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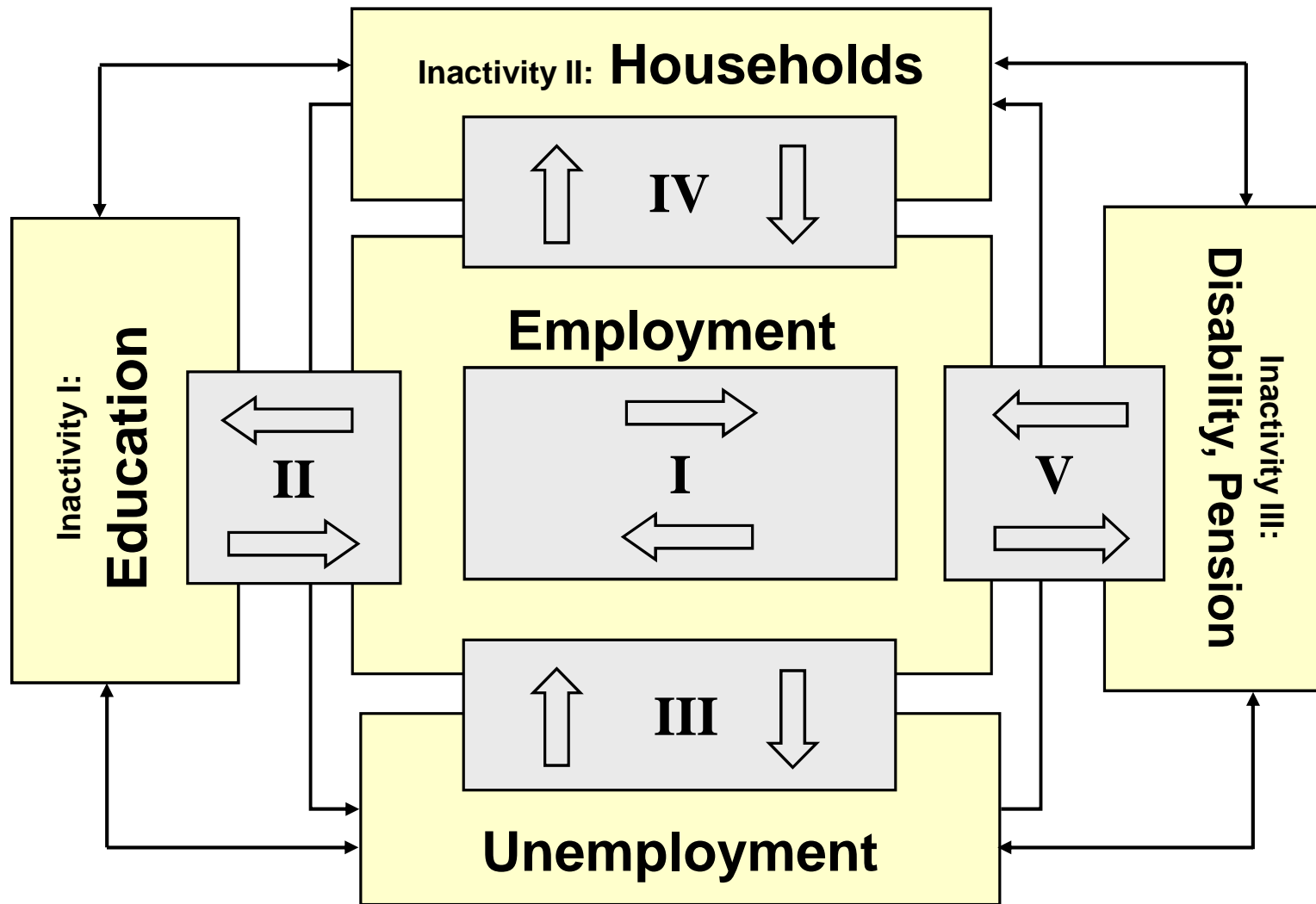
Flexible and Secure Labour Market Transitions

