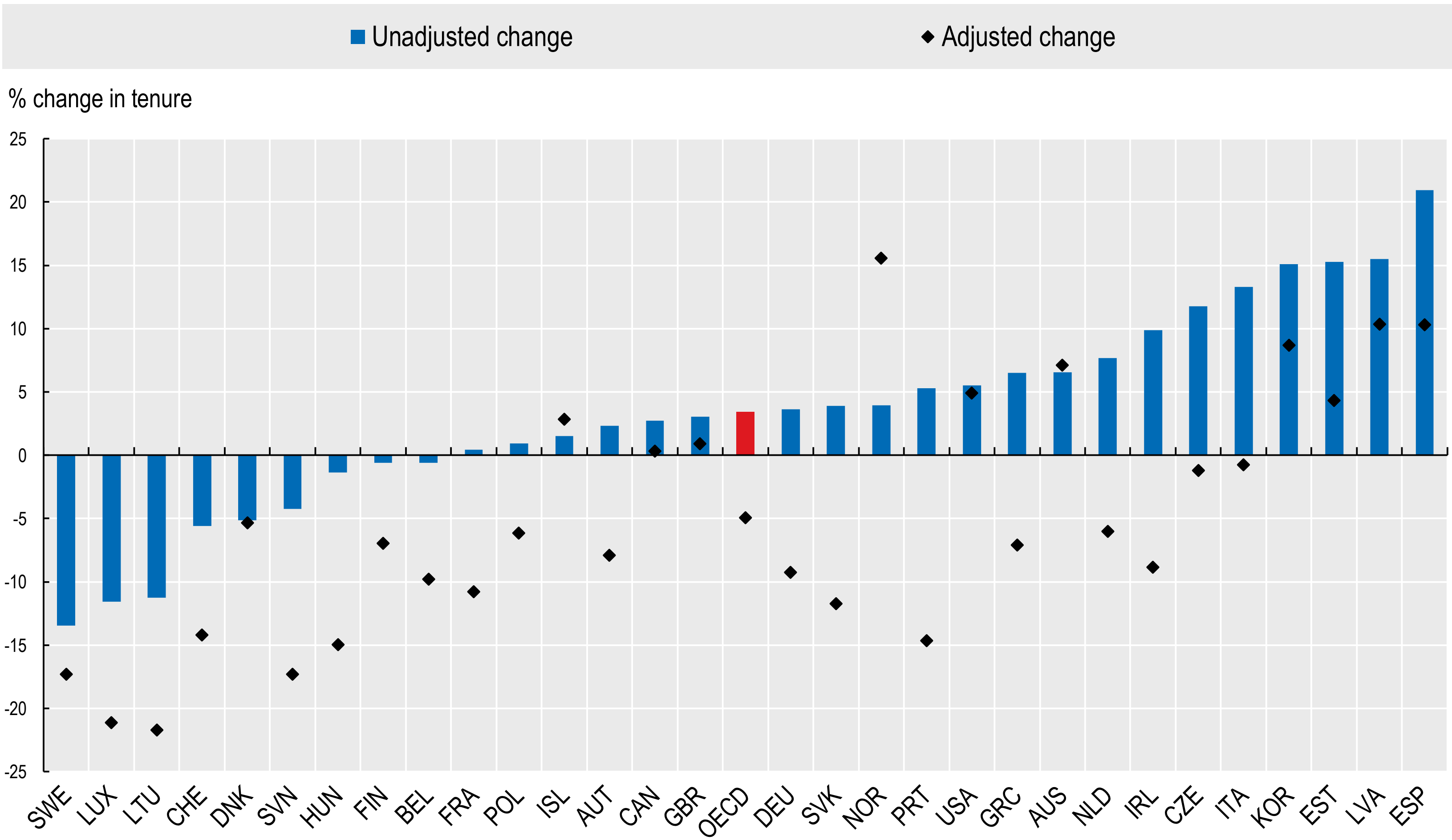
Source: OECD.Stat, Employment by job tenure intervals - average tenure.

