

The life course approach to the labour market: a new challenge

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1. Introduction

As the chapters in this volume illustrate, there is a lot of research going on related to the theme of 'life courses and labour markets'. Yet, the research questions and the nature of the different chapters show a wide variety. One of the main scientific challenges for the years to come will be to develop an analytical framework for the analyses of different life course issues related to the labour market. The debate launched in the Netherlands at the turn of the century on the necessity of a life course approach in policy making (SZW, 2002) has shown that one of the necessary conditions for successful life course policies is that various fields of policy making should not be considered in isolation. The core of successful life course policies is the combination of policies on for instance education, the labour market, housing, health, taxation, retirement and family life. This places further serious demands on our analytical framework. This framework should not only be suitable to the analysis of different labour market phenomena, but it should also be capable of relating these phenomena to citizens' behaviour in other fields of policy. The development of such a framework is not an easy task. A major condition is that the framework should be open to extensions and it needs to link to domains other than the labour market, while not all possible connections addressing all relevant questions can actually be included in the framework at this point. The so-called transitional labour market approach may constitute a fruitful way of looking at the relationship between life courses and labour markets.

2. Transitional labour market approach

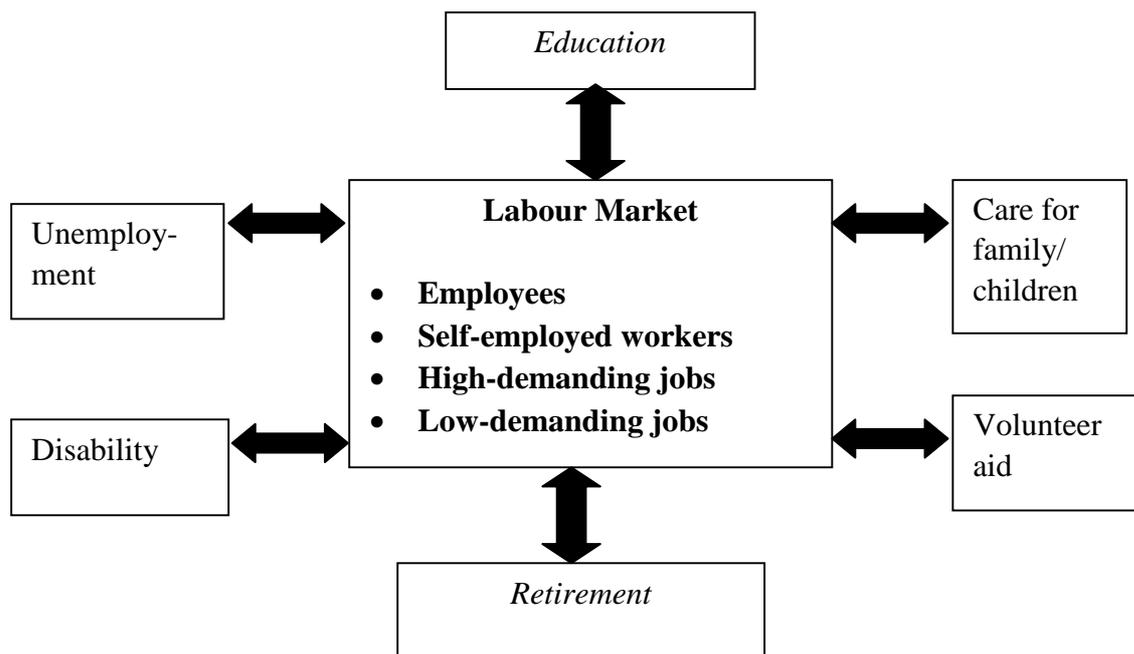
The concept of a transitional labour market (TLM) has been primarily developed at the Wissenschaftszentrum in Berlin, and several researchers in the disciplines of economics, law and sociology, especially from continental Europe, have adopted it as a useful concept for their analyses. The basic, normative idea⁷⁸ behind the concept is, that institutional boundaries between working and not working – or (in the words of Schmid, 1998) between 'gainful employment and other social activities' - and between the labour market and other domains should not be treated rigidly.⁷⁹ Instead, these boundaries should be 'fluid', depending upon the state of the economy. For instance, this may imply that policy measures with respect to the unemployed may differ depending on the macroeconomic situation. When the whole economy is in a deadlock and overall unemployment is high, it may be worth while to relax unemployed workers' obligations to apply for (unavailable) paid jobs. Instead they might be encouraged to take up unpaid, voluntary work in order to: a. do something useful for society and b. maintain some sort of rhythm and not to pine away at home on the sofa. When the

