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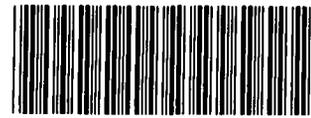
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Transitional Labour Markets: a Social Investment and Risk Mitigation Strategy for Social Policy

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The project on which this edition is based evolved through two ARC Linkage Grant projects, New Social Settlement and Transitional Labour Markets, involving Chief Investigators from the University of Melbourne and Deakin University with industry partners CEDA (Committee for Economic Development), the Brotherhood of St Laurence and NEIR (National Institute of Economic and Industry Research). Drawing on transitional labour market (TLM) theory, this introductory chapter highlights major themes, overviews the contributions to this volume and suggests a future agenda for policy makers.

The focus of these applied research projects has been the impact of post-modern social transformations on systems of social protection, looking through the lens of the labour market and shifts in household and family structure. Through the central concepts of life course, risk and transitions, the project articulated the breakdown of the settings of the old post Federation and World War Two social settlements that are seen to have had their greatest applicability during the post 1950s growth era. These settings afforded some protections via full employment, centralised wage fixing and arbitration, industry tariff protection and work-based benefits based on the male breadwinner model (Beilharz et al., 1992; Castles, 1985). With the globalised market economy driving change, structural shifts in industry and labour markets, privatisation and deregulation of financial markets, have resulted in increased risk and precariousness. Where once it was more common for lifecourse transition risks (school to work, family formation, work progression, the transition to retirement) to be linear and predictable, transitions in the late 20th Century and into the millennium involve risk that is episodic, unpredictable and frequently multiple. What Ulrich Beck has termed the risk society epitomises the exposure to risk throughout the lifecourse, the emergence of new risks such as

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divorce and redundancy added to old ones, and the 'individualisation' of risk and precariousness as the state retreats and business withdraws from social provision/protection models - all pointing to the need to rethink social protection.

Changes in families and households and changes in labour markets and the world of paid work have formed much of the analysis. The role of women is different than in previous eras, with a decline in the number of children in breadwinner (homemaker mother) households declining from about eighty percent in 1982 to about one third today; with few supportive structures in place. The two parent family with children as the focus of family and social policy has given way to the need to account for a more complex matrix of household and family configurations; especially the rise of single person households and post divorce, female headed households with dependent children. Longer periods of formal education and access to fertility control, delayed entry into the labour market and declining fertility, combined with the ageing demographic of the baby boomer bulge, now point to skills shortages and a mismatch between labour demand and supply. Higher levels of education and the entry of married women into paid work, have impacted upon gender relations, and family-work balance is now a major issue for families where adults try to combine paid work with care or children, aged relatives or family members. At the same time, there are rising concerns about those families, sometimes inter-generationally unemployed, with no adult in work; accounting for about 700,000 children growing up in disadvantaged workless households, often located in declining regions or suburbs.

Impacting more strongly on local labour markets, the global economy is changing and China and India have emerged as new global and regional powerhouses. Their low cost labour and flexibility is attracting foreign investment and stimulating the relocation of manufacturing from developed countries, impacting on job losses and industrial restructuring in countries such as Australia. Whereas the older industrial work contract achieved by organised labour entailed 'work for life' with an obligation on employers to look after workers, to retrain, anticipate change and prepare workers, this has given way to a pragmatic approach, characterised by lack of investment in job training and lifelong learning. In the flush labour markets of the 1980s and 1990s, employers drew on the pool of available labour; a lack of investment now showing in skilled worker shortages.

Use of time has become a major issue, related to the world of work, where increasing numbers of Australians put together a pastiche of part-time and casual work to make up a living wage (non standard work now accounts for over one third of jobs) and others in full time jobs have one of the highest rates of working

long hours in the world. The theme of time has another dimension: the market is redistributing time in ways that are dangerous for the social fabric. We need to re-think the way that time is distributed over the lifecourse, such as the 'frontloading' of education and the compression of working life, resulting in early retirement.

The Transitional Labour Market project uses the TLM model as a means of developing new thinking on how flexibility and innovation might be paired with social investment and new forms of social protection. TLM theory recognises that systems of social protection in developed countries are outdated, given changes in life and work in a globalised economy. New institutional frameworks, linked to new policies and programs based on TLM principles are needed; both to buffer risk and to support innovation. One of the central ideas is that focusing on transitions can facilitate bridges between unemployment and employment or education/training and employment, or between work and unpaid activities such as caring or study, that can maintain employability and social protection or adaptability whilst maintaining levels of economic security (Schmid, 2002, Schmid 2006).

