



How mobile is labour in practice in Europe, and in what ways?

Jørgen Elmeskov

OECD Economics Department

The views expressed are mine and do not necessarily
represent those of the OECD or its Member
governments

Roadmap

- Why I will disappoint
- Evidence on labour moves and associated policy settings in three dimensions
 - Geographical
 - Sectoral
 - Jobs
- Summing up
- Two caveats
 - International labour moves not covered
 - Policy settings only viewed from the angle of their impact on mobility

Why I will disappoint

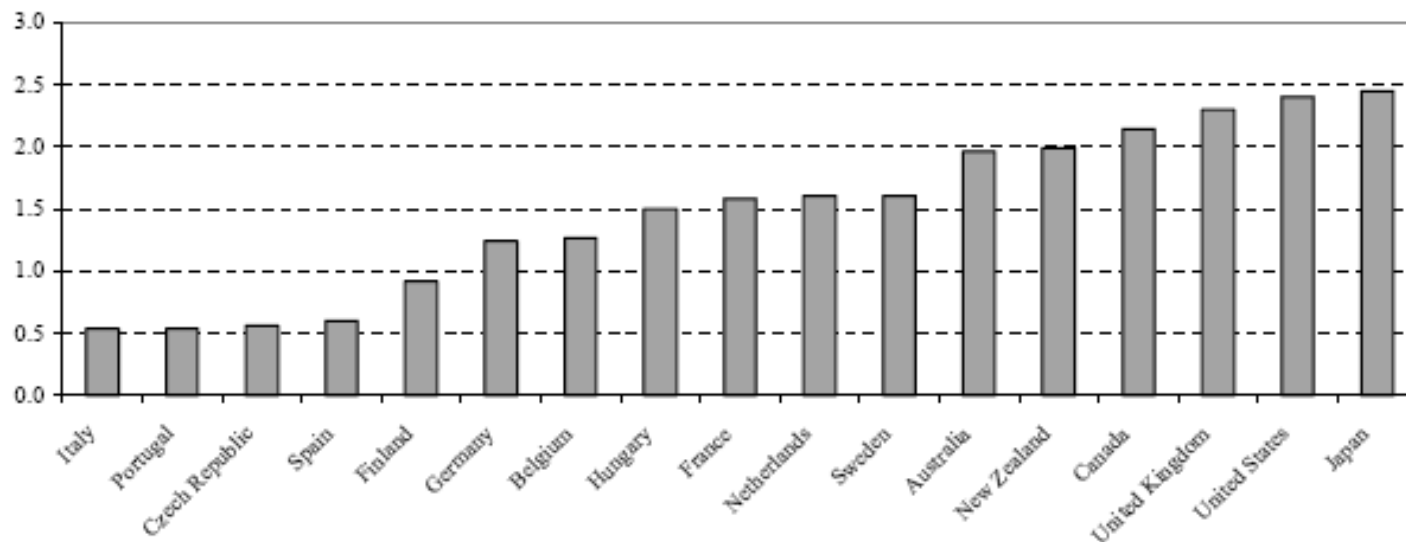
- Mobility is about responsiveness to shocks, e.g.
 - Technology
 - Trade
 - Demand patterns
 - Cyclical fluctuations
- Comparisons of mobility should be based on the size of labour moves for a given size of shock
- Would require econometric analysis linking shocks and moves
- Unfortunately, all we have is comparative, but very incomplete, evidence on moves

