

# The "Transitional Labour Markets" Approach: Theory, history and Future Research Agenda

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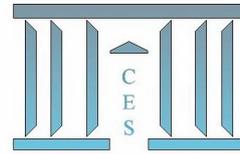
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## The “Transitional Labour Markets” Approach : Theory, History and Future Research Agenda

Bernard GAZIER, Jérôme GAUTIE

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Bernard GAZIER and Jérôme GAUTIE

## Abstract

This contribution aims at presenting a critical and synthetic overview of the researches done, since 1995, under the aegis of the « Transitional Labour Markets » current. In its first part, the survey focuses on the positive theoretical bases of this current. They come from diverse theories of the labour market and of organisations, and are integrated into a systemic perspective. The second part deals with the normative consequences stemming from this approach. The third part presents and discusses recent developments, identifying unsolved problems.

Keywords and phrases : Transitional Labour Markets, employment, labour market policies

*L’approche des « Marchés Transitionnels du Travail » :  
théorie, histoire, et agenda pour des recherches futures*

## Résumé

Cet article vise à présenter de manière critique et synthétique le développement des recherches effectuées depuis 1995 dans le cadre du courant des « Marchés Transitionnels du Travail ». Il commence par préciser les bases théoriques positives de ce courant, qui se trouvent à la fois dans diverses théories du marché du travail et des organisations, et dans une perspective systémique. Il continue en examinant les prescriptions normatives qui en découlent. Il termine en présentant les développements les plus récents et les problèmes qui demeurent en suspens.

Mots clés : Marchés Transitionnels du Travail, emploi, politiques publiques de l’emploi

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Launched in the middle of the 90s by Günther Schmid and Peter Auer (Schmid 1995; Schmid and Auer 1997), the “Transitional Labour Markets” approach (TLM) displays a set of analytical and political propositions aiming at understanding and reforming labour market policies, and, beyond, at improving the functioning of the labour market by an increase of its integration and adaptation capacities (Schmid and Gazier (eds) 2002). However, the scope of the TLM approach appears even wider, because they are becoming a key part of a new social model, based upon the quest for a dynamic securing process of workers’ careers (Gazier 2003; Gautié 2003). As such, TLM are a research and policy elaboration programme, belonging to the “institutional” current. It underwent a number of changes and has been enriched since its first drawing up. The aim of this contribution is double: first, to present in a concise way its theoretical basis and development process, focusing on its main achievements and results, positive (1) as well as normative (2); second, to assess the present situation of TLM and to sketch what could be possible developments (3). For the two first sections we rely heavily on a previous contribution (Gautié and Gazier 2006; written in 2004) and we introduce complements in order to integrate recent developments (from 2004 to 2007). In the third section, we attempt to present a short assessment of the current situation of TLM, starting from concrete policy applications, then considering some debates, and identifying some components of a future research agenda.

## I. Positive foundations and developments

The TLM approach relies on a dynamic representation of the labour market. It focuses on the “transitions” analysis, which implies an understanding of the market not as an adjustment process of supply and demand, which is tantamount to a “stock” approach, but as a mobility space, integrated into a wider space including out-of-paid work positions, in a flow approach (a). From the firms’ side, this conception leads to predict continuity rather than opposition between market and organisation (b). Furthermore, the TLM analytical perception of the labour markets puts the emphasis on the important role played by public policies and on the plurality of existing institutional arrangements (c). Last we present how, from a more micro – economic standpoint, this perspective has been enriched and has deepened the analysis of the workers’ behaviour (d).

### a. “Transitions”

In the TLM approach the key word is of course “transitions”. In the initial studies, made by G. Schmid and P. Auer, as well as in subsequent German publications (Schmid 2002b), the relevant term is “übergänge”, which means: footbridge, gangway or link. The “transitions” have been first defined as any departure from the reference situation of a full time long-term job. The departure may exist inside employment, e.g. a more or less long period of part-time work, or in a wider sphere including various activity or inactivity positions such as an

unemployment spell or a parental or training leave. Through this definition, one witness an emphasis put on a dynamic view of workers' career development, as time passes, and on the way workers are stabilised beyond the mere availability of stable jobs. However a second definition has been given, presenting "transitions" as any sequence in a career, leading to a change from one stable middle-term position to another. In an asymptotic view, briefly explored, one may even conceive that every sequence of a personal and occupational career constitutes a "transition". The drawback of such an all-encompassing definition is of course that everything in a trajectory becomes "transition". The second definition is today dominating, but completed by the idea of "stability cores" (Auer and Gazier 2006): a "transition" should lead somewhere, and this "somewhere" should be defined as well.

The research programme stemming from this dynamic perception of the labour market is easy to connect to the empirical works done exploiting longitudinal data, and especially to the comparative analysis of "transitions matrixes" (for a good example, explicitly connected to TLM, see the contribution of Calandrino and Gagliarducci, European Commission 2004 ch. 4). Of course the time span of available data may differ widely, from year-to-year analysis (and sometimes intra-annual analysis) to long and very long term analysis. Observation shows that "transitions" may be left to each individual's responsibility or organised in a more or less compelling or enabling way by collective decisions and arrangements. They may reveal as ensuring a progression, opening access to better jobs (as regards pay, guarantees, work conditions, promotion perspective) or leading to regression, e.g. dead end and precarious circuits of low paid and short-term jobs, eventually ending in exclusion processes.

