



Labour market transitions over the life course: taking stock

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Context



Transitions between different labour market statuses have critical implications for **full employment**

- Flows into and out of un(der)employment during and following a recession
- Job-to-job flows as a key part of structural transformation
- Transition to formality

Global concern that the labour market is being buffeted by technology, globalization, demographics (we are living/working longer...), etc.

- Are we experiencing an increased **instability in jobs** and greater transitions to **more diverse forms of work**? What is driving transitions?

Context



ILO Declaration for the Future of Work 2019

“... integration of young people into the world of work”
and “...help older workers to expand their choices”

Calls for “effective lifelong learning and quality education for all” and “effective measures to support people through the transitions they will face **throughout their working lives**”

Outline



- Traditional approach to labour market transitions
- Extending concepts, analytics and policies to address other transitions over the life course

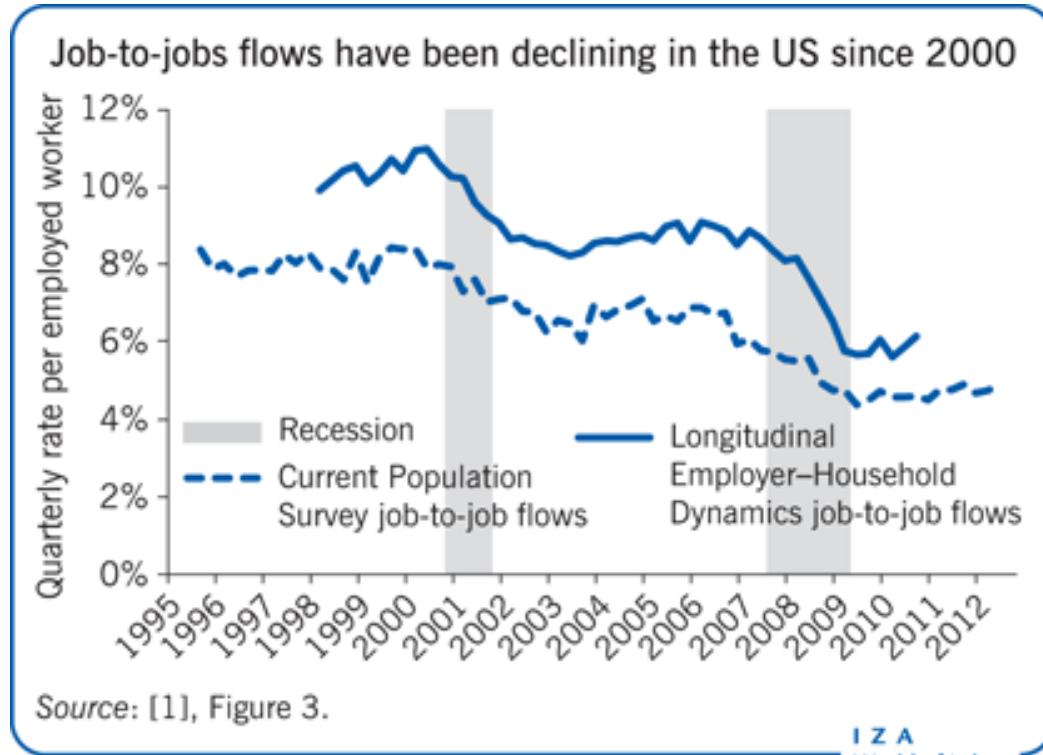
Traditional approach to LMT



Labour market transitions = movements of individuals between the labour market statuses of employment, unemployment and inactivity

- **Theory**
 - Search and matching models of Diamond-Mortensen-Pissarides
- **Empirics**
 - Micro data – panel or retrospective data
 - Transitions probabilities and modelling of determinants (education, gender, labour market institutions ...)
- **Policy response**
 - ALMPs and social protection (unemployment benefits) – activation in EU context and important role of PES – extensive focus on youth
 - Large literature on impact of these policies and programmes