Employment stability, 2006-2017

- Average job tenure as approximation for stability
- Prima facie: Remained stable/slightly increased in most countries
- OECD average: Increase by 3.4%; 21 out of 30 considered countries exhibit increase
- But: Necessity of accounting for composition of workforce, e.g. Population ageing: Older workers have a longer ave job tenure; gender; education
- Adjusted change: decline of OECD average: -4.9%: trend towards more frequent transitions; at micro-level predominant decrease (2/3 of countries) albeit some countries higher ave job tenure
- Decline most pronounced for low-educated (<upper-secondary education) in many countries

Adjusting for changes in workforce (age, gender, education)

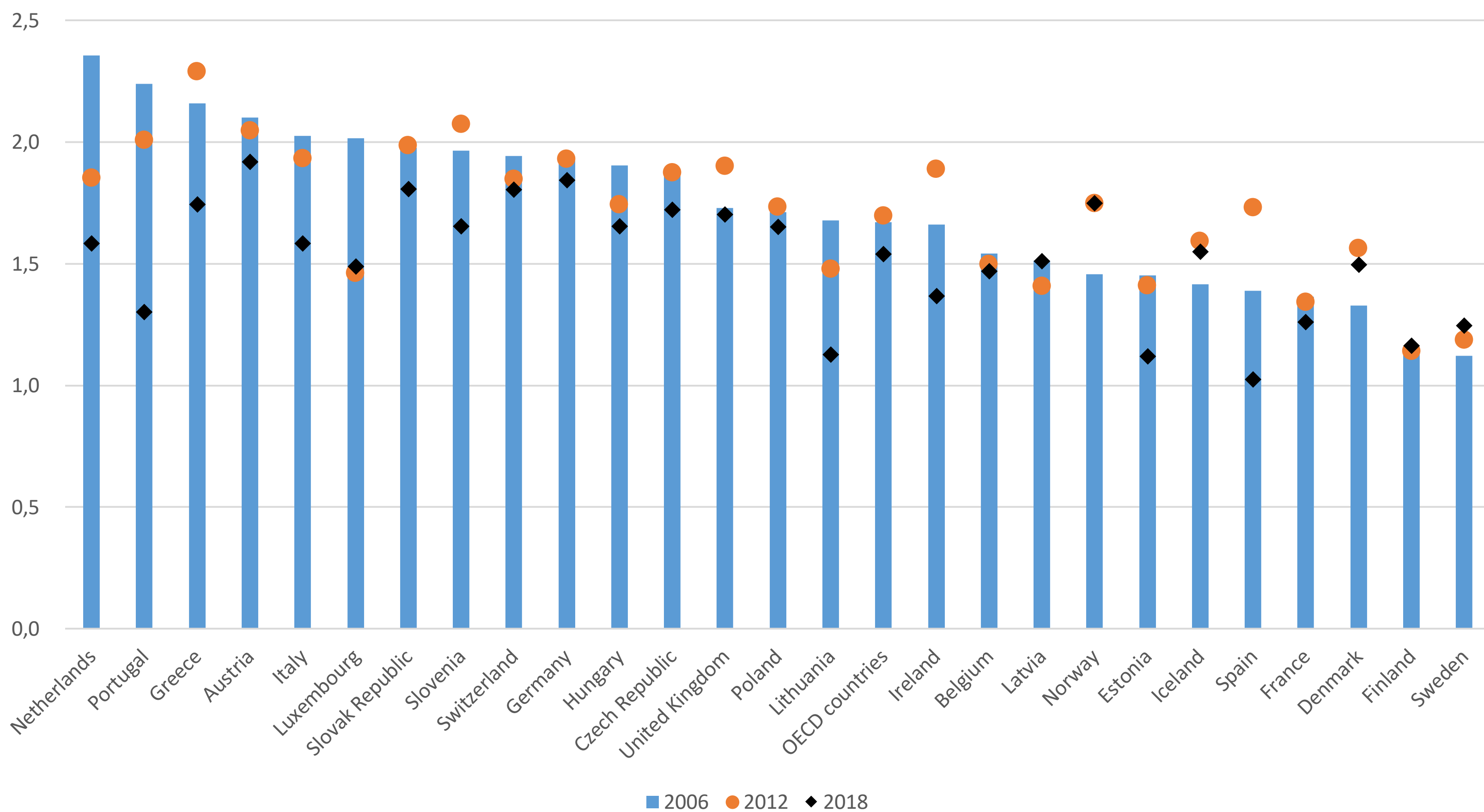
Percentage change in job tenure for workers not in education, 2006-2017



Source: OECD, Employment Outlook 2019, Figure 3.1.

