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# ▶ Technical workshop on New Labour Market Transition Patterns

## Meeting report



International  
Labour  
Organization



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Meeting report

Technical workshop under *Research Activity N. 3* of the EU-funded ILO-JRC project “Building Partnerships on the Future of Work”.

10 and 17 May 2021

## ► Background and objectives

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The Technical Workshop on New labour market transition patterns was held online over two days on 10 and 17 May 2021.

The Workshop was the second technical meeting held under the EU-funded ILO-JRC project “Building Partnerships on the Future of Work”. This research activity pursued the following objectives:

- Provide an overview of recent (pre- and post-COVID) patterns of labour market transitions across some EU and non-EU countries;
- Shed light on a few selected emerging (and understudied) patterns of transitions;
- Identify and discuss relevant policies to secure transitions towards decent, better quality, jobs.

To this end, this technical workshop brought together experts from the ILO, the JRC and academia with the following objectives:

- Present the objectives of the research activity;
- Hear the views of experts and colleagues on the relevant research questions to be addressed and the validity of methodological approaches;
- Illustrate the analysis of labour market transitions and life-courses by the presentation and discussion of recent and related research works

More specifically, the discussion was organized around the four following topics:

- Are labour market transition patterns changing? In which directions?
- The impacts of the crisis on transitions
- Transitions from/into self-employment
- Analyzing transitions over the life-course: approaches and challenges

## ► Notes on the proceedings

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### Introductory remarks

In his introduction, Sangheon Lee, Director of the ILO Employment Policy Department recalled the objectives of the project “Building Partnerships on the Future of Work”, jointly implemented by the ILO and the Joint Research Centre of the European Commission. Mr. Lee also provided an overall introduction to the work of the ILO on the issue labour market transitions. The topic has already led to a large number of studies and technical cooperation projects. Those activities have been particularly focusing on certain crucial transitions of people’s life, such as school-to-work transition, or transitions related to stages of economic development, such as the transition from informal to formal employment<sup>1</sup>.

The recent discussion on the FoW has reinstated the issue of labour market transitions at the centre of ILO’s priorities. As a result of several FoW drivers (technology, climate change and greening, demographics, etc.), labour market transition paths are becoming increasingly multifaceted, including a wider set of individual labour market trajectories: transitions between jobs, sectors, professions, and status and forms of employment are likely to become more and more frequent in the labour market, at many stages of the working life of people. Additionally, labour market trajectories are being affected now by an additional major challenge, the COVID-19 induced crisis that is changing labour market dynamics.

In 2019, the ILO Centenary Declaration on the Future of Work called upon all Member States to strengthen « the capacities of all people to benefit from the opportunities of a changing world of work », especially through « effective measures to support people through the transitions they will face throughout their working lives ». In this Declaration, member States have thus placed the issue of the management of labour market transitions throughout the life-course at the core of the human-centred approach to the future of work. This political statement invites the organization to consider a rather broad conception of labour market transitions, far beyond the changes in labour market status. In accordance with the ILO Centenary Declaration, it must consider the issues of workers’ aspirations in freely chosen life-courses and should also analyse the conditions of decent transitions between paid and unpaid work and other states in people’s life.

The JRC stressed the importance of better understanding patterns of labour market transitions, especially with regard to recent EU level policy initiatives under the European Pillar of Social Right, the Just Transition Mechanism, and the Recovery and Resilience Facility. Turning the labour market challenges from the Covid-19 pandemic into opportunities, and making the digital and green transitions just and inclusive for all, is a key goal of the European Union and its member States. This project gathering evidence on the wide range of emerging labour market trajectories, and focusing on particularly vulnerable groups, aims to provide concrete guidance to policy makers on how to ensure that labour market transitions are inclusive and fair.