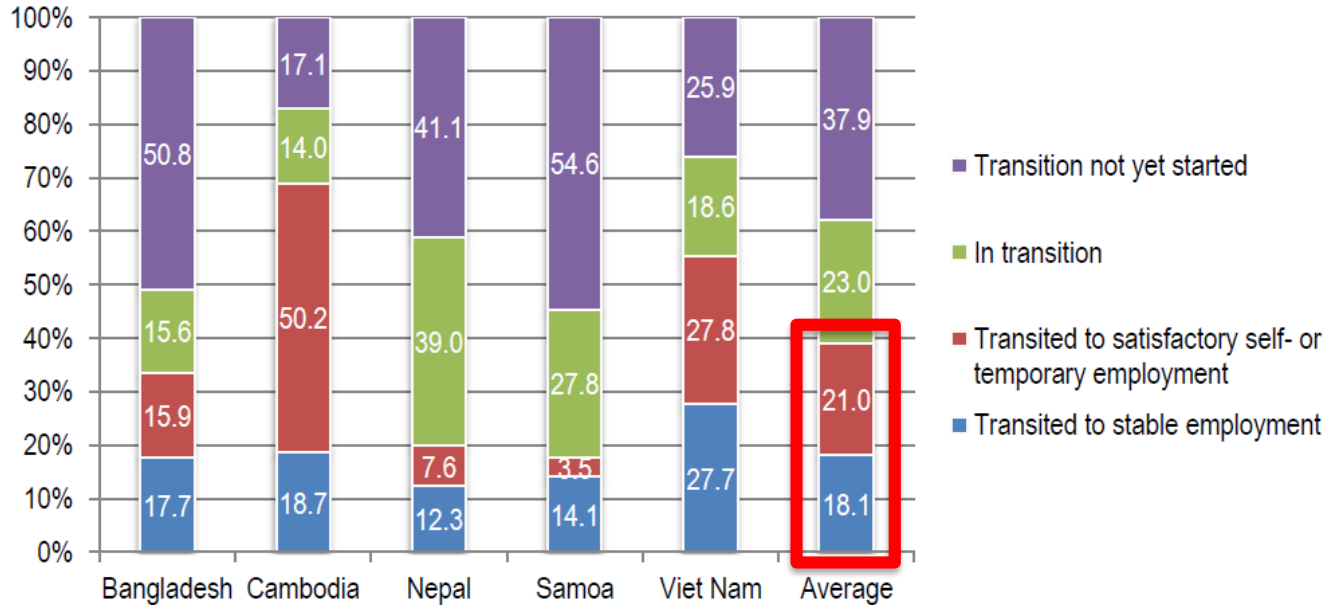
Job-to-job transitions



Hyatt (2015) – different factors have been attributed to the decline of J-t-J transitions in US, including aging workforce, rising educational attainment, and declining entrepreneurship

School-to-work transitions

Figure 7.1 Youth by stages of transition



ILO definition of a good transition - passage of a young person (aged 15–29) from the end of schooling (or entry to first economic activity) to the first stable or satisfactory job.

Source: SWTSS, 2012–13 (see table 2.1 for ref)

Source: Elder (2014)

Transitions in segmented labour markets (developing countries)

Table 8: Labour Market Transitions Rates in 2008 versus 2009

Period t	Period t+1									
	F _{t+1}		I _{t+1}		U _{t+1}		D _{t+1}		OLF _{t+1}	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Females										
F _t	89.2	91.7	3.8	3.3	2.8	1.9	0.6	0.8	3.6	2.4
I _t	7.6	7.6	74.9	80.0	5.2	3.1	2.3	1.7	10.1	7.6
U _t	7.6	5.4	8.6	4.4	55.9	61.2	5.3	7.6	22.6	21.4
D _t	6.2	3.0	7.1	2.5	16.9	19.5	39.8	49.5	30.0	25.5
OLF _t	1.7	0.7	2.4	1.9	6.2	5.5	2.4	3.3	87.3	88.9
Males										
F _t	90.6	92.8	3.7	2.9	3.2	2.3	0.5	0.7	2.0	1.2
I _t	17.5	12.9	67.1	74.3	8.1	6.7	2.9	1.6	4.4	4.6
U _t	13.7	9.7	7.7	4.0	60.4	67.7	4.2	7.6	14.0	11.1
D _t	3.8	3.6	7.0	8.2	22.7	24.6	43.2	46.4	23.2	17.3
OLF _t	1.4	0.7	2.3	1.9	6.0	6.1	1.5	3.0	88.9	88.3

Source: Statistics South Africa's QLFS, 2008Q1–2009Q4; author's calculations.