Total declared job tenure for youth

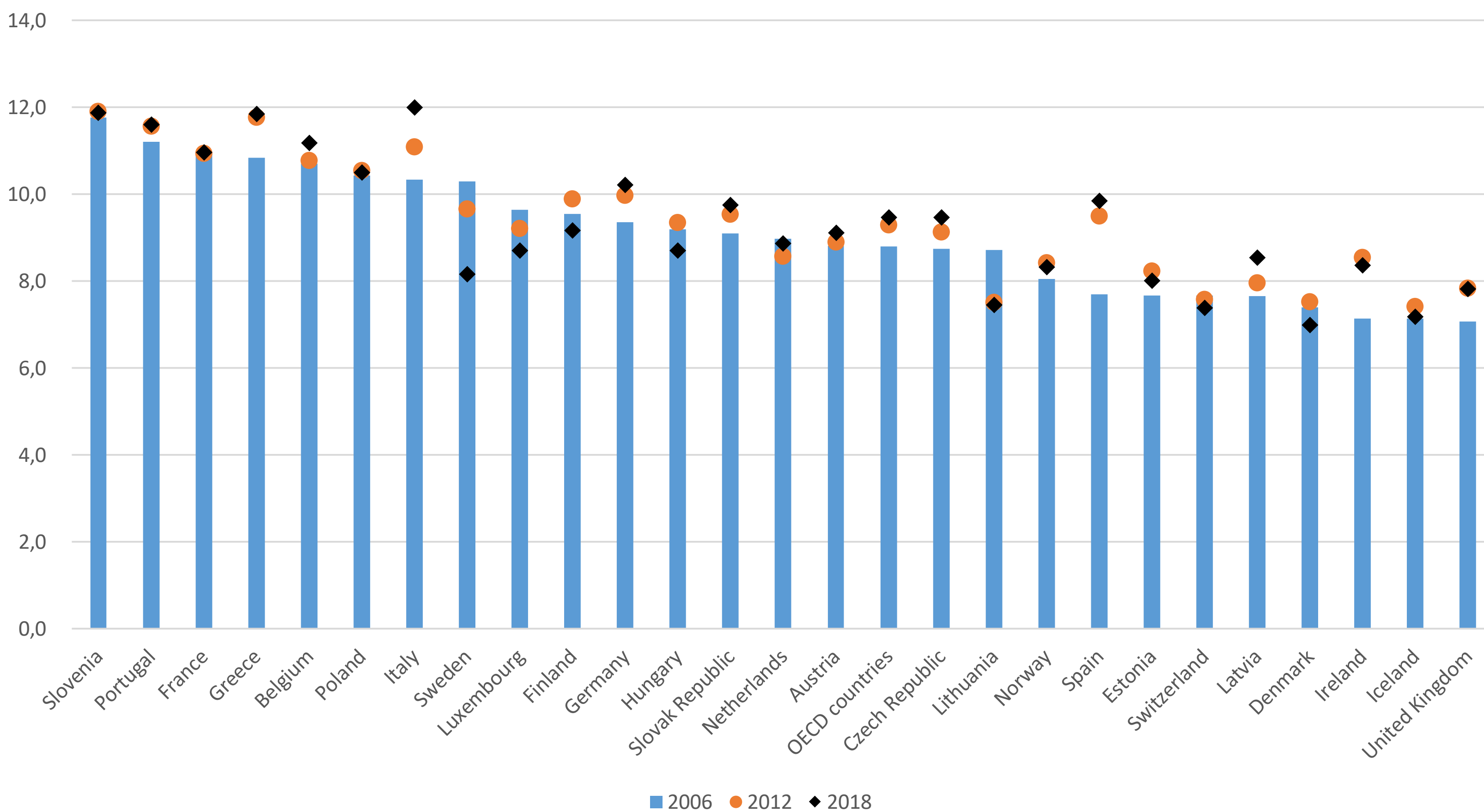
In years, 15-24 years old, total employment, 2006,2012 & 2018



Source: OECD.Stat, Employment by job tenure intervals - average tenure.

