



Job Stability in Europe Over the Cycle

Dr. Ronald Bachmann (RWI, IZA)

Rahel Felder (RWI, RUB)

5th European User Conference

Job stability – Why does it matter?

Globalization and technological progress may affect labour markets:

- Greater need for flexibility of workers, i.e. more job-to-job transitions and transitions to unemployment.
- Has the “job for life” come to an end?

Important for

- worker well-being
- job satisfaction
- accumulation of job-specific human capital

Relevant factors

- Long-run developments (technological progress, demographic change, ...)
- Great Recession

Research questions

- 1) How did job tenure evolve over the time period 2002 – 2012?
- 2) Which role do individual and job characteristics play in this context?
- 3) How pronounced are cross-country differences and how can they be explained?

Literature

- Tenure in Europe relatively stable in the 1990s (Auer/Cazes, 2000) and up to 2006 (Cazes/Tonin, 2010)
- Some evidence for declining tenure when controlling for age (Auer/Cazes, 2000)
- No clear link between prevalence of temporary work and tenure (Cazes/Tonin, 2010)
- Labour market institutions, especially EPL, are strongly correlated with lower mobility and higher tenure (Boockmann/Steffes, 2010; Burgess, 1999)

Our contribution:

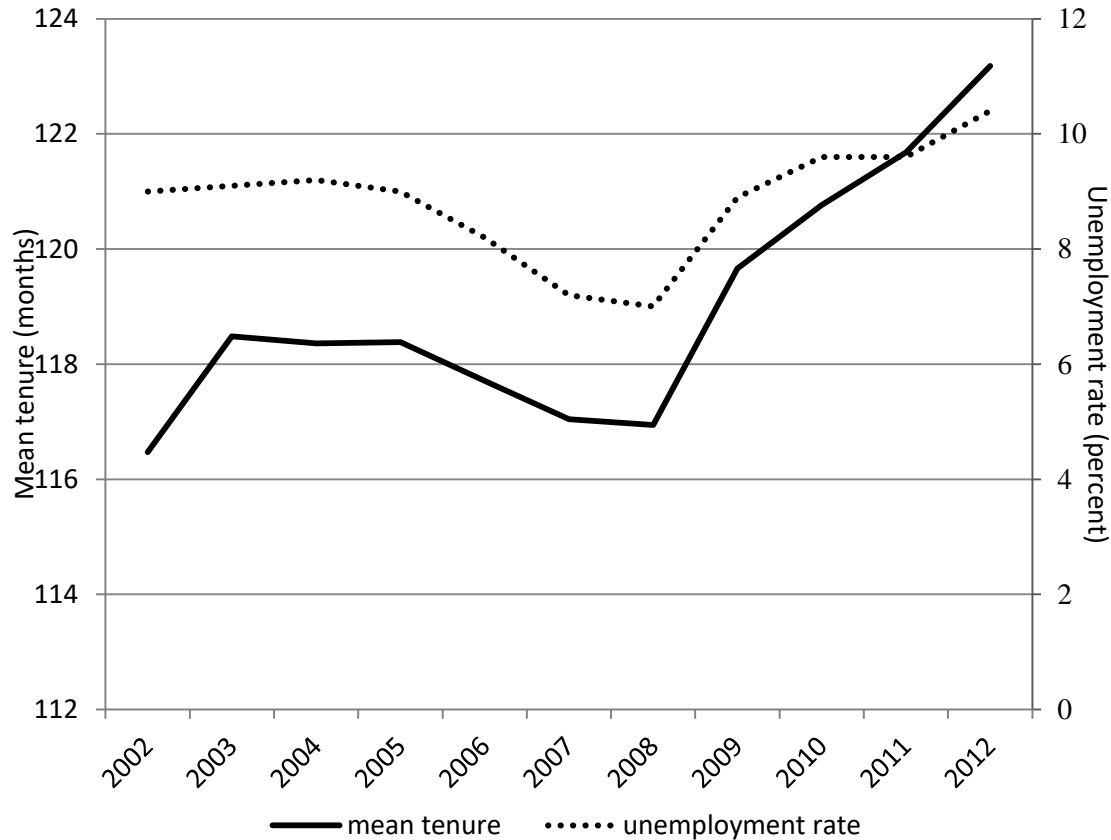
- Update existing analyses, particularly relevant against the context of demographic change and the Great Recession