### Session 1 - Are labour market transition patterns changing? In which directions? (May 10)

The presentation by Professor Ronald Bachmann (RWI – Leibniz Institute for Economic Research) gave an overview of the changing labour market transition patterns in Europe based on three recent papers. The presentation highlighted the importance of analysing labour market transitions, beyond and above (un)employment stock, as a way to better understand the consequences of new technologies on workers’ welfare, and the related policy responses. It allowed notably to understand the complex set of interactions between the polarization of jobs and its impact at a more microeconomic level on individuals, i.e., the adjustment imposed to individuals according to the tasks they perform, in the short and medium run. It demonstrated how exposure to jobs with higher routine task content is associated with a reduced likelihood of being in employment in both the short and medium terms. This employment penalty to routineness of work has increased over the past four decades. More generally, routine task work is associated with reduced job stability and more likelihood of experiencing periods of unemployment.

Bachmann also showed that on average, 3% of European workers change their occupation per year, and that the extent of occupational mobility differs strongly by country. Individual characteristics play an important role for person-specific occupational mobility, but have little explanatory power for differences between countries. Occupational mobility is strongly associated with earnings mobility, and occupation movers are more likely than job movers to experience a downward rather than an upward earnings transition; by contrast, changing occupation voluntarily is more often followed by an upward wage transition. Employment protection legislation seems to play an important role in explaining cross-country differences in occupational mobility through its impact on overall job mobility. Finally, based on the third paper, the speaker also demonstrated that workers are observed to strongly react to wage differences, and especially those in routine occupations, which suggests that monopsony power is not going up over time.

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<sup>1</sup> For example, the ILO’s School-to-work Transitions Surveys (SWTS), carried out between 2012 and 2016 in 34 developing countries, allowed to generate a large amount of relevant labour market information on young people aged 15 to 29 years, including longitudinal information on transitions into labour markets.

The following discussion contributions from Enrique Fernandez-Macias (JRC) and Guillaume Delautre (ILO, Employment) focused on the mechanisms underpinning the variety of labour market transitions, and to what extent they reflect different tasks content of work (i.e. routine vs non-routine tasks) or rather other factors. From the discussion, the importance emerged of taking into account the trade-off between the use of task approach and skill approach – which may not necessarily overlap. Meanwhile, the discussion also highlighted the trade-off between analysing all technologies and focusing on only one technology. In fact, depending on the technology that one considers, the implied labour market transitions for routine vs non-routine workers can be very different. The presentation also highlighted the importance of taking into account a firm's monopsony power when analysing paths of labour market transitions. One point raised during the discussion was that the monopsony power of employers is not necessarily (only) reflected in the power of constraining wages growth, but it can also manifest in form of lower working conditions and job security. For these reasons, it becomes important to better understand to disentangle “voluntary” vs “non-voluntary” labour market transitions.

Participants also debated about the future evolutions in the labour market and the possibility that polarization due to technical change has already reached a plateau, at least in advanced economies such as Germany, the different impact of polarization according to gender, and the relevancy of this type of analysis for low- and middle-income countries where labour markets are often characterized by a strong segmentation between formal and informal jobs. Discussants also called for a more comprehensive conception of labour market institutions which would go beyond employment protection legislation and take into account other institutions such as wage-setting mechanisms, minimum wage, trade union and social dialogue institutions, training institutions etc.

## Session 2 - The impacts of the crisis on transitions (May 10)

Sergei Suarez Dillon Soares (ILO/Workquality) presented a forthcoming paper carried out with Janine Berg (ILO/Research) on the evolutions of transitions between employment and non-employment during the Covid-19 crisis and their distributional effects. Based on an analysis of transitions matrixes from the first quarter to the second quarter in 2020 compared with the previous year, the research identifies the changes across seven countries (Brazil, Costa Rica, Mexico, Poland, Portugal, UK and USA) and specific groups in the labour market. The study highlights different profiles for Europe, where a large use of job retention policies has allowed to reduce transitions out of employment, and the Americas where these schemes do not exist and the effects on job flows were more important. Covid-19 appears to increase inequality in employment in almost all dimensions considered, the most impactful dimensions being earnings, education and informality. No specific patterns are observable for employees in comparison with self-employed, and surprisingly, public employees have not been more protected against employment loss than employees in the private sector in countries such as Brazil and the USA.