Geographical labour moves

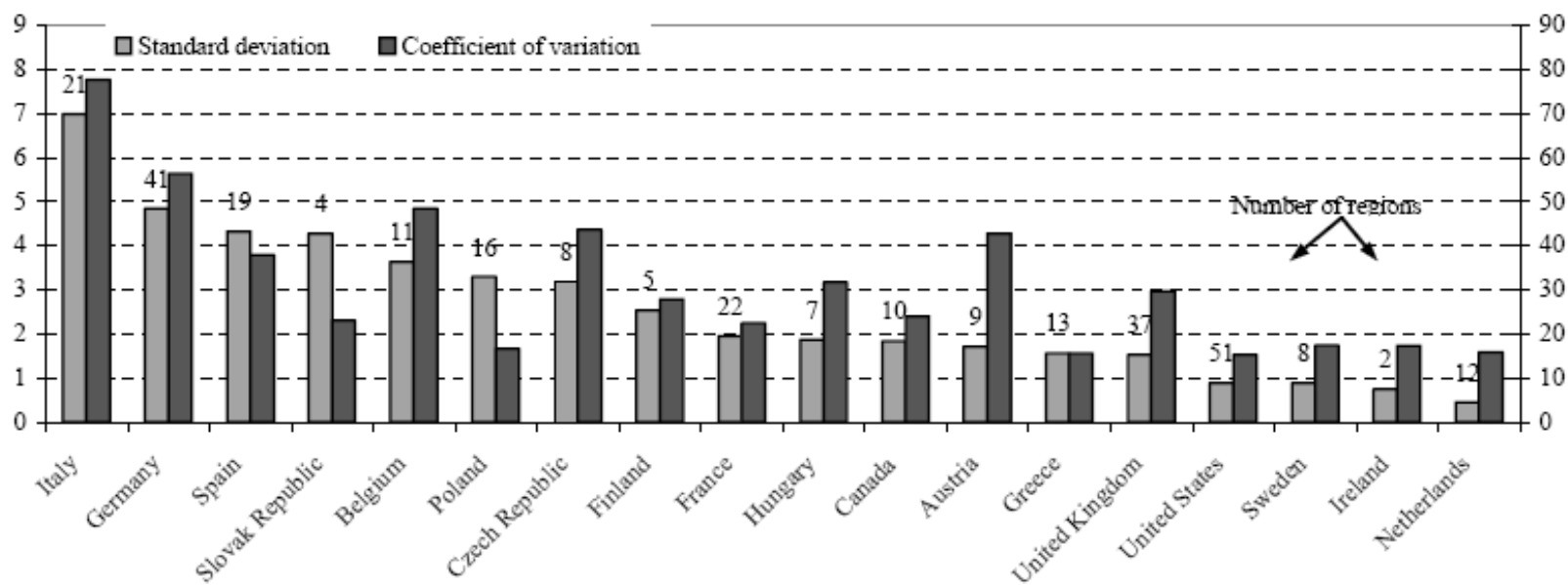
- Three types of evidence on (within-country) moves
 - Migration flows across regions
 - Regional variation in unemployment
 - Persistence of regional unemployment patterns
- Caveats
 - Adjustment needs may have been different across countries
 - Regions – and thereby mobility across regions – are difficult to compare internationally

Cross-regional migration flows, mid-1990s

(gross flows as % of total population)

