From risk to opportunity: 
labour markets in transition

Background Paper

Stephen Ziguras  
Brotherhood of St Laurence

Mark Considine  
Centre for Public Policy, University of Melbourne

Linda Hancock 
Deakin University

Brian Howe  
Centre for Public Policy, University of Melbourne

March 2004
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>1</td>
</tr>
<tr>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>Background</td>
<td>4</td>
</tr>
<tr>
<td>From protection to adaptability</td>
<td>4</td>
</tr>
<tr>
<td>From industrial to knowledge economy</td>
<td>5</td>
</tr>
<tr>
<td>From full employment to precarious work</td>
<td>6</td>
</tr>
<tr>
<td>From male breadwinner to balancing work and family</td>
<td>7</td>
</tr>
<tr>
<td>From private to public income transfers</td>
<td>8</td>
</tr>
<tr>
<td>From linear to non-linear life course</td>
<td>8</td>
</tr>
<tr>
<td>Outmoded institutions?</td>
<td>9</td>
</tr>
<tr>
<td>New policy directions</td>
<td>10</td>
</tr>
<tr>
<td>Transitional labour markets</td>
<td>10</td>
</tr>
<tr>
<td>The economic rationale for TLM policies</td>
<td>12</td>
</tr>
<tr>
<td>Strengths and weaknesses of TLMs</td>
<td>13</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>14</td>
</tr>
<tr>
<td>References</td>
<td>14</td>
</tr>
</tbody>
</table>
**Executive Summary**

The ‘From Risks to Opportunity: Labour Markets in Transition’ project aims to respond to the social and economic circumstances of the 21st century by drawing on a range of researchers across Australia to develop new policy directions based on the concept of transitional labour markets (TLMs). It is funded by a two year Australia Research Council (ARC) Linkages grant and led by Prof. Mark Considine and Prof. Brian Howe from the Centre for Public Policy and Associate Prof. Linda Hancock from Deakin University, in partnership with the Brotherhood of St Laurence, CEDA and the National Institute of Economic and Industry Research (NIEIR).

This background paper describes the significant social and economic changes over the last three decades which have rendered traditional policy assumptions obsolete. It then describes the notion of transitional labour markets which could form the basis for a new approach to policy more in tune with contemporary social and economic circumstances.

**Structural change**

At the heart of the challenge for policy-makers is the breakdown of the ‘wage earners welfare state’, premised on full-time male employment and female household production, tariff protection, centralised wage fixing and full employment as a central policy goal. Enterprise bargaining has largely replaced centralised bargaining, making wage rises conditional to productivity improvements, and detaching workers with less market power from the gains made by stronger unions. Economic policy is primarily concerned with controlling inflation, improving competitiveness and fostering economic growth with the assumption that increased employment will occur as a result. Tariff protection has been replaced by an emphasis on open borders to promote international trade.

Despite record economic growth, Australia is becoming more polarised in terms of income and wealth, and unemployment and underemployment remain high. The rise of non-standard employment has produced both gains and losses. Many people, for example, prefer part-time employment, particularly students and parents. However, for some workers, we also see new forms of insecurity and risk: irregular or unpredictable income, uncertain working time and hours, poor access to training, reduced opportunities for participation in decision making, vulnerability to OHS hazards, job insecurity and low pay.

The fundamental demarcation between male (full-time) paid employment and female unpaid care and household work which lay at the heart of the old regime obviously no longer applies. With increased female employment, gender inequality has reduced substantially, although there has been little change in the domestic division of labour, leaving women to deal with the care crunch: the struggle to combine work and caring responsibilities. However a new form of divergence is evident; that between ‘work rich’ households with two full-time (or one full-time and one part-time) wage earners and ‘work poor’ households with no-one in paid employment or with insufficient work. This trend has exacerbated the increase in income inequality due to the dispersion in wage income.

One consequence of sustained unemployment and the growth of two-job and jobless households has been a shift in the means of income redistribution. Intra-family private redistribution of income from working husbands to non-working wives is being replaced by public transfers from working to non-working households, leading to growing expenditure on social security payments.
Economic growth over the medium term seems contingent on developing key ‘knowledge industries’ such as biotechnology, information and communications technology, health, education and business services. Combined with a high rate of technological change (and associated skills obsolescence), this requires staff who are more highly educated and skilled, and who are willing continually update their skills during their lifetimes rather than relying on one major injection of human capital at the start of the working life.

