1. Introduction

Hugh Mosley, Jacqueline O'Reilly and Klaus Schömann

The essays in this book have been written by a number of leading international experts in the field of labour market studies to celebrate the intellectual contribution and lifetime achievement of Günther Schmid on the occasion of his 60th birthday. The authors have sought to honour him in his own way by contributing original, intellectually rigorous essays that engage, elaborate on or critique themes that have been central to his work.

Although the contributions to this volume are not based on a common theoretical framework, most are concerned, directly or indirectly, with the 'regulative idea' or grand theme of transitional labour markets.¹ There is, moreover, a concentration of common themes and perspectives that reflects central concerns of Günther Schmid's work and gives the multidisciplinary contributions an identifiable 'family resemblance': theory-guided empirical research, the importance of labour market institutions, a predilection for comparative research, a high priority on gender issues and a strong policy orientation.

The research areas represented in this volume, such as economic performance, gender equality and social institutions, have each developed their own theoretical approaches and large amounts of empirical literature. There is, however, little theoretical work that attempts to link these specialized theoretical approaches. The endeavour to fill this gap is surely one of the defining features of Günther Schmid's work. His empirical work is driven by a comprehensive theory rooted in systems theory and cybernetics, which emphasizes that there are links between seemingly unrelated spheres of life such as full-time education, family life, household activities, labour market participation and retirement.² This insight will be familiar to most readers in its current reincarnation, the concept of transitional labour markets (Schmid, 1993, 2000).

This penchant for a broad perspective has not prevented Schmid from being able to focus on specific details and potential reforms to particular policies. For example, he has addressed such diverse problems as difficult-to-place workers and the handicapped, reform of unemployment insurance systems and new initiatives to provide income security for artists, writers and

others in atypical employment (Schmid, 1982, 1990, 1995a, 1996a, 2000; Schmid and Reissert, 1996; Schmid and Haak, 1999; Schmid and Oschmiansky, 2000). It is this combination of broad and specific analysis that distinguishes Schmid's contribution to this field.

Institutions and their impact on economic performance, the labour market or individual transitions is a central theme in all the chapters in this volume, as in Schmid's own work. Institutions and institutional design matter, but their impact is difficult to investigate with social science whose horizons are limited to one country. For this reason, many of the authors address the issue of the impact of institutions by applying an internationally comparative method, as Schmid himself has frequently pioneered. They also examine issues of institutional design and the impact of institutions at various levels ranging from the micro ('first mothers' transitions') to the macro ('impact of welfare state on economic performance'). Schmid's own empirical work spans the whole range of possible levels of aggregation. At the individual level, for example, he has been interested in the effect that unemployment insurance systems have on individual experiences with unemployment (Schmid and Reissert, 1996; Schmid and Schömann, 1999). At the firm level, for example, he has investigated the co-financing arrangements for further training (Schmid, 1998). The regional level of aggregation comes to the fore when studying regional variations in the implementation of labour market policies as part of national policies (Schmid *et al.*, 2001).

Gender issues are a special interest of Günther Schmid (OECD, 1994; Schmid, 1994) and his concept of transitional labour markets is particularly relevant to the labour market situation of women. Gender transitions are, therefore, appropriately the only special labour market to be the focus of an entire section of this volume. The strong representation of this issue also reflects Günther Schmid's personal commitment to recognizing women's contribution to labour market studies.

Finally, a strong concern with practical reform issues and a personal commitment to alleviating unemployment has been most characteristic of Schmid's work and is reflected in this volume. All the contributions herein have a shared concern with the causes and consequences of unemployment, whether at the macro level of Sweden's 'Rehn-Meidner model', the micro level of 'first-time mothers' or 'welfare mothers', or policy initiatives such as those for 'gender mainstreaming' or 'self-employment policy'.

Günther Schmid's own interest in addressing the problems of unemployment is one that has run throughout his work. His interest in labour market policy has been influenced in particular by the Swedish model (Schmid and Johannesson; 1980, Schmid, 1989, 1995b). More recently, he has also turned his attention to the success of the Dutch and Danish systems (Schmid, 1997a; Schmid and Schömann, 1999).

