



**WZB**

Wissenschaftszentrum Berlin  
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# **Managing Transitions: Lifelong Guidance in the European Space**

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# Managing Transitions: First Message

Challenges: workers have to combine labour market career with family obligations, life-long learning, working-time variation through many transitions over their life course

New social risks not covered by traditional insurance such as long job tenures, family wage, human capital, unemployment benefits

Adverse incentives of conventional social insurance due to increasing 'internal' or 'manufactured' risks

Managing transitions through proactive social policy = empowering people as free agents

# Lifelong Guidance: Second Message

Lifelong guidance = life course perspective, in contrast to  
Life cycle approach = iterative cyclical process governed by  
irreversible socio-biological norms

Life course approach = evolutionary perspective, embedded  
in a social structure, reversible choices

Individual life is not lived independently; transitions in one  
person's life induce transitions for other people as well

Example late transition to motherhood: labour market  
constraints for late parents and rush-hour of life

Extended life expectation and repeated marriages lead to  
contingent multiple generation family

# European Space: Third Message

Transition dynamics embedded in historical, political and institutional space

Different patterns of adjustment according to institutional path dependency

Countries with flexible labour markets compensate low job stability with high transition dynamic leading to high inequality and insecurity

Regulated labour markets lead to high levels of occupational training and career continuity, though with the tendency to socially exclude disadvantaged people

A third way in the European Space? 'Flexicurity' and Transitional Labour Markets as theoretical framework

# What is Coming?

- The normative and empirical backdrop of transitional labour markets
- Strategies of lifelong guidance according to modern behavioural economics
- Good practices with emphasis on transitions from school to work and life-long learning
- 'Flexicurity' as a potential unifying principle of the European Employment Strategy

# Normative principles of TLMs

TLMs envisage a new stage of ALMP focusing on social risks over the lifecycle. They aim at empowering individuals to take over more risks through making work pay and making transitions pay. Four principles:

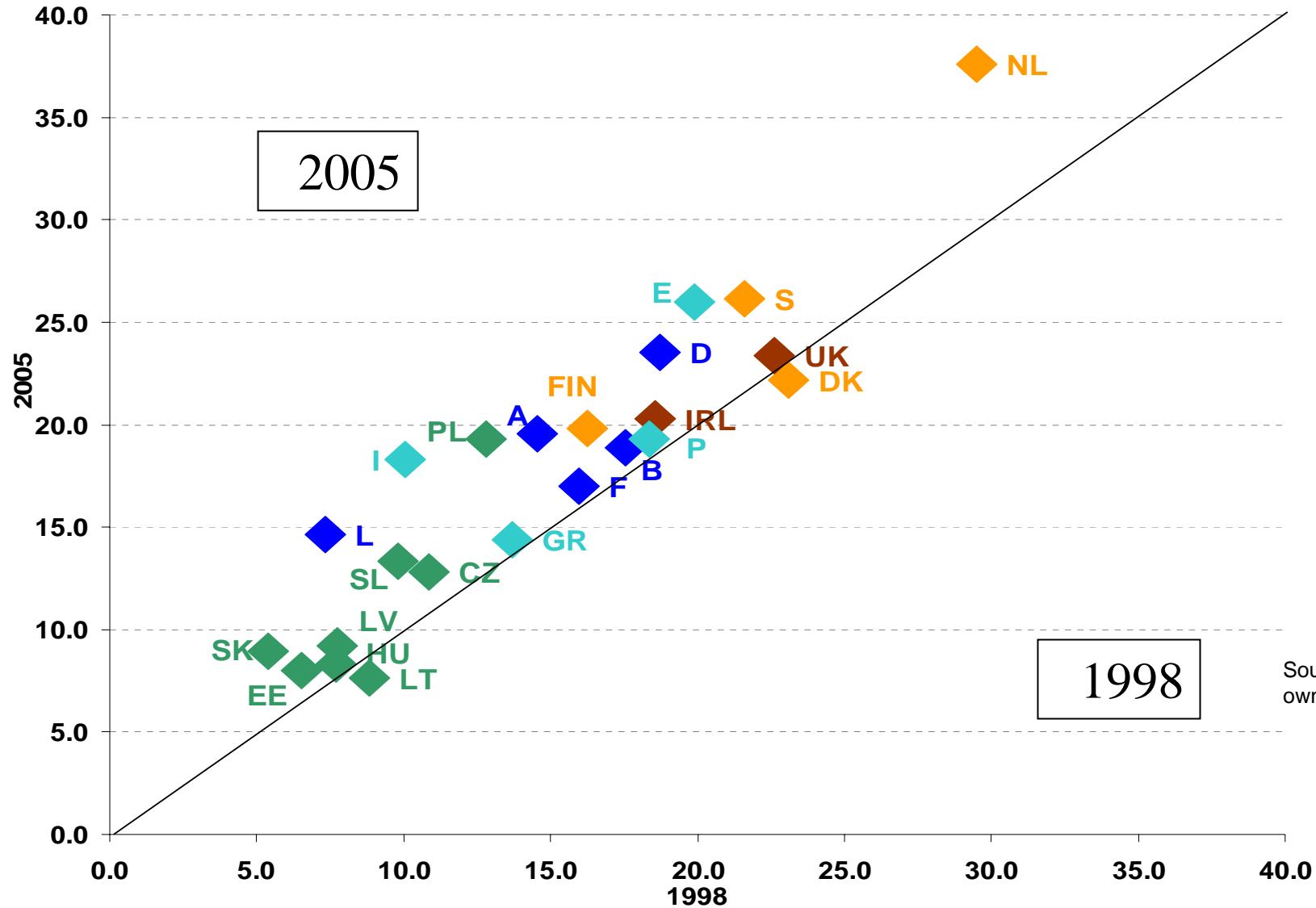
- Justice as fairness
- Solidarity in risk sharing
- Developing individual agency
- Transnational social cohesion