Observation also suggests that "transitions" are becoming more and more complex, e.g. a parental leave taken by the mother may be connected to another one to be taken by the father, and furthered by another sequence, possible combining a part-time back to work position and a retraining programme. If so, the boundaries between the (supposedly) stable departure and arrival positions may become blurred. In particular, the traditional distinction between three basic positions or "states" (employment, unemployment, and inactivity) is weakened by the development of a complex set of intermediate positions, depending of public schemes and programmes such as short-time working, progressive early retirement or subsidised employment. The deliberate and concerted management of these intermediary positions is of course at the heart of the TLM approach. One has to remark that beyond these intermediate states, the very frontiers of firms also become blurred, and, from an abstract and general point of view, the widely accepted (among economists) distinction between market and organisation tends to loose its relevance. This leads us to our second point.

## b. Markets and organisations

By its focus on mobility spaces and on institutional supports of "transitions", the TLM approach takes place in the tradition of the American institutionalist works of Doeringer and Piore 1970, as they have been prolonged by contributions like Osterman's (Osterman 1999). In these works, the idea of "market" is tightly connected to a "flow" (and possibly matching) analysis rather than to "stocks" as supports for a supply and demand interaction. However the TLM perspective aims at going beyond the founding opposition between "internal" and

“external” labour markets<sup>1</sup>. As we already saw, such frontiers appear to be blurring, the internal labour markets seeming to shrink and weaken (Gautié 2004) and the external labour market getting more and more “institutionalised” with the intervention of an increasing number of intermediaries and of labour market policy schemes. In a certain sense, contrary to the “dual” or “segmentation” analysis initiated by Doeringer and Piore, the TLM approach tries to include in the same analysis “internal” and “external” labour markets.

The dichotomy between “internal” and “external” labour markets largely reflects the opposition between market and organisation going back to Coase (1988 [1937]). Here again the TLM approach integrates in a critical way the contribution of “neo-institutionalist” theories in the line of Simon (Simon 1991) and Williamson (Williamson 1985). These theories have developed but also put into question this opposition. TLM condensate the recent interest for “hybrid” forms of governance, applied to the labour market. They do not consider “spot” encounters, nor life-time attachments, but a series of agreements and more or less durable arrangements (“treaties”, rather than contracts?). On the employers’ side, these arrangements allow firms to organise their workers’ evolution over time, to actualise their competencies while controlling their opportunism. On the employees’ side, these arrangements give them access to a series of organised opportunities, limiting predation and segmentation behaviour, and dampening the shocks stemming from employment interruptions. However, the TLM approach is not relying on the unified and restrictive “transaction costs” hypothesis as it has been set by Coase and refined by Williamson. Their underlying conception of exchanges and transactions (not made explicit as such) would be closer to the wider theory proposed by J.R. Commons (Commons 1931).

A last critical dialogue can be mentioned here, with the mainstream flow analysis developed as the “matching” theory (among the main authors: Jovanovic, Pissarides and Mortensen; for a short overview in French, cf Cahuc and Zylberberg 2001). This flow approach relies on inter-temporal expectations made by a firm and by a worker on the profit/utility flows which can stem from the filling of a job, a matching between them. TLM analysis appears to get into the “black box” of these agreements and expectations, as they enrich and diversify the ways by which matching agreements may occur and well as their possible contents and counterparts. They also integrate the central idea of matching externalities (e.g. club and congestion effects). Here again, these common interests coexist with a quite different emphasis. The “matching” perspective seems to remain limited to individualistic behaviours and agreements. Its main authors deal with bilateral agreements between one employer and one employee, these agreements seeming to be symmetrical and balanced. The TLM perspective crucially insists on the collective dimension and on the unbalanced power relationships between the firms and their workforce.

### c. The plurality of institutional arrangements

Markets always depend on institutional arrangements. Here we have to take into consideration the very important role played by the state and by public policies: notably labour market policies, but also employment protection rules and practices, and the rules governing the

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<sup>1</sup> Let us recall that “internal” labour markets are the set of long-term careers paths organised by firms aiming at stabilising their workforce, while “external” labour markets are all the processes allowing firms to recruit workers, either for their “internal” labour markets (then this external labour market is termed the “primary” labour market), or in the perspective of a less stabilised workforce (firms without “internal” labour markets; then this external labour market is termed the “secondary” labour market, and its functioning appears to be closer to the traditional functioning of standard markets).

certification and transferability of skills and qualifications. Remaining at the moment on the positive side, we remark that these arrangements may be plural, as they are connected to societal coherences: the approach of Maurice, Sellier and Silvestre (1982), furthered by Marsden (1999), constitutes another important legacy inherited by the TLM. The structures of transitions sets are shaped by national or societal specificities, which may evolve over time. At a more micro or meso – level, the transitions may combine or conciliate several different logics of functioning. A tie appears here with the “Ecole des Conventions” (Boltanski and Thévenot 1991): TLM combine “market”, “industrial”, “civic” or “domestic” spheres and principles in the case of the allocation and movement of workers<sup>2</sup>.

Beyond the labour market and its connection with the education/training system and the productive system as it is considered in the societal approach, the TLM perspective makes it necessary to take into account the whole employment and social protection regime. TLM depend on the ties connecting the economic sphere (employment), the social sphere (social protection in a wide sense) and the domestic sphere (the family). These ties are combined in a variety of ways, as it is clear from the well-known typology developed by Esping-Andersen (1990) of different “welfare regimes”.

