

11 Long-term effects of different labour careers

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- ▶ Many individuals experience some inactivity during their working lives: 15 per cent of men and 52 per cent of women
 - ▶ Female working careers are also characterized by a broader dispersion, especially among older women. The reverse is true for males: younger males show a broader dispersion, probably attributable to the unemployment effects of the great recession following the financial crisis
 - ▶ At-risk-of-poverty rates are higher for individuals with a large share of inactiveness but decrease with the number of job spells
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11.1 Introduction

Multiple jobs and labour inactivity are usually associated with lower employability and lower social protection. Therefore, the long-term effect of such careers may be monetary poverty in old age. This topic is important because non-standard labour careers, that is, careers in which individuals have not always been working between the end of their full-time education and the beginning of their retirement, have recently become more prevalent. Career breaks often affect the ability to accumulate tenure-specific rights that provide social security. Specifically, individuals with longer spells of labour inactivity have reduced access to pension rights and, therefore, lower pension income. Career breaks occur because of unemployment, care for children and other dependent family members or homemaking.

This chapter computes the share of active labour market participation during an individual's life course. We also count the number of job spells to distinguish workers with dynamic careers, that is, workers who changed several jobs over a lifetime. On the one hand, jobs changes may imply income improvements attributable to promotion or better matching. On the other hand, a large number of job changes may also be attributable to many exits from and re-entries into the labour market that are likely to reduce income growth over the life cycle.

We identify four categories of labour careers: always active individuals with one job spell, always active individuals with several job spells, seldom active individuals with one job spell and seldom active individuals with several job spells.

11.2 Working careers

The richness of the information available in the SHARE Wave 7 data allows us to identify the working careers of older workers and retirees in Europe. SHARE Wave 7 asked respondents about each working spell longer than 6 months during their lifetimes. A similar set of retrospective questions was asked in Wave 3 ('SHARELIFE'). We use the information available in both the retrospective waves (Waves 3 and 7) and the interim waves (4, 5 and 6) to bridge the information gap for the respondents whose working histories were collected in Wave 3.

To each year of life, we assign an employment state beginning at age 6 and ending at the age at the time of the interview. Employment states can take one of the following values: full-time education, active, inactive, retired and other. 'Active' refers to any paid job, that is, employee, self-employed, civil servant and military services, whereas 'inactive' refers to unemployment (whether or not actively searching for a job), homemaking and caring for dependent family members.

Approximately 70,000 individuals participated in the Wave 7 survey in 2017. Table 11.1 reports the number of observed spells and the average length of the different employment states. The average length of the sequences is approximately 63.5 years. For men, 60 per cent of this time is spent in the active state (38 years), while only 44 per cent (28 years) is spent in the active state for women. The subgroup of individuals who experienced some inactivity during their working life is large: 15 per cent of the male sample and 52 per cent for the female sample. Among them, years of inactivity amount to 7 years for men and 20 years for women.

Figure 11.1 also splits the sample into three age classes: 50–64, 65–80 and 80+. Figure 11.1 also shows that the average length of inactivity is shorter for men than for women in all age groups and is becoming longer for older cohorts.

We also want to account for differences in the institutional framework that regulates the labour market and social security across European countries. Figure 11.2 reports the average length of employment states by country and by gender. The set of countries includes Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Israel, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and Switzerland.

Differences between countries reflect differences in the institutional framework. Richer countries have a longer average duration of full-time education and shorter average duration of inactivity.

Table 11.1: Employment spells

	Number of spells Men/ Women	Average Length Men	Average Length Women	Conditional Average Length Men	Conditional Average Length Women
Whole sequence	29,929 / 39,678	63.7	63.6	--	--
Potential Working Life	29,515 / 38,529	39.7	39.2	40.3	39.8
Employment states					
Full time education	29,233 / 38,384	12.7	12.1	13.1	12.5
Active	29,424 / 35,271	38.7	28.4	39.3	32.0
Inactive	4,400 / 20,477	1.0	10.8	7.2	20.8
• Unemployed	3,645 / 5,509	0.8	1.3	6.6	9.9
• Family	8,43 / 16,645	0.3	9.4	9.3	22.3
Retired	20,632 / 26,994	9.0	8.8	13.3	14.4
Do not know – other	8,364 / 10,340	2.2	3.4	7.7	13.3

Note: The table reports the averaged length in years by employment state of the individual careers. Row “Whole sequence” refers to the full sequence from 6 to the age of the interview. Row “Potential Working life” refers to the subsequence from the end of the full time education up to retirement (or up the age of interview if still working). Column “Number of spells” reports the number of sequence with at least one year with the related state for men and women. Column “Average Length” is the average duration of the related state in the whole sample. Column “Conditional Average Length” refers to the average of the sample with sequences having at least one year with the related states.