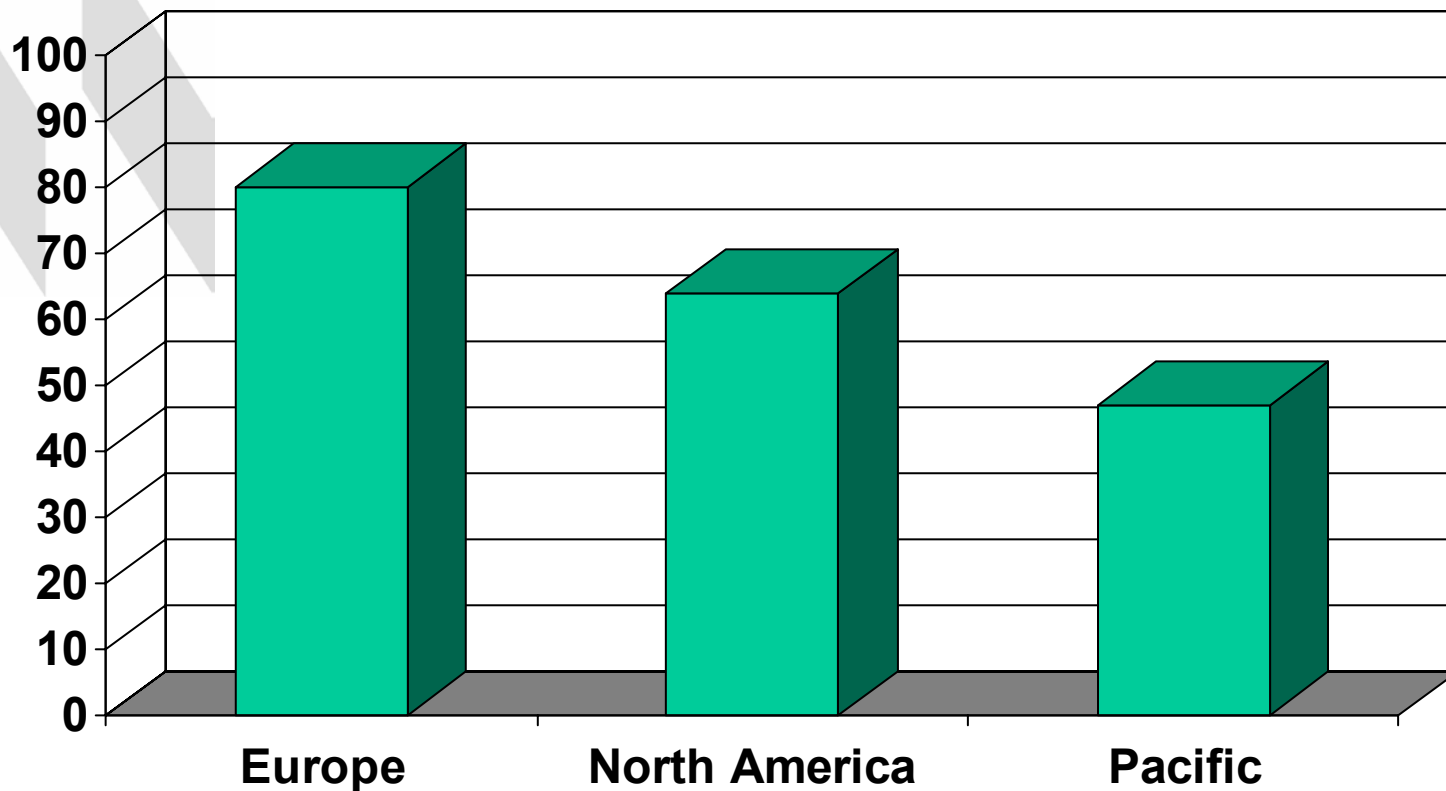


Regional unemployment rate dispersion, 2002



Persistence of regional unemployment

(% of regions in the highest unemployment quintile in 1993 who were still there in 2003)



Geographic mobility: some relevant policies

- Housing
 - Home-ownership probably a drag; heavily subsidised in many countries
 - Rent restrictions and allocation of social housing also problematic
- Unemployment benefits
 - Long duration may retard mobility
 - Availability and eligibility conditions may strengthen mobility
- Active labour market policies
 - Relocation assistance may boost mobility
 - Regionally targeted ALMP programmes may create lock-in
- Regional policies
 - Often an explicit or implicit aim to reduce mobility
- Policies affecting regional wage relativities
 - No regional differentiation of minimum wages
 - Extension of wage agreements across regions
 - Public sector pay scales (or, for that matter, social transfers) do not reflect different regional costs of living