#### d. Towards a “life course” approach

A systemic tone was present in the first presentations of TLM, fitting quite well with the emphasis put on the global interplay of transitions and the coupling or decoupling of economic and social spheres. The idea of “transitional markets” in this context was a complement to the “internal” labour market intuition, and “market” meant a socially organised process of allocation and payment of labour. This complement was deemed as necessary, opening new ways for understanding the functioning of labour markets. In these developments, the primacy of firms’ strategies in the shaping of workers’ trajectories (the “demand side” orientation typical of “dualist” and “segmentation” analysis of the labour market) remained the source or inspiration, with the additional component of public policies interfering with firms in the shaping of trajectories.

However, at the turn of the century, the need for a better specification of the workers’ choices was felt, as the multiplication of opportunities and of intermediate situations made evident that workers do face a growing number of decisions. The systemic representation had to be completed by other developments studying the economic and social actors – individuals as well as groups - as subjects and decision takers. Two ways have been explored. The first, policy – oriented, is the idea of “social risk management”, already present around 2000, and condensed in an article published by G. Schmid in 2006 (Schmid 2006a). The second, mainly stemming from research on working time transitions, has also been presented by a contribution published in 2006 (Anxo and Erhel 2006), and connects TLM with the “life – course approach”. We consider here this last development because its overall orientation is clearly positive. The “social risk management”, while rooted in positive analysis, has more normative concerns and will be presented in the second section. However both ways appear to be highly complementary and converging.

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<sup>2</sup> Another sphere has been introduced in Boltanski and Chiapello (1999), the network or “project oriented” sphere. For a discussion of the connections between these spheres and TLM, see Gautié and Gazier (2006, last section), and Schmid (2002b, pp. 170-72) using the paradigmatic example of artists’ labour markets.

The “life – course” approach (Mortimer and Shanahan 2003) has been developed as a reaction against the traditional “life – cycle approach” initiated by neo – classical theoreticians like G. Becker. The idea of the life – cycle is an inter-temporal extension of the standard conception of the optimising “homo oeconomicus”. In this view, the individualistic and calculating actor simply extends the scope of its optimisation to savings, accumulation, retirement, and so on. The idea of “life – course” explores on the contrary the consequences of “bounded”, imperfect rationality, socially situated. Trajectories of individuals, accordingly, are not the result of individual optimising choices, but the outcome of sequences of positions embedded into the social structure, which largely shape and sometimes constrain individual decisions. For example moving, changing one’s job or partner, are essential decisions, shaping one’s own future as well as the future of others. They are of course not taken in a social vacuum, and this approach underlines that diverse interlocking institutions play an active role, fostering learning processes as well as evolution of preferences, thus leading to understand life trajectories as social constructions, differentiated between social groups and generations. The ways “transitions” are organised, and the opportunity span they generate, become key components of this social construction.

## II. Normative foundations and developments

Since their origins, TLM have operational concerns. They emerged as reform proposals of traditional labour market policies, motivated by the persistence of long – term unemployment in Europe in the eighties and the nineties. Their policy-oriented and normative ambition is central. Beyond the objective of a better collective control of employment (a), the emphasis shifted to the project of securing trajectories, helping actors facing “social risks” to cope with them (b). From a wider perspective, TLM aim at promoting social citizenship and equality, and take place in the debate about a possible new social model (c).

### a) Promoting a new full employment

“Is full employment still possible?” The first article published by G. Schmid in the TLM perspective (Schmid 1995) begins by asking this question in its title. The idea of full employment appears in the titles of the three books signed or edited by him and developing the TLM approach: Schmid and Gazier (eds) (2002), Schmid (2002b) and Schmid (2008). The basic tenet of TLM is twofold: full employment remains as the key target of our social model, and this should motivate important policy changes; but full employment is not exactly the same as before, and becomes “sustainable” full employment, understood in a dynamic way and explicitly compatible with domestic and benevolent tasks, also based upon a continuous learning process.

This overarching target leads to a criticism of the old full employment norm, seen as gender – biased and indifferent to many social and to all environmental stakes. TLM keep the very project at the origin of the norm, i.e. the political compromise underlying the birth of state social protection, cf the contributions of W. Beveridge and e.g. the analyses of R. Castel (Castel 2003). The aim remains “social integration”, cf the subtitle of Schmid and Gazier (eds) 2002, i.e. the exchange of social security against active participation to the production. But their focus on individual and collective autonomy and on the accumulation of

competencies stemming from well – organised transitions and various work experiences, leads to consider a necessarily enriched target. Social integration (and full employment) should result from the interplay of gainful employment positions and gainful TLM positions. Then we have to take into account in a new way the role of social actors (social partners and others) and their possible coordination, especially at the local level.

The “requisite variety” principle and the classical four management principles of TLM are the main supports of this normative approach (cf Schmid and Schömann 1994, p. 20 for an early formulation centred on “flexible coordination”, and Schmid 2002b, p. 36 s. for the direct application to TLM). “Always act in such a way that the number of degrees of freedom of the system increases”. This general precept posed by Ross Ashby (Ashby 1970) comes from the systemic analysis and is at the root of TLM. The four management principles are more or less loosely derived from it. Their formulation changed slightly over time, the core being summed up by: “empowerment”, “solidarity”, co-financing and management by objectives. “Empowerment” means that policymakers should give more choices to individuals and ensure that the opportunity set they face is rich enough to allow real choice. “Solidarity” takes into account the interdependence of various social groups in unequal positions in the labour market, and accordingly the need for a collective intervention directed at the disadvantaged. Co-financing and management by objectives aim at ensuring an active participation of all stakeholders, and at creating bottom – up initiatives, mainly at a local level.