⁷⁸ Schmid (1998) talks about the 'regulative idea of transitional labour markets'.

⁷⁹ This brief summary does not acknowledge all kinds of subtle differentiations proposed in different studies. See for instance Schmid and Gazier (2002) and Schömann and O'Connell (2002).

economy and employment starts growing, the obligations to look for a paid job may be accentuated again. Thus, the unemployment regime breathes along with economy. A similar argumentation may apply for the transition between the educational system and the labour market and for the transition from the labour market into retirement. As a matter of fact, many European countries have experienced with pre-pension and early retirement schemes over the last two decades, in order to relieve the pressure of excess supply on the labour market. Several authors present the transitional labour market in schemes similar to the one in Figure 1.

Figure 1. Transitional labour market (TLM) scheme



A series of segments may be distinguished within the labour market. This conceptualisation allows analysis of not only the transitions between the labour market and other domains of life, but also between, for instance, the full-time labour market segment and the part-time segment. Other intra-labour market transitions are those between jobs, between employment as an employee and self-employment, between branches of industry etc.

Looking at the transitional labour market concept from an analytical perspective Schippers (2001) has argued that this concept offers an interesting framework to study flows within, from and towards the labour market, as well as the relationships between stocks and flows. With respect to each of these flows (the arrows between the domains in Figure 1) one can ask questions such as the following:

- Which institutions rule the transitions between two domains, i.e. the flow from one domain to another? Is it necessary to cross the bridge completely or do the institutional arrangements allow a combination of activities in two (or even more) domains?
- Are different groups (women, low-educated, older workers) equally present in the flow from one domain to another, or are some groups under- or over-represented?

- Is the bridge between two domains a one way street or can the bridge be crossed in both directions and does this hold equally for different groups?
- What is the price of making a transition, for instance, in terms of foregone earnings, career opportunities and future pension benefits, and does this price differ for different groups in the labour market?

Together the answers to these questions provide policy makers with the information they need for labour market policies and they allow judgements with respect to the inclusive or exclusive nature of particular transitions. After all, labour market policy is usually about blocking off, stimulating or guiding flows. It is about preventing workers to become disabled, stimulating workers to make the transition from unemployment to work, or enabling people to combine work and family life in such a way that it does not damage their professional career.

3. Linked domains and linked lives

Looking at Figure 1, it is easy to be seen that the scheme offers a range of possibilities for extension. The domain of volunteer aid, for instance, can easily be connected with other domains of the (health) care sector. Of course, one should keep in mind that different sectors might have different dimensions. The TLM-scheme from Figure 1 is primarily based on activity or time. Comparable schemes for housing or transportation may be spatially based. One could empirically fill in the scheme in Figure 1 by adding numbers for people (or for hours) to the stocks and flows. Filling in numbers for the stocks ('How many people are in the labour market?' or 'How many people are unemployed?') can be done for any moment in time. Filling in the numbers for the different flows requires adding a time dimension.

The questions put forward with respect to the different transitions (on institutional arrangements, who, which way and at what price) already indicate that the analysis is not limited to only one period. Suppose we would look at the flows in figure 1 on an annual basis, we might find that during some years the flow into unemployment is high, while during years of economic growth this flow runs almost dry (Muffels, 2001). Similarly, the introduction of new childcare facilities in a particular year may result in a reduction of the transition from the labour market into (fulltime) care. Thus, from a life-course point of view we might distinguish between different layers (e.g. one layer for each year) of the TLM-scheme. Figure 2 tells the story of one woman's life. When we first look at the labour market we see that somewhere around her twentieth year of age she makes the transition from education to the labour market. Before this transition, she is part of the stock of those who are participating in education. Then, she is part of the flow from education to employment for one year. Afterwards, she is part of the stock of those who are in the labour market. She later makes a transition from part-time work to full-time work within the labour market.