The discussants, Sher Verick (ILO, Employment) and Claire Zanuso (Agence Française de Développement) highlighted the timeliness and relevancy of this research as studies on labour market adjustments through the current crisis remain scarce. They also considered the findings on the differential impact noteworthy, especially in terms of the reduction in informality, which is a unique feature of the COVID-19 crisis. Discussants and the audience also raised methodological and empirical questions which could lead to further research, especially the need to distinguish between different out-of-work situations, the possibility to use multivariate analysis in order to provide further insights on the relative importance of specific individual factors and the need to monitor these transitions over a longer period and across more countries with different levels of development (especially LDCs). Zanuso also pointed the need to analyse the role of skills and networks in driving transitions and to see how aspirations could be addressed in such analytical work. The audience also highlighted the importance of targeted policy responses, including social protection measures, for the hardest-hit groups such as informal workers and uneducated workers.

## Session 3 - Transitions from/into self-employment (May 17)

The presentation by Prof. Alina Sorgner (John Cabot University) focused on “Digitalization and entry into entrepreneurship” and was based on two recent empirical studies based on the case of the USA. New technologies are supposed to reduce the entry barrier to entrepreneurship thanks to more access to information, more opportunities to gain new skills from online training, less uncertainty for the entrepreneurs, more access to finance (crowd finance), more opportunities to expand the networks of firms and clients, and new profit opportunities in the sharing and platform economy. Different technologies can have a different impact on the likelihood of employed individuals becoming solo self-employment and self-employment (meaning with employees). On the one hand, evidence shows that workers in occupations potentially affected by “destructive” technologies (i.e. at high risk of being replaced by technology) are more likely to enter solo self-employment. This is especially the case for high-educated workers. Conversely, workers in occupations that face transformative technologies are more likely to enter self-employment with employees, but less likely to transition to solo self-employment, which can be typically regarded as a less profitable employment option. More generally, the presentation highlighted how digitalization can influence an individual decision to become an entrepreneur indirectly by affecting his current wage occupation, with contrasting effects. On the one hand, digitalization can increase the opportunity cost of switching to self-employment as jobs subject to digitalization can become more productive, lead to higher wages, and in turn to fewer incentives to move into entrepreneurship. On the other hand, digitalization can decrease the opportunity cost, by making workers redundant and lowering their reservation wage.

The following discussion with contributions from Santo Milasi (JRC) and Juan Chacaltana (ILO) highlighted the importance of different features in empirical analysis: 1) distinguishing the effects of labour-replacing vs labour-augmenting technologies in spurring self-employment, 2) looking at transitions into solo self-employed and self-employed with employees separately; 3) focusing on self-employment dynamics across the broad spectrum of occupations, as self-employment is increasingly gaining relevance across high-skilled occupations.

Moreover, the discussion highlighted the importance of taking into account that self-employment is not only, and not always, a voluntary choice, but may rather reflect the lack of decent alternatives in the wage sector. This is particularly important to explain why many workers, especially in emerging countries, enter into self-employment in the informal sector, often with poor working conditions. Another point of discussion is that the evidence presented is based on US data and does not necessarily apply to other countries' contexts. Indeed, there is evidence that the task content of occupations can vary even within otherwise nominally equal occupations. Looking forward, there's a need to investigate more closely the task content of occupations and its relationship with self-employment. Finally, it remains relevant to understand to what extent solo self-employment can be regarded as "necessity-driven" entrepreneurship.

## Session 4 - Analyzing transitions over the life-course: approaches and challenges (May 17)

The presentation by Guillaume Delautre, Drew Gardiner and Sher Verick (ILO, Employment) was based on a forthcoming working paper to be published as part of the project. Drawing on the ILO Declaration on the Future of Work, the presentation focused on the approaches and the challenges of analyzing labour market transitions with a life course perspective. Contrasting with a vision of labour market transitions that focuses exclusively on flows between unemployment (or inactivity) and employment, the paper invites to take a broader perspective. The presentation reviewed the relevance of the Capabilities approach (Sen) and the Transitional Labour Market approach (Schmid) for the conceptual framework and the insights from the life-course literature that has tackled a range of issues, including from a sociology and demography perspective. It compared the main methodological approaches to analysing labour market transitions, in particular the event analysis approach which relies on measurement of gross flows between different states (especially between employment and non-employment) and the life-course approach which relies on a holistic approach and the analysis of sequences of time-ordered elements to identify different ideal-types. The presentation also illustrated these two approaches in the case of youth transitions. The main constraint of the life-course approach is that it needs long and detailed panel data tracing the trajectory of individuals throughout their entire working life (or rich retrospective data). These data are often lacking in developing countries.

