

## Job Stability in Europe over the Cycle

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Changes in the economic environment over recent decades have led to growing concerns about decreasing job stability. In particular, the potential decline in the prevalence of jobs that last for a long period of time (that is, ‘a job for life’) has been intensively discussed in both academic research and the media (Hall, 1982, is a seminal paper). The fear is that globalisation and technological progress such as advances in communication technologies have induced changes in the labour market, requiring employees to be more flexible. Workers have to adapt to more frequent transitions between jobs and intermittent spells of unemployment. These changes in the labour market are likely to affect job satisfaction and worker well-being (European Commission, 2001). Job tenure, i.e. the length of time a worker has been continuously employed by the same employer, is of paramount interest to workers in this context since it can be interpreted as a measure of job stability (Neumark, 2000).

Apart from long-term trends, the evidence from the recent financial and economic crisis suggests that the labour turnover rate was strongly affected, with potentially severe consequences for job tenure. The crisis has led to a large and persistent increase in unemployment in many European countries but also to a divergent development of labour markets across the European Union. Since worker turnover is closely connected with the length of time in a job, it is expected that the Great Recession also had an effect on job tenure. While there is detailed research on job tenure in the pre-crisis period across European countries (Auer and Cazes, 2000, and Cazes and Tonin, 2010), the impact of the Great Recession on job tenure has not been examined for European countries.

The aim of this paper is therefore to analyse the evolution of job tenure for the time period 2002 to 2012 using worker-level data from the European Union Labour Force Survey (EU-LFS). In doing so, we provide evidence both for longer-term trends as well as recent developments which took place during the Great Recession, for the EU as a whole and individual countries. Our analysis includes 26 EU Member States, namely Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom. Malta is not included because no data are available before 2008. Furthermore, the richness of the EU-LFS data allows us to analyse heterogeneities with respect to both worker and job characteristics. Finally, we analyse cross-country differences, pointing out the importance of the institutional framework in the form of employment protection legislation.

From a methodological point of view, we compute descriptive statistics on tenure; apply a shift-share analysis to focus on the importance of specific job or worker characteristics; and perform multivariate regression analyses in order to control for cross-country differences in the composition of the workforce. Finally, we correlate our results regarding tenure with country-specific indicators of institutions such as employment protection legislation.

Our results show that, at the EU level, average job tenure increased slightly from 116.5 months in 2002 to 123 months in 2012. As this observation period includes the Great Recession, cyclical factors are likely to be an important explanation. However, at the individual country level, strong heterogeneities prevail before the Great Recession and in the reaction to the recession. Even when abstracting from cyclical effects, there appears to be no evidence that mean tenure decreased in Europe between 2002 and 2012. However, when controlling for an ageing workforce, an underlying negative trend towards shorter job tenure becomes transparent for many countries.

Our shift–share analysis suggests that job destruction due to the crisis as well as an ageing workforce may be responsible for a considerable upward shift in tenure; at the same time, there seems to be a long-term trend towards shorter job tenure for given age groups. The regression results confirm that age effects seem to be a driving force for an increasing mean tenure, even during the crisis. Together, an ageing workforce and an underlying negative trend in mean tenure for given age groups lead to the result that average tenure remains stable when abstracting from cyclical effects.

Tenure also varied strongly by job characteristics during the observation period. Cross-country differences in the impact of the crisis on temporary employment suggest that the role of temporary employment in national labour markets varies considerably between EU countries. However, large job losses among temporary workers and a corresponding increase in average tenure can only be observed in very few countries, most notably Spain.

Moreover, our analysis confirms the results in Cazes and Tonin (2010) who show a strong positive correlation between the degree of employment protection and mean tenure. In addition, we show that employment protection also played an important role during the Great Recession: Countries with a low degree of employment protection experienced stronger increases in tenure during the Great Recession than countries with higher strictness of employment protection. The reason for this is more job destruction in countries with little employment protection.

## Literature

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