One of the key arguments that Schmid has developed in much of his work has been the need to develop a vision of evaluation more encompassing than that traditionally used. This means not examining and evaluating ‘free-standing’ labour market policies and programmes on their own but rather situating them in a broader institutional context. He has labelled this ‘a target-oriented approach’ (Schmid *et al.*, 1996b; Schmid, 1997b). By specifying the targets to be achieved it is possible to identify a range of different policies that could be used to meet these goals. Such an approach attempts to identify how different institutional arrangements could be coordinated to meet these goals and what ‘functional equivalents’ might exist.

Schmid’s concern with policy issues has also led him to be involved as an advisor and consultant in numerous capacities for the European Commission and the Berlin and German government. In the ‘Benchmarking’ group working within the ‘Alliance for Jobs’ (Schmid and Schömann, 2000), he is currently one of the leading experts on reforming labour market organization. In 1997 he was awarded the Schader Prize for his exceptional role in the dialogue between social sciences and political practice.

This volume comprises three principal parts. Part I, ‘New Institutions for Labour Market Policy’, addresses current debates and controversies about appropriate institutions for the formation and implementation of labour market and employment policies. Part II, ‘Gender Equality in Transition’, focuses on the policies and problems associated with enhancing gender equality in labour market participation and in transitions. Part III, ‘Institutional Coordination and Transitional Labour Markets’, proposes new institutional arrangements to enhance the performance of the labour market and manage social risks through transitional labour markets. In the following sections we present an overview of the individual contributions and their principal conclusions.

NEW INSTITUTIONS FOR LABOUR MARKET POLICY

In Part I, ‘New Institutions for Labour Market Policy’, the contributions address the institutional dimension of labour market policy from various perspectives. They are based on the conviction that labour market and employment policies are ultimately about institutions and not merely about the individual impacts that are the focus of much evaluation research.

This section opens with a chapter by Ronald Schettkat, who reflects on what and how one can learn from policy models in other countries, with particular attention to welfare state institutions and their impact on equity and efficiency. Discussing the rise and fall of national economic models from the ‘American challenge’ of the 1960s to the Japanese model in the 1970s and

1980s, Schettkat considers whether policy makers can really learn from other countries' experiences. He argues that conventional cross-country analysis can shed light on inter-country differences but cannot identify causal relations between institutional constellations and economic performance. Appropriate controls must be introduced for the heterogeneity of countries, and this step usually requires an international comparative or 'difference-in-the-difference analysis'. This approach is then applied to an analysis of the employment response to differences in relative wage trends for low-skilled labour. First, wage inequalities in the United States, Great Britain, the Netherlands, Sweden and Germany are analysed in light of the underlying skill distributions. Then the impact of relative wages on employment is examined in a US–German comparison. The general conclusion is that, given adequate controls for skills, there is no empirical evidence for the 'wage-compression hypothesis': that is, that Europe's employment problems are related to wage compression.

In Chapter 3 'Can Sweden's "Rehn–Meidner" model be put back on its feet?', Lars Behrenz, Lennart Delander and Harald Niklasson discuss institutional legacies and national policy models. Specifically, they argue that it would be possible to revive some form of the Rehn–Meidner model, the comprehensive economic and political strategy that the Swedish government introduced in the 1950s in order to achieve high employment and economic growth together with income distribution and low inflation. For the authors the possibility of a new version of the model is ultimately a question of whether the increasing inequality observed in most countries is unavoidable. They argue that the conflict between the policy goal of equality and economic efficiency has been exaggerated and that the Rehn–Meidner model is both feasible and relevant to the goal of reconciling the conflict between equality, employment and efficiency.

The strategy was founded upon a combination of demand management policy and active labour market policy by government and a 'solidarity wage policy' based on centralized bargaining by the trade unions, which sought to limit the development of differences in earnings.