This systemic tenet leads to reconsider the traditional connection between macro – economic policies and labour market policies. TLM approaches underline that on the labour market the three basic classes of variables interact with notable and perhaps increasing difficulties. Prices, quantities and qualities remain active and relevant, but their role, through variations of wages, hours, staffing, competences, and training, appears to be more and more constrained. For example, the multiple functions performed by wages (pay, but also ranking, incentives, translation of some social norms) do not converge in a given direction. When a given adjustment is felt as necessary in one function and implemented, it may disturb other adjustments or stability needs in other functions. It results from this quite ancient observation that “stickiness” necessarily characterizes labour market variables, and is functional too. We find here one important cause of the particular dependency of the labour market on macro conditions. TLM deliberate interventions may be presented as new tools at the disposal of policymakers, easing labour market adjustments. With their set of secured temporary positions and their principles, they introduce new adjustments spaces, not as a simplistic (and economically / socially disputable) work sharing device, but as a dynamic adjustment process with more goals and more variables. So they do not aim at replacing shaky macro – economic policies, but they represent new complements for them.

If we consider the political dimension, the development of such improved control processes becomes a compromise, a new “employment compact” which should be elaborated and implemented by social actors (Schmid 2002c).

## b. Securing workers’ trajectories

Beyond the redefinition and the promotion of sustainable employment, the TLM approach gives priority, no more to protecting “states” (sometimes “congealed” into “status” set by law) that individuals can obtain at a given moment of their career, but to securing their life – long

trajectories. Thus we have to leave a static and one-size-fits-all perception, centred on the control over “states” such as the traditional “fordist” employment position, and to introduce a more dynamic and individualised perception, focussed on accompanying, in a concerted way, individual transitions.

In order to implement this accompanying and concerted process, one needs the coordination of all concerned actors at a relatively localised level. The TLM approach looks in detail at the modalities of this coordination, and at the institutions which may result from it and constitute the infrastructure of TLM. These institutional forms may be multiple, such as employers’ networks, job pools, job foundations. Beyond particular devices, this leads to consider, in a wider perspective, the global connection of labour market and social protection. Seen from such a viewpoint, TLM appear as the economic and organisational counterpart of the proposals made by Alain Supiot (Supiot 1999). He introduced the idea of “social drawing rights” and of rules setting up a “professional state of persons”, i.e. a set of transferable rights which may be kept when one goes from a work group to another<sup>3</sup>. These rights should be associated not only to salaried work, but to every form of professional activity. TLM intend to organise the new connections between the economic sphere (employment), the social sphere (social protection in a wide sense) and the domestic sphere (family) as evoked above. This amounts to establish the interconnection and compatibility of the different human activity spaces: life and citizenship activities, non-market useful social activity, discontinuous professional activity, and last, traditional full time gainful job.

At a more micro- and meso – economic level, the TLM project puts the emphasis on the ways risk and uncertainty is treated by individuals and by social groups. If we start with the basic distinctions of the economics of insurance, between “risk – lovers” and “risk averters”, and between “adverse selection” and “moral hazard”<sup>4</sup>, they lead to interesting results when they are analysed in an imperfect rationality framework. Introducing the “social risk management” approach, G. Schmid (Schmid 2006a op. cit.) puts the emphasis on the “framing effects” which condition individual choices. One typical result is that small risks with high probability tend to be over – estimated while big risks with subjective low probability (such as a long unemployment spell) tend to be under – estimated by most of the actors. Accordingly, individuals need structured opportunities and helping devices when they face important choices. The canonical example given by G. Schmid (op. cit.) may be recalled here: young persons, and especially young women, have to take in a very short time span, almost simultaneously, five key decisions when they begin to work. They have (1) to choose an occupation, (2) to find a job, (3) a mate, (4) a house, and (5) to decide whether to have one child or several, quickly or later. Taken together, these choices are crucial for their life trajectories. Quite usually, they are made in a hurry, in a context of an urgent search of a full-time job ensuring independence. The main outcome of such an analysis is that while “moral hazard” may be important in some cases, the main challenge is “adverse selection” and the

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<sup>3</sup> The TLM proposals explicitly acknowledge the legacy of the Swedish economist Gösta Rehn, who elaborated together with Rudolf Meidner the so-called “Rehn – Meidner model” implemented in Sweden since the nineteen – fifties and known as the main “Nordic model” of the twentieth century. Among the last projects presented by Rehn (in the seventies), one remarks the idea of a “time bank” in which all individuals have an account. They may use their drawing rights for getting a training, or a leisure period, cf Milner and Wadensjö (eds) 2001, and Mosley et al (eds) 2002.

<sup>4</sup> Let us recall that « adverse selection » refers to a situation where the setting of a voluntary insurance at a given price is made difficult or even impossible because it is difficult or impossible to discriminate between objective “good” and “bad” risks; then “good risks” will not enrol while “bad risks” will not be able to pay; “moral hazard” refers to a situation where one insured agent may lower his/her personal protection effort because he/she feels insured, thus putting into danger the insurance device.

choices made by ill-informed groups. Over-estimating the importance of “moral hazard” and neglecting “adverse selection” issues may lead some policymakers to put an excessive burden on individual responsibility, as it is often observed in “activation” policies.