Total declared job tenure for women

In years, 15-64 years old, total employment, 2006,2012 & 2018



Source: OECD.Stat, Employment by job tenure intervals - average tenure.

Labor market transitions

- Two types of transitions, typically:

1. *(Re)Entry into the labor market (from unemployment, inactivity, education)*
2. *Transition from entry level jobs to regular, permanent positions*

- Both can be either smooth, fast or rather difficult, protracted
- Three <u>*interacting*</u> factors influencing chances to make ‚smooth‘ or ‚good‘ transitions

1. *Individual characterstics, in particular skills profiles*
2. *Supporting or discouraging institutions and policies in core areas of labor market institutions*
3. *Macro-economic environment (demand and supply)*

Institutions and transitions (I)

- ***Minimum wages***

➢ Suppression of low pay jobs and incentives to improve productivity, set incentives to invest in skills

➢ Potential negative effects on labor market entry and survival of vulnerable groups

- ***Employment protection***

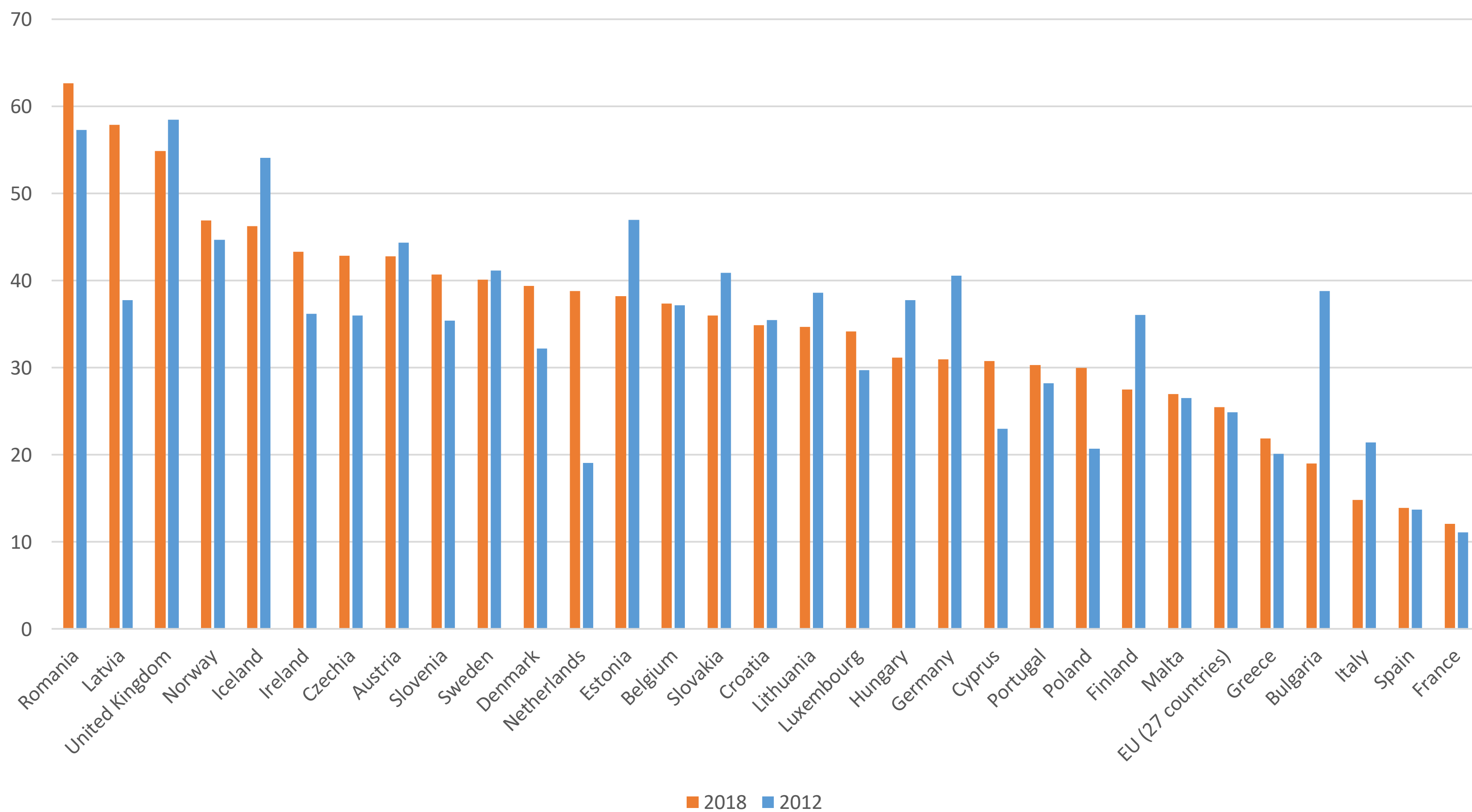
➢ Ambiguous effects on labor markets, but most studies identify negative effect of strict EPL for permanent contracts on young people and women

