Job Stability in Europe Over the Cycle

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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/Steppes, 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
The aggregate evidence

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

\[ \Delta Tenure = \sum_i \Delta Share_i \times \frac{Tenure_i}{Share_i} + \sum_i \frac{Share_i}{Tenure_i} \Delta Tenure_i \]
Shift-share analysis of change in mean tenure (in months), according to age

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The aggregate evidence

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)
Worker and job heterogeneities – Job characteristics: Contract type

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

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The aggregate evidence

Mean tenure before and during the crisis

Mean tenure (months)

pre-crisis  crisis
Econometric findings

Relationship between mean tenure and EPL, 2007
Econometric findings

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

![Graph showing the relationship between change in mean tenure and EPL Index for various countries](image-url)

- Countries: UK, IE, ES, SI, FI, EE, NL, GR, CZ, DE, HU, PL, SE, SK, UK, PT, LU
- Change in mean tenure (months) vs. EPL Index
- Countries are plotted on the graph, with each country represented by a symbol.
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