

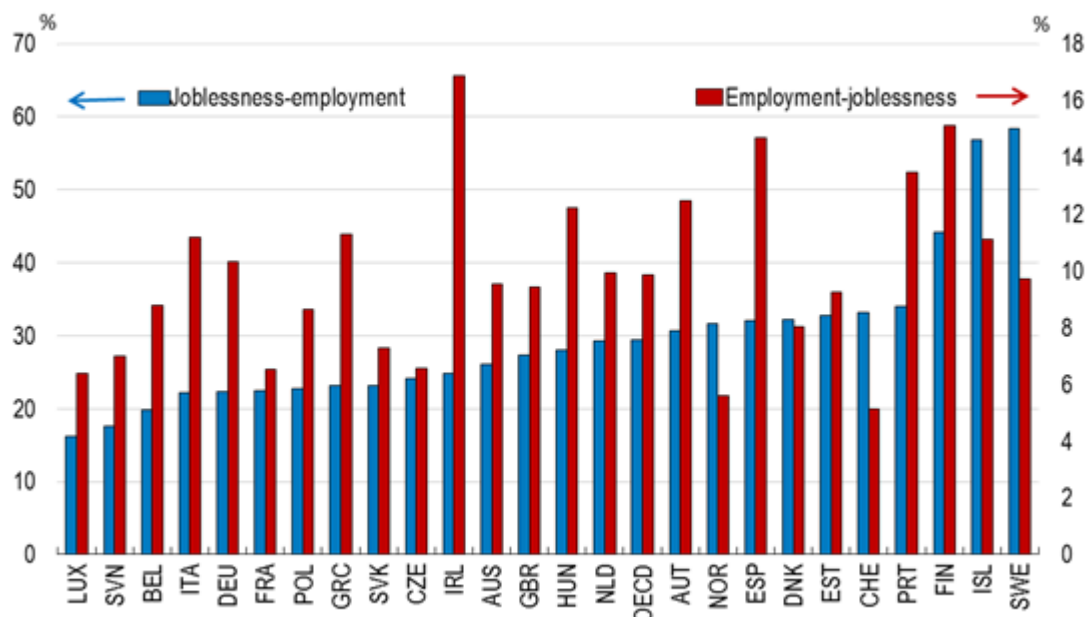
# Employment ins and outs in OECD countries

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Labour markets are in a continual state of flux. Workers get employed, leave a job and become unemployed, join the labour force or leave the labour force. The balance of these flows determines the overall employment rate. Analysing workers' ins and outs of employment is critical to our understanding of labour market dynamics, especially from a welfare perspective. Transitions into unemployment hurt well-being that can be very strong and persistent, while transitions into employment boost life satisfaction. Not all job losses, however, involve financial loss or substantial hardship for individuals and their families. Indeed, high labour market transition rates could reflect the capacity for constant renewal, career development and productivity-enhancing reallocation of jobs.

The paper Garda (2016) "The Ins and Outs of employment in 25 OECD country" uses household surveys for 25 OECD countries to analyse cross-country differences in the transitions between employment, unemployment and economic inactivity for individuals. Between 2005 and 2012, the annual probability of leaving employment averaged 10% across OECD countries. Jobless people have an average 30% per year probability of finding a job. The variation in these flows across countries underlines the diversity of OECD labour markets (Figure 1). Every year, many workers in countries such as Austria, Finland, Portugal and Spain move from employment to joblessness and vice versa. On the other hand, labour market transitions are relatively infrequent in Belgium, the Czech Republic, France, Luxembourg, Poland, the Slovak Republic and Slovenia.

**Figure 1. Large differences in transition probabilities separate OECD countries**



Source: Garda (2016), "The Ins and Outs of Employment in 25 OECD Countries", OECD Economics Department Working Papers, No. 1350, OECD Publishing.

Job-to-job flows are also very important for individual welfare and aggregate productivity. Many workers build their careers through moving to jobs with a higher pay or more generally trying to find better job-skill matches. These job-to-job flows typically translate into enhanced aggregate productivity and earnings gains. The job-to-job transition probability averages 7% across the 25 OECD countries in the sample. This average masks large cross-country differences: countries such as Norway, Sweden and the United Kingdom have high job-to-job flows of more than 12%.