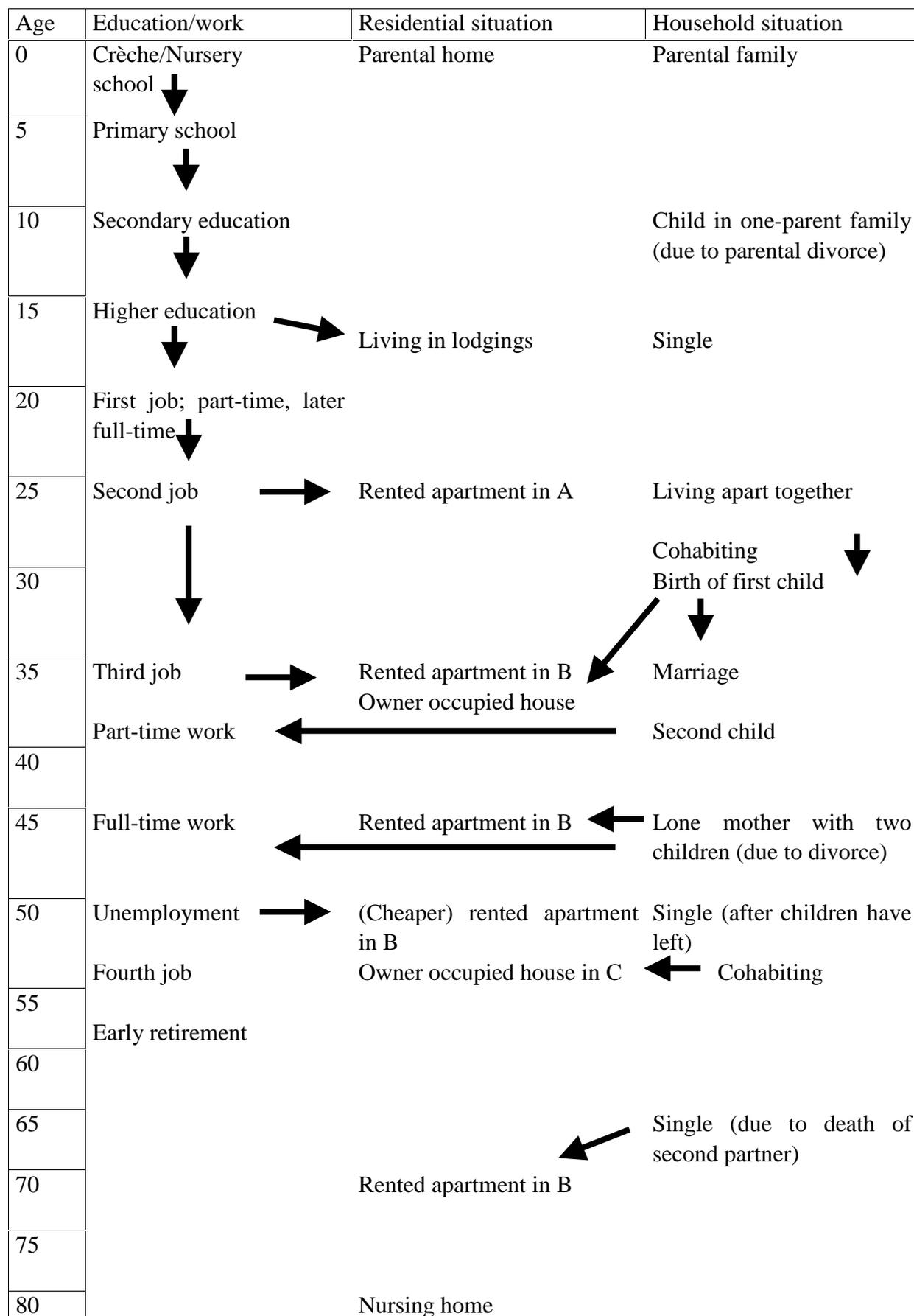
The next two labour market 'events' involve the transitions into a second and a third job. Within this third job she makes a new, twofold transition: after the birth of her second child she begins to combine part-time work and the care for her children. Of course, one could also say that after the birth of the first child, she already made a partial transition into the domain of care. However, at that time she did not reduce her working hours. After her divorce, she starts working full time again (still in the same job), probably for financial reasons. Then she becomes unemployed. After some time, she succeeds in finding another job, from which she