In the early 1990s, the Swedish economy was hit by serious shocks, including rapidly increasing unemployment, falling labour market participation and a soaring budget deficit. At about the same time, the Rehn–Meidner model, with its commitment to full employment and egalitarian ideals, began to be abandoned. One of its pillars, centralized bargaining, had already in the 1980s begun to crumble as centralized bargaining was gradually replaced by sector-based and less egalitarian bargaining. Moreover, a reversal of Swedish macroeconomic policies in 1991 signalled a *de facto* abandonment of the previous commitment to full employment. In 1993 the Swedish central bank was charged exclusively with maintaining a low inflation rate. During the

crisis of the 1990s, the role and effectiveness of active labour market policy, another pillar of the Rehn–Meidner model, was increasingly questioned.

In seeing prospects for putting Rehn–Meidner back on its feet, the authors point out that two central components of the model – a non-inflationary macroeconomic regime and the extensive use of active labour market policy (ALMP) resources and measures – are in place. One important prerequisite for solidarity wage policies has, however, been irrevocably lost: the employers' readiness to participate in centralized wage negotiations. Nevertheless, there are signs that a compromise between centralized wage bargaining and total decentralization of wage setting may be emerging.

In the authors' view, however, the modernization of the model must also include adaptation of the content, aims and direction of ALMP. The authors argue that the ALMP component of the 'new' Rehn–Meidner model should be focused not only on counteracting unemployment but also on combating large wage differentials. Unemployed persons and low-wage earners alike should be accepted in ALMP programmes. As with Schmid's transitional labour markets, the proper goal is, in the authors' view, to reinforce the possibilities and incentives to escape from unemployment or low-wage jobs along pathways leading to new and more advantageous employment elsewhere. This approach requires restructuring and coordination not only of ALMP but of a wide range of welfare state institutions and provisions.

Eskil Wadensjö examines the changing public–private mix of labour market policy in Sweden and contemplates the strengths and weakness of this new paradigm in implementation of ALMP, which is also the basic thrust of reforms in most Western countries. The historical trend toward centralization in the Swedish labour market, culminating in the establishment of the National Labour Market Board in 1948 and the nationalization of the sheltered workshops in 1980, was reversed in the 1990s. The role of the National Labour Market Board (AMS) has become less important. For example, the AMS no longer provides labour market training for the unemployed itself; it purchases, to an increasing extent, training places from private companies. Even work rehabilitation is contracted out more and more to external providers. In addition, AMS has lost its monopoly status on placement services, for private employment agencies were legalized in 1992; temporary employment agencies in 1993.

Wadensjö's analysis of the trend towards a public–private mix of labour market policy is based on two surveys conducted in 1995 and 2000 and focuses on temporary employment companies. These surveys show that the role of temporary agencies in the labour market is still small, covering less than 1 per cent of the labour force, although such organizations have been the object of considerable public attention. It is not yet clear whether this minimal influence is a transitional phenomenon due, for example, to the time it

takes for a new industry to establish itself and spread throughout the country, or whether there are structural reasons to be pessimistic about the spread of temporary agencies. One such reason is the fact that public employment offices now compete in the same market and charge no fees. Of special interest is the finding that temporary agencies, with few exceptions, report a pattern of co-operation with public employment offices, recruiting workers through the public agencies.

Finally, in Chapter 5, Birgitta Rabe examines problems of institutional design for cooperative implementation involving multiple organizational actors from a public choice perspective. Because of the increasing fragmentation of political responsibility in different institutions and levels of government, policy outcomes increasingly result from cooperation between two or more organizations. However, successful cooperation depends on adequate incentive structures. Rabe explores policy designs that allow and promote flexibly coordinated policy making from a public choice perspective. Joint policy making is regarded as a collective action problem that can be solved by bargaining over the distribution of costs and benefits. Problems arise, for example, when systematic interest asymmetries cannot be compensated for. Policy makers can avoid such problems by choosing appropriate policy designs

Thus she argues that cooperation will work best if a considerable amount of autonomy and resources is available to the actors who design and implement policies locally, although in many situations there is a rationale for central restriction that prevents local cooperation from having negative aggregate side effects, for example by subsidizing local industry. Furthermore, one can also enhance efficiency by increasing the areas of interdependence and collaboration between actors wherever possible to make package deals feasible. Likewise, that approach would encompass the creation of long-term interactions between implementers to allow for intertemporal compensations. These results contribute to improving the conditions for a rational design of implementation structures for bargained cooperation in labour market policy.