➢ Deregulation of temporary contracts might facilitate labor market entry but create a segment of high turnover with low training and upward mobility -> main barrier to good transitions in dualized labor markets

➢ Reducing regulatory gap between segments could help, but evidence is not so clear

Transitions from temporary to permanent contracts (I)

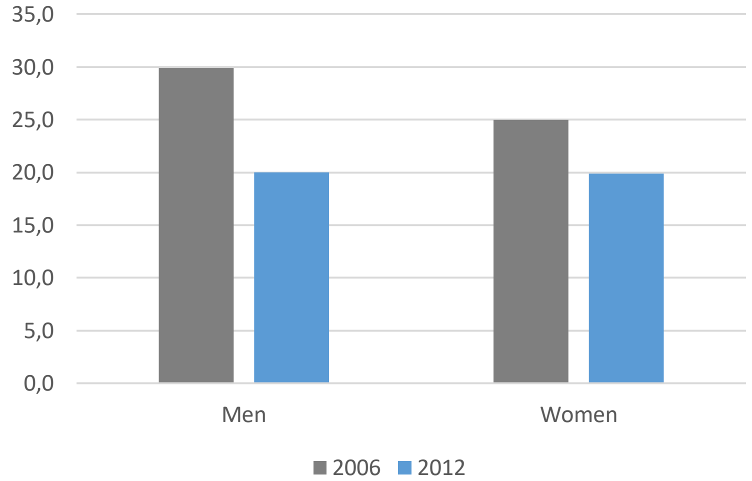
In percentage, 3 year average, 2012 & 2018