Source: SHARE wave 7 release 7.0.0.

11.3 Labour inactivity as a share of working life

A closer look at respondents who experienced at least one year of inactivity helps clarify whether career interruptions have a temporary nature or are a

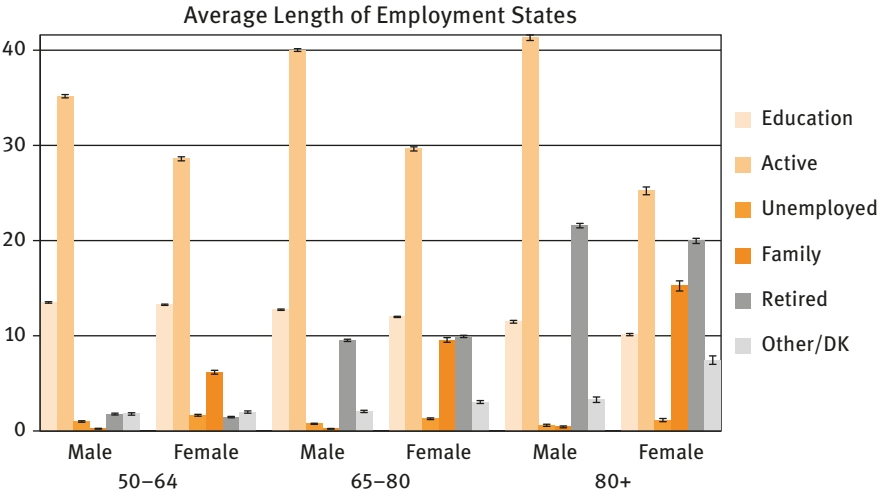


Figure 11.1: Average length (in years) of the employment states of SHARE Wave 7 respondents by gender and class of age.

Note: Sample size for age group 50-64 is 9,685/13,892 (M/F), for 65-80 is 15,208/18,492 and for 80+ is 5,036/7,294.

Source: SHARE Wave 7 release 0.

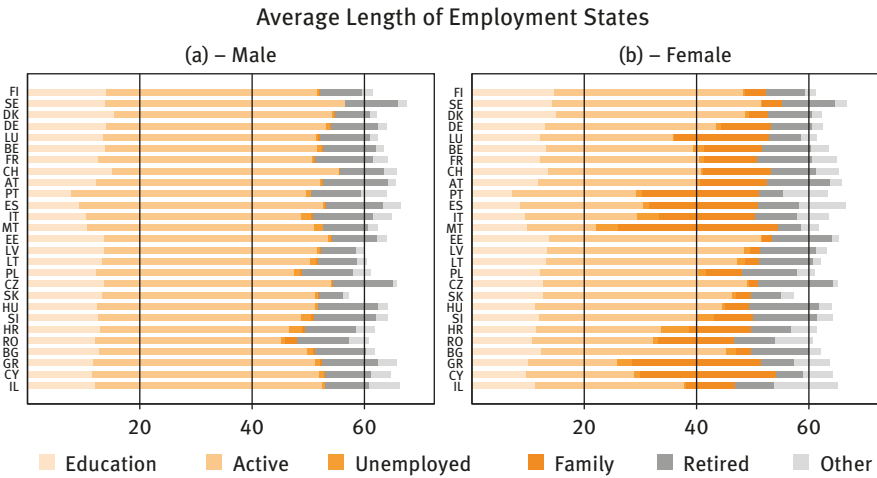


Figure 11.2: Average length (in years) of employment states of SHARE Wave 7 respondents by country.

Note: Sample sizes of the countries range between 390 (PT) to 4,620 (EE), mean 2,578, std. dev. 1,198.

Source: SHARE Wave 7 release 0.

signal of permanent exit from the labour market. Moreover, we assess the impact on the sustainability of the pension system by studying the distribution of the inactivity shares.

