



# 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

<b>Process of Integration</b>	<b>Indicators</b>
<b>Benefit Homogenisation</b>	<ul style="list-style-type: none"> <li>- less earnings-relatedness in UI (access; benefits)</li> <li>- fewer tiers of UB</li> <li>- emergence of dominant UB tier</li> </ul>
<b>Risk Re-Categorisation</b>	<ul style="list-style-type: none"> <li>- diminishing differences in entitlement and conditionality between UB and other schemes</li> <li>- transferring claimants to UB systems</li> <li>- merging benefit programmes</li> <li>- creating single benefit for working-age people</li> <li>- diminishing boundary between in-work and out-of-work benefits</li> </ul>
<b>Activation</b>	<ul style="list-style-type: none"> <li>- administrative linking active and passive LMP</li> <li>- tightening requirements (job search)</li> <li>- joint advice and administrative support for all working-age benefit groups ('one stop shops')</li> <li>- 'work first' orientation</li> </ul>

## 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

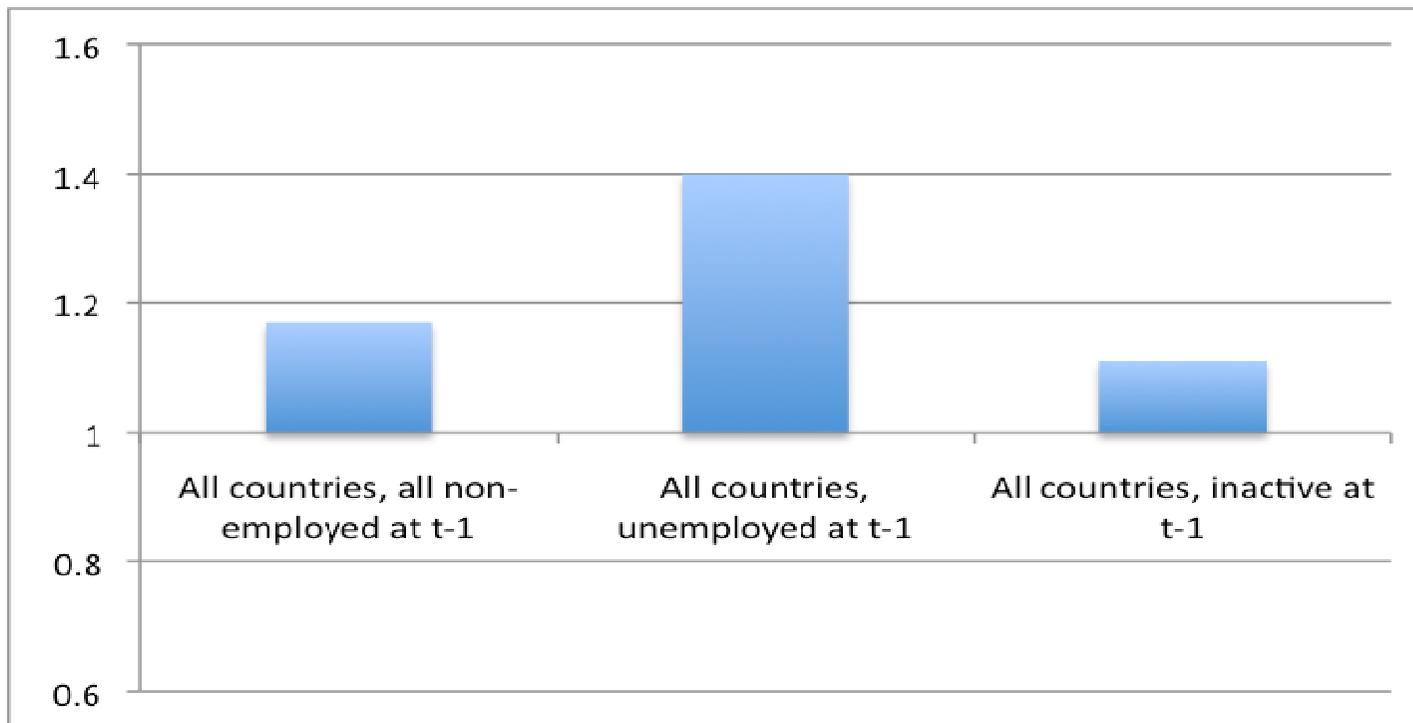
# Modeling transitions

- Logistic regression

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

- 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**

Transition to employment						
	Odds Ratio	Robust Std. Err.	z	P>z	95% Confidence Interval	
2007 (1)	1.17	0.01	12.82	0.000	1.14	1.20
Male (2)	1.87	0.02	50.12	0.000	1.82	1.91
age	1.23	0.003	73.95	0.000	1.22	1.24
age <sup>2</sup>	1.00	0.00004	-83.12	0.000	0.9967	0.9968
High level education (3)	2.88	0.05	57.82	0.000	2.77	2.98
Medium level education (3)	1.59	0.02	35.66	0.000	1.55	1.63
Country (4)						
Belgium	0.34	0.007	-50.43	0.000	0.32	0.35
Czech Rep.	0.72	0.01	-16.51	0.000	0.70	0.75
Denmark	1.81	0.06	19.18	0.000	1.71	1.92
Spain	0.63	0.01	-23.18	0.000	0.61	0.65
France	0.59	0.01	-24.75	0.000	0.57	0.62
Hungary	0.41	0.009	-40.70	0.000	0.40	0.43
Italy	0.44	0.007	-48.96	0.000	0.43	0.46
GDP growth	0.96	0.004	-10.32	0.000	0.95	0.97