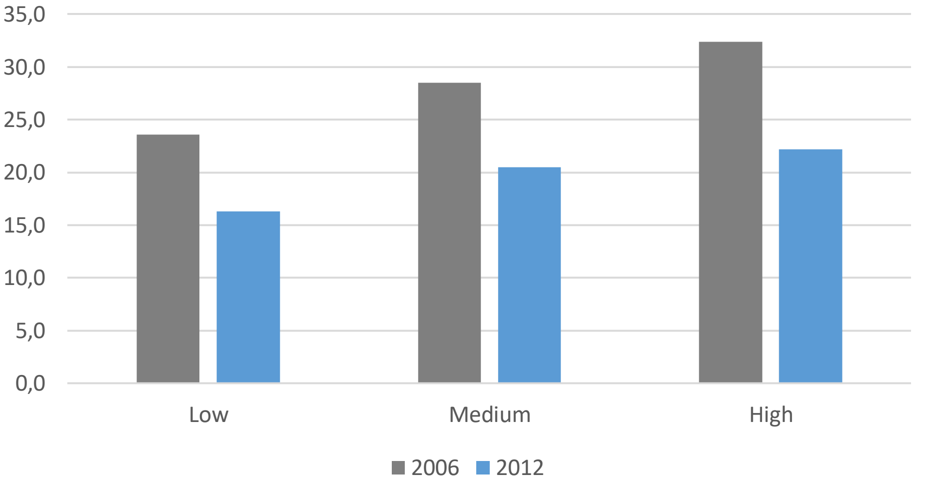


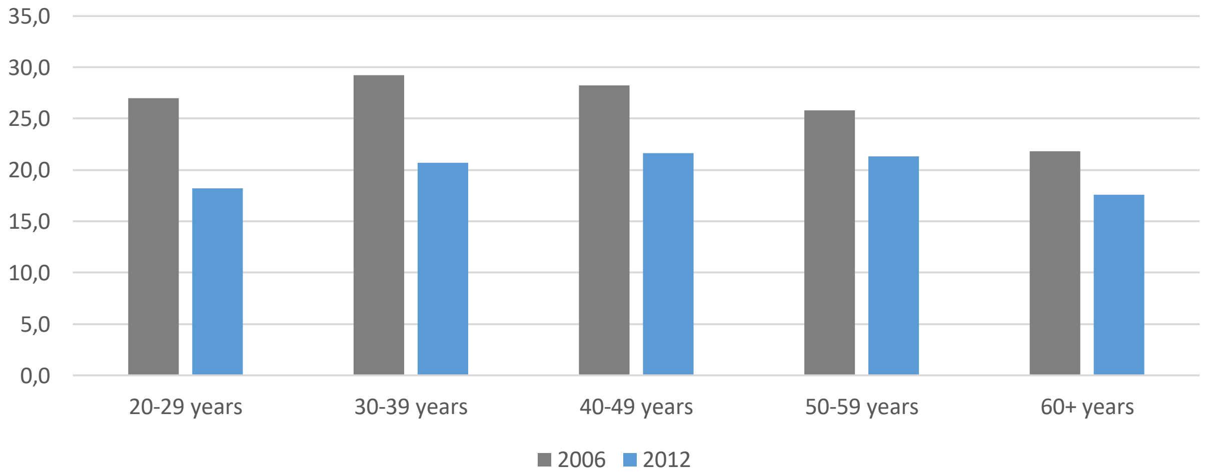
Source: Eurostat, Labour transitions from temporary to permanent contracts by sex -3-year average.

Transitions from temporary to permanent contracts (III)

In percentage, one-year transitions by gender, education, age, 2006 & 2012







Source: Eurofound (2015), Recent developments in temporary employment- Employment growth, wages and transitions, based on EU-Silc .

Institutions and transitions (II)

- ***Unemployment benefits***

➢ Can stabilize human capital and encourage good matches in subsequent employment after job loss

➢ May create incentives to use external flexibility and shorten tenure

➢ If too generous (in particular in duration) and if not complemented by activation, reentry may be postponed

- ***Active labour market policies***

➢ Tend to increase subsequent job quality and stability if targeted and designed properly, in particular with a sufficient training component

➢ Labor market transparency and job search assistance can help identify matching job opportunties

➢ Problematic effects if mainly substitute employment (public direct job creation) or work first targeted at vulnerable groups

Institutions and transitions (III)

- ***Family-related policies***
  - Institutional child care and care for the elderly reduces risk of labour market withdrawal or marginal labour market attachment, in particular for women, reducing length and effects of labor market withdrawal
  - Right to temporarily reduce working hours and later return to full-time follows the same logic of preventing complete withdrawals
  - Tax/benefit system can encourage or discourage substantial labour market participation and professional careers
- ***Vocational education and training***
  - Can smoothen transition from school to work and turn fixed-term contracts into stepping stones as skills profiles of trainees are aligned with employers‘ skill needs
  - Requires support by stakeholders in order to establish VET as a solid alternative to tertiary education
  - Needs to be complemented by continuous vocational training later in order to avoid skill obsolescence and entrapment

Summary

- No clear decline in job stability, but unequal access to stable jobs
- Risks of job instability and limited upward mobility might accumulate with vulnerable groups even more in the future
- Institutions and policies matter regarding probabilities to make ‚good' transitions

1. *(re-)entry into the labor market*
2. *Transition from entry to subsequent (better) job*

➢ Transitions depend on reinforced individual capacities, supported by favorable institutions

➢ Measurement is an issue -> longitudinal data

➢ Last but not least: transitions within firms/with continuing employment relationship