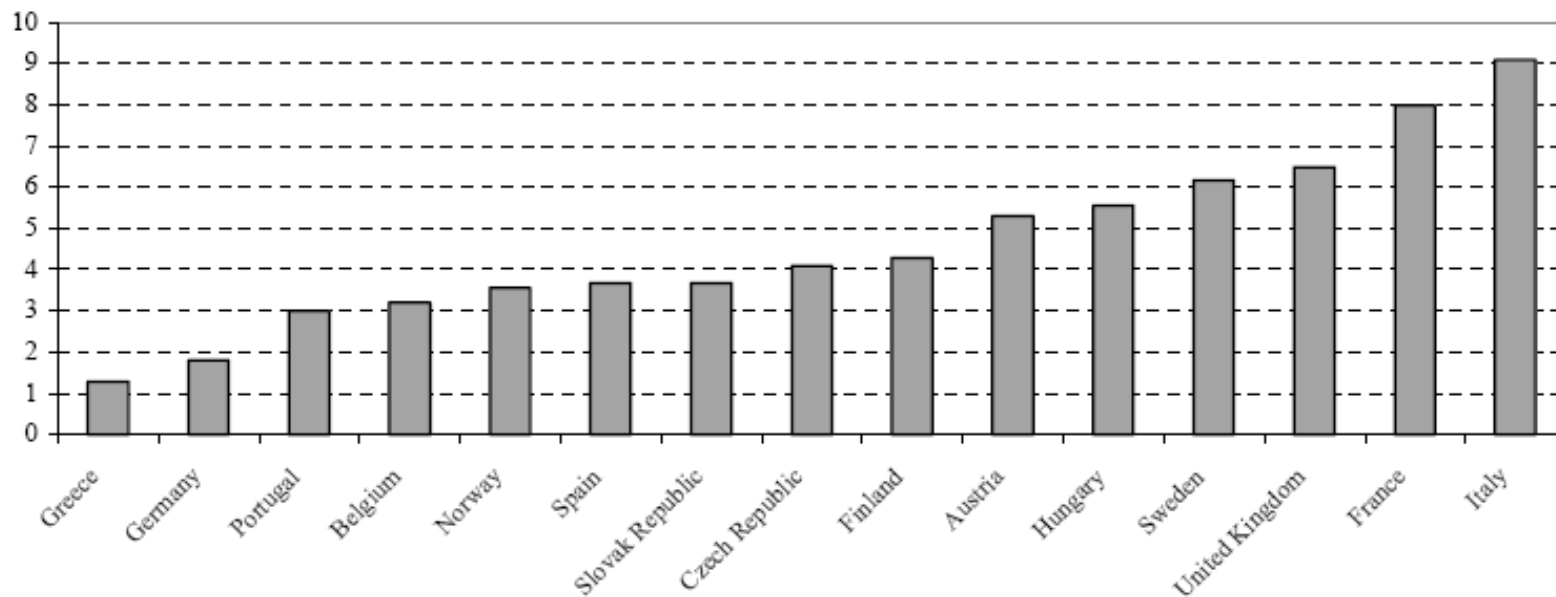


Sectoral labour moves

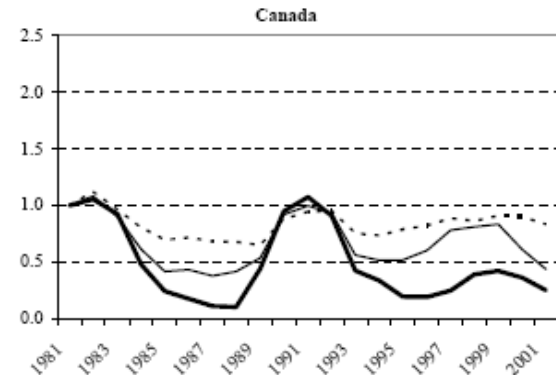
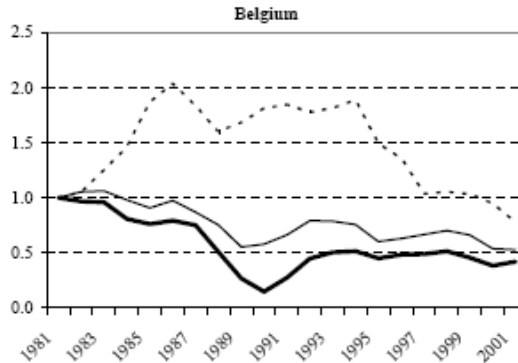
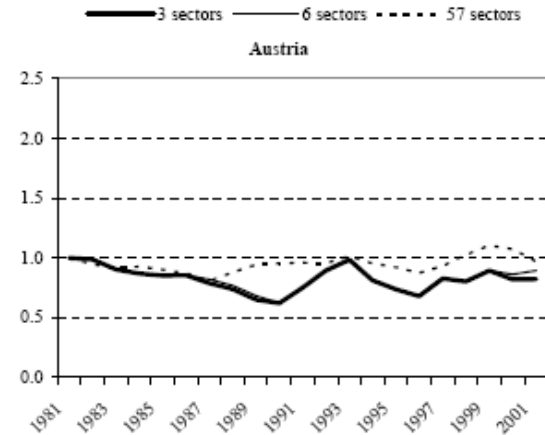
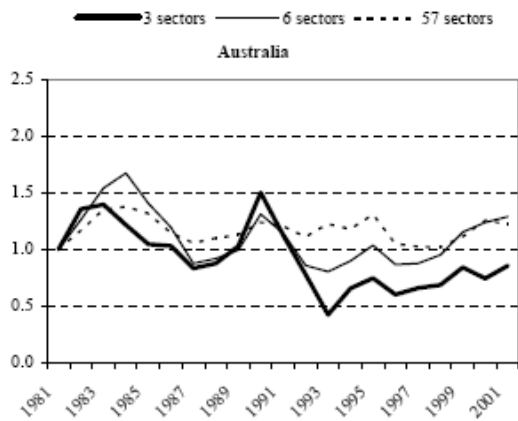
- Two types of evidence
 - Gross labour flows between sectors
 - Net changes in sectoral employment patterns
- Caveat
 - Results depend on sectoral disaggregation – within-sector movements are not caught