Notes: F, formal sector employment; I, informal sector employment; U, narrowly defined unemployment; D, discouragement; OLF, other out-of-the-labour force. The individuals in the panel were matched across waves of the QLFS using observable characteristics.

Source: Verick (2012) *Journal of African Economies*

Transitions between informal and formal employment have been studied in a growing number of countries

E.g. Lack of mobility/persistence in South Africa (Verick, 2012) – importance of education

How do we expand our scope to transitions over the life course?

Conceptual – How do we define a “good” transition?

Analytical – How should we measure transitions (quality and quantity)? Where does choice fit in?
What factors drive transitions?

Policies – What are the implications for policy responses?

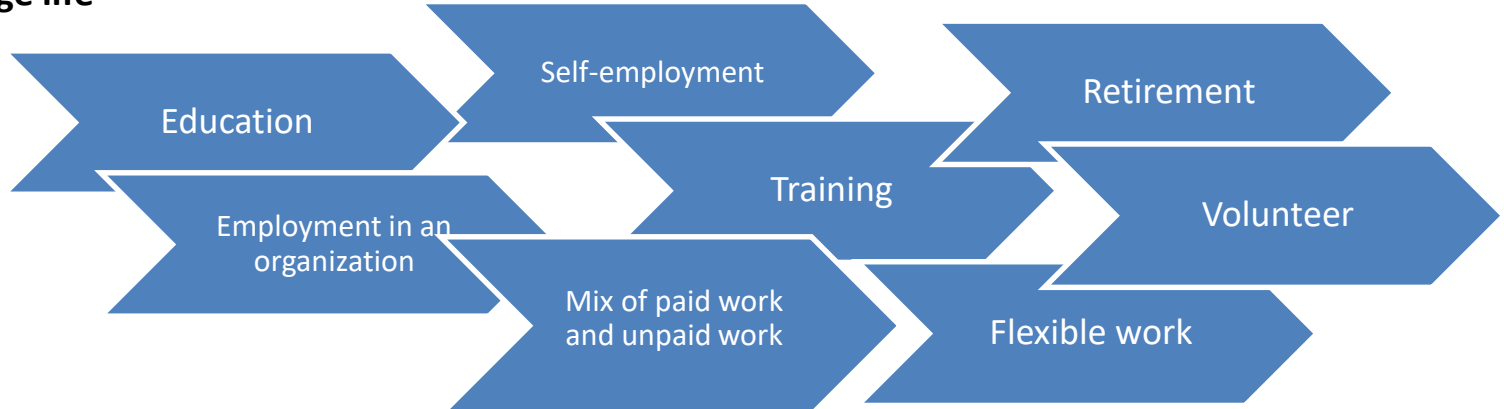
Relevance to developing countries?

DG's message at the G20: From a three-stage life to a multistage life

Three-stage model



Multistage life



What is does it mean to look at the life course?



- LIVES research programme (CH)
 - “...life-course perspective suggests an action framework for policy-making that recognizes the connections across all stages and **domains** in life.”
 - “... it links human development in a holistic way, physically and psychologically linking individuals to the social, cultural and historical context.”
 - Risks are dynamic - over time risks change, gain in importance and intensity or worsen in combination with other risks
- Interaction between economic, social and political factors
 - E.g. implications of social norms for women entering and exiting the labour force during their life course
- Ambitious agenda to bring to labour market transitions...

How do we define a good transition?