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Intervention to Hearing 2:
Labour Market Transitions – Revisiting Flexicurity
Brussels, 16 June 2016

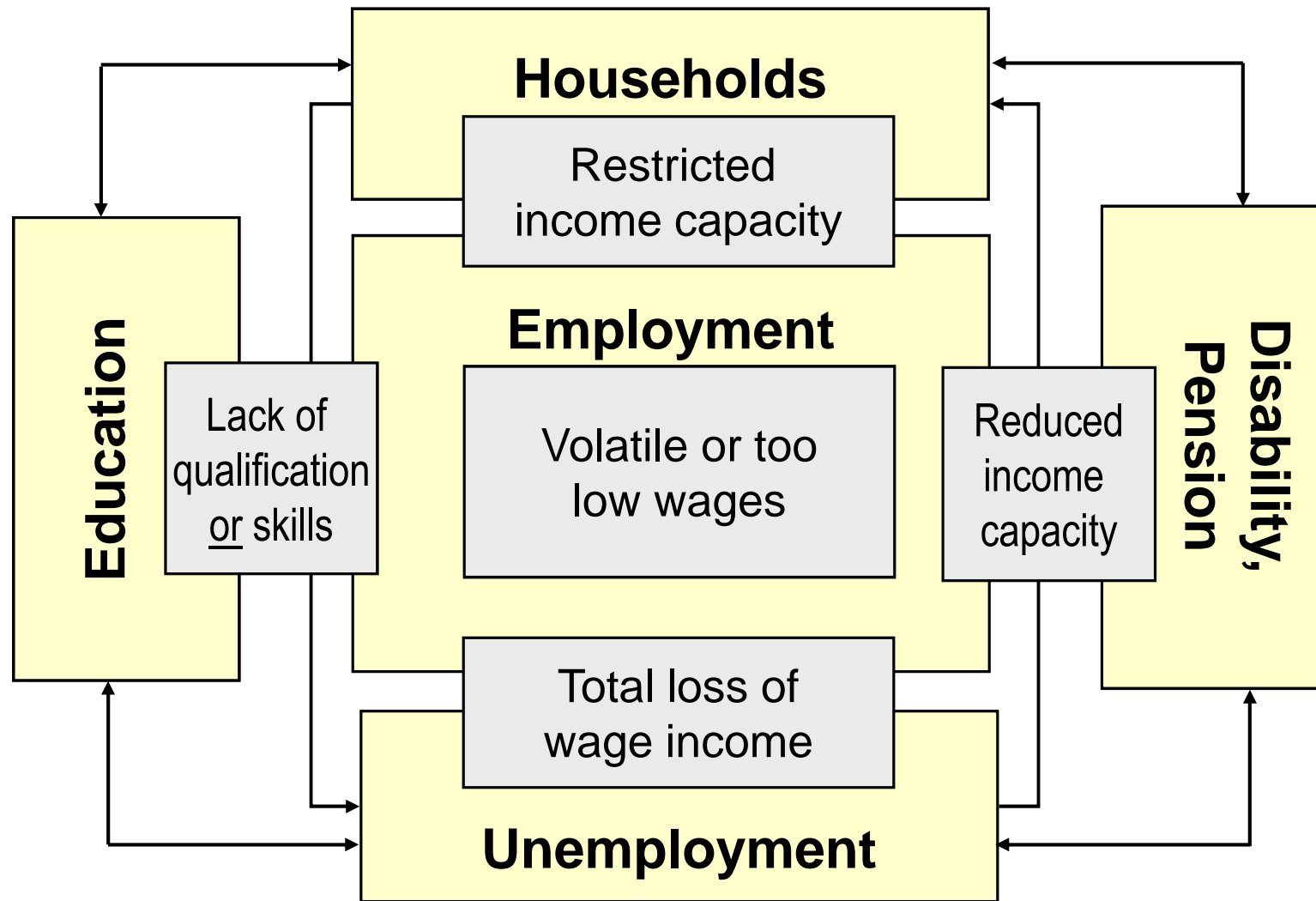
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A New View: The Transitional Labour Market (TLM) as a **System** of Employment Transitions Over the Life Course