Gross labour flows between industries, 2003

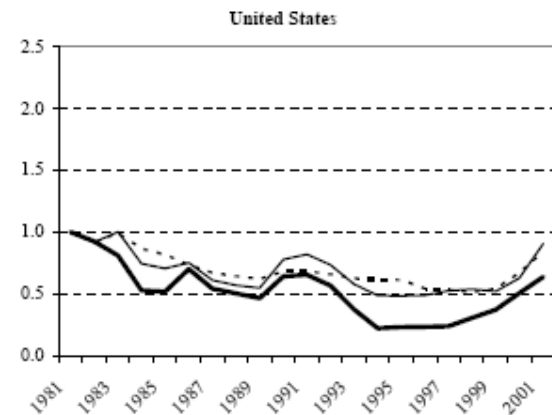
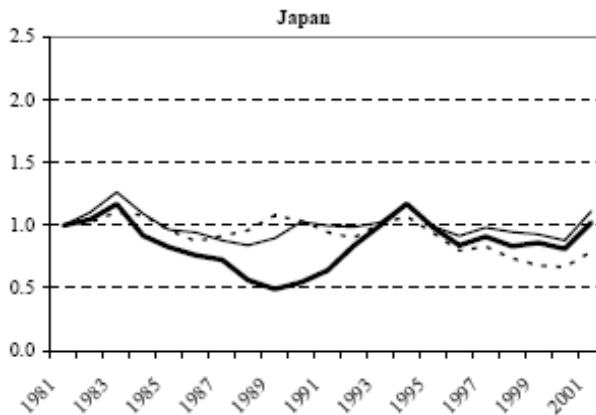
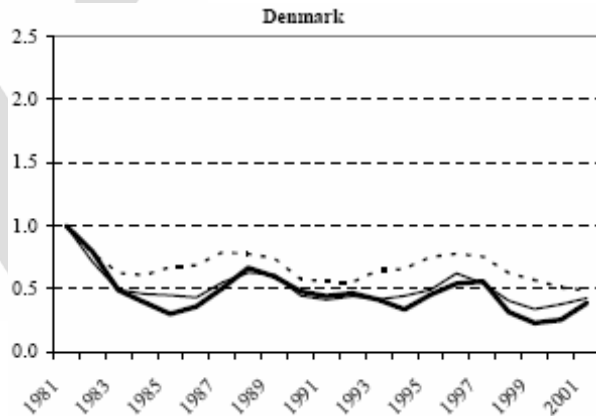
(at 2-digit NACE level, % of total employment)



Rate of change in sectoral employment pattern (3-year moving avg., index 1981=1)