Transitional labour markets

The life-course once formed a reasonably consistent linear pattern, for men, of school, work and retirement, and for women, school, work, marriage, children and retirement. For both men and women, the life-course is now includes numerous transitions around education, caring, full-time and part-time work, possibly retrenchment and unemployment and retirement.

The trends outlined above require new policies which will allow for adaptability and flexibility combined with a concern for better support and redistribution towards those at greatest risk. It also means a reconnection between social and economic policy goals.

Schmid’s notion of transitional labour markets (TLMs) describe periods during which people move between full-time work and other activities such as caring, education and retirement. TLMs have both a descriptive and normative use. Schmid uses TLMs to propose policies which combine the flexibility and adaptation which are the hallmarks of the active labour market approach, with an aspiration for a fairer distribution of paid employment.

In effect, Schmid proposes that active labour market policies be expanded to allow people to move both in and out of paid employment more easily. These would enable people to strike a better balance between work and other important activities. Analysis of data from the national Household, Income and Labour Dynamics in Australia (HILDA) survey shows that there is a mismatch between desired and actual working hours for many people. On average, those in employment wished to work an average of around 2.4 hours less per week, taking into account the reduction in income which would result. Applied to the adult working population, this is around 20 million hours per week, roughly equivalent to a full-time job for the half a million people currently unemployed. Research showing that many are already opting for reduced participation (‘downshifting’) suggests that such a policy framework would be welcomed.

TLMs require an ‘active approach’ in that they should both provide not only financial support but other assistance (such as for training and caring for others) for people to make transitions between employment roles. They should embody the principle of increased capacity building central to active labour market policy, but are also directed to people who wish to move out of work, as well as those who are unemployed. TLMs should aim to:

- Combine employment and other useful activities not valued on the market
- Provide a combination of wages, transfer payments and other income sources
- Ensure an agreed entitlement
- Finance employment and capacity building activities instead of unemployment
Five major life-course transitions can be identified:

- Transitions between education and employment
- Transitions between (unpaid) caring and employment
- Transitions between unemployment and employment
- Transitions between retirement and employment
- Transitions between ‘precarious’ and permanent employment

The TLM framework fits well with a life course approach to policy, since it can be focussed on major life course transitions. These transitions already exist in the labour market and Australia has one of the OECD’s highest rates of part-time work. However, as described above, the policy levers to support and regulate TLMs are based on outdated assumptions, and the outcomes are far from satisfactory especially from an equity perspective.

Using TLMs as a guide to policy, good transitions should:

- Empower individuals by building or maintaining their employment capacity
- Provide active support instead of passive payments
- Establish a balance between central regulation and individual or local flexibility
- Stimulate networks and cooperation

One of the strengths of the TLM approach is that it provides a way to encompass individual goals based on change or growth, in a way which may also suit employers and the economy. TLMs fit with cultural values of activity, adaptability and future orientation underpinning active labour market policies, but also provide the opportunity to build in greater equity and social solidarity concerns missing from much of the debates around labour market flexibility.
Introduction

The ‘From Risks to Opportunity: Labour Markets in Transition’ project aims to develop a framework and policy matrix for rethinking the future of social and economic policy in Australia, with an emphasis on responding to labour market and household change. At the heart of the challenge for policy-makers is the breakdown of the ‘wage earners welfare state’, coupled with changing household demographics and shifts in patterns and types of work.

The project will draw upon a range of researchers across Australia to develop new policy directions based on the concept of transitional labour markets (TLMs). It is funded by a two year ARC Linkages grant involving the Centre for Public Policy at The University of Melbourne, Deakin University, the Committee for Economic Development of Australia (CEDA), the Brotherhood of St Laurence and the National Institute of Economic and Industry Research (NIEIR).

Background

A previous project, entitled the ‘New Social Settlement’, was funded by an ARC SPIRT grant (2000 – 2001) between the Centre for Public Policy, Deakin University, CEDA, the Brotherhood of St Laurence and Monash University. Two CEDA publications (Growth vols. 48 and 49) drew together the findings from a range of researchers which are summarised below. In October and November 2002, a national consultation strategy was undertaken. Funded by the R.E. Ross Trust, the consultation strategy was designed to draw on the expertise of key policy actors in government, academia, business, unions and the community sector in order to discuss policy issues raised by phase one (Frere, Hancock, Howe et al 2003).

The New Social Settlement project identified several ways in which the underpinnings of traditional social and economic policy had broken down over the last two decades. These changes, broadly summarised below, require new policy responses to restore fairness and to reconnect economic and social goals and policies.