The interplay between institutional frameworks and labour market and employment policies addressed in the contributions in Part I can also be observed in policies intended to address issues of equal treatment, which is the focus of contributions in Part II.

GENDER EQUALITY IN TRANSITION

Part II, 'Gender Equality in Transition', takes up the theme of female labour market integration, also providing a look at transitions between different employment statuses and non-employment in diverse societal contexts. Jill

Rubery opens this part with a review of the institutionalization of equality policy at the European level through the development of ‘mainstreaming’. Rubery brings together three main themes of Günther Schmid’s work: issues of equal opportunity and equality, issues of employment policy and issues of transitional labour markets. Building upon the work undertaken by the European Commission’s expert group on gender and employment, coordinated by Professor Rubery, the chapter first explores the definition and meaning of the term ‘gender mainstreaming’, which is viewed as a policy tool to achieve equal opportunities, stressing the need for twin-track policies that pursue specific equal opportunities policies alongside gender mainstreaming. Rubery then examines the progress made so far in introducing the concept into the European employment strategy. She focuses on the relatively rapid but uneven progress that has been made and on the continuing contradictory interpretations of what gender mainstreaming means. Their persistence stems partly from a problem with specifying what the objective of a more gender-equal society might mean. Finally, she reconsiders the relationship between gender mainstreaming and other proposals for rethinking the organization of employment and society, focusing both on the transitional labour market concept proposed by Schmid and on the rethinking of employment law and social protection proposed by Alan Supiot.

Gender mainstreaming of employment policy involves a reconsideration of the population at whom employment policy should be aimed. It includes the inactive, those in the informal and domestic sectors and those in low-paid jobs and not simply the openly unemployed. Rubery argues that, although gender mainstreaming is complementary to both of these influential approaches, problems might arise if these alternative visions were to be adopted without a thorough consideration of the gender issues associated with a reorganization of employment and welfare systems. In particular, changes to wage structures and improvement in the level of minimum wages are a key issue often missing from these different approaches.

A comparison of a diverse range of policies facilitating transitions between non-employment and paid work in seven industrialized countries is provided in Chapter 7 by Eileen Applebaum, Thomas Bailey, Peter Berg and Arne L. Kalleberg. They examine the issue of policy matching in the context of accommodating organized market work and unpaid care work for both employers and employees. Using company interviews, they examine and compare company practices with respect to work schedules, work time and leave for family or other reasons. Their analysis is set in the context of a structural shift in the labour market characterized by an increase in female employment alongside a fall in the wages earned by low-skilled men. After comparing the move from a ‘breadwinner–homemaker’ model to an ‘ideal worker–marginalized caregiver’ model, they argue that there is tentative evidence of a

new model they call 'shared work-valued care' to bridge these conflicting needs.

Building on some of these experiences, the authors argue that meaningful choices about how best to organize market work and care work can exist only when the latter is supported by social infrastructure. Such an infrastructure requires policies providing for reduced standard working hours that allow workers to adjust their hours of paid employment. The Netherlands is a good case where these kinds of policies have recently been introduced. Equal opportunity and non-discrimination clauses are required to protect workers against the financial and career penalties associated with caring. More generally, care policies are required that could include subsidies for child care and care of the elderly, short-term career leave, subsidized wages or tax credits for caregivers and universal pre-school and post-school programmes for children. Entitlement to such benefits needs to be separated from individual employers. Access to health insurance and a maternity insurance, regardless of employment status, are required, especially in the United States. Finally, income security protection, which has been organized around the breadwinner-homemaker model, needs to be updated to reflect changes in family structure and in the growth of non-standard working arrangements. These changes would also mean providing more generous income support to low-wage workers, with credits through the tax system, and minimum adequate income support to single parents and others unable to work.