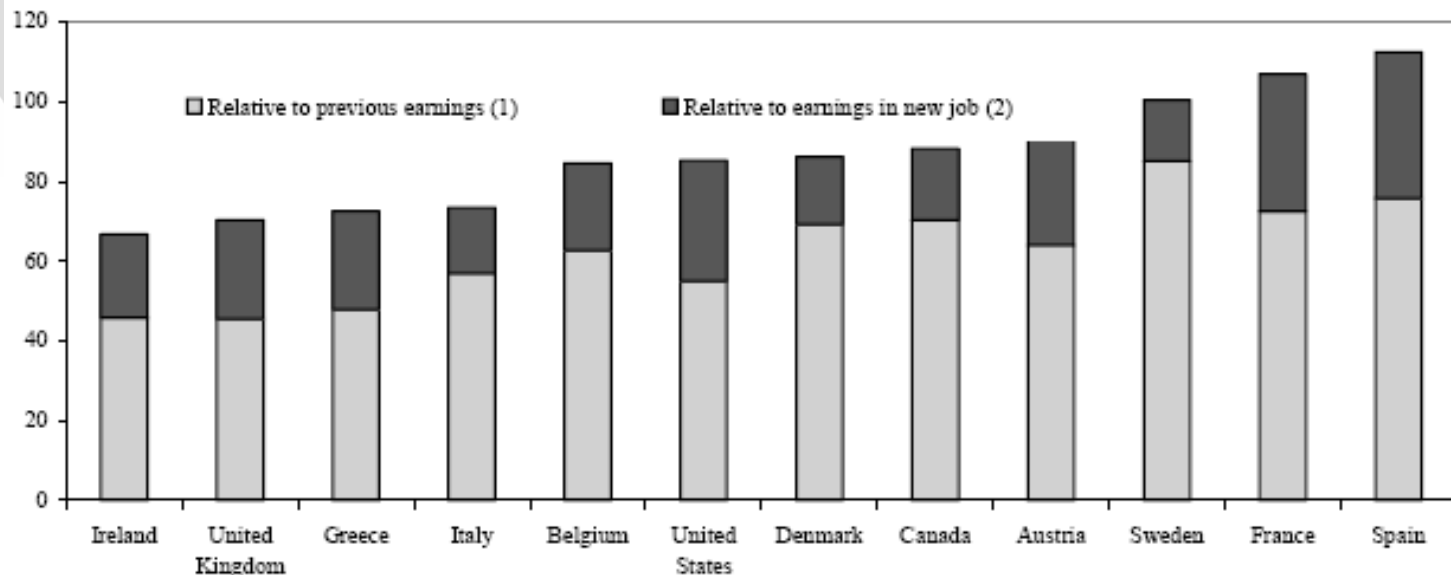
Rate of change in sectoral employment pattern (3-year moving avg., index 1981=1)



Sectoral mobility: some relevant policies

- Policies affecting competition in product markets
 - Lack of competition may slow down job losses but also retards new job creation
- Job protection
 - Heavy-handed job protection tends to slow down labour reallocation
- Active labour market policies
 - Aid for job search, re-training may ease sectoral mobility
- Unemployment insurance
 - Long duration may retard mobility
 - Compensation also given for rent component in wages