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

Number of obs = 738816

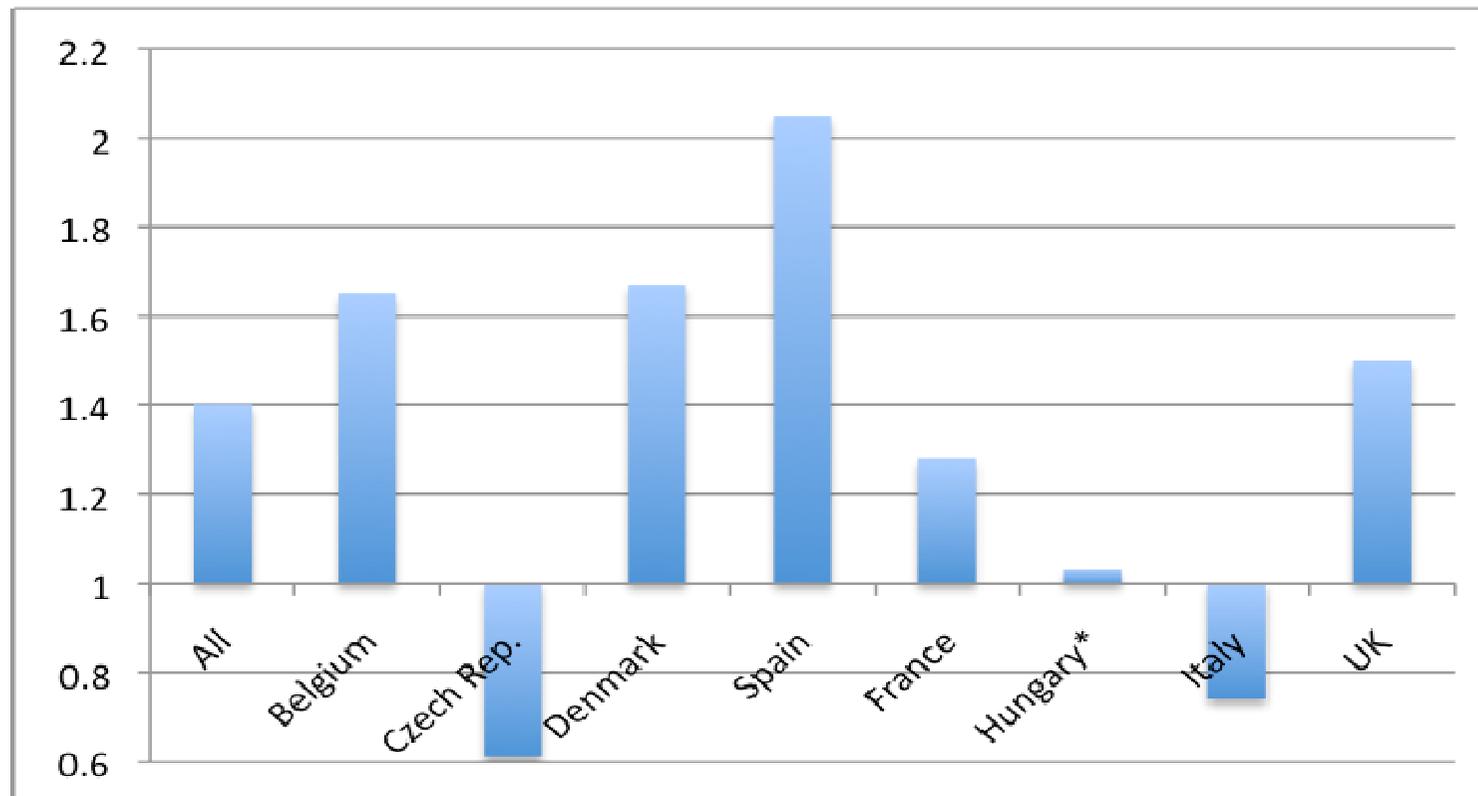
Wald chi2 () = 22082.23

Prob > chi<sup>2</sup> = 0.0000