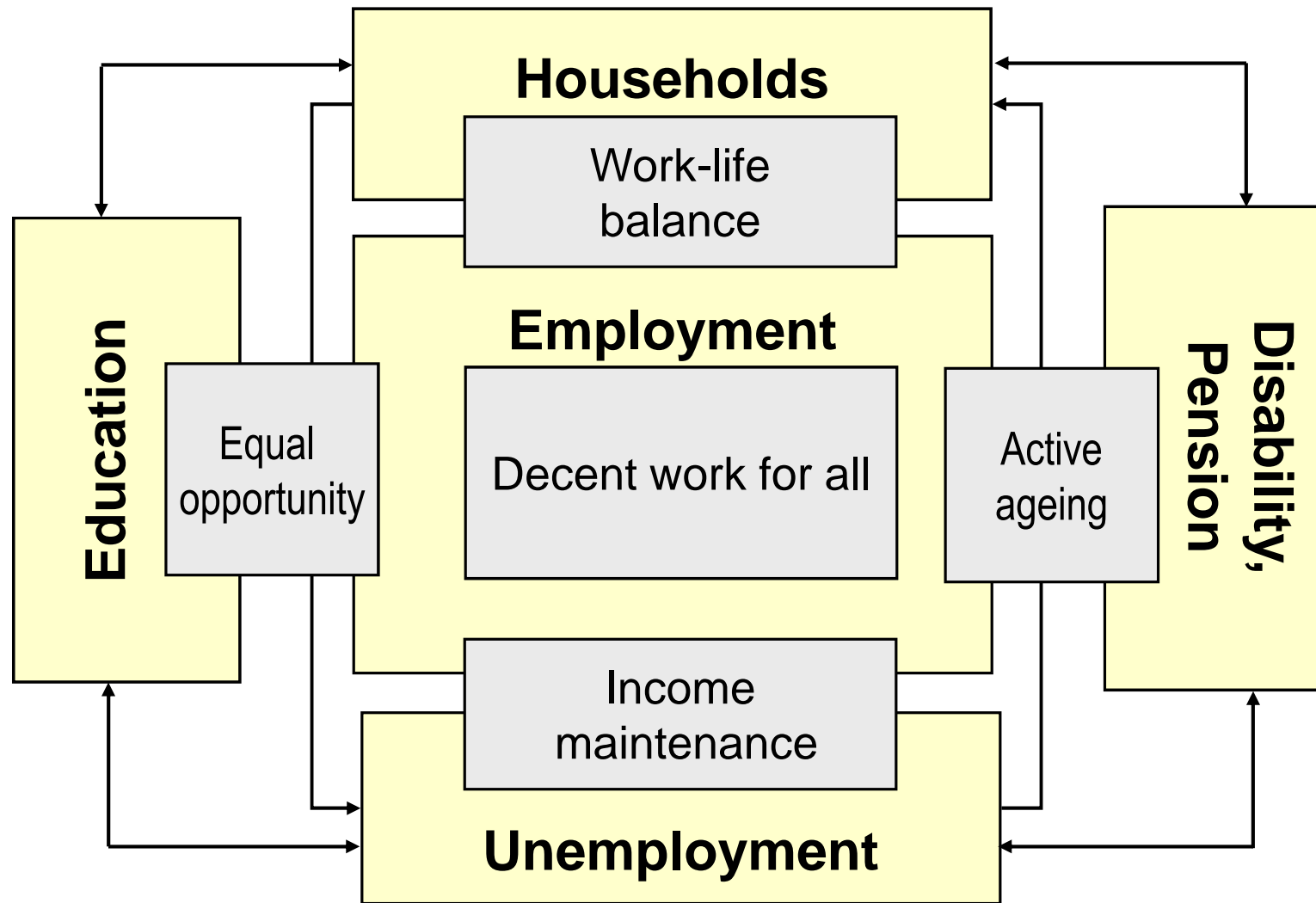


Labour Market Policy

Social Management of Risks Over the Life Course

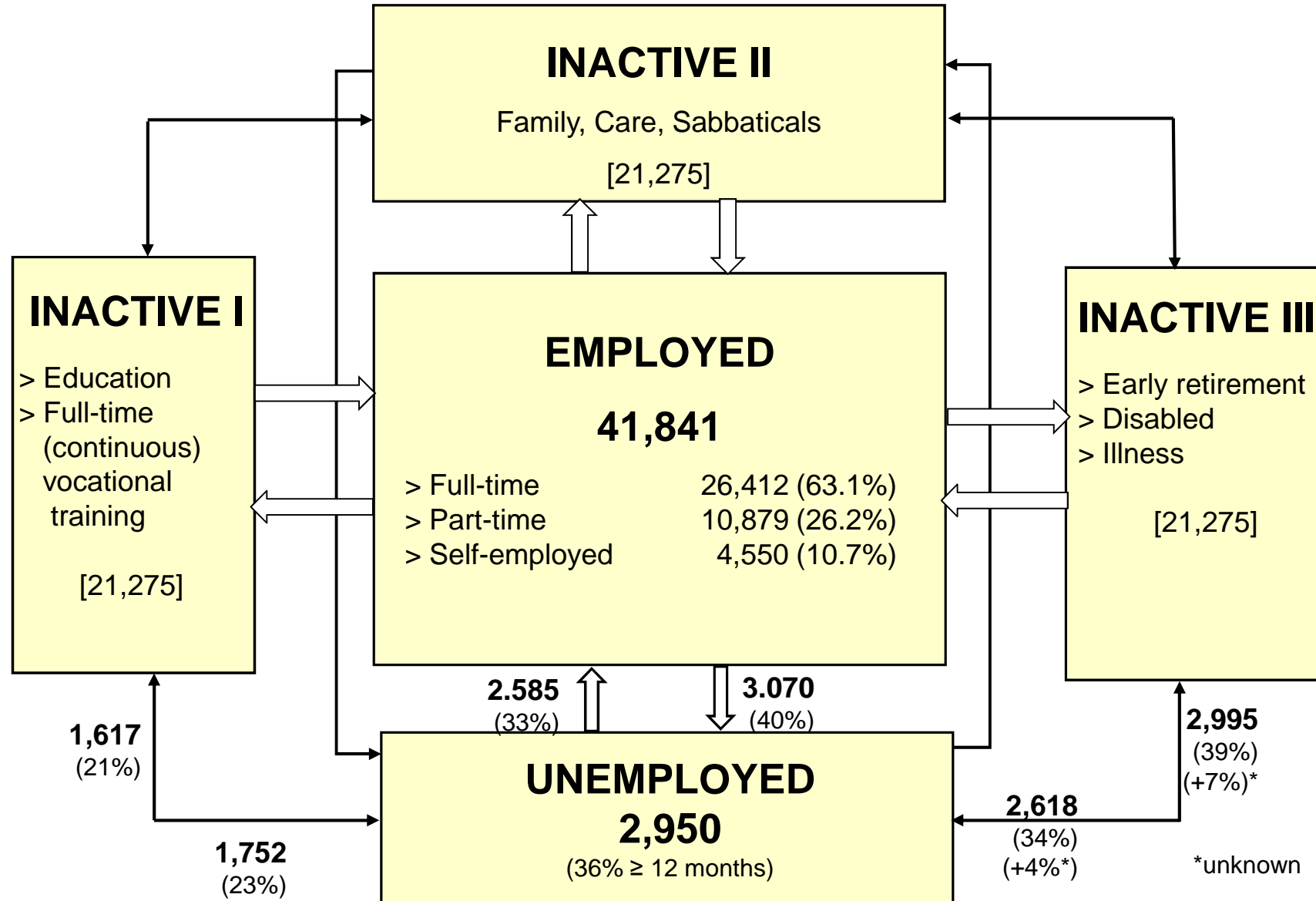


Objectives of Social Risk Management over the Life Course



The Transitional Labour Market in Germany 2013

Working Age Population (15-64) in Million [Total = 66,066]