Figure 11.3 displays the conditional distribution of the inactivity share by year of birth. Conditional means that the sample is restricted to those with at least one year of inactivity and more than 50 per cent of their life before retirement (interview) as a potential worker. Figure 11.3 displays the median (p50) and four percentiles (10%, 25%, 75% and 90%). The dispersion is expressed as the difference between p10 and p75 or p90. Older women have higher median values of inactiveness and are characterized by a broader dispersion. Thus, in future years, a smaller fraction of women is likely to need access to minimum social security benefits because they will probably acquire more often adequate own contribution records. For men, the picture is reversed. Younger males show a larger dispersion probably as a result of the unemployment effects of the great recession following the financial crisis.



Figure 11.3: Conditional distribution of share of inactivity by year of birth.

Note: Share of inactivity is the percentage of potential working life in unemployment and family caring. The sample is restricted to respondents with at least one year of inactivity, with year of birth during 1923–1966 and a potential working life that accounts for half of the years before retirement (interview).

Source: SHARE Wave 7 release 0.

Considerable differences also exist across countries, which may be the result of welfare state policies, social norms or cultural factors. Figure 11.4 displays the conditional distribution of the share of inactiveness by country. Countries that are more ‘family centred’, such as Austria, Belgium, Greece, Italy, Spain



Figure 11.4: Conditional distribution of share of inactivity per country.

Note: Share of inactivity is the percentage of potential working life in unemployment and family caring. The sample is restricted to respondents with at least one year of inactivity, with year of birth during 1923–1966 and potential working life that accounts for half of the years before retirement (interview).

Source: SHARE Wave 7 release 0.

and Portugal, have higher median values that indicate a lower extent of female labour force participation in the past.

Regarding the second dimension of job careers, the number of active and inactive spells is higher for men (2.6) than for women (2.2), which indicates more dynamic careers or less stable working conditions during the working lives of men. The average number of spells has increased slightly over the years for both men and women: younger cohorts have more often interrupted careers. This phenomenon, which deserves further analysis, might be the result of structural changes in the economy, macroeconomic conditions in the wake of the financial crisis or other reasons.

11.4 Impact on current household income and old-age poverty

To analyse monetary poverty, we use the concept of household equivalized disposable income, which is defined as a household's total income after taxes and other deductions that is available for spending or saving, divided by the weighted

number of household members. Household members are weighted according to their age using the so-called modified OECD equivalence scale.

Figure 11.5 reports median household equivalized income by number of active spells and share of inactiveness. The number of active spells is grouped into 6 categories from zero to 5 or more. The inactivity share is reported in 3 categories from 100 per cent active, 50–99 per cent active to less than 50 per cent active. As expected, active workers always have higher current incomes. Income is also increasing in the number of job spells. Median incomes for always-active men are higher than for always-active women but lower in the case of career interruptions. This finding is interesting and requires a deeper analysis of multiple spell careers observed in the appropriate household context.

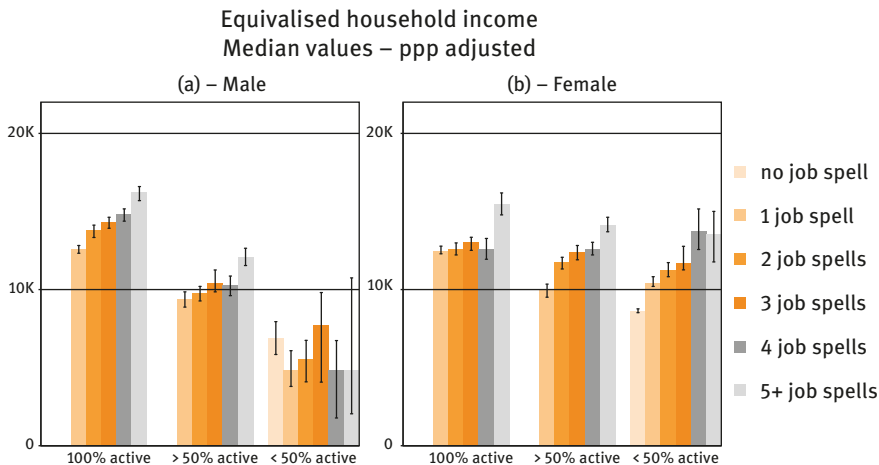


Figure 11.5: Equivalized household income per share of inactivity and number of job spells, median values.