Data

European Union Labour Force Survey (EU-LFS)

- Micro data of national households providing quarterly and annual information on labour force participation of individuals
- Covers all EU Member States without Croatia (EU 27) as well as Norway, Iceland and Switzerland
- Focus on dependent-status employees
- Time-period 2002-2012
 - Pre-crisis period 2002-2007
 - Crisis period 2008-2012
- Use STARTIME variable to compute tenure (starting time with current employer)
- Distinguish between gender, age groups, type of employment contract

Mean tenure and unemployment rate in the EU, 2000-2012 (in month/in%)



Tenure increased from 116.5 month to 123 month between 2002 and 2012

Great Recession

- Short-tenured jobs disproportionately destroyed during crisis
- Less job creation during crisis, i.e. less new jobs
- Mean tenure rises

The role of composition effects: Shift-share analysis

Decompose the evolution of job tenure into

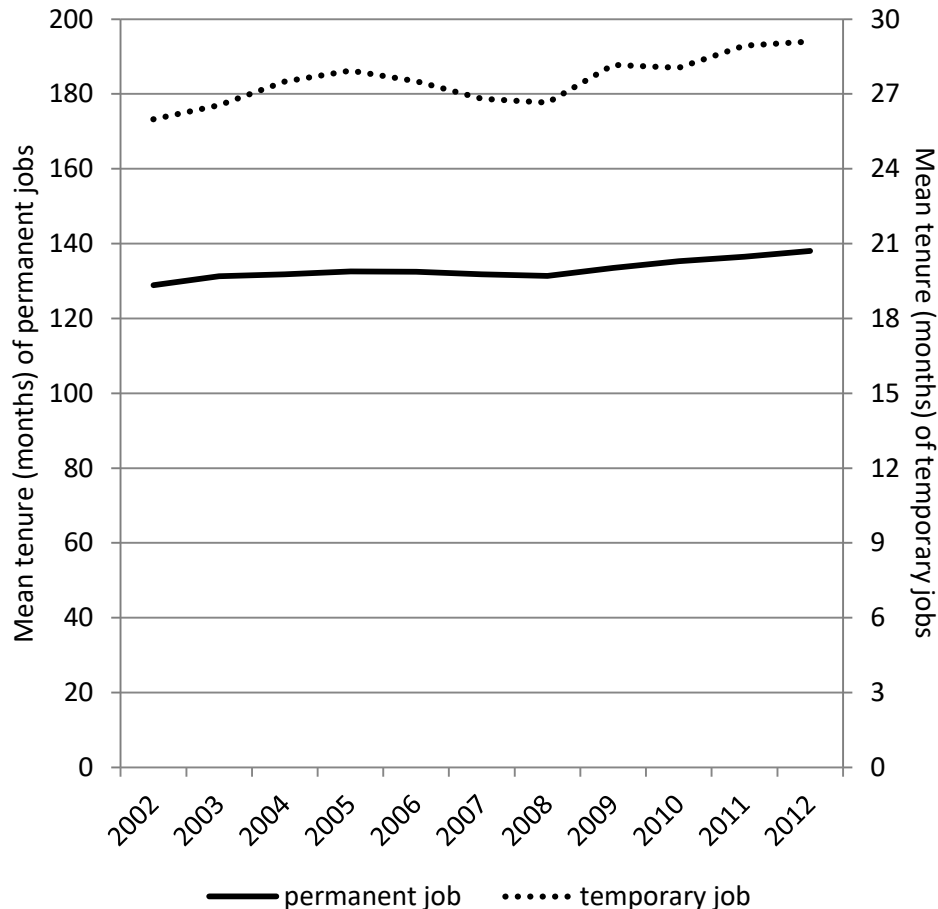
- Changes in shares of sub-groups, holding tenure constant
- Changes in tenure for given shares of sub-groups

$$\Delta Tenure = \sum_i \Delta Share_i * \overline{Tenure}_i + \sum_i \overline{Share}_i \Delta Tenure_i$$