retires somewhere between the age of 55 and 60. Thus, over the years, she would have been part of different flows between the domains of the TLM-scheme in Figure 1.

The sum of the different life stories of each individual woman and each individual man composes the TLM-scheme for every year. One year, many individuals may enter the labour market or become unemployed or retire. Another year, these figures may be substantially lower. Or, during one year, the flow of people re-entering the labour market after a period of unemployment has a different sex and age composition than in other years. Logically, the flows add up to the different stocks, while the (net) flows can be considered the differences between the stocks at successive moments in time.

In Figure 2, one can add columns for family life and housing (or other domains of life), as we have done on the right-hand side. Once again, our attention is drawn to the interaction between the labour market and the other domains. Sometimes labour market events give rise to 'events' in other fields (for instance, moving to a cheaper house after one has become unemployed). Sometimes family events are the driving force behind labour market changes (such as in the case of the woman who starts working full time again after her divorce). As a matter of fact, there is a growing recognition of the necessity and relevance to study the interaction between the life course of partners or – even broader – family members ('linked lives'). This necessity has sharpened due to the fact that within families there is no longer a clear and complete specialisation of tasks between family members. Since women have jobs and even careers of their own too, their jobs and careers are also at stake when their husbands/partners get job offers which, for instance, require temporarily moving abroad. And since more families outsource part of the care of their children, the decision to move to another place will also be based on the availability of suitable childcare facilities in the new location.

Figure 2. Transitions and the life course



4. Institutional constraints and choices

The relation between cause and consequence is not a ‘natural’ one. The behavioural responses described in the previous paragraph may also be influenced by the institutional settings. Unemployment, for instance, will not result in the necessity to find a cheaper place to live if the social security system provides high unemployment benefits. Similarly, having children does not necessarily imply that a parent has to give up part of her/his working hours. If there are adequate childcare facilities available it may be possible to combine full-time work hours and having children. In that case institutional arrangements *enlarge* the individual’s behavioural options. If there is (affordable) childcare available, parents may still decide to take care of their children themselves and *not* to use the available facilities. Under similar circumstances, other parents may decide to use childcare facilities for three days a week, while still others opt for five days a week. In that case it is not the circumstances, but the individuals’ own choice that is responsible for a particular type of behaviour. Institutional arrangements may also *restrict* individual behaviour. There is, for instance, a large difference in behavioural options available to mothers in France and mothers in the Netherlands. In France, schools offer their pupils a meal during lunchtime, allowing mothers (or fathers) to go out to work. In the Netherlands, many schools are still closed during lunchtime and one of the parents has to pick up the children, prepare lunch and bring them back to school in the afternoon. These obligations put a serious constraint on the parent’s (usually the mother’s) opportunity to take up a paid job. Therefore the causal relations depicted by the arrows in Figure 2 to a large extent depend on the nature of the institutions related to the transitions made within or between the different domains. Institutional arrangements may differ between countries (such as in the example of school hours). They may also be industry related (if, for instance, negotiated between employers’ organisations and unions) or differ between municipalities (if the arrangements are decided upon by local – either public or private - authorities).

