

Full Employment in Europe: Managing Labour Market Transitions and Risks¹

Short Summary

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I want to stress the importance of maintaining the economy as close to full employment as possible; unemployment represents the most dramatic failure of markets, a wastage of our most valuable resource. It is a primary responsibility of government to maintain the economy at full employment. [...] As unemployment goes down, risk taking goes up, not the other way round (Stiglitz 2003, pp. 292-293).³

The spirit and the purpose of the book, *Full Employment in Europe—Managing Labour Market Transitions and Risks*, closely approximate the message of this introductory statement by Joseph Stiglitz. The similarity is even greater when it comes to his remarks about the ways in which governments and markets might promote full employment. Like Stiglitz, I regard the dichotomy between government and market as too simple. Fights over taxes or redistribution, in some ways, are only skirmishes. “*The real battle is more profound: it is about the nature of society and the relationship between the individual and the society*” (Stiglitz 2003, p. 303). There is a need to go beyond markets and governments, a need to prompt and guide collective action.

The first distinguishing feature of the book is its fresh and new approach to the question of full employment in modern society. It is based on the observation that full employment defined as continuous full-time work for male breadwinners over their life course is neither a desirable nor a realistic goal in the future world of work. Instead, I argue for modernising full-employment policy in Europe by embracing a gender-sensitive alternative: transitional labour markets (TLM), defined as legitimate and negotiated sets of mobility options supported by institutionalised ‘social bridges’ between various statuses of employment or between employment (market work) and unpaid work over the life course.

My reasoning partly stems from the fact that many member states of the European Union (EU) still face long-term unemployment despite an increasing lack of

¹ Günther Schmid (2008), *Full Employment in Europe: Managing Labour Market Transitions and Risks*, Cheltenham, UK und Northampton, MA, USA 2008, Edward Elgar, 385 pp.; for order go to: http://www.e-elgar.co.uk/bookentry_main.lasso?id=12888

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³ Joseph E. Stiglitz (2003), *The Roaring Nineties. A New History of the World's Most Prosperous Decade*, New York: W. W. Norton & Company.

skilled labour. The current financial and economic crisis, again, will aggravate this problem. New employment policies and institutional arrangements must be found to solve this problem, for long-term unemployment is both a waste of economic resources and one of the main causes of poverty, social exclusion and increasing inequalities. The risk of social exclusion runs high especially for the low skilled and young entrants into the labour market, for ethnic minorities and single mothers, eventually undermining trust in the basic institutions of social democracy. The concept of TLM regards the labour market not only as an economic institution directed to efficiently and equitably matching supply and demand; the labour market is also considered as a social institution supposed to integrate the young and mature, the marginally and highly skilled people independent of their gender into meaningful careers of gainful employment over their life course. The book's eight chapters propose the establishment of TLM as a promising institutional arrangement for enhancing social integration in the context of the knowledge economy and the social dimension of Europe.

This book's second unique feature is the regulatory idea of social risk management, which centres on the adverse effects and the opportunities related to risky transitions during a person's life course. Some of these transitions are those from school to work, from gainful employment to unpaid work in the family or civil society, from part-time to full-time work, from employment to continuous education or training and from dependent employment to self-employment and vice versa. The intrusion of the term *risk management* into the discourse on employment policy may indicate a dangerous commercialisation of employment relationships. It may, however, also provide a moral opportunity to reconsider the balance between individual responsibility and solidarity, thereby representing a policy opportunity for establishing a new balance between flexibility and security. A basic premise of this view is that individuals can assume added responsibility if the system enables them to enhance their capabilities not only by 'making work pay' but also by 'making transitions pay'. The institutionalisation of TLM would mitigate the unemployment impact of economic recessions, e.g., through generous short-term unemployment benefits or through short-time work compensation letting the labour market 'breathe'. They also would enhance employment intensity of growth in a non-inflationary way, e.g. by reducing in advance skill bottlenecks by combining short-time work with continuous training and education or by providing income security for longer-term training or education leaves, thereby avoiding segmentation of the labour market into 'insiders' and 'outsiders'. Finally, TLM would enhance the capacity of workers with (for whatever reason) restricted work capacities through not only making workers fit for the market but also through making the market fit for the workers by reasonably adjusting workplaces, supporting job-to-job transitions through, e.g., portability of social security entitlements or through the right to negotiate for the variability of working time according to changing preferences or needs during the life-course.

The third distinctive feature of *Full Employment in Europe* is its comparative and interdisciplinary treatment of the dynamics of full employment. I synthesise

approaches from labour economics and new behavioural economics, political science and governance theory, socioeconomics and welfare state theory by means of an analytical framework derived from systems theory. In contrast to most comparable publications on full employment, the book draws on original analytical studies of both an empirical and normative nature. Going beyond pure quantitative measures of employment, it contains fertile empirical work on labour market performance (e.g., transitions and risks in the modern labour market), especially on risks related to non-standard forms of employment. At various levels, I also undertake normative analytical studies based on modern theories of justice, equality, efficiency and risk perception.

The volume's fourth notable feature is the focus on the Europeanization of labour markets and labour market policies. I treat this topic through multilevel institutional analysis, especially by assessing the potential of the open method of coordination (OMC), and through examination of new forms of governance designed to combine public and private forms of regulation into an optimal mix of network governance or public-private-partnerships. The book also offers a rich set of good practices for active labour market policy based on international experience with managing risky transitions over the life course. It shows in particular how conventional unemployment insurance can be transformed into an employment or work-life insurance that not only covers income and status risks related to unemployment but that also copes with volatile income and career risks related to flexible jobs or discontinuous job careers.

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