Günther Schmid's Transitional Labour market (TLM) construct directs attention to the lived experience of transitions between paid work and caring, education and retirement at different points in the lifecourse. He proposes a more fluid, flexible movement between periods of paid and unpaid activity enabling a more equitable distribution of paid employment and a better balance between paid and unpaid activities. Standard lifetime employment would average about 30 hours a week enabling a freeing up of opportunities for those less engaged in paid work.

TLM theory emphasises the importance of institutions and of the links between different institutions which frequently operate as policy silos, rather than integrated systems to buffer risks and support capability and enhance employability.

Australia now needs a more complex social risk management system that requires a rethinking of the institutions and programs that have mediated, supported or influenced transitions. Many of these are ill equipped to give the sort of support and assistance that is now needed or to respond to the challenges of risk, globalisation and innovation. This project has framed this new challenge with a view to enablement and investment, finding ways that people can cope better with both routine and unexpected risks and devise ways of converting risks to opportunities to create more positive outcomes.

In this approach transitions and for that matter, risks, can be positive or negative. The challenge is how to avoid exclusionary transitions and ensure that transitions

are integrative and result in dignity, income security, independence and well being; and a balanced, just society. A central theme is investing in people so they are more able to cope with, adjust, anticipate and manage risk and to support innovative risk taking. Using the European term, flexicurity, one focus is finding the right mix of labour market flexibility and social security. This orientation reflects the importance of identifying the values underpinning our redistributive tax/benefit system and of a commitment to the principle of redistributive justice enunciated by Dworkin and of Sen's emphasis on building capacity to deal with risk.

Drawing on European examples, Günther Schmid focuses on TLMs as a means of managing and facilitating employment-related risks over the lifecycle and 'making transitions pay'. TLMs he argues, are useful both analytically and normatively; since preventative measures can emphasise labour transitions as 'gateways' to opportunity rather than 'trapdoors to social exclusion'. He differentiates integrative transitions, aimed at enhancing employability and flexibility of those who are inactive or unemployed and maintenance transitions, aimed at negotiated mobility options for the employed to move more easily between paid and unpaid or various paid activities. The metaphor of TLMs as bridges, requires thinking about the institutions and protective mechanisms that are needed to insulate against risk and provide flexibility and security at critical points in individuals' working lives. Under TLM theory, unemployment insurance becomes broadened to employment or work-life insurance, to enable combinations of non-work, work and education/training. Underpinning the complex institutional arrangements of a TLM risk prevention and reduction approach are four principles: the organisational, empowerment, co-financing and co-operative principles. Schmid examines TLMs in practice in relation to these underpinning principles; aimed at supporting both flexibility and security. Major transitions are examined with examples focusing on transitions between education/training and employment; between various education relationships; unpaid family work and employment; from unemployment to employment and employment to retirement; drawing on a range of international examples.

As pointed out by *Per Madsen*, Northern European states and in particular, Denmark, have been a source of tested ideas for Australian social policy makers since the 1980s. Denmark has been well known for its innovative policies and programs and the corporatist culture that have enabled Danish government, unions and employer groups to work together on labour market solutions (Wilthagen and Tros, 2004). Madsen analyses the interrelationships between labour market flexibility, social protection and social cohesion, or 'flexicurity', using comparisons between Denmark and selected European countries representing different welfare regimes. He discusses the Danish employment system as a 'flexicurity model',

covering all employees (rather than targeted sub-groups), which combines a high degree of flexibility for employers (with mobility between firms for employees and worker flows between employment and unemployment) within a well developed system of generous income support for the unemployed and active labour market policies, offering opportunities for skills training available to those unable to move directly from unemployment to a new job. In his terms, this locates Denmark as a 'hybrid between a Nordic welfare state and a liberal regime', characterised as it is by the combination of a flexible employment relationship and a social protection system. Coupled to a system of active labour market programs, individuals are insulated from bearing all the risks of unemployment; resulting in high levels of satisfaction with working life and income security. What might differentiate Denmark's version of flexicurity from other European countries, is the combination of longer duration and non-discrimination in the payment of unemployment benefits; and the pairing of active labour market measures with labour market training.