Some transitions, such as the decrease in working hours after childbirth or the return to full-time work after divorce, are the result of ‘(critical life) events’ (Esping-Andersen, 2002) in another domain, for which the individual to some extent bears the responsibility himself. Other transitions are caused by ‘events’ imposed from the ‘outside’, such as unemployment due to the deterioration of economic opportunities. Koopmans *et al.* discuss the distinction between these so-called external and manufactured risks in more detail in their chapter. In considering life courses, one may come to different conclusions with respect to the external or manufactured nature of a specific risk than when analysing it on an annual basis. Just as smoking one cigarette does not harm one’s health, smoking all of one’s life may seriously endanger one’s health. A similar argument may apply with respect to human capital investment. Not investing in refreshment training courses and new knowledge may not harm one’s labour market position right away. However, neglecting the fact that human capital is subject to depreciation and ignoring the rapid technological developments and the consequences for one’s job and job performance, may eventually be detrimental to one’s labour market position. Thus, one may ask the question to what extent the risk of unemployment can still be considered an external risk in modern society. If one concludes that the risk should be considered at least partially a manufactured risk the next question is: who is responsible for reducing this risk? Of course, there is an individual dimension.

However, unemployment has some negative external effects as well, which may call for government intervention. A similar argument can be made with respect to having children. So far, the ‘risk’ of having children is usually considered a manufactured risk, but it is also a decision with many (in this case: positive) external effects. In their chapter, Korver and Oeij have shown that it is not easy to come up with solutions with regard to the division of responsibilities and the design of institutions governing labour market transitions.

5. Analyses and politics: two different worlds

Yet, designing adequate institutions is the major challenge for life-course policies. In order to address this challenge successfully, it is necessary to have sufficient knowledge of the effects of institutional arrangements on people’s life courses, both for the short term and in the long run. The chapter by Tielens, on the rules that govern the transition from the labour market into retirement, and the chapter by Meerman and Arichi, on the effects of having an ID-job, are promising analyses in this respect. So is the chapter by De Lathouwer and Bogaerts on the effect of unemployment benefits on women’s propensity to re-enter the labour market. These studies are also very interesting from a ‘traditional’ TLM-perspective: they are examples of institutional arrangements that willingly or unwillingly bridge the gap between ‘gainful employment’ and ‘other social activities’. Based on the ‘linked lives’-principle, these analyses should not be limited to effects on individuals, but should also incorporate the effects on the lives of those close to the ‘anchor person’. The analyses should also incorporate issues related to questions of ‘path dependency’: to what extent do past choices govern current and future decisions and to what extent do they restrict individual behaviour? For instance, including this perspective may shed a new light on unemployment and institutional arrangements in the field. A traditional approach focussing on the short term may imply the development of rules and arrangements that guide people back to the labour market as soon as possible. An approach that tries take into account the future consequences of current actions may supply arguments in favour of a somewhat different set of arrangements. For instance, unemployed workers may be stimulated to engage in additional educational investments that allow them to pursue stable jobs in new, growing branches instead of clinging to traditional, insecure jobs in declining old branches of industry. A spell of unemployment may be viewed as part of what Schumpeter called ‘the process of creative destruction’ (Schumpeter, 1950). It seems that – though this impression is only based on limited and personal observations and not on solid empirical research – people that have used a period of unemployment for a radical career change very often report that this is ‘the best thing that ever happened to them’. In some cases, these positive judgements are not limited to the domain of paid labour, but also extend to one’s personal life and the relationship with the partner. As stated before, such considerations may be relevant when considering arrangements with respect to the transition into unemployment, or from the labour market into retirement.

There is still more to it. Of course, scientists from different disciplines can co-operate closely and efficiently to come up with the most interesting analyses of all possible institutional arrangements. However, if politicians prefer to act on ‘gut feelings’, if they think they already know everything in advance and disregard studies with conclusions, which do not fit with their beliefs, all the beautiful research will be in vain. Especially where long-term

consequences of policy measures are involved, and this is particularly relevant when we are talking about life courses, there should be willingness among policy makers to take into account the results of research into these long-term consequences, even if the outcomes are incomplete. This requires a very different and much more rational way of policy making than the ideologically based approach, which has been ruling over the past few years.

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