From protection to adaptability

The breakdown of the wage earners welfare state has been well documented (O’Donnell & Hancock 2000). During the 20th C, Australia developed a welfare state based on award coverage, compulsory arbitration and centralised wage fixing to provide a ‘living wage’ and protection from insecurity for workers, and tariff barriers to ensure profits and protection from competition for industry (Castles 1988). Following World War II, this system was extended through a commitment to full employment policy and a minimalist social security system for those in temporary unemployment (O’Donnell & Hancock 2000). It should be noted that this system relied upon and perpetuated the gender division of labour in both paid and unpaid work, significant gender inequality and a large supply of immigrant labour willing to take on the lowest paid and most dangerous work.

From the early 1980’s onwards, protectionism was replaced by a policy concern with greater integration of the Australian economy with international markets, based on the idea that economic growth would be increasingly determined through international trade. A common theme in changes over the following two decades was a shift from protection through risk prevention (tariff protection, centralised bargaining, the breadwinner/family wage) to one of flexibility and
adaptability. This was partly driven by neo-classical economic doctrines and Third Way variants (e.g. Giddens 1998). However, it is worth noting that European countries such as Austria, Sweden and Norway had adopted a model of a more competitive economy with flexible structural adjustment of industries in the early 1980’s, leading to the development of active labour market policy based on social democratic principles (Cass 1988).

Enterprise bargaining has largely replaced centralised bargaining, making wage rises conditional to productivity improvements, and detaching workers with less market power from the gains made by stronger unions (Buchanan & Watson 2000). Economic policy is primarily concerned with economic growth with the assumption that increased employment will occur as a result. Tariff protection has been replaced by an emphasis on open borders to promote international trade.

Despite record economic and productivity growth, Australia is becoming more polarised in terms of income and wealth. As Argy observes, Australia is in many key respects a less egalitarian society today than it has ever been in its history (Argy 2003), and Pusey argues that middle Australia is profoundly shaken by the impact of these changes (Pusey 2003).

Economic policy which emphasises openness and continuous adaptation to new markets will mean a higher rate of obsolescence of production techniques and skills. How is this to be managed without exposing workers, particularly those with little market power, to bear the brunt of the risks of change, as has occurred over the last decade? A key issue will be to ensure income and security for those who are victims and to encourage skill development and employability in new areas, in other words, an expanded active labour market approach. Rather than protection by preventing change, risk management needs to emphasise adaptability, support and protection while responding to change.

Shiller (2003) argues that the most important economic risks to individuals and societies are unseen and subsequently receive little policy attention. These include: risks to careers and lifetime earnings from specialist knowledge or vocations becoming obsolete; the risk of property values declining (in real or relative terms); risks to communities or local industries from economic restructuring; and risks to social cohesion from rising income inequality. For Shiller, the key strategy is not to prevent risk from occurring, but to respond by risk-pooling so that the effect of risk materialising for any individual is minimised by sharing the costs across a large number of people. Such insurance approaches may be feasible in the private sector, but some will require government intervention, particularly in circumstances where there are common shocks (where risks for one person effect those for others), unknown risk probabilities, adverse selection bias, moral hazard and a desire to incorporate redistribution goals (Barr 2001).

From industrial to knowledge economy

The Australian economy, as for most Western countries, is now dominated in terms of output and employment by the services sector. Economic growth since 1960 has been strongly driven by rising levels of education (Chou 2003), and demand for skilled workers is likely to continue (Keating 2003). We are moving from an industrial to an information and service based economy, and growth over the medium term seems contingent on developing key ‘knowledge industries’ such as biotechnology, information and communications and technology, and in health, education and business services. This requires staff who are more highly educated and skilled, and who are willing to learn new skills in order to adapt. As Frere (2001) has pointed out, these are key drivers for lifelong learning – the argument that workers need to be able to continually update their skills
during their lifetimes rather than relying on one major injection of human capital at the start of the working life.

At the same time, service industries have generated many low-skilled and low paid jobs, often part-time and casual. The IT revolution has also created low-skilled low-paid positions (such as call centre workers) so we cannot assume that knowledge economy will create only highly paid and skilled jobs. Overall, while many lower paid part time jobs have been created, if employment is measured in terms of total hours of work, the greatest demand has been in higher skilled occupations (Keating 2003).