Michael Keating considers which combination of policies might maximise the opportunities for paid employment while also being acceptable in terms of income distribution effects. To the official unemployment rate of around 5-6 per cent we need to add people who have disengaged from the labour market and those who are underemployed; typically those working part-time and desiring more hours (estimated at as many as 1.7 million people wanting work or wanting more work). Even if we deduct the underemployed (ie those already employed in part-time work but wanting more hours), this leaves an estimated 1.2 million people who need work (on 2003 figures) out of a labour force of 9.6 million. Allowing for those who desire less than full-time work, Keating argues, this leaves an estimated 11 per cent of additional labour supply. All three groups – unemployed, underemployed and disengaged or marginally attached workers – tend to share lower skills and education levels in comparison to fully employed people. In addition, he argues that while there have been jobs generated in the skilled professions, growth in manual and traditional 'blue collar' jobs has been negligible, leading to the conclusion that the decline in blue collar employment is especially important to understanding the decline in male employment participation rates, especially for those with low formal education. With these structural changes to the labour market, supply of labour (and potential supply, if underemployed and disengaged workers are added) outstrips the current demand, with particular impact on male employment. He identifies low educational levels, lack of necessary skills and a lack of opportunities at current skill levels as barriers to these groups gaining work. Given that the demands of an ageing society will take some time to impact on increased demand for labour, Keating identifies a role for government now in employment generation to improve job chances for those who want or need more

paid employment; and re-skilling, especially those at the lower end of the education spectrum. 'The cost of developing the capacities and skills of those people who are least competitive in obtaining employment will be high, running into billions of dollars over a period of years. The critical problem facing Australia is that there is a structural mismatch between the labour supply and the demand for labour. There is a shortage of skilled labour and a substantial excess supply of people with low education and skill levels. Potentially the number of hours worked in a fully-employed economy could be expanded by 10–11 per cent. But any attempt to expand aggregate demand faster without remedying the present structural imbalance in the labour market is doomed to failure. Hence, the emphasis on extending education and training policies to improve the productivity of low-wage workers and encourage a more equitable income distribution.

John Buchanan, Ian Watson and Chris Briggs engage with the fragmentation of Australian working life and the need for new institutional arrangements that provide standards for flexibility and a working life with real choices available to all. In the context of Australian government industrial relations changes, they make the important point that '(t)he issue is not more or less regulation – it is the form regulation takes'. With the demise of the Harvester Man model of work, wages and work hours have become more unequal. They identify transitions associated with education/training, family formation and retirement as prone to difficult and unequal outcomes; and claim the new policy mix has shifted costs and risks from employers and the state onto households and individuals. They outline five major challenges in working life related to: traditional 'standards' and fairness; free market approaches to flexibility; autonomy and standards for flexibility; keeping working life in perspective and building new policy and practice linkages. Finally, they suggest the notion of pathways is useful for promoting cohesive diversity and caution against reforms that will bring on 'increasingly unequal freedoms in working life'.

Stephen Ziguras argues that the TLM framework is both descriptive and normative as it can both document the quality of labour market transitions and point to needed policy changes that would assist in making transitions less risky and exclusionary for those groups most at risk. As pointed out by Cebrián, Lallement & O'Reilly (2000, p. 4), transitions may be conceptualised as integrative, maintenance and exclusionary. The analysis of HILDA (the Australian longitudinal data set) Wave 1 and 2 data shows the dynamism of the labour market, with significant flow rates over a year. Exclusionary transitions are defined as those where less than 50 per cent of the year is spent in employment. More women than men and about one fifth of the adult population underwent a labour market transition within the study year

2001-02, with the highest flow rates experienced by those who were unemployed in 2001 but not in 2002 and those working part-time who changed status over the year. The data strongly indicate that risk of exclusionary transitions is experienced by particular groups: those who had been involuntarily unemployed in the last 10 years, with less than year 12 education, with long-term health problems, poor English proficiency, children under five year of age, women, Indigenous people and sole parents. In order to buffer these exclusionary transitions, TLM theory suggests a range of enabling policies, which in this instance include discussion of a youth guarantee, retraining for workers and linked employment and training programs for the long-term unemployed.