Shift–share analysis of change in mean tenure (in months), according to age

	2002-2007			2007-2012			2002-2012		
	Due to changing shares	Due to changes within groups	Total change	Due to changing shares	Due to changes within groups	Total change	Due to changing shares	Due to changes within groups	Total change
EU	4.19	-3.62	0.57	5.21	0.93	6.14	9.29	-2.58	6.71
DE	4.26	0.23	4.49	3.92	-0.74	3.18	8.16	-0.49	7.66
EE	-1.50	-3.12	-4.63	3.05	8.98	12.03	1.60	5.80	7.40
ES	4.29	-4.01	0.28	14.19	8.89	23.08	18.55	4.81	23.36
IE	1.80	-7.71	-5.91	10.80	6.04	16.84	13.29	-2.36	10.93
NL	5.88	-4.20	1.68	-1.01	1.14	0.13	4.87	-3.06	1.80
PT	6.55	0.53	7.08	8.78	-1.28	7.50	15.30	-0.72	14.58
UK	3.81	-2.16	1.65	0.69	6.59	7.28	4.58	4.35	8.93

Mean tenure by contract type in the EU, 2002-2012 (in months)

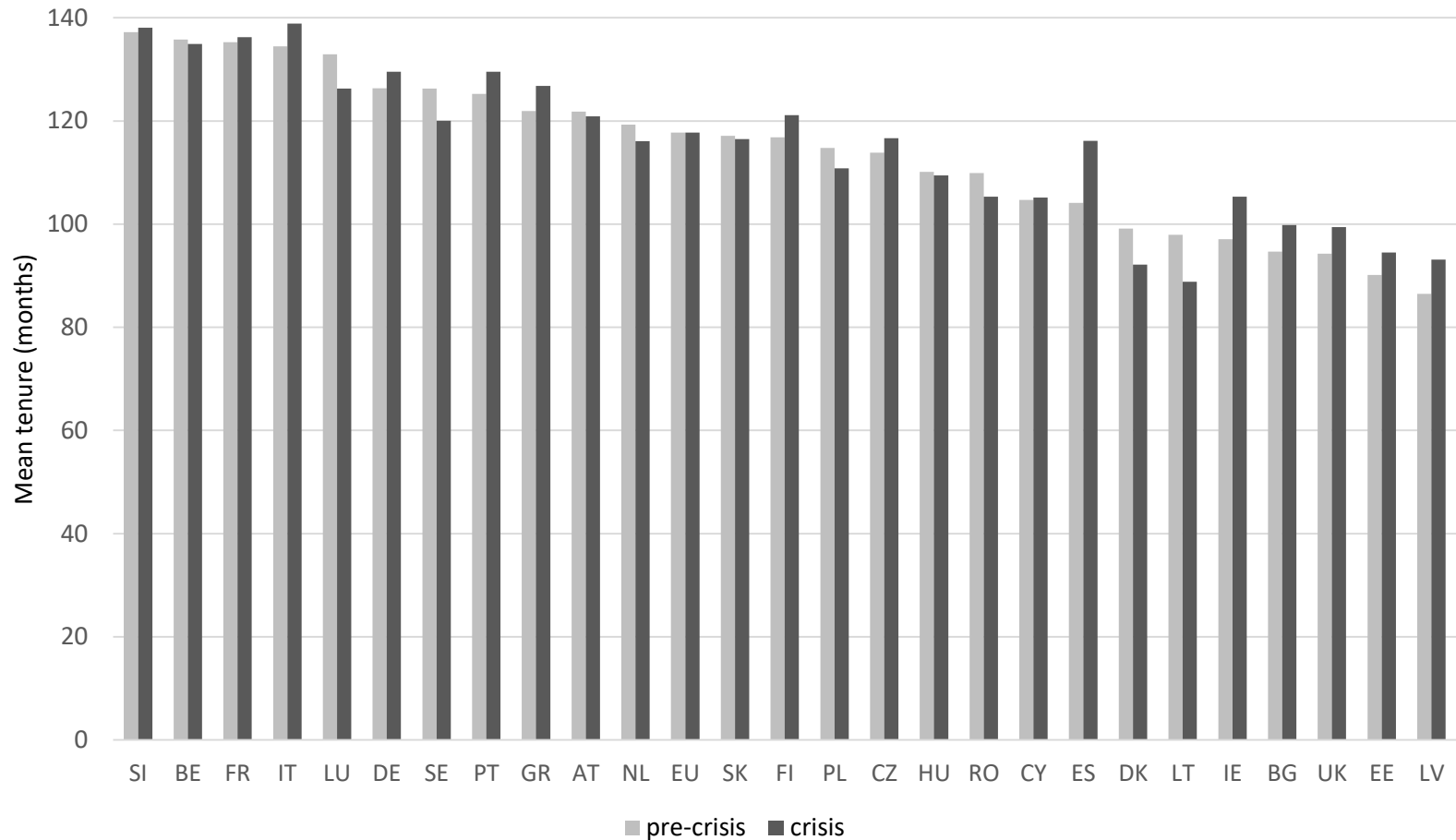


- Four times higher average tenure for workers with permanent contract than with temporary contract
- Rather stable average tenure during pre-crisis period for both
- Permanent workers: increase in 2008 from 131 to 138 months in 2012
- Temporary workers: increases during recession and decreases during boom (counter-cyclical), but overall only small change (+2 months)

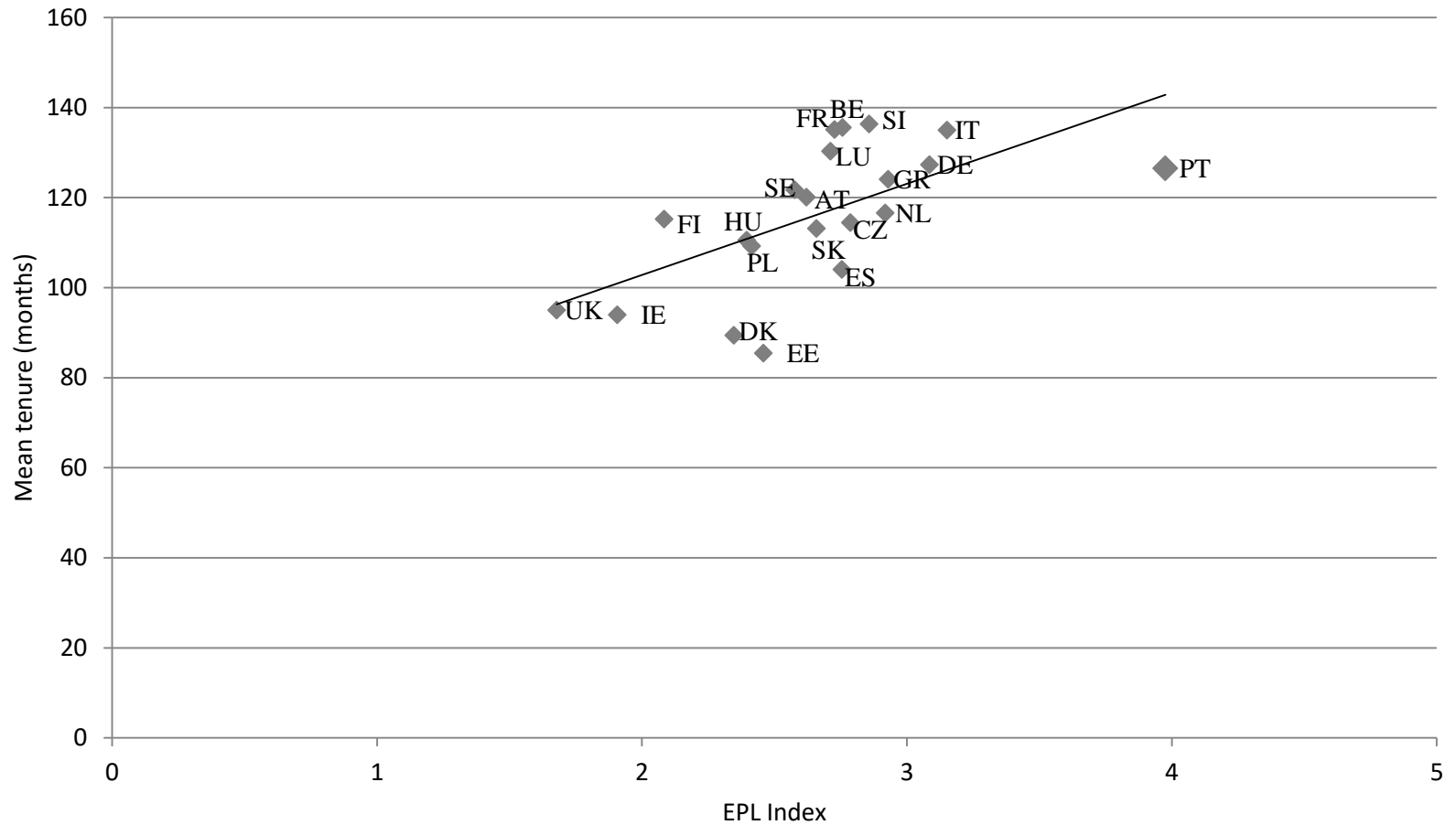
Shift–share analysis of change in mean tenure, according to contract type (in months)