Two sets of recommendation stem from this line of analysis. First it is useful to make possible a period of less compressed time when big decisions are at stake, by organising reflection or trial periods, and part-time work experience. Second, it is important to establish, during the career, opportunities of professional change, through re-training, re-orientation services and equipped junctions. In such a way, there will be less interlocking between the (natural) irreversibility of time and the (socially constructed) irreversibility of early career choices.

c) Which new social model?

All these developments converge towards a political philosophy clearly different from the “social – liberal” model as presented by the supporters of the “third way” in the sense of A. Giddens (Giddens 1994 and 1998) which may be associated to the “asset-based welfare” perspective. It could be included in a renewed social-democratic current and in the tradition of the “socialisme libéral” (Audier 2006).

The “social – liberal” model gives a central place to the individual. As Giddens underlines: “People are invited to constitute themselves as individuals, to plan, understand, design themselves as individuals” (Giddens 1998, p. 36). Each person is endowed with “capitals” or “assets” which will allow him to fully act as a true actor, not being reduced to the role of a by default individual. These assets may be diverse but are all real “capitals” in the economic meaning of the term, and can be mobilised in order to realise life projects. Notably human capital plays a central role. This implies a focalisation on education, training and employability understood in a market sense, made of marketable competencies. Within this framework, the role of the state is first to deliver to individuals a minimum set of these “capitals” and /or to help them to acquire a sufficient amount of them, in order that they may possess a patrimony which constitutes them as individuals. Then, the classical welfare state is seen as “negative” because only protecting. It must be replaced by a positive, enabling “asset-based welfare”. The policymakers may endow individuals with “accounts” that they may use for example for financing life – long learning.

The social model stemming from the TLM perspective is basically different. It also gives a central place to the individual, but the individual is not conceived as independent from the institutional supports organising society. These supports include “capitals” but do not limit themselves to the mere possession of “capitals” usable on competitive markets. TLM give a central role to collective negotiation and control processes, which rely not only on public intervention but also on the coordination of all the actors. As it has already been evoked, notably with the example of the social drawing rights advocated by Supiot and his colleagues (Supiot 1999, op. cit.), trajectories can be secured through rights attached no more to a situation or a “status”, but to the individual’s own person, thus transferable from one firm to another. However, these rights cannot be reduced to mere “assets” composing each individual’s patrimony, which could be used at will. TLM establish a co-responsibility of all concerned actors in the constitution, accumulation and management of these rights.

Finally, TLM depend on a conception of the individual that differs from the conception underlying the “third way” advocated by Giddens (Gautié, 2005). If some authors developing

the “asset-based welfare” refer themselves to John Rawls and his “property owning democracy”, the TLM references include the priority given to equality by authors like R. Dworkin (Dworkin 2000) and the analyses made by A. Sen (see for example Sen 1992). The connection is straightforward: Sen shows that it is not enough to fairly endow people with “capitals” in a wide sense (in Rawls’ terminology: with social primary goods including rights and freedoms). One also must consider the real opportunities that individuals have to use them in their life projects. As the classical example makes it evident, with the same endowment a handicapped person is not able to reach the same result as a non handicapped person. This directly applies to life – long training, individuals differ in their capacities to make satisfactory choices and uses of their resources. Beyond “assets” one should consider the capacities to use them, or the “capabilities” in Sen’s sense. Finally, the TLM approach aims at taking into account the real situation of individuals, and at promoting collective and concerted coordination. As such, they rely on a “citizen individualism”, which can be opposed to the “patrimonial individualism”.

### III. Policy applications, debates and future prospects

TLM have been questioned, applied, criticized and reinterpreted in many ways. In this paper, we do not intend to gather nor synthesize the whole span of applications, criticisms and reformulations which have been presented. As we underlined above, TLM proved to be a quite elastic framework. Accordingly, we will focus on a few topics, objections and experiences which gave the opportunity to specify, enrich and develop this approach. We begin by evoking some selected concrete policy applications (a), then we present a few important discussions which accompanied the development of TLM (b), and this leads to identify some priorities for a future agenda (c).

#### a) “Making Transitions Pay”: “activating” and beyond, “flexicurity” and beyond

There is no, to our knowledge, comprehensive reference list gathering the applied works directly or indirectly written in the TLM perspective. Within the scope of this contribution, we focus on some contributions we deem representative. In order to characterize the way TLM have been applied up to now (March 2008), one may distinguish two main periods, each of them being organised around a large European Union – financed programme.

i. *The first empirical studies and policy recommendations (1996 – 2002)* have been mainly (but not exclusively) elaborated through the TRANSLAM research programme (1996 – 1999) dealing with ten “old” European countries in the context of the emerging European Employment Strategy (Luxemburg Summit, 1997).