The session was followed by a discussion involving Matthias Studer (UNIGE and Lives research network), Rafael Perez Ribas (University of Amsterdam), Steven Kapsos and Yves Perardel (ILO, Statistics). Studer highlighted the importance of the life course paradigm developed by Elder et al (2003), which contains four key elements: 1) development of the individual (human agency), 2) history and culture (location in time and place), 3) social relations (linked lives), and 4) intersection of age, period, and cohort (timing). The various combinations of these elements result in different trajectories of the life course. Studer also provided more details on the different methods to carry out life course research: Transition centred methods can be either event history analysis and fixed-effect models, while holistic approaches include (a) sequence analysis using categorical data, (b) latent class and hidden Markov models, and (c) mixture growth curve models using quantitative data.

According to Rafael Perez Ribas, two concepts must be considered when analyzing labour market transitions: mobility and risk. He gave the example of countries where college access is easier (mobility is higher) but drop-outs from college are also more frequent (risk is higher). It is thus important not to limit the analysis of transitions to the sole analysis of mobilities. Once again, mobility could also be considered in two different ways: mobility between groups (like in affirmative action policies) and mobility within groups (like in a capability approach). Perfect data do not exist. It is difficult to have at the same time high frequency (like a quarterly Labour Force Survey) and long-term data. Therefore, the research questions must be in line with the data available. If the objective is to measure vulnerabilities and mobility between groups, it is necessary to have high-frequency data (which can be analyzed through pseudo-panels when real panels are not available). But, if the idea is to describe individual trajectories and mobility within groups, long term data are more adequate.

Steven Kapsos and Yves Perardel saw two main issues in the development of an ILO life-course approach to labour market transitions. The first one is related to the integration of a more qualitative approach to labour market analysis which considers well-being and freedom of choice of individuals. The second one is related to the availability of tools to track individual trajectories. In the last years, the ILO Department of Statistics has created a repertory of hundreds of Labour Force Surveys collected through national statistical institutes, processed and harmonized. This resource would be extremely useful, especially to carry out analysis by age cohorts and for different types of households. However, the main limitation is the low availability of panel data, as many countries do not release the necessary information to track individuals throughout waves. ILO colleagues stressed that if the objective of the project was to cover the most countries possible in the research, the research strategy should be guided by its feasibility through existing instruments and not by an ideal vision.

## Closing

Concluding, Sangheon Lee (ILO) claimed that the workshop had helped to move a step further in terms of strengthening a network of experts on the topic of labour market transitions. This informal network will be a key resource in the implementation of the project and beyond. The project will also be crucial in the elaboration of an ILO integrated conceptual framework on labour market transitions in the attempt to concretize the FoW Declaration and also ILO's crisis response strategy.

Enrique Fernandez-Macias, leader of the "Employment and Skills" team at the JRC, stressed the complementarity of the project with the other research components of the overall action "Building Partnerships on the Future of Work", as well as with other ongoing research activities at the JRC, notably on automation and platformization of work.