Focusing on disability employment welfare-to-work policy, *Luci Macali* discusses the far-reaching implications of the extension of workforce participation to people living with disability and the transfer of Open Employment Services from the Department of Family and Community Services (FACS) to the 'Workforce Participation' portfolio within the Department of Employment and Workplace Relations (DEWR). The 2005-06 federal budget provided for 21,000 new places to be made available to Open Employment Services over the next four years. However only 4,000 of the new places were to be made available to traditional or voluntary job seekers generally in receipt of Disability Support Pension and 17,000 places were aimed at those people with disability who are assessed as having the capacity to work 15 hours or more per week. For this group, under the Disability Support Pension Bill, income support will be contingent upon demonstrating they are actively seeking work.

Macali signals that the introduction of more rigorous competitive tendering for Open Employment Services (where they will compete with Jobs Network providers previously not catering for these groups) and the requirement they work more routinely with involuntary job seekers, will bring radical transformations to the sector with uncertain outcomes. At the same time she argues, work test expectations for people with disability need more coordinated and integrated policies and programs need to be brought under a National Disability Employment Strategy that recognizes the considerable barriers to participation. Disability Service Standards, currently applied at some cost to Open Employment Service providers are needed to underpin quality employment assistance and on-going support after job placement on a level playing field applied to all providers, or those applying these standards will be rendered uncompetitive and be priced out of employment services contracts. TLMs provide a framework that can empower, support and build employment capacity for people with disability, but as Macali argues, it needs to address unequal training and resourcing issues as well as

address discrimination as a formidable barrier 'related to transport and mobility, public infrastructure, education, community attitudes and employment' requiring whole-of-government support. Policy options include a positive duty on employers in job creation and redesign to remove barriers to employment of workers with disabilities, a Supported Wage System and use of the Workplace Modification Scheme.

Bettina Cass focuses on labour market transitions related to time out of the workforce or diminished capacity for paid work due to unpaid caring work. This includes transitions combining care giving and employment; temporary withdrawal from the labour market due to caring responsibilities; and making the transition to paid employment after caring for dependent or vulnerable family members. She links this to the gendered relations of informal care giving in Australia and examines income support policies which affect care giver's choices; which are often constrained by the nature and practicalities of care giving and the moral obligations of caring. For those with caring responsibilities, who are citizen parents/carers within a welfare system underpinned by an ethos of generalised mutual obligation and welfare-to-work for welfare recipients of workforce age, what are the transition pathways and what values underpin them? Cass explores the extent to which the Australian welfare regime caters for the particular needs of carers whose contribution to the Australian economy, civil society and family wellbeing needs to be recognised. Income support under Parenting Payment and Carer Payment are examined in light of welfare to work reforms coming into force from July 1 2006. As she points out, parent/carer citizens have particular needs and suffer from low income, labour force marginalisation and difficulties with transitions associated with labour force return. Barriers to mature age employment are separately examined in this volume but as Cass points out, there is little research on the gendered care-associated pathways out of and back into employment for those either combining paid work with caring work or returning to work after caring for an ill or disabled family member or friend. What are the policy, program and workplace accommodations that might be needed to accommodate specific needs of citizen parents/carers? With regard to both sole parents and carers, she unveils the inconsistent demands made of them as carers and as workers under a policy regime based on the 'liberal precept of the atomised, independent worker', disembodied and without care responsibilities. However, with regard to sole parents, historical analysis of income support provisions portrays them as 'mothers first and paid workers second'.

Linda Hancock focuses on the issues impacting on mature worker transitions, emphasising the need for better coordination between mature worker (45-64 years)

labour markets and education and training. Current and predicted skills shortages and the pension costs of an ageing population have put them at the centre of renewed calls for valuing, reconnecting and retaining mature workers. Early school leaving and low levels of formal qualifications pose particular challenges for the employability of the current cohort of mature workers; especially the most marginalised, who left school early, have missed out on on-the-job training and who frequently have poor English speaking competencies. Research thus points to issues of involuntary withdrawal from the workforce for men in particular, and an organisational culture of retrenchment targeting particular groups: older workers over 54 (or younger), males, people with short tenure in the retrenched job and blue collar occupations. Many mature workers withdraw from the labour market and do not expect to work again, which is seen by many as exclusionary, risky and an avoidable waste of human capital. What is distinctive about the TLM approach is the commitment to enabling flexibility with support or flexicurity, drawing on European active labour market models. The identified skills shortages highlight a mismatch between employment opportunities and the quality, quantity and mobility of the labour available. Structural changes in the labour market have impacted on training, especially for the current cohort of mature workers and various alternative responses are flagged.