This last issue is discussed in more detail by Robert Haveman and Barbara Wolfe, who focus on attempts in the United States to integrate the most marginalized of women, single mothers, through recent tax and welfare reforms. The authors focus on the considerable amount of international attention given to the welfare reform in the United States in 1996 and to the Wisconsin reform that preceded it. They argue that, when combined with the Earned Income Tax Credit, the overall strategy contained both a carrot and a stick. It increased the pay-off to work (relative to benefit receipt), but it placed a time limit on the receipt of cash benefits. The authors describe the nature of the reform, emphasizing the changes in economic incentives brought about by the legislation: time limits, the role of individual case managers and marginal tax rates to name but a few. Evidence regarding the impact of these changes on the work, earnings and receipt of other assistance (such as food, health and child care) of former recipients and on the overall labour market performance of low-wage workers is also discussed. In particular, the authors note aspects of the reform that remain problematic, including the absence of a minimum safety net, the lack of support for education and training, the high cost of child care for infants and toddlers, the decreased participation in existing food and health programmes and the failure to address important barriers to work (such as care of sick children). Finally, they use these cases

to draw lessons for other countries, but they argue that, without a serious evaluation of such policies, many of the mistakes may go unnoticed.

Using multinomial logit analysis on panel data for Britain (BHPS), Germany (GSOEP), the Netherlands (OSA) and Sweden (HUS), Siv Gustafsson, Eiko Kenjoh and Cécile Wetzels focus, in Chapter 9, on labour market transitions made by first-time mothers. The authors distinguish between engaging in full-time and part-time employment and not working for pay: that is, being out of the labour force. Their interest is in understanding the dynamics of transition between these three statuses. They compare the employment status of mothers 12 months prior to the births of their children and 60 months later, that is, when the child is five years old. It was found that most women worked full-time in the year preceding pregnancy and that they then left the labour force at the time of birth. It was also found, however, that an increasing proportion of them returned, primarily taking part-time employment as the child grew older. They argue that the difference between countries is striking. For example, 90 per cent of Swedish first-time mothers are employed again by the child's fifth birthday, compared to only 50 per cent of first-time mothers in Germany.

The authors explore other factors affecting transitions and find that the expiration of job protection for maternity leave and paid leave appear to trigger re-entrance into work. However, this is only the case for women who have high enough earnings to pay for child care and enough energy to combine work and family demands. Women with higher education are more likely to re-enter paid work than less educated women, especially in the Netherlands compared to Germany, where educational differences have a negligible effect. In addition, women employed before and during their pregnancy appear to be more career-oriented. The choice of working time is influenced by public policies. In Sweden, for example, one of the parents has the right to reduce working hours in a full time job to 30 hours a week until the child is eight years old.

The authors also compare the differences between occupations and industries and the age of the mother at the first birth. They conclude that the length of parental leave, the level of the benefit paid during leave, the flexibility of leave arrangements and the availability of affordable child care all have an impact on the type of labour market transitions made by new mothers, with 'modern' family policies being associated with increased commitment to paid work among mothers.

The final chapter in this section, by Hildegard Theobald and Friederike Maier, provides a more qualitative comparison of the impact of different institutional arrangements establishing the 'gender contract' in Sweden and Germany. They argue that gender relations in each country are decisively marked by patterns of female labour market participation and segregation. This relationship is embedded in welfare state policies and corresponding changes in the labour market. A cross-national comparison between Germany