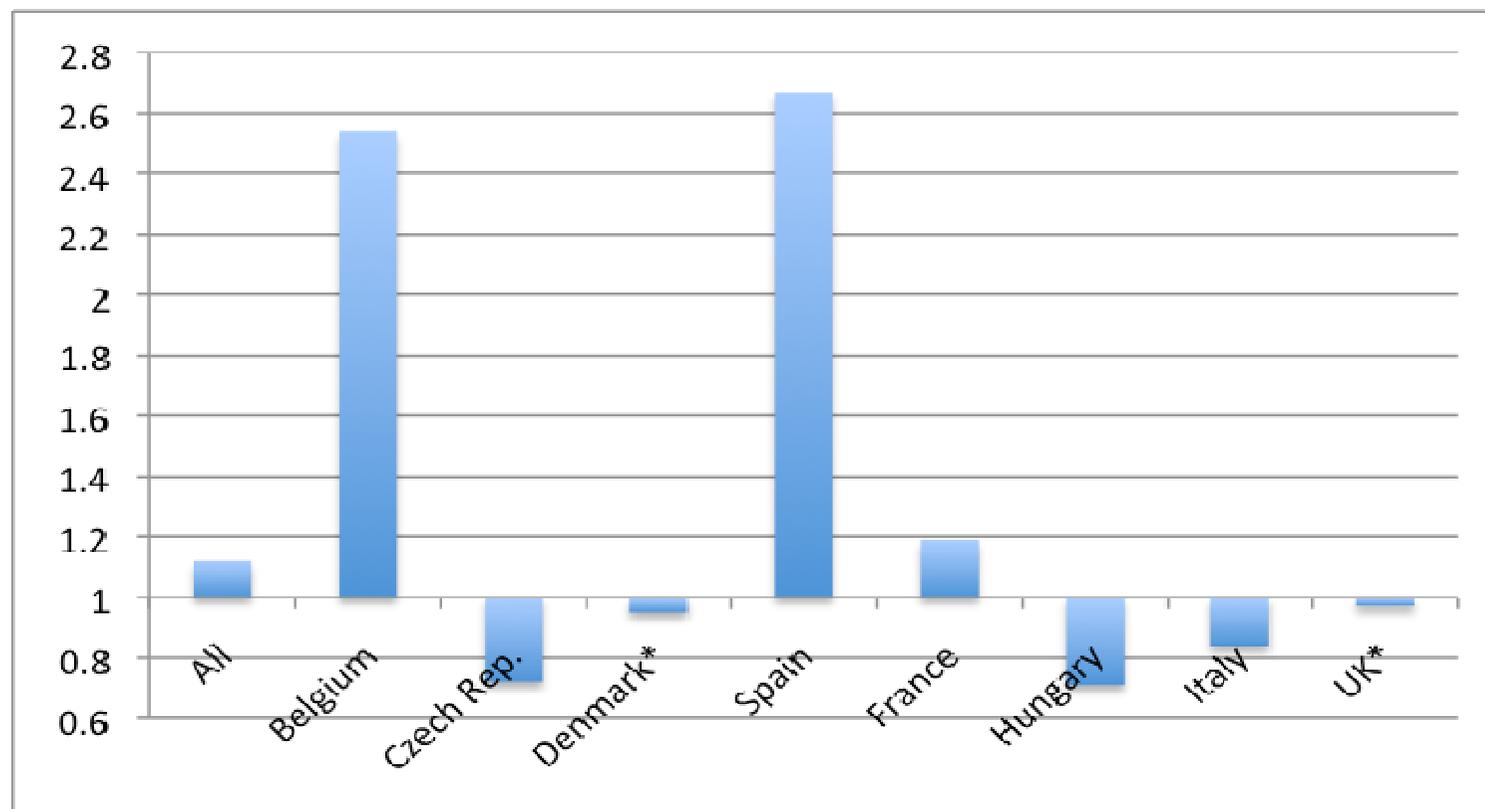
Log pseudolikelihood = -45995.1

Pseudo R<sup>2</sup> = 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