## ► Participants list

Last Name	First Name	Organization	Job Title	Country/Region Name
Adeyemi	Adeyinka	Nigerdock FZE	Recruitment coordinator	Nigeria
Alcocer	Marcela	ILO	Consultora	Bolivia
Aryal	Bandana	ILO	National Project Coordinator	Nepal
Bachmann	Ronald	RWI - Leibniz Institute for Economic Research		Germany
Baiocco	Sara	EC JRC		Belgium
Barbero	Javier	ILO	Team lead	Switzerland
Barbieri	Luca	Cambridge Econometrics	Economist	Belgium
Bedalli	Snezhi	ILO		United States
Bista	Céline	ILO	Social Protection	Switzerland
Chao	Chien-yu	DG EMPL		Belgium
charpe	matthieu	ILO		Switzerland
Chatani	Kazutoshi	ILO	Employment Specialist	Indonesia
Chun	HaeKyeung	ILO		Switzerland
Crumpana	Diana	European Commission, Social Dialogue Unit	Policy Officer	Belgium
Cuautle Segovia	Marcelo	ILO	Employment Officer	Switzerland
de Gray	Patricia	European Commission		Belgium
Delautre	Guillaume	ILO	Technical specialist	Switzerland
Diagne	Mady	ILO	Spécialiste administration du travail et dialogue social	Cameroon
Dierckxsens	Mauricio	ILO	Employment specialist	Switzerland
Dieuboue	Joseph	BIT	OSH Specialist	Senegal
Diez de Medina	Rafael	ILO	Chief Statistician/Director	Switzerland
Dimakos	Georgios	European Commission	Trainee	Belgium



Doku	Angela	ILO	Economist	Switzerland
Dorkendo	David	ILO	Workers' Specialist	South Africa
Durighello	Eleonora	Freelance		Italy
Ekanayake	Sriyani	ILO	Programme Officer	Sri Lanka
Elder	Sara	ILO		Thailand
Erameh	Austin	ILO	NPC	Nigeria
Ernst	Christoph	OIT	Especialista de Empleo	Argentina
Faria	Thais	ILO	Technical Officer	Brazil
Fernandez-Macias	Enrique	JRC	Researcher	Spain
Game	Alina	ILO		United Kingdom
Gardiner	Drew	ILO		United States
Gardner	Jessica	ILO	Labour Statistician	Switzerland
Gibelli	Massimo	Cgil	Giornalista	Italy
Grigoras	Mihaela	Employers Confederation CONCORDIA	Project Manager	Romania
Gutierrez	Maria	ILO		Switzerland
Haq	Tariq	ILO	Senior Employment Policy Specialist	United Kingdom
Hawezy	Lawen	ILO	CTA	Iraq
Henry	Carla	ILO	Senior technical specialist	Switzerland
Hills	Simon	ILO		Switzerland
Hofmann	Christine	ILO	Team Lead, Skills for Social Inclusion	Switzerland
Huibregtse	Ada	ILO	Chief Technical Advisor	Bosnia and Herzegovina
Huynh	Phu	ILO	Employment Specialist	Thailand
ishtaiwi	raya	ILO		Jordan
Jama	Saed A.	Ministry of Employment, Social Affairs and Family	Head of Recruitment and Contract Management	Somalia
Janampa	Juan Francisco	ILO	Employment Specialist	Switzerland

Kabu	Mban	ILO	Specialist in Workers' Education	Ethiopia
Kamakura	Yasuhiko	ILO		Switzerland
Kang	Woon Kyong	ILO		Switzerland
Kapsos	Steven	ILO	Head, Data Production and Analysis Unit	Switzerland
Khan	Aliya	Quaid-i-Azam University Islamabad	Professor of Economics (Retired)	Pakistan
Kim	Kee	ILO		Switzerland
Klein	Jean-François	ILO		Switzerland
Klein	Daniel	European Commission	Policy Officer	Belgium
Klok	Bolormaa	ILO	Technical Specialist	Switzerland
Leal	Renata	Skillify	Director	Brazil
Lee	Sangheon	ILO	Director, Employment Policy Department	Switzerland
Leung	Vicky	ILO	Technical and Programme Officer	Switzerland
Liepmann	Hannah	ILO		United Kingdom
Lieuw-Kie-Song	Maikel	ILO	Technical Specialist	Switzerland
Martins da Costa	Maria Carolina	ILO	Jr Labour Law Officer	Switzerland
Matsumoto	Makiko	ILO	Employment Specialist	Thailand
Maurizio	Roxana	ILO		Argentina
Mazzeo Ortolani	Giovanna	European Commission	Economist/Policy Analyst	Belgium
Mieres	Fabiola	ILO		Switzerland
Milasi	Santo	Joint research centre	economist	United States
Mitra	Alessio	JRC	Blue Book Trainee	Belgium
Mohamed	Mukhtar	Ministry of Employment, Social Affairs and Family of Somaliland	Labor Dispute Arbitrator	Somalia
Morgado	Aude	ILO		United Kingdom
Mosler	David	ILO		Switzerland