The main topic was the discussion of the “activating” policy motto, either globally, or examined in several fields of transitions. The three main fields explored in the TRANSLAM researches are: working time and the connection with domestic activities: O’Reilly, Cebrian and Lallement (eds) (2000), O’Reilly (ed.) (2002); Active Labour Market Policies: De Koning and Mosley (eds) (2001); training: Schömann and O’Connell (eds) (2002); the main results and the overall vision are summarized in Schmid and Gazier (eds) (2002). One may remark that, curiously, the question of ageing workers was absent from this bundle of researches and of policy suggestions. If one refers oneself to the initial well-known diagram by G. Schmid (cf

Schmid 1995), it means that the main transitions (inside employment; between training and employment, between domestic activities and employment, between employment and unemployment) have been dealt with, while the last ones, the transitions between employment and retirement, have been left out (seemingly by a decision of the financiers).<sup>5</sup>

Independently from this large scale collective work, some overall presentations of TLM have been presented, with transversal / national applications and policy suggestions, for example Schmid (2002d) on Germany; Gazier (2003) on France.

ii. *The second period (2002 – 2008)* is organised around a second, bigger collective initiative: TLM.net (2003 – 2006; more than twenty countries), not a research programme but a network allowing researchers to meet, discuss and coordinate their work. The main topics shift: attempting at influencing the European Employment Strategy, and participating into the big and quite confuse debate on “flexicurity”; deepening international comparisons, and integrating new European member states. Among the resulting collective publications: De Gier and Van den Berg (2005), Lassnigg (ed) (2007), De Koning (ed) (2008), Anxo, D., Erhel C., Schippers J.J. (eds), (2008), Muffels (ed.) (2008).

Stemming from a conference held in Aalborg in October 2006, a book edited by Danish researchers from Aalborg university, (Jorgensen and Madsen (eds) 2007), presents the global policy stake for TLM – inspired researchers: being and acting “beyond flexicurity”. The book by G. Schmid also deals with the European employment and labour market reform strategies (Schmid 2008).

Among other concrete policy applications, one may remark a book written by the Australian politician Brian Howe (2007) (deputy prime minister of Australia between 1991 and 1995). At the WZB, the explored themes include ageing and life-course (Schmid 2007, Hartlapp / Schmid 2008), transition management and gender inequality (Schmid 2006b after Schmid 2001), assessing the German Hartz reforms (Leschke, Schmid and Griga 2007, Schmid and Modrack 2008), self-employment (Schulze Buschuff and Protsch 2008), transition from school to work (Brzinsky-Fay 2007) and life-course policies (Hildebrandt 2006, Wotschack / Wittek 2006). Other topics include transitions management in restructuring processes (Gazier 2007 on France, Gazier and Bruggeman (eds) 2008), while some new comparative perspectives are explored in Aalborg: e.g. comparing transitions management in Denmark and Japan (Bredgaard and Larssen 2007).

As regards the overall orientation of these works in both periods, they insist on the need for institutionalised support of critical life-course transitions as an overarching objective, and not only, as the OECD (recently followed, to some extent, by the EU) proposes, “Making work pay”. TLM empirical applications and policy proposals do not imply that the “making work pay” principle is always unjustified; they imply that it should be integrated into a wider principle, and dominated by the principle: “making *Transitions* pay”. It means that obtaining long-term employability through collective arrangements should be the priority, not by pushing people into any kind of job.

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<sup>5</sup> The “last” life-course transition, however, was always present in the conceptual TLM contributions, see e.g. Schmid (2002c, pp. 417-424).

However, TLM appear as accompanying the recent trends towards a more explicit management of transitions in the labour market and around it : public and private “transition agencies”<sup>6</sup>, the shift from the emphasis put on guarantees attached to the job to guarantees attached to the person and relying on the collective organisation of labour markets (transferability of skills; control over individual and collective employability; collective organisation of mobility options, and of training and work opportunities). It stems from this departure point that TLM often focus on “promising” emerging arrangements, and try to assess their potential and dangers, in order to influence or even shape them.

This leads to a quite critical perception of a well-known trend in labour market and social policies: “activating” i.e. systematically easing the way back to paid work. While the overall philosophy of TLM intends to ensure autonomy by opening access to normally paid work, “activating” could be dangerous and unjustified if it leads to distort free choice and to neglect the necessary connection with domestic work. A clear example here is the emerging question of caring the very old. It would be costly and often inefficient (and undesired) to put very old persons in specialised institutions. Keeping them at home as long as possible, with the help of their family and with the part-time contribution of paid workers, is often a better and cheaper option. Then it will be necessary to organise numerous and attractive part – time jobs for the senior workers (between 50 and 65) who are the most directly concerned by the burden of caring their very old parents. This would even lead some of them to more or less durable leave periods. This would also imply to pay a special attention to the gender equality issue, because if one simply develops part – time jobs, the pressure will be put only on women. Men should equally contribute, and this could be obtained by a deliberate policy<sup>7</sup>. So, there is a complex de-activating issue here, which must be combined with the traditional “activating” concern, i. e. increasing the employment rate of senior workers in order to finance retirement.

A similar sequence of elaborating policy proposals: initial interest, critical appraisal and introduction of necessary complements, appears regarding the nebulous objective of “flexicurity”. It should be observed first that “flexicurity” as a political menu appeared first in the Netherlands in the case of temporary work (1997), and amongst the first analyses one finds the early contribution by Ton Wilthagen, precisely published in the WZB working papers (Wilthagen 1998). While TLM promoters did not adopt the flag, they quickly began to develop their own interpretation of what could be a non-misleading and not too incomplete interpretation of flexicurity (Schmid 2003; Leschke, Schmid and Griga 2007). And numerous contributions showed that one should necessarily introduce other elements “beyond flexicurity” in order to complement this enlarged version and make it politically acceptable and operational: notably a deliberate equilibrium and compatibility between domestic and paid work, a permanent focus on job and work quality (work conditions, work content, promotion opportunities, a clear concern about organising high - quality income guarantees, including minimum wages, and on combating inequality (cf Erhel and Gazier 2007; Schmid 2008).