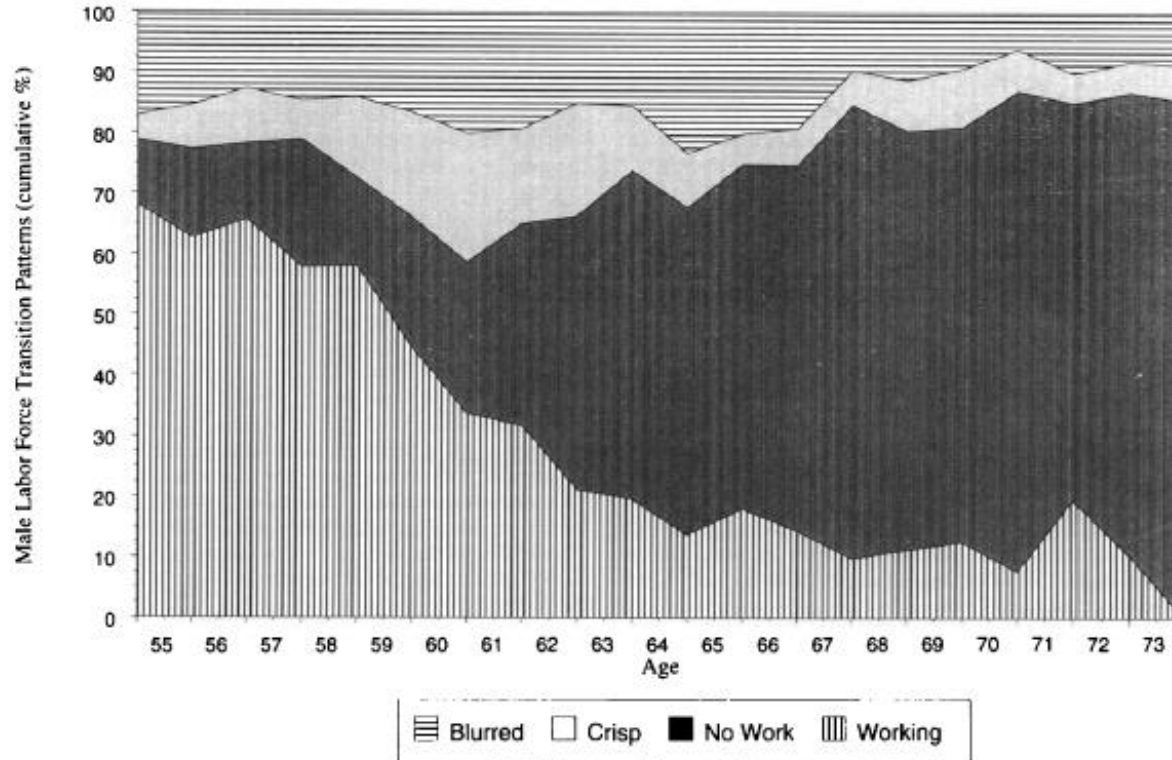
- Transition towards decent work
- Sen's capabilities approach - implies that the freedom to make labour market transitions is a goal in itself
 - The freedom of women to seek employment outside the home is a crucial transition in the development process.
- Schmid – transitional labour market approach

Data and analytical challenges



- Data covering individual's life course is much harder to get – but we can look at cohorts
- How do evaluate sequencing of transitions?
 - Mutchler et al. (1997) – “The life course approach suggests that analytical attention must be directed to both events *and* sequences or patterns”
 - E.g. Retirement is a process; identify “crisp” versus “blurred” transition patterns of older workers (i.e. re-entry of older people into the labour market)
- How do we model determinants of such sequences with multiple dimensions?