Schmid estimates that for Germany around 10 per cent of jobs are destroyed each year and replaced with new jobs (the rate of job flow) which have different (and often higher) skill requirements. Labour turnover, from exits to retirement and new entrants, is around 2-3 per cent, suggesting that up to 8 per cent of workers each year face the prospect of retraining. Australian data suggest that the job flow rate for 1996-97 was around 12 per cent, similar to the German estimate, and that another 30 per cent of employees changed jobs for other reasons (Leeves 2000-2001).

Individual firms face disincentives to invest in human capital because of risk that they will not reap the benefits, particularly in industries with high rates of labour turnover. Recent Australian data indicate that employers spending on training is declining (Buchanan & Watson 2000; Frere 2001). Training for casual workers is particularly problematic and is more likely to be directed to immediate task-specific skills rather than generalisable capabilities (Hall, Bretherton & Buchanan 2000). It is clear that new policies will be necessary to facilitate access to lifelong learning.

From full employment to precarious work

Australia enjoyed a brief period of ‘full employment’ (of between 1 and 2 per cent unemployment) during the 1950’s and 60’s, which meant, in effect male full employment and exclusion of women from the labour market. The labour market has delivered mixed results over the last three decades: while there was a dramatic increase in labour force participation and increased female employment, the hours worked per head of population remained fairly constant and the unemployment rate remained above 6 per cent (Jordan 2001). Underemployment - the unemployed, those marginally attached to the workforce and those with part-time jobs who would like more work – is around double the unemployment rate, and recent analyses put the rate of ‘labour wastage’ at 15 per cent of the labour force (Burgess, Mitchell, & Preston 2003).

Some forecasters predict that the ageing of the population will lead to slower growth in the labour supply as the ‘baby boomers’ retire, raising the prospect of labour supply shortages (Family and Community Services 2003). On the other hand, the unemployment rate is predicted to rise over the remainder of the current decade (Access Economics 2003). The financial, social and psychological hardship caused by continued underemployment, not to mention the wasted economic capacity this represents, require a new policy emphasis on the distribution of employment.

The rise of casual, part-time and other non-standard employment over the same period has been well documented (e.g. Borland, Gregory & Sheehan 2001), and only around one quarter of the workforce is now engaged in full-time permanent jobs of 35-40 hours per week (Watson, Buchanan, Campbell & Briggs 2003). There are multiple causes and both positive as well as negative impacts of this trend. Some non-standard employment is desired by workers: part-time work, for example, suits many parents and students. Temporary jobs will continue to be necessary if entitlements to
leave for study or caring are expanded, and after-hours jobs will be necessary as long as people wish to eat out at night!

For many, though, the rise of non-standard employment has heralded new forms of insecurity and risk. These include irregular or unpredictable income, uncertain working time and hours, poor access to training, reduced opportunities for participation in decision making, vulnerability to OHS hazards, job insecurity and low pay (Macdonald & Holm 2001, Standing 2002, Watson, Buchanan, Campbell & Briggs 2003). The trend towards casual contracts of employment appears to be driven by employers rather than employees, and some suggest this reflects a strategy to minimise labour costs and to devolve risks to workers (Watson, Buchanan, Campbell & Briggs 2003).

From male breadwinner to balancing work and family

The fundamental demarcation between male (full-time) paid employment and female unpaid care and household work which lay at the heart of the old regime obviously no longer applies (Buchanan & Watson 2000). With increased female employment, gender inequality has reduced substantially, although few would claim it has disappeared altogether and women are more prone to the risks of precarious work in the service industries. However a new form of divergence is evident; that between ‘work rich’ households with two full-time (or one full-time and one part-time) wage earners and ‘work poor’ households with no-one in paid employment or with insufficient work (Dawkins, Gregg & Scutella 2001). This trend has exacerbated the increase in income inequality due to the dispersion in wage income.

For many there has been an intensification of work, longer working hours, and the struggle to combine work and caring responsibilities. The switch from institutional to community care has meant greater choice and freedom for older people and those with disabilities. At the same time, the increased participation of women in employment has reduced the availability of unpaid carers and this role is increasingly provided by professional carers, as has also been the case for child-care. The ageing of the population raises the prospect of greater needs for care provision for older people in future.

There has been little change in the domestic division of labour, leaving women to deal with the care crunch: high income women have been able to contract out household work and childcare responsibilities while middle income women make do with a patchwork of formal and informal care (Hancock 2001). At the other end, ‘work poor’ households struggle with inadequate income, severe financial pressures and little social mobility (Taylor & Fraser 2003).