Note: Sample size per share of activity class: Male – 100% (0/6,402/5,717/3,673/2,279/2,923), > 50% (0/829/853/693/461/714), < 50% (83/63/55/26/18/14); Female – 100% (0/5,787/3,958/2,402/1,333/1,646), > 50% (0/1,980/2,685/2,126/1,512/1,958), < 50% (2,604/2,248/1,033/499/201/118).

Source: SHARE Wave 7 release 0.

We define an individual as ‘at risk of poverty’ if it has an equivalized disposable income (after social transfers) lower than 60 per cent of the national median equivalized disposable income (after social transfers). The share of individuals at-risk-of-poverty, the AROP rate, measures not absolute poverty but low income in comparison to other residents in that country.

Figure 11.6 reports the AROP rates by number of active spells and share of inactiveness. AROP rates increase as the share of inactiveness increases but

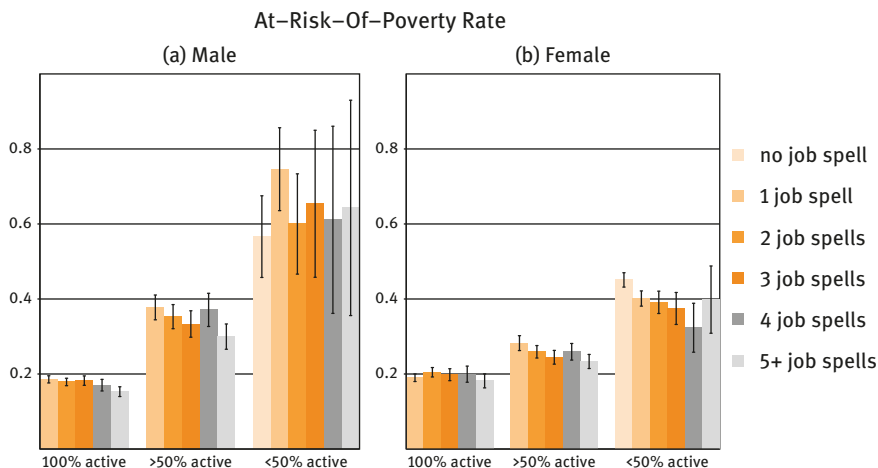


Figure 11.6: At-Risk-Of-Poverty (AROP) rates per share of inactivity and number of job spells, values in percentages.

Note: Sample size per share of activity class: Male – 100% (0/6,402/5,717/3,673/2,279/2,923), >50% (0/829/853/693/461/714), <50% (83/63/55/26/18/14); Female – 100% (0/5,787/3,958/2,402/1,333/1,646), >50% (0/1,980/2,685/2,126/1,512/1,958), <50% (2,604/2,248/1,033/499/201/118).

Source: SHARE Wave 7 release 7.0.0.

decrease with the number of job spells. Men are more likely than women to be at risk of poverty in old age after a working life with a low share of active labour market participation.

11.5 Conclusions

This paper uses approximately 70,000 life histories from Wave 7 to measure the share of active labour market participation during the life course and counted the number of job spells. On average, our data cover approximately 63.5 years. For men, 60 per cent of this time is spent in the active state (38 years), but this figure is only 44 per cent (28 years) for women. Many individuals experience some inactivity during their working lives: 15 per cent of the male sample and 52 per cent for female. For them, years of inactivity amount to 7 (men) and 20 (women).

Female working careers are also characterized by a broader dispersion. Thus, in future years, a smaller fraction of women will likely need to access minimum social security benefits because they will probably acquire more often adequate own contribution records. For men, the picture is reversed. Younger males

show a larger dispersion, probably the result of the unemployment effects of the great recession following the financial crisis.

Differences across countries may be the result of welfare state policies. Countries that are more 'family-centred', such as Austria, Belgium, Greece, Italy, Spain and Portugal, have higher median values of inactivity, indicating a lower extent of female labour force participation in the past.

Always active workers have higher current incomes. Income is also increasing with the number of job spells. Median incomes for always-active men are higher than for always-active women during their life course. Interestingly, this situation is reversed in the case of career interruptions.

At-risk-of-poverty rates are higher for individuals with a large share of inactivity but decrease with the number of job spells. Men are more likely than women to be at risk of poverty in old age after a working life with a low share of active labour market participation.