Munoz	Angelica	ILO		Switzerland
Muturo	Bill	Transport Workers Union Kenya	Assistant General Secretary (ICT & Digital Organizing)	Kenya
Mwamadzingo	Mohammed	ILO	Senior Economist	Switzerland
Mwasikakata	Michael	ILO	Head, LMST Unit	Switzerland
Myae Ivan	Aung Charm	ILO	Programme Officer	Myanmar
Nafradi	Balint	ILO		Switzerland
Naidoo	Mahandra	ILO	Social Dialogue and Labour Administration Specialist	India
Ndenzako	Jean	ILO	Employment Specialist	Canada
Nguyen	Giang	ILO		Vietnam
Nguyen	Quynh	ILO		Switzerland
O'Reilly	Caroline	ILO		United Kingdom
Obiro	Stephen	Federation of Kenya Employers, FKE	Head Policy Advocacy	Kenya
oh	kihwan	ILO	Technical Specialist	Switzerland
Ostermeier	Martin	ILO		Switzerland
parisotto	aurelio	ILO		France
Perardel	Yves	ILO	Senior Statistician	Switzerland
Podjanin	Ana	ILO	Technical Officer	Switzerland
Prieto	Maria	ILO		Switzerland
Puertas	Elisenda	ILO		Switzerland
Ramírez	Mauricio	ILO	Consultant	Germany
Ratsima	Soary	ILO	Consultant	Switzerland
Rhoden	Ronique	HEART/National Service & Training Agency	Director, Programmes	Jamaica
Ribas	Rafael	University of Amsterdam	Assistant Professor	Netherlands
Ricaud	Lydie	EC		United States
Ruiz Salgado	Victor	EUROPEAN COMMISSION	POLICY OFFICER	Belgium

Saget	Catherine	ILO		Switzerland
Said	Mustapha	ILO	Senior Specialist in Workers' Activities	Lebanon
Sanchez	Jeannette	ILO	Communications Officer	Switzerland
Schmidt-Klau	Dorothea	ILO	Head DMCU	Switzerland
Schoellmann	Ilka	ILO		Switzerland
Shah	Saurabh	ILO		United Kingdom
Sonigo	Karine	ILO	SDS	France
Sorgner	Alina	John Cabot University		Italy
Steinmetz	Stephanie	University of Lausanne	Professor	Switzerland
Stoevska	valentina	ILO		Argentina
Studer	Matthias	Université de Genève		France
Suarez Dillon Soares	Sergei	iLO		United Kingdom
Suta	Cornelia	Cambridge Econometrics	Principal Consultant	Belgium
Thu Zar	Ei	ILO	National Project Coordinator	Myanmar
Tromel	Stefan	ILO	Senior Disability Specialist	Switzerland
Tsukamoto	Mito	ILO	Chief, DEVINVEST	Switzerland
Van aperen	Faustina	OIT	Actrav Senior Relations officer	Switzerland
Van Zeveren	Benjamin	European Commission - DG EMPL	International Policy Officer	Belgium
Vandecasteele	Leen	University of Lausanne	Professor	Switzerland
Varlin	Julien	ILO		United Kingdom
Verick	Sher	ILO		United Kingdom
Viegelahn	Christian	ILO	Labour Economist	Thailand
Villarreal-Fuentes	Mabelin	ILO	Statistician	Switzerland
Vonnahme	Christina	RWI Leibniz Institute for Economic Research		Germany

Watt	Michael	ILO		Switzerland
Weidenkaff	Felix	ILO	Employment Specialist	Thailand
Weiss	Johannes	ILO		Switzerland
Yadong	Wang	ILO		Switzerland
Yan	Xinyu	ILO		Switzerland
Zanuso	Claire	AFD	Head of the impact evaluation team	France



ilo.org

International Labour Organization  
Route des Morillons 4  
CH-1211 Geneva 22, Switzerland

European Commission  
Rue du Champ de Mars 21  
1050 Brussels, Belgium