and Sweden starting in the 1970s is used to prove the impact that different welfare state policies have on changing gendered labour markets. The research is based on the assessment of family and equal opportunity policies and empirical analysis of gender differences in the labour market in both countries. The authors argue that these differences are partly due to distinct policy approaches in the labour market and to equal opportunities. However, there is no unique causal factor to explain the development of gender differences in both countries. Swedish women have to bear a dual burden of paid and unpaid work, but they also have greater economic power than German women. And in both countries the gender-specific division of work and time has changed to some extent, although not to the extent that men and women participate more equally. One distinctive difference between the two countries is that Sweden has a higher proportion of low-skilled women in paid employment. In recent years Swedish women have been more successful than their German counterparts in increasing their share of such jobs, a fact due to structural conditions and the evolution of firms' labour requirements. A combination of factors, including the impact of welfare state policies, educational attainment levels and differences in occupational status play, a role in reforming the gender contract in each country, albeit to varying degrees.

Overall, these chapters provide an empirical examination of transition patterns and the broad impact of social policy and labour market policy on female patterns of integration and transition, a theme that has been central to the work of Günther Schmid. Viewed collectively, the contributions show clearly that patterns of gender transitions are the product of a combination of different policies in interaction with structural characteristics. This message underlines the need for a broader employment systems perspective in order to assess the causes and effects of gender inequality in the labour market, as Rubery has emphasized in Chapter 6. In earlier contributions on gender issues (OECD, 1994) Schmid came to a similar conclusion. In recent work he has contributed to the systematic development of an employment systems perspective in a comparative framework.

In Schmid's work, issues of gender equality and female transitions are a special case of the general problem of institutional coordination and the design of transitional labour markets, which is the focus of the contributions in the final part of the book.

INSTITUTIONAL COORDINATION AND TRANSITIONAL LABOUR MARKETS

Transitional labour markets (TLMs) are the central theme of the contributions in Part III. The concept of TLMs has generated a lively debate challenging

established assumptions about the nature and causes of the divisions between the employed and the unemployed and between regulated and unregulated employment (de Koning and Mosley, 2001; O'Reilly *et al.*, 2000, Schömann and O'Connell, forthcoming; Schmid and Gazier, forthcoming; O'Reilly, forthcoming). One of the principal merits of the concept has been to provide cognitive mapping for innovative labour market policies and broad social reforms.

This part brings together original contributions from social scientists with backgrounds in economics, sociology and political science. Whereas some chapters largely comment on the existing large body of literature on transitional labour markets, others contribute innovative theoretical and empirical approaches to the theory of transitional labour markets, even extending its application to new social phenomena. Organizational, financial and legal determinants of transitional labour markets as well as policy recommendations based on transitional labour markets are explored. One of this approach's key elements, which is also present in earlier chapters in this book, is the combination of different institutional arrangements to facilitate integrative transitions between education, unemployment, non-employment and retirement. The idea is to develop a single, conceptual framework that makes the interdependence of each of these parts explicit in the social safety net as a whole.

Bernard Gazier leads off this section with a general discussion of transitional labour markets in relationship to the economic concept of scarcity. His major contribution is to identify new forms of scarcity of time, attention and liberty and to discuss the way transitional labour markets address these issues. In Gazier's view, transitional labour markets may be seen both as a pragmatic device for combating unemployment and social exclusion and as a new reform paradigm.

Gazier reviews different modalities and treatments of scarcity in economics and argues that a new perception of scarcity has been emerging in major economic textbooks since the 1960s. Beyond goods and services, it has been successfully argued that essential scarcities are increasingly internalized and individualized: for example, scarcity of time (Becker, 1965), scarcity of attention (Simon, 1978) and scarcity of liberty (Sen, 1998). The TLM approach is about the combination of paid work and other socially useful activities. It addresses the question of how to deal with possible scarcities of work or income and of leisure or autonomy. Gazier offers a systematic reflection on the meaning of TLM as regards time, attention and liberty. The TLM approach emerges as (a) a better managed lifelong career perspective; (b) a process for revealing individual preferences, learning and opportunities; and (c) a buffer against shocks and irreversible changes, whether in working life or private life.