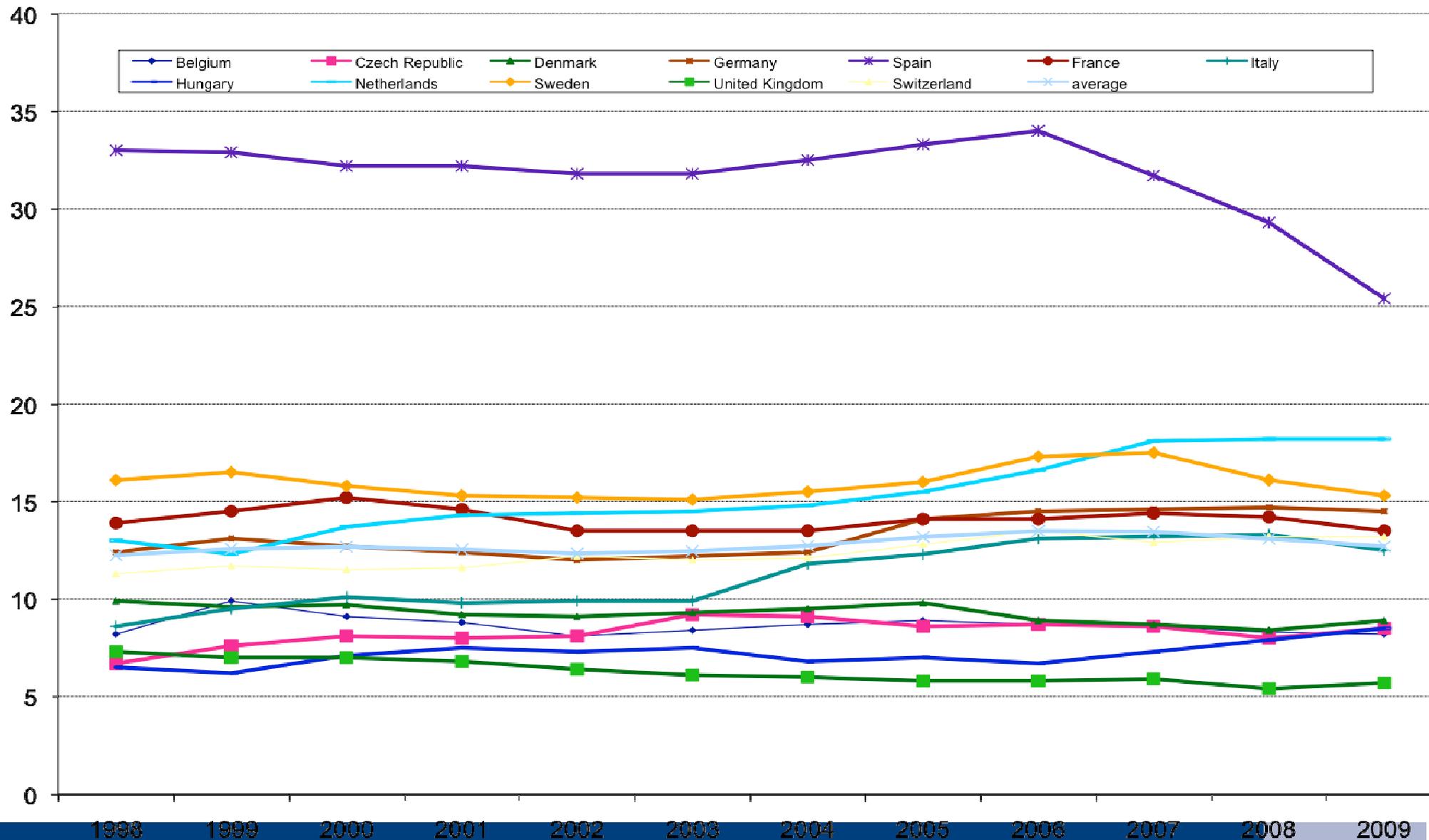
## Logistic regression odds ratios for the transition to employment from *inactivity* the previous survey year (t-1), in 2007 as compared with 1997