# The Empirical Backdrop of TLMs

TLMs emphasise the dynamics of labour markets, transition sequences and job careers

- Crucial distinction between integrative, maintenance and exclusionary transitions
- Also transitions within stable employment relationships (internal flexicurity)
- Example Sweden: nominal (74%) and effective employment rate (64%)
- New forms of labour market segmentation through non-standard employment relationships

## Nonstandard employment rates 1998 and 2005



Source: Eurostat,  
own calculations



## Transition dynamics according to employment status (EU 15; row percentages)

**2001**

**1995**

	Permanent	Temporary	Self employed	Not employed	Education/ training
Permanent	76.7	4.0	3.1	15.8	0.5
Temporary	<b>55.0</b>	<b>16.4</b>	<b>6.4</b>	<b>20.7</b>	<b>1.5</b>
Self employed	12.5	2.9	68.3	15.8	0.5
Not employed	18.7	6.1	4.8	69.0	1.3
Education/ training	41.6	13.4	4.8	16.1	24.1

Source. Employment in Europe 2004, Table 50

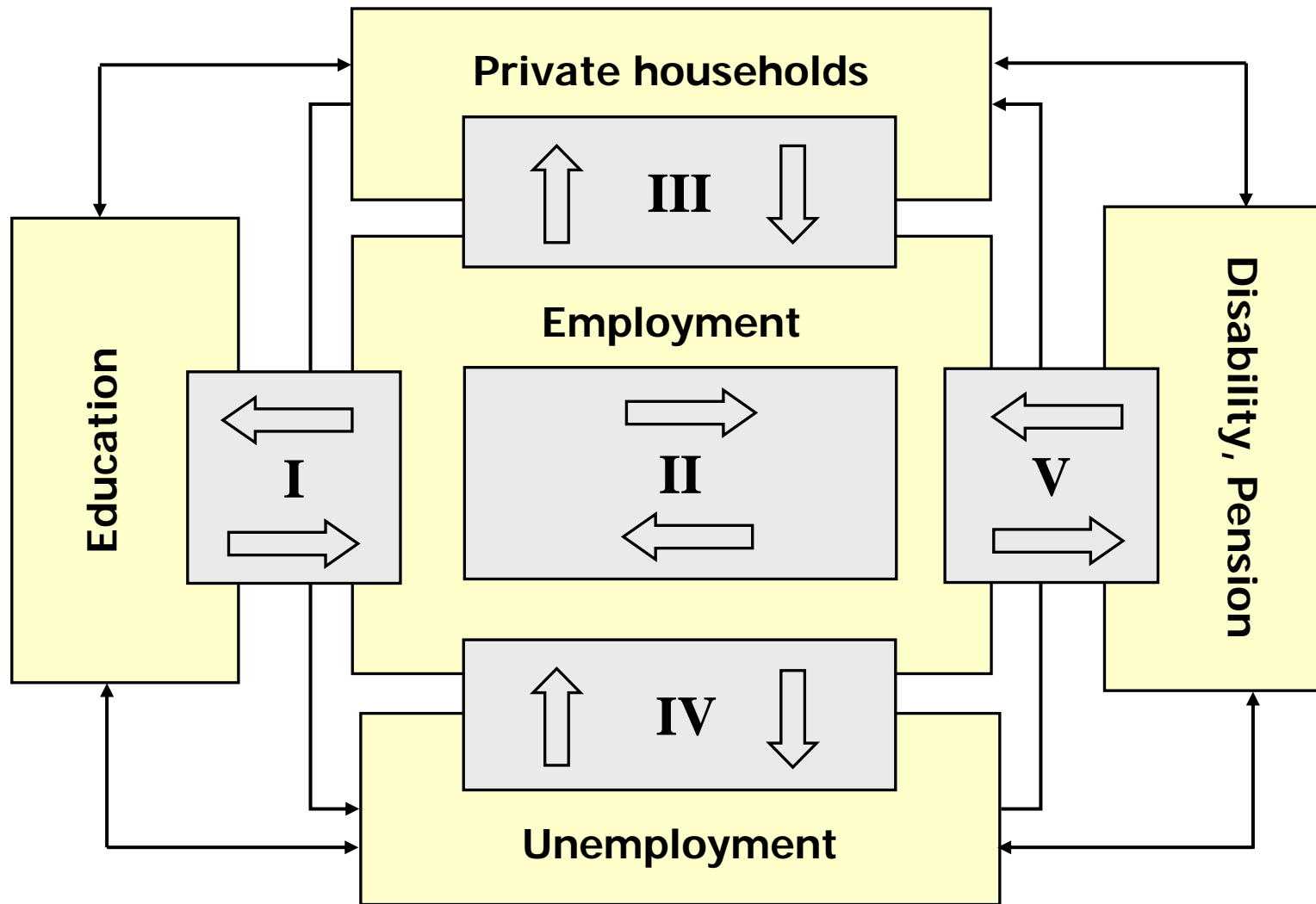
# The aim of TLMs

The aim of TLMs is, metaphorically,

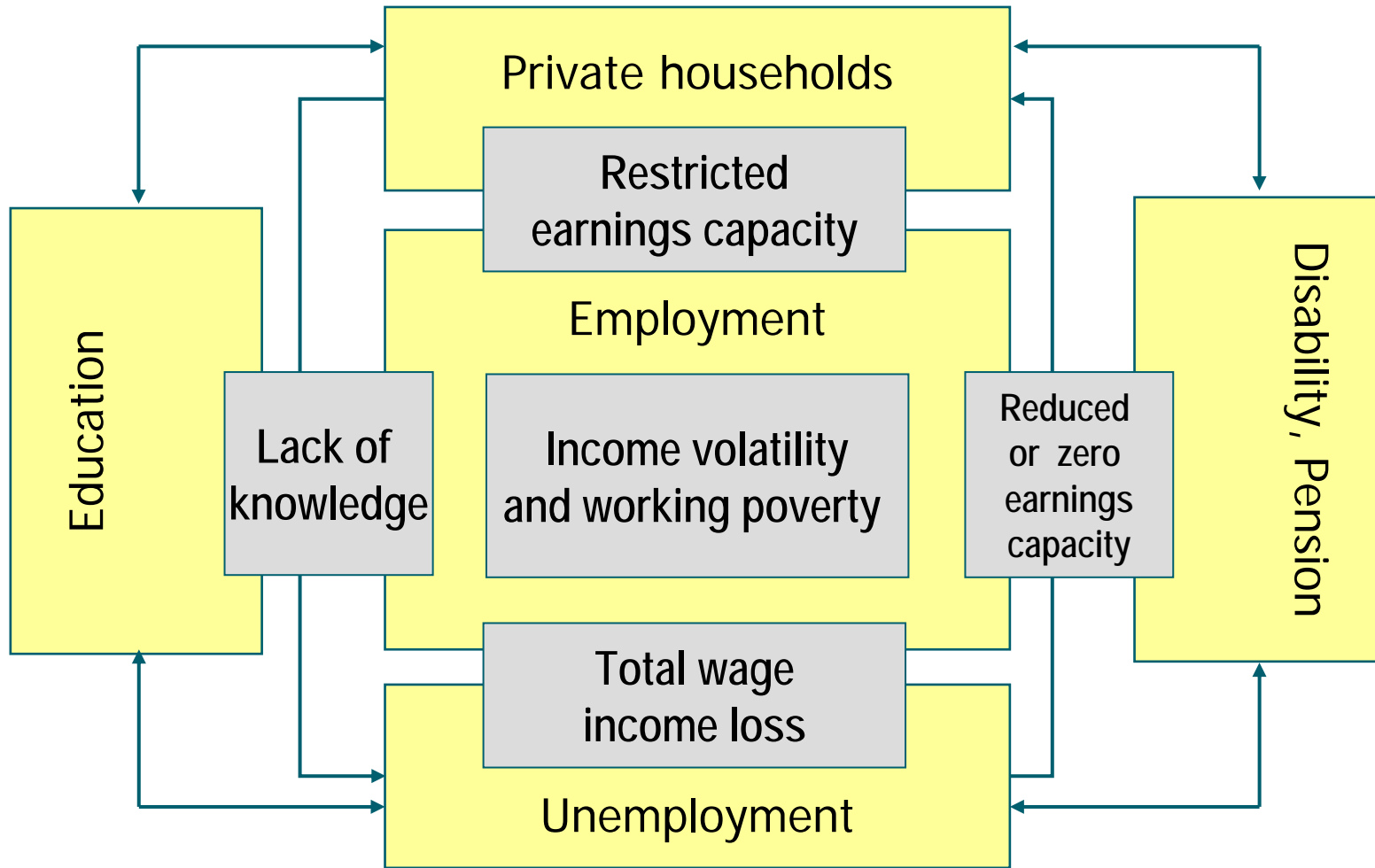
- to provide social bridges that compensate for the higher risks related to the contractual variety of employment relationships
- and to ensure that non-standard jobs become stepping stones to sustainable job-careers.

In order to establish such institutional arrangements, the analytical framework and the behavioural assumptions of social risk management have to be made explicit

## The main critical transitions over the lifecourse



# Employment related lifecourse risks



# Principles of Social Risk Management

- Requisite variety: the higher the variety of risk, the higher the variety of securities
  - Due to path dependency, social protection systems follow often a too simple or a different logic than required by the new lifecourse risks (institutional misfit)
  - Reciprocal fairness leads to long-term utility maximization
  - Asymmetric risk perception:
    - Loss aversion greater than risk taking
    - Myopic related to high risks with low probabilities, far-sighted related to low risks with high probabilities
- As a consequence: overinsurance of trivial life course risks, underinsurance of severe life course risks

# Strategies of Social Risk Management

- Prevention
- Mitigation
- Coping

Prevention tackles directly the causes of risks and should therefore be given priority. However, uncertainty looms large making prevention impossible. Prevention can also be prohibitively expensive or restrict flexible adjustment. Therefore, mitigation and coping strategies, especially by means of insurance, have to complement prevention.