Gazier assesses the novelty of the TLM approach both as a theory and as a practical orientation for public policy by comparing it with Gösta Rehn's

pioneering work on employment policies, lifelong learning and working time policies. He thus addresses issues also found in Chapters 3 and 12. For Gazier, the TLM approach appears to be more systematic than others in treating irreversible changes and ‘manufactured risks’ and more open to individual entrepreneurship. Gazier explains these differences by referring to the kind of scarcities taken into account by each approach. In brief, the relationship between security and subordination is said to be a crucial distinction between the TLM approach and other reform proposals.

Managing social risks with transitional labour markets is the subject of Ton Wilthagen’s contribution (Chapter 12). Starting from a perspective shared with Schmid (2000), Wilthagen presents transitional labour markets as a potential answer to new forms of social risks. Wilthagen discusses some of the social risks citizens face in post-industrial societies. Many of these risks take the form of economic insecurity due, for example, to unemployment, sickness or disability. Following Giddens, Wilthagen argues that these risks are to a large extent manufactured, that is, produced in collective economic and social processes through ‘critical life events’. In fact, the distinction between social risks and professional risks, which is a fundamental distinction in most national social security systems, is increasingly hard to maintain. The key argument of this chapter is that the transformation of traditional labour markets into transitional labour markets could improve the collective and individual management of social risks.

After analyzing the concept of social risk, Wilthagen illustrates this argument by presenting three transitional labour market strategies. The first strategy is to extend the model of transitional labour markets to life cycle transitions within employment, aiming to prevent workers from becoming disabled or redundant because they can no longer live up to the demands of their jobs. A second strategy is the strategy of introducing social clauses in the contracts that governments conclude with private companies, as in the building trades. This strategy, usually referred to as ‘contract compliance’, could be a promising active policy to reintegrate people into the labour market. The third strategy is the development of job services that could function as transitional agencies for both prevention of job loss and reintegration into the labour market.

Jaap de Koning poses the critical question: are transitional labour markets economically sustainable? Taking as his starting point the concept of transitional labour markets as developed by Schmid, de Koning discusses from an economist’s perspective the normative elements in the TLM concept, which offers an alternative policy framework to traditional full employment strategy. In de Koning’s view, the pace of change in labour markets has increased because of developments in technology, market organization and consumer preferences. As is suggested by transitional labour markets, lifelong full-time

employment with the same employer is no longer likely. Moreover, more and more workers opt for flexibility at some stage during their working careers. Changing jobs may bring them new experiences and may be beneficial to their careers. Variation in the hours worked may be desired in view of the need for lifelong learning and the demands of other spheres of life. De Koning uses the life-style concept to understand the increasing options people have to make individual choices according to their own preferences. These individual preferences concern not only the sphere of work but also their housing situation, their household arrangements and their consumption patterns.

Change and transitions have become the rule rather than the exception in the labour market. Transitions between different jobs, between full-time and part-time employment, between employment and training, and so on occur frequently. However, the changes caused by external factors will not automatically coincide with worker's wishes. It may happen that a worker becomes obsolete and loses his job involuntarily. Once a person becomes unemployed there is always the danger that he or she will stay out of work for a long time, which will entail considerable individual and social cost. If the labour market were completely left to market forces, 'bad' transitions could therefore lead to socially unacceptable outcomes. In a transitional labour market, in the meaning used by Schmid, the government develops and implements policies in order to stimulate 'good transitions' and to avoid or mitigate the effects of 'bad' transitions. 'Good' transitions are job-to-job transitions, transitions to temporary part-time work in order to receive an education, transitions from unemployment to work, and so on. Thus, it may still be possible to minimize unemployment. On a lifetime basis, people will work fewer hours, but at least part of the time not worked is used by them in a productive way, such as for training in order to keep them 'employable'.

In the first section of Chapter 13, de Koning discusses four basic assumptions of transitional labour markets. He first tackles the assertion that there is a need to reduce working time in order to return to a new form of full employment. Based on the Dutch, British and US experiences, it is, in his opinion, unconvincing that a negotiated working time reduction can lead to full employment, for the driving forces of labour market dynamics are labour productivity and wages. Because of strong economic growth during the 1990s, the Netherlands, Great Britain and the United States have increased their working hours on average. Except for France and Germany, few countries have responded to mass unemployment by reducing working time.