	2002-2007			2007-2012			2002-2012		
	Due to changing shares	Due to changes within group	Total change	Due to changing shares	Due to changes within group	Total change	Due to changing shares	Due to changes within group	Total change
EU	-2.06	2.64	0.57	0.45	5.69	6.14	-1.62	8.33	6.71
DE	-2.45	6.94	4.49	0.22	2.96	3.18	-2.25	9.92	7.66
EE	0.17	-4.80	-4.63	-1.15	13.18	12.03	-1.14	8.54	7.40
ES	2.35	-2.07	0.28	6.98	16.10	23.08	10.13	13.23	23.36
IE	-3.65	-2.26	-5.91	-0.89	17.73	16.84	-4.58	15.51	10.93
NL	-5.09	6.77	1.68	-6.95	7.07	0.13	-11.57	13.38	1.80
PT	-0.49	7.57	7.08	1.89	5.61	7.50	1.30	13.29	14.58
UK	0.30	1.36	1.65	-0.08	7.36	7.28	0.22	8.71	8.93

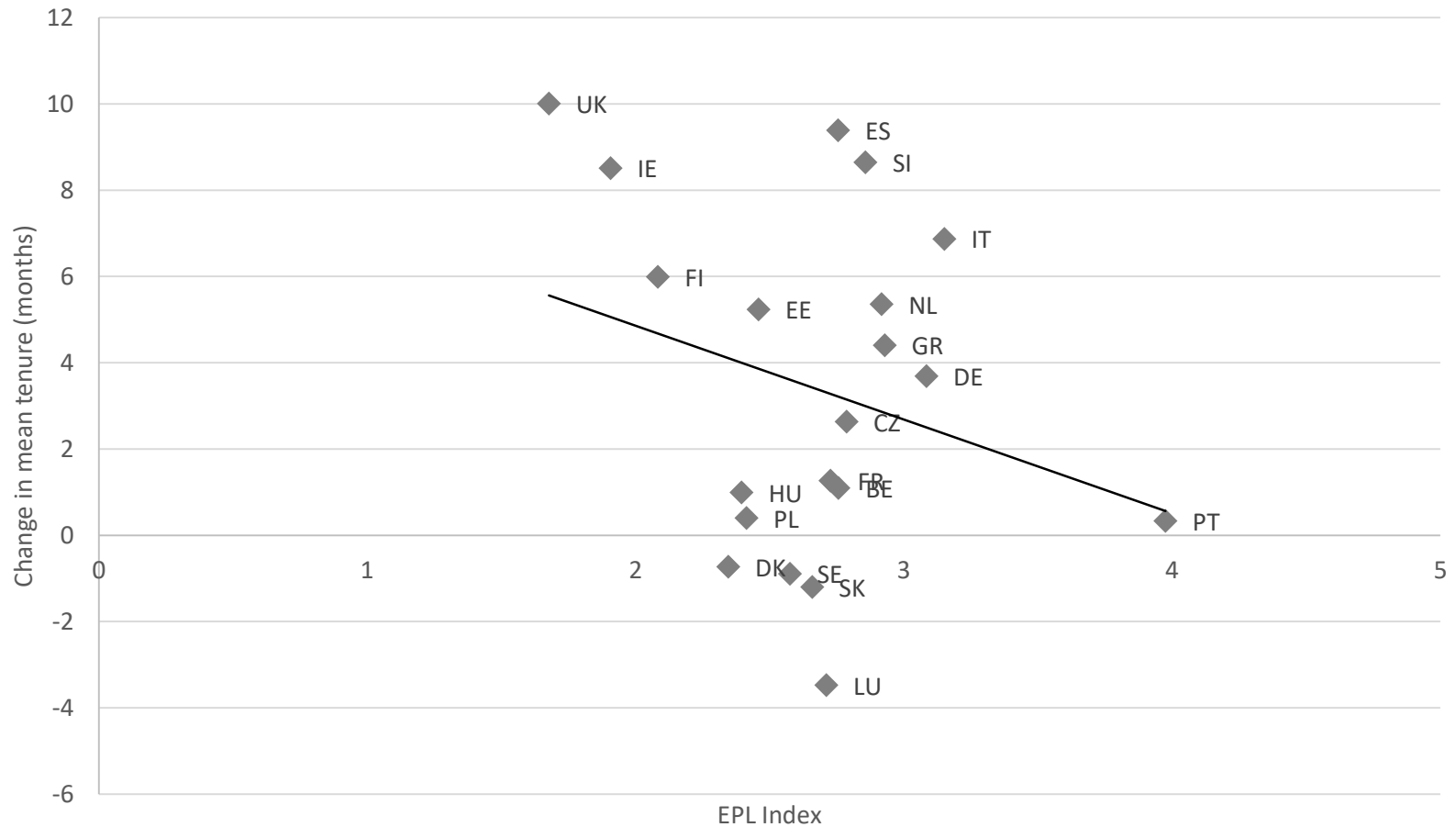
Mean tenure before and during the crisis



Relationship between mean tenure and EPL, 2007



Relationship between the change in mean tenure during the recession and EPL



Conclusion

- 1) How did job tenure evolve over the time period 2002 – 2012?
 - Average job tenure increased from 116.5 months in 2002 to 123 months in 2012
 - Business cycle (Great Recession) an important factor

- 2) Which role do individual and job characteristics play in this context?
 - Shift-share analysis: Ageing workforce is an additional factor for increase in average job tenure
 - Overall, job characteristics (esp. temporary contracts) do not matter very much
 - For fixed worker characteristics (e.g. age), an underlying trend towards short job tenure becomes visible

Conclusion

- 3) How pronounced are cross-country differences and how can they be explained?
 - Cross-country differences relatively large
 - Differences in job characteristics (e.g. temporary employment) not very important overall, but crucial for some countries (e.g. Spain)
 - Countries with low degree of EPL experienced stronger increase in mean tenure, i.e. stabilizing role of EPL