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<sup>6</sup> The question of the desirable mix of public and private initiatives is an important topic, in the TLM perspective as well as in the global debate about the legitimacy and efficiency of the Public Employment Services, cf O. Bruttel 2005, and Bredgaard and Larsen 2006.

<sup>7</sup> The problem is the same as in the case of parental leaves. Ambitious policies are needed in order to make progress towards a more equal sharing of care activities. The TLM approach implies that they should be connected to policies shaping men and women’s careers inside firms.

## b) Some discussions

This pragmatic stance – critically accompanying emerging tendencies – may explain some criticisms addressed to TLM and why they are sometimes simply misunderstood.

Two common misunderstandings should be evoked first. TLM are not the promotion of more or less compensated unstable jobs as they seem to develop for example in some artist's labour markets (Schmid 2002b p. 163s. warns against this interpretation); and they do not endorse the perspective of an emerging world of “portfolio workers” with weak attachment to the firm, in which successful actors are mobile into networks and make an intensive use of their social capital (as identified in Boltanski and Chiapello 1999; cf Gautié and Gazier 2006, *op. cit.*, for a discussion).

Three main strands of important objections may be shortly considered here.

The first underlines the limits stemming from the “transition” centred approach. The TLM view may overemphasize the mobility dimension of employment, thus neglecting the need for stable and durable jobs, and leading to expose workers to an excessive and undesired pressure towards mobility and moves on the labour market (Ramaux 2006 is a good example in French). Quite often, and amusingly, these criticisms make an intensive use of some empirical data on the stability of job tenure, as presented and discussed at the ILO by Peter Auer and his colleagues (cf Auer and Cazes (eds) 2003). As we have seen, Peter Auer is one of the main promoters of the TLM approach. Some other, related, criticisms focus on the gender dimension of transitions, cf Jepsen 2005, centred on flexicurity but questioning TLM as well. As 60 % of the “transitions” identified in transitions matrixes are made by women, and only 40 % by men (this matter of fact reflecting the prominent part taken by women in parental leaves and part-time jobs), one may fear that developing transitions may not improve or may even deteriorate the women's position in the labour market, women' employment becoming more and more an adjustment variable.

A second line of criticism sees in TLM a sophisticated and costly work sharing process (De Koning 2002 is a good example). If so, TLM suffer from the same limits as any work sharing proposal: they do not create additional wealth/income, they simply try to organise transfers of work and income. Their complexity and ambition leads to suspect that they incur heavy transaction, coordination and disincentive costs. With TLM proposals, individuals and firms will be disturbed in their interactions and free choices. At least, before implementing TLM – oriented reforms, one should make cost – advantage analyses and ensure that the expected gains outweigh the unavoidable drawbacks. This current of criticism converges with the more or less pessimistic perception of the net gains stemming from large-scale labour market policies.

A third line focuses on the very name of TLM, and directly questions the limits of the idea of “markets”. TLM advocate the creation or development of “markets”. As such, they introduce what are originally non – market forms of coordination and of intervention (collective arrangements combining empowerment and solidarity) into existing markets, but without attacking the market logic. Doing so, they weaken, reduce or even they twist these arrangements (Eymard – Duvernay 2006). Even if these transitional “markets” are special, or end up in a specially “equipped” labour market, their final, maybe unintended, effect is simply to improve, or make more tolerable, the functioning of the market system.

### c) From identifying ill-explored domains to sketching a future research agenda

Not enough market or too much market? We leave this enormous question for our conclusion, and we deal with the two topics of dangerous and undesired mobility and of cost-effectiveness. In both cases we can identify ill-explored domains which should be considered in a future research agenda.

Let us start again from the current situation of the labour markets. In the context of eroding and changing “internal labour markets”, we observe a double evolution of workers’ trajectories. A big minority is trapped into a precariousness sphere, alternating short-term jobs and unemployment spells. But the majority of (previously) stabilised workers is so to say destabilised inside employment (unstable working hours, productivity pressures, increased competition). Public intervention on transitions and mobility appears as a necessity and an opportunity, because it enlarges and renews the traditional stabilisation basis of workers, without giving up the previous one. TLM do not presuppose any diagnostic about a (supposedly) unavoidable trend towards more mobility, and do even less propose increasing mobility for itself. A central axis in Peter Auer’s contributions since 2000 has been to explore what is called in ILO’s language “protected mobility” and “decent work”. This shifts the emphasis to the need for stability cores (Auer and Gazier 2006), and leads for example to the question of the optimal length of an employment contract (Auer, Berg and Coulibaly 2005). As a consequence, the TLM departure point remains studying and organising transitions, but it becomes increasingly clear that their object is wider and more complex: it is to observe and improve various combinations of transitions and stable positions in everyone’s career. In particular, functional equivalents to (mobility inducing) external flexibility like various leave schemes (e.g. for training, education, child or parental care) or internal job-rotation schemes should be considered.

Similarly, the question of cost effectiveness has been only partly addressed. One basic tenet of TLM is that most of the needed resources already exist (notably labour market policy expenditures, and big firms’ contributions to the mobility and career management of their employees), simply they are ill-oriented or unduly limited to some privileged groups. The TLM approach shows that the unilateral and isolated management of one set of transitions (e.g. a parental leave scheme) is likely to be inefficient and unjust<sup>8</sup>. In the four management principles (cf section II.a), there are two principles closely connected to efficiency requirements: ensuring that all actors have a clear interest into successful transitions (this frequently leads to arrange co-financing and co-responsibility); and setting up a by project management process, in order to limit bureaucracy and to foster bottom-up initiatives<sup>9</sup>. In the

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<sup>8</sup> For example, facing the challenge of gender equality in the domestic sphere and increasing the fathers’ contribution makes it necessary to consider other elements such as re-training and the inequality between careers inside firms.