Control over working time is an issue for both the work-deprived and for the over-worked. In Europe, collective agreements and facilitative laws have had encouraging effects; as have some of the UK reforms. There has been a low uptake of family friendly measures through enterprise bargaining in Australia, and the structure of the family payments system tends to generate very high marginal tax rates for women with working partners (Hancock 2001).

There is clearly a need for a more equitable distribution of paid employment and to find more effective ways of balancing work and family commitments. Hancock (2001) suggests that an integrated public policy to enable care for older and disabled people as well as for children are more likely to gain political support from childless couples who may otherwise resent paying for the childcare of others.
From private to public income transfers

One consequence of sustained unemployment and the growth of two-job and jobless households has been a fundamental change in the means of income redistribution. Intra-family private redistribution of income from working husbands to non-working wives is being replaced by public transfers from working to non-working households, leading to growing expenditure on social security payments.

Although the social security system has been relatively effective in ameliorating poverty for low-income families with children, this trend has not been without cost. Greater targeting of government benefits for those of working age combined with an increasingly conditional and punitive approach, raise questions about the fairness and longer-term sustainability of current policies.

The Australian social security system is tightly targeted via steep means tests on income. While there is popular support for the age pension and family payments, unemployment and sole parent payments are highly stigmatised. Middle class families increasingly resent paying taxes to subsidise the unemployed, as they see it, when they feel under great financial pressure themselves (Pusey 2003). This trend has undermined the legitimacy of the social security system, and left it, and those relying on it, vulnerable to political attack. At the same time there has been an increase in less visible ‘middle and upper class’ welfare such as negative gearing, private health insurance rebates, relaxed income tests for the age pension, and funding for private schools (ACOSS 2003).

Australian tax-payer funded flat-rate income support payments have been promoted as more financially viable than European social insurance defined-benefit schemes which have had to be supplemented with substantial government funding. However the downside is falling popular support and chronically inadequate levels of payment. Expansion of the range and scope of social assistance combined with some aspects of a social insurance approach (for example tripartite funding from individuals, employers and government) may build greater social support for transfer payments.

From linear to non-linear life course

The life-course once formed a reasonably consistent linear pattern, for men, of school, work and retirement, and for women, school, work, marriage, children and retirement. For both men and women, the life-course now includes numerous transitions around education, caring, full-time and part-time work, possibly divorce, retrenchment and unemployment, and retirement.

Young people face a myriad of decisions in moving through secondary and post-compulsory education, and a much longer and more complex period of transition to independence. They are likely to be financially reliant on parents for longer, and to have to combine work and study over an extended period (Ayres-Wearne 2001). Despite generally higher rates of participation in tertiary and vocational education, a significant minority of young people remain at risk (Dusseldorp Skills Forum 2003). For many of these and others with some further education, the labour market provides only insecure and precarious work resulting in the possibility of long-term exclusion and reduced capacity to support child rearing, enjoy quality of life and provide for retirement.

As Perry has shown, the standard trajectory into retirement no longer holds, but there is a greater disparity in choices between high and low status workers. Employees in lower status jobs have often been forced out of work through retrenchment but have inadequate superannuation to allow them to retire at 55 years of age. Well off workers, on the other hand, have often amassed reasonable superannuation sums to allow them to retire early, and have somewhat greater
opportunities to continue working (Perry 2001) although even professionals and managers often find difficulty in finding employment as they approach retirement age. This latter group also benefits from policy changes over recent years, which have made the age pension and concession cards accessible to those on higher incomes.

Home ownership is one example of a ‘life-course approach’ which functioned as one of the cornerstones of protection against poverty in old age (Wulff 2001). Diminishing housing affordability is denying home ownership to an increasing proportion of young people and diminishes access to lifelong investment for old age. A new housing policy needs to recognise that for an increasing number of people, renting is no longer a transition to home ownership, but a life-long reality. Recent research also confirms the centrality of the labour market to these changes since home loans are contingent upon employment status (Wulff 2001).

A life-course approach to policy may help negotiation of multiple transitions and to a more even distribution of income and wealth across an individual’s life. However, it must also take into account differences in opportunities between groups, and that some groups now face a lifetime of persistent disadvantage (Macdonald & Holm 2001).

Outmoded institutions?

Some of the policy implications of the changes listed above are discussed below, although this is necessarily a very incomplete discussion.