Dynamics of Unemployment in Germany, 2013

	Flows into Unemployment 1,000	Flows out of Unemployment 1,000	Stock of Unemployed 1,000Total
Total*	7,778	7,744	2,950
from/ into: Employment	40%	33%	Duration until outflow after 23.7 weeks
from/ into: Education or LM-Measures	23%	21%	after 23.4 weeks
from/ into: Inactivity**	34%	39%	after 50.9 weeks
from/ into: unknown	4%	7%	after 43.0 weeks

*) For information: Number of active labour force (2013) = 43.9 Million; Source ANBA; © GüS

***) Status of inactivity unknown! Could be disability, retirement or household activity!!

Quality Criteria for TLM Oriented Labour Market Policy

I. Decent work for all

Flexible full employment; fair wage formation; high productivity

II. Equal opportunity

Equal chances in education; dual entering channels; no discrimination

III. Employment insurance

Generous UB; inclusion of other life course risks; proactive LMP

IV. Work-life balance

Gender equality; time sovereignty; acknowledging unpaid work

V. Active ageing

Life-long learning; reasonable workplace adjustment; gradual retirement

I Policies for Transitions Within Employment

Decent work for all through

(apart from monetary, fiscal and industrial policy)

- > Enhancing the capacity for internal flexibility
working time →, wages →, and vocational training
- > Supporting job-to-job transitions
transportability of social security entitlements etc.
- > Fair wage formation and minimum standards
wages according productivity + decent minimum wage
- > Embrace variability of employment relationships
by providing social protection floor for NSFE
- > Public or publicly supported employment
in particular in human services + activity guarantees

→ Risk Sharing Balance of German „Short-time Allowance“
as **Work Sharing Measure** of Employment Security

	Advantages	Problematic
Workers	<ul style="list-style-type: none"> - 80% to 90% wage insurance - Maintaining job - Maintaining qualification - Maintaining social network 	<ul style="list-style-type: none"> - Low activation incentive - Low mobility incentive - No right to qualification
Employers	<ul style="list-style-type: none"> - Maintaining skilled/loyal work force (Opportunity costs up to 32,000 Euro) - High flexibility in form of: <ul style="list-style-type: none"> > speedy adj.; strategic waiting; reversible > task specific personal adjustment 	<ul style="list-style-type: none"> - High remaining fix-costs (24%-46% depending on subsidies) - Low activation incentive - No right to instructions
Society (State)	<ul style="list-style-type: none"> - Reduced unemployment <ul style="list-style-type: none"> > 1,4 million less (2009) - Maintaining PP and + Psyche - High flexibility in form of high discretion for insurance principals + trust 	<ul style="list-style-type: none"> - Disadvantaging ‚outsiders‘ - Slowing down structural change - High costs requiring high social contributions; debt financing, e.g. € 5 billion for a wreck-bonus

II Policies for Transitions between Education and Employment

Equal opportunities in education through

- > Learning to learn and to communicate as early as possible, already in Kindergarten and in preschools (at least in two languages)
- > High general and market oriented education through dual learning systems (apprenticeship, voc. academies)
- > Opening access for everybody to all educational levels
Promotion of horizontal and vertical transitions;
right to regular employability assessment;
second educational chance during the life course

III Policies for Transitions between Employment and Unemployment

Employment insurance through

- > Basic income security and employment promotion for all employable people: social inclusion, in particular of untapped labour resources (e.g., high educated women)
- > Insuring all important income risks over the life course generous and breathing UB (investive functions!) and ST-work allowance, partial UB for (in-) voluntary P-Time →
- > Proactive labour market policy through promoting careers work first and training; employment subsidies; capitalised UB for start-ups; (marginal) wage-cost-subsidies (Kaldor) and intensive placement services: case management, active consulting of SME's, PP-partnerships (covenants)