<sup>9</sup> Put together, these concerns and suggestions lead to insist on the need for “local” – “regional” negotiations organising a wide set of transitions covering all workers, and installing a clear leadership (Gazier 2002). However in this decentralised perspective, an important problem arises: rich regions may develop and manage “rich” transitions while poor regions remain condemned to “poor” transitions. This leaves a key place for a national and/or European transfer policy. Organising it in a democratic way supposes that each community makes regular assessments of its situation and needs regarding transitions and protected mobility (through an employment and transitions observatory) and elaborates a project to be presented to the legislative and

chapter 6 of his 2002 German book, G. Schmid (op. cit. Schmid 2002d) presents a model for performing cost-benefits analyses of TLM as applied to Germany.

This line of response is close to O. Williamson's treatment of the reform proposals affecting the overall "governance structure" of the economy (the divide between market, hierarchy and "hybrid" forms of coordination; Williamson 1996), beyond marginal improvements routinely made by actors. He proposed the concept of "remediableness", meaning that while no precise measure of the compared efficiency of the existing and proposed arrangement could be computed, policymakers should have some evidence that the reform will globally improve the situation (for a discussion on the way TLM may foster a learning process, see Gazier 2002 *ibid.*).

However, in a context where labour market policies are often criticised for their weak or even negative contribution, especially training policies, there is a clear case for deepening the cost – effectiveness question. Two main points appear. The first is related to the conditions of efficiency of a combined set of programmes, e.g. a parental leave programme combined with career assessment and guidance, (re)training opportunities and progressive way back to paid job, beginning by a part-time job and followed by the access to full-time work. The second point explicitly introduces the interplay between the labour market and social protection reforms and the overall macro-economic functioning, as well as the products market and the innovation and financing processes. In both cases, the key term is "complementarities", either internal or external to the TLM domain.

Keeping in mind these transversal emphases on stability cores and on cost-effectiveness, we are now able to list some items on a possible future research agenda.

We have first the previously explored domains, which have to be studied again or revisited in this perspective, and especially: training and transitions; caring and ageing; gender inequality; restructuring and new forms of segmentation or exclusion of low-skilled workers; power inside firms, unions, collective bargaining; public–private mix in employment services; TLM and self employment.

But we also have ill–explored or unexplored important questions, such as the connection with macro-economics, contra-cyclical macro-policies; and the connection with income and wages policies, especially the question of minimum income or minimum wages and the way they could be connected to transitions.

Another important topic to explore is the connection between the diversity of TLM and the "variety" of capitalism, cf Amable 2003. Quite before the European discussion of "flexicurity" made clear that very different priorities and means were requested in different European countries in order to implement it, the current of the "variety of capitalism" showed that complementarities between financing and innovation structures, macro-economic regimes and competition regimes in labour and products markets lead to identify several versions of national capitalisms. The logical consequence is that TLM – inspired reforms may be very different from one national context to another, either regarding their content or regarding their mere feasibility. The question becomes openly political, and includes studying possible coalitions of social groups able and willing to develop TLM.

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government bodies. See also Räisänen and Schmid (2008) who observed a "dual transitional labour market" in Finland.

In the agenda we may also mention some unexplored or under-explored domains, such as the emergence and management of complex transitions systems, the connection between TLM and informal work, and TLM and Non-profit organisations. A characteristic of the TLM approach is to consider all kind of work and activities in their interrelations and this may prove useful when one focuses on developing countries and/or non market activities: in this perspective there is no (romantically) separate non market domain, and the borderlines should be organised. Some people switch from non-profit activities to for-profit ones and conversely, and the “bridges” between both domain should be built in order to make easy and to protect such trajectories.

Last but not least, we have important progress to make in inter-discipline methodology and connections to parallel or convergent developments. Regarding the first point, one is struck by the importance of socio-economics and sociology in the present formulations of TLM. The connections with labour law, political science and also management science should be strengthened. And regarding the second, the dialogue between TLM and the recent developments of the capabilities approach (De Munck and Zimmermann (eds) 2008 is a good example of a much needed convergence and mutual learning.

## Conclusion

We go back to the general question of “market”. As we observed, TLM are quite special “markets”. But the term may sound like a dangerous metaphor. What are the drawbacks and advantages of using this term? Are TLM promoters prisoners of a “liberal” market ideology? The same has been already said regarding the “internal labour markets” as organised careers inside firms. Well, TLM intend to collectively build organised careers inside and out of firms. Then the confrontation with market-oriented representations intensifies because we reach “hybrid” forms of coordination and of reproduction. The TLM approaches propose, sometimes to suppress or restrict markets, but most often to reform, improve and sometimes create markets. If we refer ourselves to the influential work of Polanyi (1945 – 1983), we might say that the target is to accentuate and confirm an already begun overall re-embedding process of the labour market (and not its suppression). As Polanyi showed, this supposes a coordinated effort regarding all other markets such as financial and products markets, and a political process. TLM alone are not enough for creating a new social model, but one may think that, with many other interventions that are out of their scope, they are probably a meaningful part of it.

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