Mutchler et al. (1997) - Labour force transition patterns by age



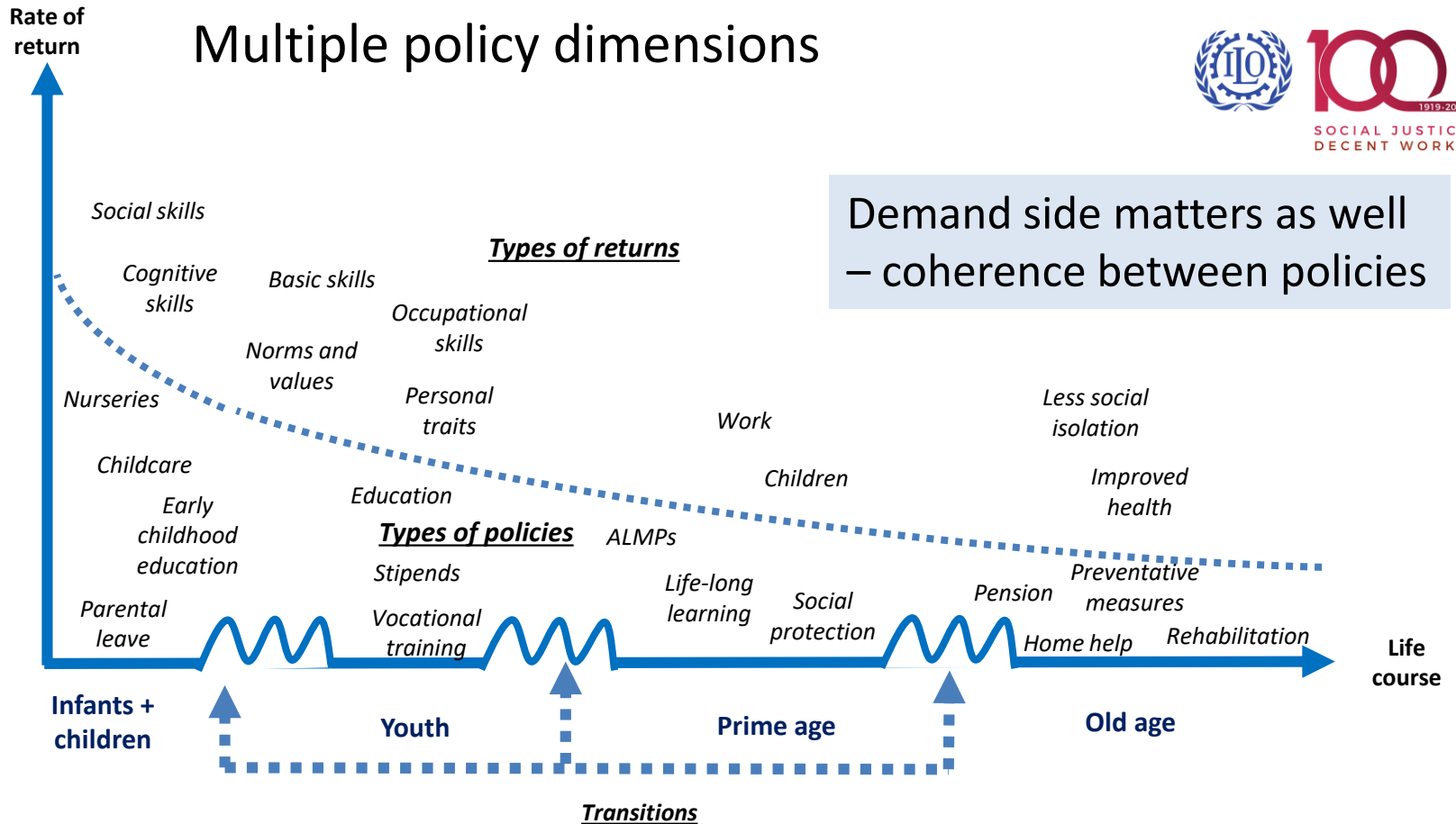
One key finding

- Lack of nonwage income and pension availability are strongly associated with blurred exits

Multiple policy dimensions



Demand side matters as well – coherence between policies



Source: Based on Jon Kvist, A framework for social investment strategies: Integrating generational, life course and gender perspectives in the EU social investment strategy, 2014

Moving forward



- Need better understanding of **quantity and quality of transitions over the life course**
 - Define a good / decent work transition – sequencing?
 - Identify determinants
 - Focus on other groups, in addition to youth: transitions of older workers, women’s entry and exit from LF
- **Policy response is broader** than ALMPs, incl. LLL, social protection but demand-side also matters – an **integrated approach** is needed
 - How should institutions, including PES, respond?
- More **research is required**, particularly on developing countries