The Higher Education Contribution Scheme (HECS) and superannuation can be seen as a ‘life course’ approach to policy in that they attempt to shift two major costs from the beginning (education) and end (retirement) of the working life to being paid off during the thirty or so years of paid employment. However HECS debts and/or compulsory superannuation payments may delay the ability to save for home purchase, act as a disincentive for lifelong training or prevent accumulation of other assets such as cars and whitegoods (ACOSS 2002). Age and assets tests for entitlement to superannuation and income support are also uncoordinated, and tend to diminish flexibility in the transition to retirement.

Social security and ‘welfare to work’ policy more generally premised on the availability of full-time jobs which will pay a ‘living wage’, undermined by the change in composition of employment to part-time work. At present, for example, around one quarter of people receiving unemployment payments are simultaneously working in part time jobs (Saunders, Brown & Eardley 2003). Withdrawal rates are currently set at levels which create high marginal tax rates for part-time work, based on the idea (in the past) that incentives should be structured to encourage job seekers people to get off benefits altogether by getting a full time job. There is significant debate about whether withdrawal rates should be restructured to encourage part-time work, even if this means more people might receive benefits for longer.

An approach to policy with a primary focus on transitions through the life-course requires consideration of cross-sectoral issues for each transition. Current policy analysis and development is conducted in departments based on traditional divisions of responsibility (such as employment, housing, education and so on) which make it difficult if not impossible to consider transitions in a more holistic manner.

Despite the rise of part-time jobs in some sectors, attempts to negotiate different working hours are still seen as deviations from a desirable norm in many other industries. Parents find it difficult to
negotiate reduced hours in order to share childcare, perhaps as much due to cultural norms around dedication to work and suitability for advancement as to organisational regulations.

There is some evidence that current arrangements prevent many people working the hours they desire. Analysis of data from the national HILDA survey shows that ‘many long hours individuals prefer shorter hours, and many short hours individuals prefer longer hours’ (Drago, Tseng & Wooden 2004). On average, those in employment wished to work an average of around 2.4 hours less per week. Applied to the adult working population, this is around 20 million hours per week, roughly equivalent to a full-time job for the half a million people currently unemployed.

Given the desire to retain at least some aspects of non-standard employment, a return to regulation based on the standard full-time working week is infeasible. However we do need to find new ways of regulating precarious work and casualisation. The current industrial relations system depends on the ability of individual enterprises and unions to negotiate separate agreements. But union membership, and hence bargaining power, is particularly low in those occupations and industries most prone to precarious working conditions, which means that enterprise bargaining merely exacerbates the fragmentation of employment conditions. Some form of regulation through legislation or centralised bargaining may be necessary.

New policy directions

The trends outlined above require new forms of protection from risk. These policies will involve greater adaptability and flexibility combined with a concern for better support and redistribution towards those at greatest risk.

It also means a reconnection between social and economic goals through both social and economic policy rather than seeing these as completely separate domains. Economic policy needs to be concerned with social goals (such as an equitable distribution of employment) in addition to economic goals such as sustainable rates of economic growth. Social policy must also take into account the needs of the economy (such as a skilled, adaptable workforce) as well as social goals such as protection from risk for those with less market power.

Transitional labour markets

Schmid’s notion of transitional labour markets (TLMs) may form a useful framework for the development of new policy response. TLMs describe periods during which people move between full-time work and other activities such as caring, education and retirement (Schmid 1998, 2002a, 2002b). TLMs have both a descriptive and normative use. Schmid uses TLMs to propose policies which combine ‘adaptability’ from the active labour market approach, with an aspiration for a distribution of paid employment closer to that desired by employees. This may redistribute paid employment but it would also allow for greater flexibility sought by employers and encourage useful non-market activities (Schmid 2002b).
Schmid defines TLMs as:

...institutional arrangements that empower individuals to transit between various employment statuses during their life cycle through a set of mobility options and employability enhancing labour market policies (2002a, p. 63).

In effect, he proposes that active labour market policies be expanded to allow people to move both in and out of paid employment more easily. These would enable people to strike a better balance between work and other important activities. There is some evidence that a significant proportion of those currently employed would welcome such a policy framework, since many are opting for reduced participation already (Hamilton & Mail 2003).