→ **Part-time: a Driver of Inclusion and Productivity**

- Part-time, in particular voluntary part-time, correlates strongly positive with labour force participation (**inclusion**) and working hour output (**productivity**) (see GüS-Background-Paper)
- The main reasons are:
 - PT-employment allows tapping the underutilised resources of highly qualified women
 - economies move toward (often knowledge intensive) services, employers need a more flexible work organisation, especially via PT (24 hours economy)
 - increasing the variability of employment contracts (e.g. through PT-employment) enhances further labour division which is often related to higher productivity
 - voluntary PT-employment is often combined with training and education fostering employability and productivity of all workers, a suitable instrument not least immigrants
 - marginal individual productivity (after increasing at the beginning) decreases with the length of working time (U-shaped productivity curve)

→ Managing Social Risks Related to Part-time Employment

Institutions/ Strategies	Making Transitions Pay	Making Market Fit to Workers
U-/ Employment Insurance	Inclusion of parental leave and involuntary PT; portable entitlements	Subsidise U/E-Insurance contributions for low-wage earners
Employment Services	Inclusion of part-timers	Support employers to reasonably adjust work environment (E-pools)
Education & Training	Combining part-time with CEVT	Enhance Dual Learning Systems
Employment Protection	Same rules as for full-time	Entitlements to part-time and ensure possible return to full-time
W-Formation	Wage insurance	Enforce non-discrimination related to part-time wages
Taxes & Benefits	Individual instead of joint income taxation	Progressive income taxation
Public Employment	Enhance PE wherever reasonable (public goods & services)	Full-time equivalent child care

IV Policies for Transitions between Household Work and Employment

Work-life balance though

- > Time sovereignty over the life-course
Social right to chose working time and right to return to full-time, support time accounts
- > Making transitions pay between 'work' and 'life' through financial incentives (e.g., support of transitory part-time work)
insurance of working-time accounts; income maintenance during leaves for child or elderly care
- > Making transitions possible through social infrastructure
affordable crèches for little children, Kindergartens, efficient transport systems (more in-kind, less in cash transfers)

V Policies for Transitions between Employment and Inactivity due to Disability or Retirement

Active ageing through

- > making workers fit to the market through, e.g., continuous vocational education and training (life-long-learning), careful deregulation of seniority wages
- > making the market fit to workers through, e.g., reasonable adjustment of work places, internal job rotation, negotiated flexicurity (e.g., adjustment groups)
- > flexible transitions into retirement through, e.g., gradual retirement (combining part-time work with part-time pensions), wage insurance, incentives for working longer; negotiated flexicurity (e.g. Demography Funds)

Summary Recommendations Related to EPSR

- **Apply consistently TLM analytical framework**
see Schmid 2008: 219-224
- **Enhance social rights and obligations through regulatory idea of an inclusive labour contract**
see Schmid 2008: 224-231; Schmid 2015; Schmid: background paper to this hearing
- **Enhance social insurance principle →, in particular by extending UI to employment insurance** see Schmid 2015
- **Support negotiated flexicurity, in particular through the institution of covenants** see Schmid background paper
- **Support or complement EPSR through a European Fund of Employment and Income Security** see Schmid 2014

→ **Enhance the Social Insurance Principle, because:**

- Social insurance benefits are better protected against discretionary political decisions than means tested benefits
- Such benefits also are usually implemented through independent institutional bodies (often in tripartite arrangements) that develop over time a specific professionalism immune against short-sighted policy intervention
- Individual and wage-related benefits can be calculated much easier and fairer than means tested benefits
- The incentive of social insurance benefits to work is stronger than for means tested benefits, not least due to the entitlement effect
- The macro-economic stabilisation impact of wage-related replacements is higher than of (usually lower) means tested benefits
- Generous short-term UB (up to about nine months) reduce cut-throat competition between insiders (covered by insurance) and outsiders (not [yet] covered by insurance)
- Jobless people covered by U-/ Employment insurance remain healthier and more self-confident than jobless people without such benefits or only means tested benefits

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