## 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

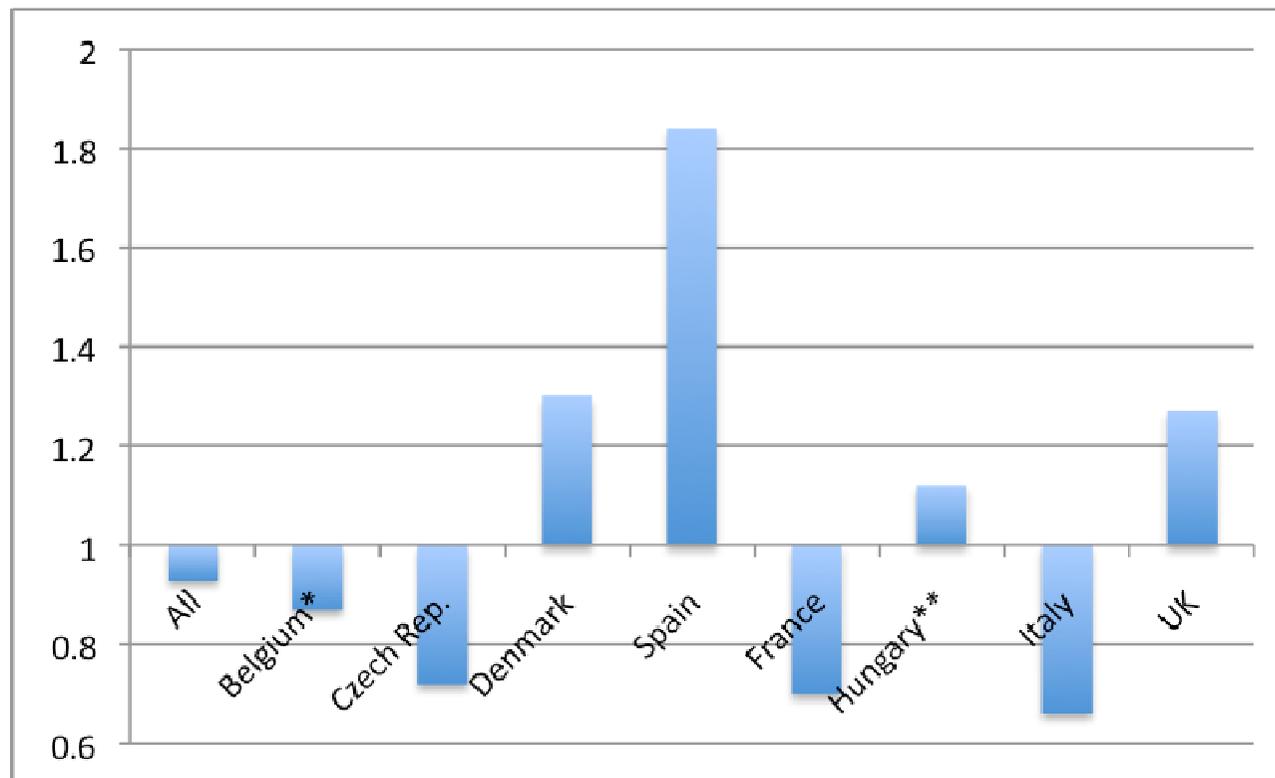


Source: Eurostat

## 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 to non-standard employment, as measured by contract type, for the recently non-employed
- Cross-country differences in the flexibility of standard employment contracts?

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Thank you for your attention

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