TLMs require an ‘active approach’ in that they should both provide not only financial support but other assistance (such as for training and caring for others) for people to make transitions between employment roles. They should embody the principle of increased capacity building central to active labour market policy, but are also directed to people who wish to move out of work, as well as those who are unemployed. TLMs should aim to:

- Combine employment and other useful activities not valued on the market
- Provide a combination of wages, transfer payments and other income sources
- Ensure a contracted entitlement
- Finance employment and capacity building activities instead of unemployment

Five major life-course transitions can be identified between:

- education and employment
- caring and employment
- unemployment and employment
- employment and retirement
- precarious and permanent employment

The TLM framework fits well with a life course approach to policy, since it can be focussed on major life course transitions. These transitions already exist in the labour market in Australia. However, as described above, the policy levers to support and regulate them are based on outdated assumptions, and the outcomes are far from satisfactory especially from an equity perspective.

Schmid (1998) argues that TLMs can be used as a normative device to describe the quality of transitions. Cebrián, Lallement & O’Reilly (2000) suggest it may be possible to distinguish three types of transitions; integrative, maintenance and exclusionary. Integrative transitions would allow people outside paid employment, such as the unemployed, students and carers, to move into full-time employment via part-time work. Maintenance transitions would allow people in employment to maintain ‘employment continuity by moving between different working time regimes’ (Cebrián, Lallement & O’Reilly 2000, p.4). Finally, exclusionary transitions would be represented by periods of part-time or temporary work within a longer pattern of unemployment or non-employment. This would effectively mean transitions only between the peripheral labour market and non-work. This schema appears to assume that full-time work is the ultimate aim of participation in employment, and that any period of employment in other forms of work should serve (ultimately) as a stepping stone to this aim.
Using TLMs as a guide to policy, good transitions would:

- Empower individuals by building or maintaining their employment capacity
- Provide active support instead of passive payments
- Establish a balance between central regulation and individual or local flexibility

Within this framework we need to consider cross-sectoral issues with regard to the intersections between policy arenas (as shown) for any particular transition, and also the effects of policies for one type of transition on other transitions (for example the possible impact of HECS debt on employment and family formation).

<table>
<thead>
<tr>
<th>Transition type</th>
<th>Social security</th>
<th>Industrial relations</th>
<th>Employment</th>
<th>Tax</th>
<th>Housing</th>
<th>Education</th>
<th>Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education ↔ employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caring ↔ employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment ↔ employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Precarious work ↔ 'stable' work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment ↔ Retirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Another dimension to this schema would include key design elements of policies and institutions such as:

- Legislative basis
- Entitlements and obligations
- Financing
- Program delivery
- Target groups/eligibility
- Funding mechanisms
- Stakeholder groups
- Political support or opposition

**The economic rationale for TLM policies**

Why should governments be concerned with transitions? Why, for example, should the State be involved in decisions about education and family formation, which some argue should remain in the private domain without any public support? While there are risks in investing in education (in that the expected employment opportunities or level of wages do not eventuate) these are ‘speculative’ risks in that the person has some expectation of benefit as well as the possibility of loss. Insurance theory would suggest that such risks should be left entirely to individual decisions in comparison to ‘pure’ risks, such as fire or flood, which are involuntary and where there is no chance of gain (Schmid, Reissert & Bruche 1992).

However, higher education and family formation have broader public as well as private benefits and are both necessary for economic growth. More highly educated workers tend to earn higher incomes, and pay more income tax. Australia’s international competitiveness depends on being able to establish and keep a foothold in the knowledge economy. The private sector depends on a pool of skilled workers being available but as argued above, faces disincentives to train individual staff as the benefits may accrue to other employers. Children, of course, are the labour force of the future, without which no economy can function. There is therefore a public interest in education and fertility as well as a private interest. In economic terms, positive externalities flow from private decisions.
Another feature of these transitions is that they involve considerable risk and uncertainty about the outcomes in terms of employment and income. In Nichols Barr’s (2001) terms, risk involves a known probability of a hazard (such as unemployment) occurring, whereas uncertainty involves a probability which is unknown. People undertaking further education may have an expectation that their incomes will increase as a result, but rapid economic change means that the incomes of different occupations are unpredictable and may vary significantly in future, placing future income at risk (Shiller 2003). Similarly, people who exit the labour force to have children or to care for a relative not only forgo immediate income, but suffer the prospect of diminishing skills and connection to employment. This may jeopardise their ability to return either to the same occupation or to their previous level of income. Since most people are risk averse in situations of uncertainty, many will under-invest in education or decide to have fewer or no children (Schmid 2002c). From a rational choice perspective then, there is some justification for intervening to support transitions for workers to update their skills, to form families, or to care for family members.