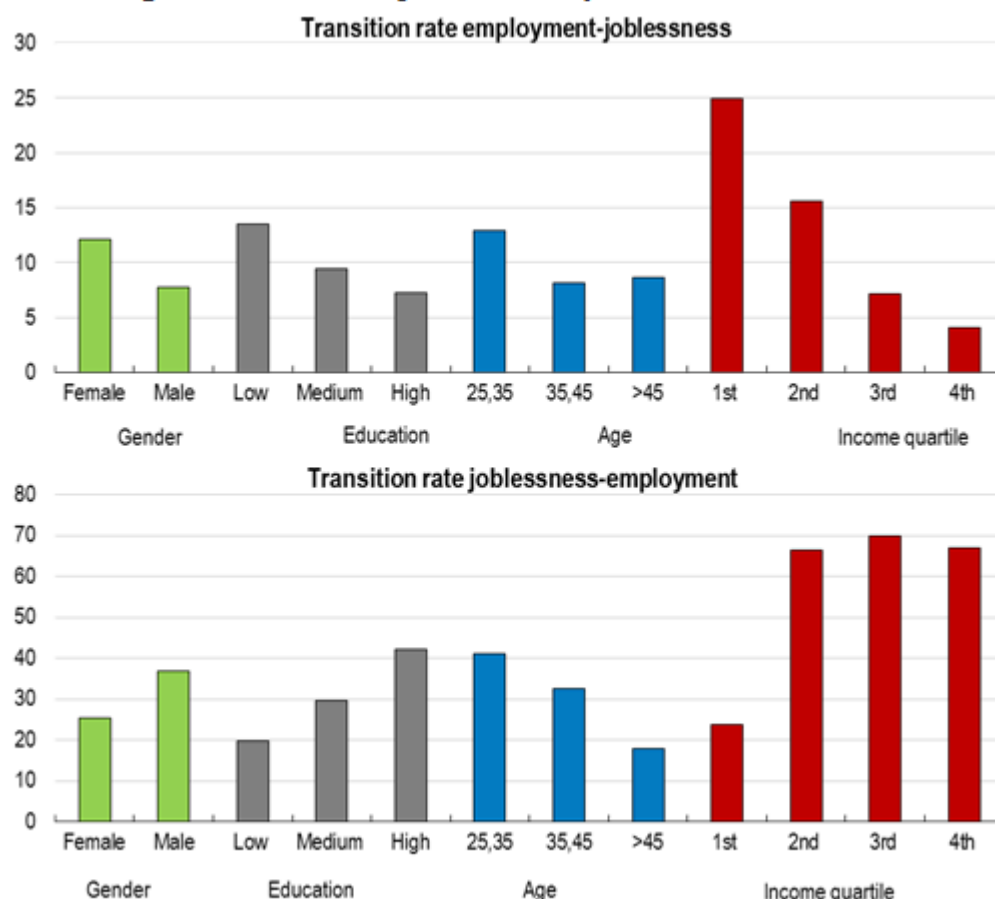
From a welfare perspective it is also important to understand how these labour market flows differ across workers (Figure 2). Several common patterns emerge across countries. Young workers have a twice higher probability of leaving their job than older workers, but they also have a higher probability of finding a job when out of employment. This higher rotation rate is likely to be related to young workers trying to find the best match for their career development but also to a more intensive use of fixed-term contracts.

Female, low educated and low income workers face the highest

risk of becoming jobless. Once jobless, these groups of workers experience lower probabilities of moving into a job. This means that labour market insecurity is particularly high for these groups of workers with consequent detrimental effects on individuals' well-being. The size of the effects implies that lacking education, alone, can increase one's labour market insecurity several times relative to their highly-educated peers.

National policies and institutions may shape the patterns of worker flows in OECD countries. Knowing more about how policies affect these flows can help us understand channels through which flexibility-enhancing reforms affect workers. This is the subject of other papers: [have a look here](#) or [here](#).

**Figure 2. Transitions probabilities by worker characteristics**



Source: Garda (2016), "The Ins and Outs of Employment in 25 OECD Countries", OECD Economics Department Working Papers, No. 1350, OECD Publishing.

## Want to read more?

Cournède, B., O. Denk, P. Garda and P. Hoeller (2016),

“Enhancing Economic Flexibility: What is in it for Workers?”, *OECD Economic Policy Papers*, No. 19, OECD Publishing.

Cournède, B., O. Denk and P. Garda (2016), “Effects of Flexibility-Enhancing Reforms on Employment Transitions”, *OECD Economics Department Working Papers*, No. 1348, OECD Publishing.

Denk, O. (2016), “How Do Product Market Regulations Affect Workers? Evidence from the Network Industries”, *OECD Economics Department Working Papers*, No. 1349, OECD Publishing.

Garda, P. (2016), “The Ins and Outs of Employment in 25 OECD Countries”, *OECD Economics Department Working Papers*, No. 1350, OECD Publishing.

Boeri, T., P. Cahuc and A. Zylberberg (2015), “The Costs of Flexibility-Enhancing Structural Reforms: A Literature Review”, *OECD Economics Department Working Papers*, No. 1227, OECD Publishing.