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Towards a better understanding of linkages between labour market dynamics and social outcomes

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Abstract

The European Pillar of Social Rights on which the European Commission launched a consultation in March 2016 is likely to put strong emphasis on facilitating transitions into high-quality employment. This gives rise to crucial questions: Does work lift people out of poverty? Under which conditions does it so, notably in terms of the nature and quality of jobs? And for those people who are employed and remain at risk of poverty, is this due to low hourly pay, an insufficient number of hours worked or to the composition of households? We will examine what answers to these questions can be derived from that data that are currently available and the data limitations we face.

Such data are particularly important for groups that find it most difficult to access labour market opportunities, and notably young people and migrants. The ability to monitor labour market transitions for these groups is also a prerequisite for assessing the effectiveness of policy interventions designed to help them. A prime example of this is the Youth Guarantee. Do we have the right data to assess its effectiveness?

A better understanding of employment transitions and income changes is also important in view of the Sustainable Developments Goals on poverty and inequality. Their implementation and monitoring requires information on what happens at the bottom of the income distribution. To what extent are income developments at the lower end of the income distribution mainly due to changes in the primary distribution (labour income) or to tax-benefit systems? How do they need to interact to overcome persistent poverty and ensure that incomes at the bottom of the distribution can rise faster than average incomes?

This paper provides examples of analysis that can be done with EU-SILC and LFS data, but also identifies limitations and suggests ways of overcoming them.