## Managing the risk of knowledge deficits

- Passive transfers make no sense to protect people against the risk of knowledge deficits
- Equally, in-work-benefits may make sense for elderly but not for unemployed youth
- Prevention is here the main solution:
  - Managing knowledge deficits must already start in the kindergarten etc - learning begets learning
  - EU programme “Education and Training 2010” strongly emphasises early intervention through five quantitative benchmarks:

## Benchmarks for preventative lifelong guidance

- 1 low-achieving 15-year-olds in reading literacy should decrease by at least 20% compared with 2000, aimed at reaching the benchmark of 15.5% of population below 'education poverty line'
- 2 an EU average of no more than 10% early school leavers
- 3 at least 85% of 22-year-olds should complete upper secondary education
- 4 the total number of graduates in mathematics, science and technology should increase by at least 15%, and the level of gender imbalance should decrease
- 5 increasing the participation of the adult working age population in lifelong learning to at least 12.5%.



# The challenges ahead

Little progress with respect to Education and Training Benchmarks raises the questions:

- What are the proper strategies to support lifelong transitions?
- How can the risks related to these transitions be shared in a fair way between state, firms and the families?

# Sharing risks of investment: I

Reasons why the state should be or should not be involved in risk sharing

- Limited savings
- Equity
- Capital market failure
- State failure
- Failure of individual accounts

## Sharing risks of investment: II

Alternative: Combining social insurance principles with individual life course savings

- Income contingent loans
- The cases of Australia (HECs), UK, Sweden
- In efficiency terms: protecting borrowers from excessive risks
- in equity terms: assisting access to higher education through built-in insurance

Capacity building as well as consumption smoothing over the life course.

# Sharing risks of life-long learning

For life-long learning, the case for sharing risks through social insurance is not as strong: moderate externalities and market failure. However: shortages of skilled labour and equity deficits, therefore some state intervention by

- Strengthening the principle of apprenticeship
- Second chance through knowledge lift programmes
- Activating unemployment benefits ('active securities'!)
- Supporting collective agreements ('negotiated security'!)

Economic incentives are not all! Resources of motivation and time have to be mobilised – Remember Bernoulli!

# Mobilising motivation and time resources

TLM-theory suggests: extension of the expectation horizon through a set of opportunity structures available in the most critical events during the life course

- New social rights beyond employment
- Building social bridges
- Building psychological bridges
- Establishing and enhancing learning communities

# Lifelong Guidance in the European Space: I

## 1. Flexicurity is not and cannot be a unitary concept

but there are common elements consisting of

- deliberate combinations of flexible and reliable contractual arrangements,
- comprehensive lifelong learning strategies,
- proactive active labour market policies, and
- sustainable social protection systems

## 2. “Balance” flexibility and security empty without criteria

TLM-theory provides consistent analytical framework, explicit normative criteria and policies based on new insights of behavioural economics, suggesting

- new social rights that go beyond employment
- new forms of governance breaking the divide between labour market and social policy
- extension of social insurance principle to income risks beyond unemployment in order to not only “make work pay” but also “make transitions pay”

# Lifelong Guidance in the European Space: II

## 3. Establishing a system of work-life insurance

A way to extend the social insurance principle to a broader set of life course risks than unemployment would be to establish a system of work-life insurance based on three pillars:

- [minimum income guarantee](#)
- extending unemployment insurance to [employment insurance](#)
- private or collectively [negotiated insurance accounts](#) such as lifelong learning accounts, time accounts, career or care leave systems

## 4. Flexicurity to be embedded in sound macro-economic and macro-social policy through

- coordinated efforts to [stimulate economic growth](#) especially through investments in European economic and social infrastructure, and
- complementing the European Social Fund by a [European Knowledge Lift Fund](#)

# Selected Literature

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