Quantity over quality? A European comparison of the changing nature of transitions between non-employment and employment

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The paper addresses two questions

- Impact of benefit and activation reforms on labour market transitions?

- Is an increasingly inclusive labour market associated with a reduction in job quality as measured by contract type?
Analytical Framework

- Socio-economic change and political responses
  - The growth of the service economy
    - *With a larger share of atypical types of work*
  
- Increasing labour market flexibility
  - *Wider variety of contract types*
  - *More pronounced wage dispersion*

- Benefit reforms and activation policies
  - *may lead to more inclusive labour markets*
# Triple Integration in Contemporary Labour Market Policy

<table>
<thead>
<tr>
<th>Process of Integration</th>
<th>Indicators</th>
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</thead>
</table>
| Benefit Homogenisation | - less earnings-relatedness in UI (access; benefits)  
                            - fewer tiers of UB  
                            - emergence of dominant UB tier |
| Risk Re-Categorisation | - diminishing differences in entitlement and conditionality between UB and other schemes  
                            - transferring claimants to UB systems  
                            - merging benefit programmes  
                            - creating single benefit for working-age people  
                            - diminishing boundary between in-work and out-of-work benefits |
| Activation | - administrative linking active and passive LMP  
                        - tightening requirements (job search)  
                        - joint advice and administrative support for all working-age benefit groups (‘one stop shops’)  
                        - ‘work first’ orientation |
Key aims of the paper

- To provide empirical evidence for the claims:
  - Formerly unemployed or inactive persons tend to enter the labour market more frequently than at earlier points in time
  - This is mostly achieved using jobs associated with atypical employment contracts

- To do so for:
  - Belgium, Czech Republic, Denmark, France, Hungary, Italy, Spain, UK, at two time points: 1997 & 2007
  - unfortunately not possible for Germany (1997-coding errors), Netherlands (coding errors) and Sweden (50% missing values)
Observing transitions

- Problem:
  - Relative paucity of comparative longitudinal European Union data, main sources of data are often incomplete (e.g. EU-SILC)

- Our solution:
  - To exploit a lagged variable on the cross-sectional harmonised EU-Labour Force Survey, which captures retrospective information on an individual’s situation with regard to activity one year before the survey
  - Data: ELFS 1997 and 2007
Modeling transitions

- Logistic regression

\[ \ln \left( \frac{p}{1-p} \right) = B_0 + B_i X \text{ (year, country, sex, age, education, GDP growth)}_i + e \]

- Dependent variable: Making a transition
- Independent variables:
  - The year: 1998 or 2007
  - Country of residence
  - Sex
  - Age
  - Education level
  - Macro-economic conditions (real GDP growth rate)

- Odds ratio compares whether the probability of a certain event is the same for two groups
Logistic regression odds ratios for the transition to employment *from non-employment* the previous survey year (t-1), in 2007 as compared with 1997
### Table 4: Logistic Regression: Transition from Non-employment (unemployment and inactivity) to employment

<table>
<thead>
<tr>
<th>Transition to employment</th>
<th>Odds Ratio</th>
<th>Robust Std. Err.</th>
<th>z</th>
<th>P&gt;z</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 (1)</td>
<td>1.17</td>
<td>0.01</td>
<td>12.82</td>
<td>0.000</td>
<td>1.14 - 1.20</td>
</tr>
<tr>
<td>Male (2)</td>
<td>1.87</td>
<td>0.02</td>
<td>50.12</td>
<td>0.000</td>
<td>1.82 - 1.91</td>
</tr>
<tr>
<td>age</td>
<td>1.23</td>
<td>0.0003</td>
<td>73.95</td>
<td>0.000</td>
<td>1.22 - 1.24</td>
</tr>
<tr>
<td>age^2</td>
<td>1.00</td>
<td>0.00004</td>
<td>-83.12</td>
<td>0.000</td>
<td>0.9967 - 0.9968</td>
</tr>
<tr>
<td>High level education (3)</td>
<td>2.88</td>
<td>0.05</td>
<td>57.82</td>
<td>0.000</td>
<td>2.77 - 2.98</td>
</tr>
<tr>
<td>Medium level education (3)</td>
<td>1.59</td>
<td>0.02</td>
<td>35.66</td>
<td>0.000</td>
<td>1.55 - 1.63</td>
</tr>
<tr>
<td>Country (4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>0.34</td>
<td>0.007</td>
<td>-50.43</td>
<td>0.000</td>
<td>0.32 - 0.35</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>0.72</td>
<td>0.01</td>
<td>-16.51</td>
<td>0.000</td>
<td>0.70 - 0.75</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.81</td>
<td>0.06</td>
<td>19.18</td>
<td>0.000</td>
<td>1.71 - 1.92</td>
</tr>
<tr>
<td>Spain</td>
<td>0.63</td>
<td>0.01</td>
<td>-23.18</td>
<td>0.000</td>
<td>0.61 - 0.65</td>
</tr>
<tr>
<td>France</td>
<td>0.59</td>
<td>0.01</td>
<td>-24.75</td>
<td>0.000</td>
<td>0.57 - 0.62</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.41</td>
<td>0.009</td>
<td>-40.70</td>
<td>0.000</td>
<td>0.40 - 0.43</td>
</tr>
<tr>
<td>Italy</td>
<td>0.44</td>
<td>0.007</td>
<td>-48.96</td>
<td>0.000</td>
<td>0.43 - 0.46</td>
</tr>
<tr>
<td>GDP growth</td>
<td>0.96</td>
<td>0.004</td>
<td>-10.32</td>
<td>0.000</td>
<td>0.95 - 0.97</td>
</tr>
</tbody>
</table>

Note: Reference category (1) 1997; (2) female; (3) low level education; (4) Denmark

Number of obs = 738816
Wald chi2 () = 22082.23
Prob > chi2 = 0.0000
Log pseudolikelihood = -45995.1
Pseudo R^2 = 0.12
Logistic regression odds ratios for the transition to employment from *unemployment* the previous survey year (t-1), in 2007 as compared with 1997.
Logistic regression odds ratios for the transition to employment from *inactivity* the previous survey year (t-1), in 2007 as compared with 1997.
The changing nature of labour market transitions

- Is the increase in labour market inclusion accompanied by an increase in more atypical employment?

- More insecure employment is measured by contract type, specifically as non-permanent contracts or self-employment

- Data on wages not available in EU-LFS
Overall share of fixed-term employment

Source: Eurostat
Modeling the changing nature of contract type

- We expect that the composition of the labour force will differ between the two groups (previously employed and previously unemployed).

- Logistic regression
  - Dependent variable: Transition into permanent or temporary contract
  - Independent variables:
    - The year: 1997 or 2007; Country of residence; Sex; Age; Education level; sector of employment; Macro-economic conditions (real GDP growth rate)
Logistic regression odds ratios for the transition from non-employment to a *permanent* rather than a temporary contract, in 2007 as compared with 1997.
Key findings

- Labour markets in 2007 were generally more inclusive than in 1997

- The unemployed and the inactive are distinct groups with regard to transitions into employment

- Mixed cross-national picture regarding trends towards non-standard employment, as measured by contract type, for the recently non-employed

- Cross-country differences in the flexibility of standard employment contracts?
Thank you for your attention

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