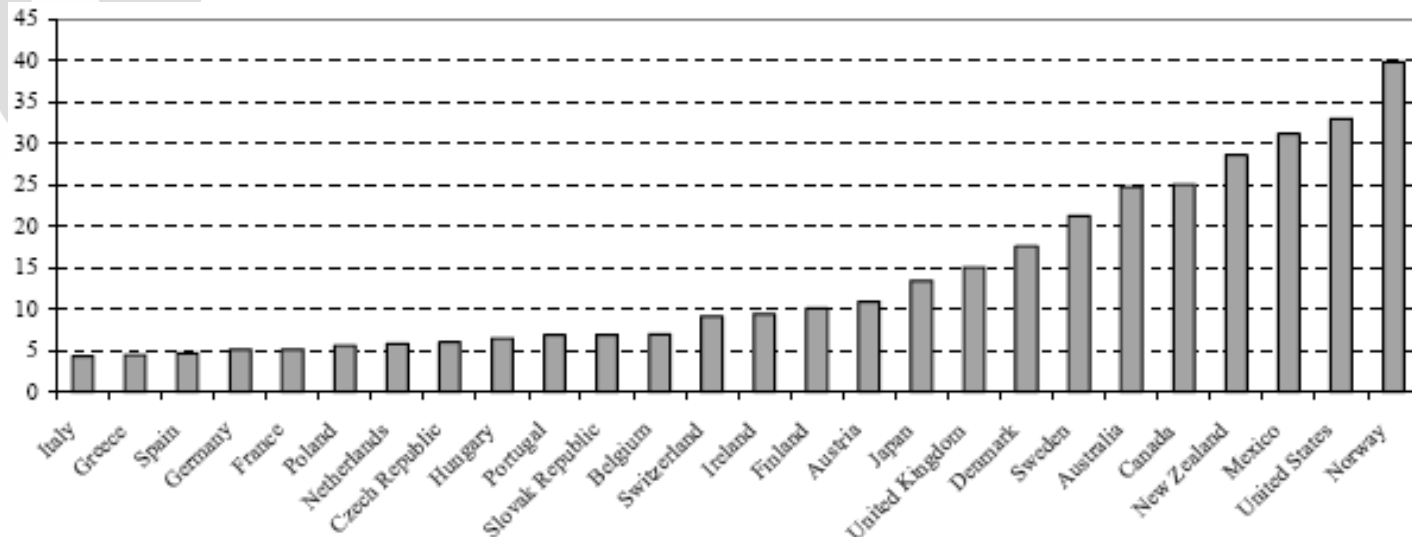
Net replacement rate when moving from high wage premia manufacturing to low wage premia service jobs



Moves between jobs

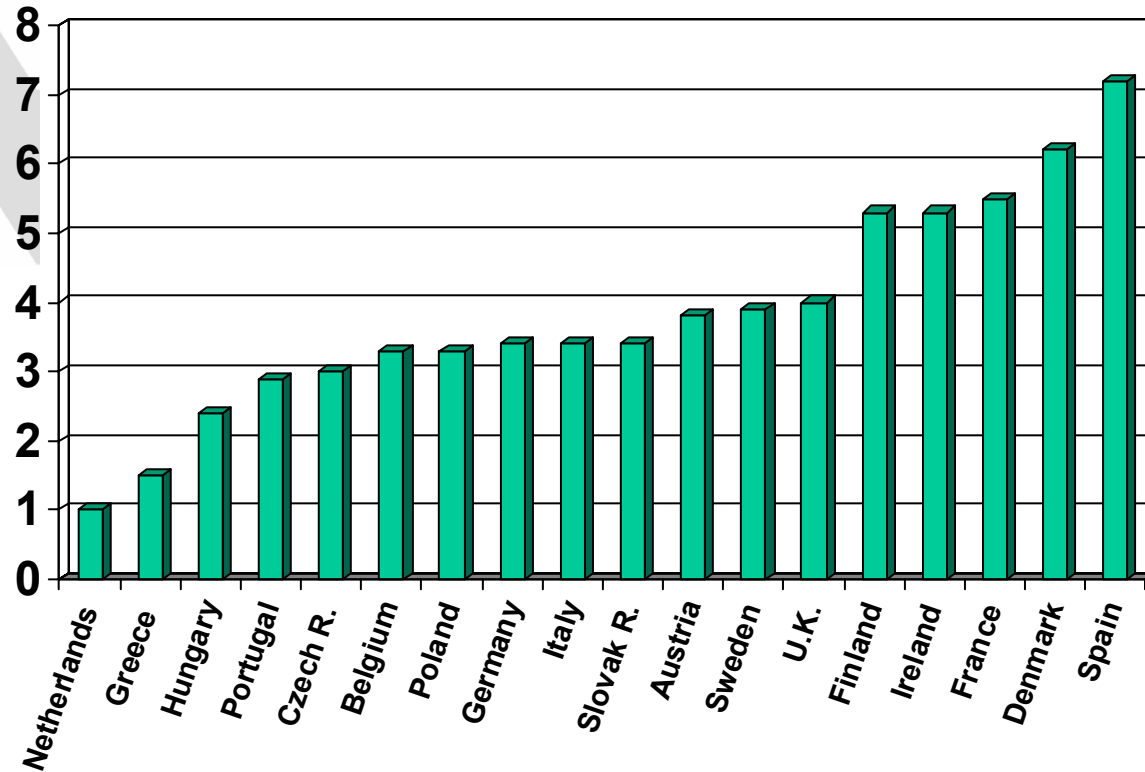
- Three types of evidence
 - Rates of outflow from unemployment
 - Labour turnover rates
 - Average job tenure
- Caveats
 - Many job moves do not go via unemployment
 - Turnover created by short-term contracts may not be desirable
 - Artificial turnover created by implicit contracts