Julia Perry focuses on how individuals might fund non-work activities. She examines sources of welfare, arguing that direct transfers from government are only one form of institutional support for people not earning or not supported by families or the market. Alternative sources include employers paying employee benefits such as sick leave, long service leave and parental leave, and worker's compensation. Superannuation provides for those off work due to disability and post retirement to those who have left jobs; as defined benefits or accumulated funds. Proposals such as income contingent loans, earned income refundable tax credits and matched savings or nest-egg accounts are examined against the predominant system in Australia, which in comparison to other Western countries insurance-based systems, is based on direct payments through social security. She counsels those proposing new systems of payment on the advantages of grafting them onto existing existing wage, tax and social security institutions such as the Family Tax Benefit or Parental Leave, rather than inventing untested new systems.

John Howe addresses the crucial issue of job creation through an examination of the role of the state in promoting job creation. While many economists and other conservative commentators have advocated 'labour market deregulation' as the way to promote employment growth in welfare-capitalist democracies, he

argues that this perspective assumes a simplistic, legally focused definition of 'regulation'. In reality, labour markets are constituted and regulated by the state and other actors using a variety of legal and non-legal regulatory techniques. He argues that when state economic instruments such as investment incentives, public procurement and public-private partnerships, draw on TLM theory, they can be used to facilitate transitions that maintain the twin characteristics of flexibility and security. Further, an examination of job creation policy needs to engage with how the objectives of such a policy align with current labour market preferences, practices and job quality; and whether some of the standard instruments of economic policy and regulatory techniques aimed at jobs creation, can achieve TLM ideals with the appropriate changes. Balancing promotion of employment growth with maintenance of social protection could involve the imposition of conditions on public funding of economic policy instruments that promote transitions consistent with TLM theory such as projects that facilitate skills acquisitions, employment of mature age workers, family/work balance or making transitions easier. Other ideas based on EU directives, could seek to balance flexibility with provisions such as training or skills acquisition opportunities that will enhance more generalised employment security. Working time reductions could encourage better work/family balance and reductions in overtime could help in the creation of new jobs, while conditional government funding could help preserve job tenure and quality. Howe suggests that given the Commonwealth Government Industrial Relations reforms, there is still some potential for State Governments to use 'soft law' or 'light touch' regulation in their own public subsidy schemes to leverage better jobs and conditions.

Conclusion

Life-course transitions are pressure points and risk events that need to be accommodated in all future reforms to welfare and social investment. The older industrial model of welfare in which different bureaucracies and different fund-holders sorted-out problems for separate groups of income support clients, health care clients and housing clients creates as many problems as it solves. The previous hope that such institutions might be lined-up along the life-course to take care of problems in sequence is failing. People now move back and forth through different transitions and we need new institutional arrangements to help make this work for them and for the community at large.

The great advantage of the TLM model is that it draws attention to the right places for strategic reform. It does not offer a standard set of institutions to facilitate transitions however. This requires local engagement and negotiation. Since Australia does not have a history of social insurance there is less scope

to use this as a source of funding employment transitions. On the other hand we have a large and expanding superannuation system with potential to do more to assist movement in and out of work by fund members. We also have a large and expanding property market, supported by government tax breaks, which could well be harnessed to various forms of 'transition funding' for people seeking to train for new careers, manage part-time employment options or support health and carer responsibilities.

The challenge for policy makers and researchers is to use the transitions model to generate new ways of supporting inclusive transitions and flexible forms of social investment. No doubt these changes will require shifts in government thinking and the development of new institutions. Perhaps we will require something like the Dutch transitions fund to encourage citizens to build up a fund of resources to draw-down for future education, training and work transitions? Perhaps the new architecture will involve 'joining-up' some of the existing funds and social support mechanisms to facilitate resource and risk sharing? The essays which follow and the research projects which stimulated them offer important reference points for this journey and a place to begin mapping the new architecture of this shared future.

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