There are well-accepted reasons for government intervention around the issue of unemployment although the scale and type of intervention are contested. It is clear that it is not possible to have a viable private unemployment insurance scheme: those with the lowest risk of unemployment are not likely join a scheme voluntarily, imposing greater costs on those most likely to become unemployed (Barr 2001). If those at risk of unemployment choose not to join, the costs may still be borne by the public through an increase in crime. While public unemployment insurance schemes are therefore unavoidable, their costs could be reduced by reducing the flows into unemployment, and by better assistance for unemployed people, especially the long-term unemployed, into work. Unemployment and under-employment also represent an economy operating at a reduced level of capacity, and efforts to reduce unemployment could have a positive impact on total output or welfare. Quiggin (2000) argues, for example, that reducing unemployment through greater expenditure in labour-intensive industries (such as health, education and environmental conservation) will have a net welfare-increasing effect for the economy.

Finally, the current transition from employment to retirement is unnecessarily restricted by inflexible superannuation and income support policies and cultural attitudes to older workers. In the longer term, it is argued that the ageing of the population will reduce the available workforce unless workers work for a longer part of their lives. Given increasing life expectancies, and a desire for many people to work longer, perhaps part-time if not full-time, there is a good case for retirement transitions which are more flexible.

**Strengths and weaknesses of TLMs**

One of the strengths of the TLM approach is that it provides a way to encompass individual goals based on change or growth, in a way which may also suit employers and the economy. TLMs fit with cultural values of activity and future orientation underpinning active labour market policies, but also provide the opportunity to build in greater equity and social solidarity concerns missing from much of the debates around labour market flexibility. As Schmid suggests, expanding social security provisions to make ‘transition support’ available to more people may assist in developing greater public support for the system.

A potential weakness with the TLM approach is that it is based in part on the continued availability of standard employment which people move in and out of. Given the fragmentation of the labour market in Australia, how can TLMs deal with precarious work, and is it possible to consider
transitions from this employment status to permanent work (or from peripheral to core labour markets)?

TLM policies and programs could be funded by contributions from employers, individuals and government, a principle embodied in superannuation financing in Australia. The regressive nature of superannuation tax expenditure, in which the well off gain a higher government subsidy than low and middle income earners, also points to the tension between vertical and horizontal equity inherent in TLMs. On the one hand, a progressive financing approach is necessary to meet redistributive aims and to ensure there is a greater support to the most marginalised. On the other, we need to find ways to assist those currently working to calibrate their working hours to better match needs at different stages of the life-course, and these workers may desire ‘transition’ incomes which is a close substitute for what they could earn. This latter demand runs counter to both the equity arguments made by the community sector and the tabloid media opposition to middle class welfare, but might be necessary if policies are to apply broadly to the workforce. The degree to which some people are willing to trade income for other benefits, a feature of downshifting (Hamilton & Mail 2003), will obviously influence this equation.

Acknowledgements:

Thanks to Matthew Gray, Ian Manning, Margaret Mead and Daniel Perkins for comments on earlier drafts of this paper.

References


ACOSS 2002, *Submission to the Senate Select Committee on Superannuation Inquiry into superannuation and standards of living in retirement*, Australian Council of Social Service, Strawberry Hills, NSW.


Buchanan, J & Watson, I 2000, ‘Beyond the wage earner model’ in Reshaping Australia social policy: changes in work, welfare and families, Growth 48, (eds.) L Hancock, B Howe, & A O’Donnell, CEDA, Melbourne.


Cass, B 1988, Income support for the unemployed in Australia: towards a more active system, Australian Government Publishing Services, Canberra.


Family and Community Services 2003, Inquiry into long-term strategies to address the ageing of the Australian population over the next 40 years, Occasional Paper No. 8, Commonwealth Department of Family and Community Services, Canberra.


Hancock, L 2001, ‘Precarious work, over-work and family time’ in _Future directions in Australian social policy: new ways of preventing risk, Growth 49_, (eds.) L Hancock, B Howe, M Frere, & A O’Donnell, CEDA, Melbourne.

Hancock, L, Howe, B & O’Donnell, A (eds.) 2000, _Reshaping Australia social policy: changes in work, welfare and families, Growth 48_, Committee for Economic Development of Australia (CEDA), Melbourne.


Wulff, M 2001, ‘Out with the old and in with the new?: housing’s role in the new social settlement’ in *Future directions in Australian social policy: new ways of preventing risk*, Growth 49, (eds.) L Hancock, B Howe, M Frere, & A O’Donnell, CEDA, Melbourne.