Monthly unemployment outflows, 2002 (% of total unemployment)

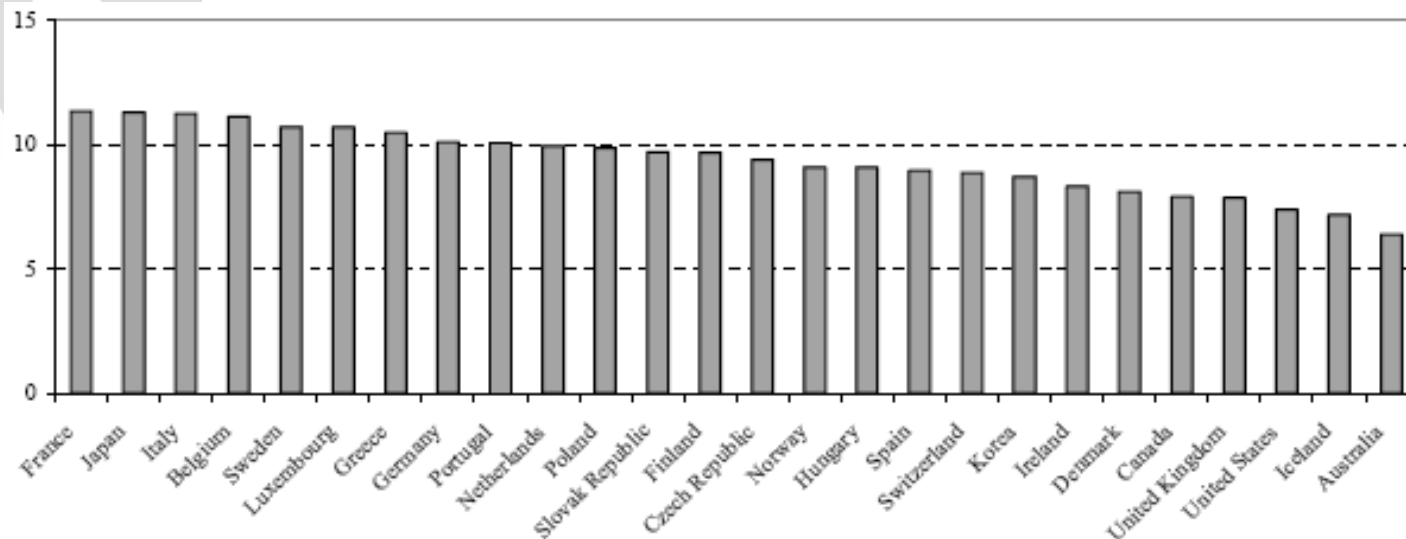


Labour turnover

(share of persons hired within past 3 months, 2005Q1, %)



Average job tenure in years, 2003





Policies affecting job mobility

- The same ones as previously mentioned

A new challenge: demographic change

- New entrants to the labour market traditionally a source of mobility but are fewer than before
 - And their supply may in some countries be partly pre-empted by the need to replace an ageing public workforce
 - On the other hand they are better educated which traditionally has been associated with more mobility

Summing up

- Mobility is important for growth and employment
- But can only be assessed through circumstantial evidence
- Mobility (in different dimensions) is probably lower in Europe than in North America and Pacific OECD
 - Suggested by evidence on moves and non-moves
 - Suggested by evidence on policies
- But there is not a single European story: policies and labour moves differ widely across countries