A change in individual preferences seems to be more promising as a way to bring about a reduction in working hours over the entire life course. Evidence for the Netherlands suggests that profound changes in preferences have altered labour supply patterns, especially the increased preference for

part-time jobs. Addressing the question of why labour markets do not reach equilibrium, De Koning mentions several reasons that are similar to those given in the transitional labour market approach. Market failure in the form of intransparency, underinvestment in training, wage rigidity and stigma are the major causes. He agrees that these weaknesses necessitate policy responses, some of which have been suggested in the transitional labour market approach.

De Koning's policy suggestions include training and wage subsidies for disadvantaged groups on the labour market, measures to improve the effectiveness of active labour market policies, policies to enhance employability and facilitation of individual choice in labour market participation, such as self-employment and multiple part-time jobs. Finally, in order to improve labour market participation among older workers, he suggests creating new forms of human resource policies and making early retirement less attractive by reducing direct and indirect subsidies for early exit options, including disability schemes. De Koning recognizes that the concept of transitional labour markets in Schmid's work goes beyond a traditional economic perspective, in which preferences are assumed to be given. He sees it includes changing preferences, say for reduced working time and allows other social norms to be relevant as well, an openness that makes the approach very fruitful for multidisciplinary exchanges.

Peter Auer and Sandrine Cazes consider how to combine the provision of stability and flexibility on labour markets and presents four best case approaches to the role of institutions in balancing stability and flexibility. First, they question the evidence for the proposition that there is an ever-growing flexibility in labour markets and that it is mainly flexibility in the number of employees that is conducive to economic growth. A fact often overlooked in this debate is that employment relations – although undergoing a fundamental change – are still fairly stable in an impressive number of European countries and in Japan. Even in the United States, the labour market is not solely a labour market of highly mobile agents; it has lower and falling, but still fairly high, job tenure rates. Although contingent work is on the rise, the standard employment relationship, which implies longer tenure, is still largely the rule rather than the exception, even in the United States. It is even more the case in Europe.

In this context, the role of core stability and marginal flexibility in the labour market and the labour market's contribution to growth and employment are analysed. Auer and Cazes address the question of the importance of institutions in supporting this widespread stability. They argue that flexibility can only be conducive to economic growth if core stability, too, is built into the employment system. There is a need for a successful match of supply and demand enhanced by flexibility, for both flexibility and security are part of an

employment relationship. The consequences of the stability argument for transitional labour markets are discussed for both active and passive labour market policy.

Self-employment transitions have always been a key element of the concept of transitional labour markets. In Chapter 15, Semlinger reviews the history of ideas on self-employment and, using evidence largely drawn from Germany, questions the rigid distinction between dependent employees and the ‘independent’ self-employed. During the 1990s, the promotion of self-employment became a major instrument of German labour market policy. Owing to the high volatility of business start-ups, the employment effect has been quite limited. For many participants in start-up programmes, the business venture turned out to be only a transitional phase. However, the attempt to become an entrepreneur is not necessarily to be regarded as a failure, but rather as a bridge to better employment opportunities.

Starting a new business necessarily entails high risk and more than a few start-ups lead to a social decline for the entrepreneur. If public policy is to increase the number of entrepreneurs and to stimulate more start-ups, it needs to provide a more supportive framework for new business ventures – a task that goes beyond labour market policy and calls for institutional coordination of several actors and politically responsible organizations. The chapter provides new insights into what types of support are useful for new entrepreneurs and suggests policy options in order to facilitate transitions between different labour market statuses that are analogous to institutional arrangements suggested by Schmid in earlier work.

In this introduction we have described some of the main themes of Günther Schmid’s work and have outlined how the chapters in this volume contribute to an international debate on current topics of labour market policy, gender equality and transitional labour markets. The spectrum of topics addressed by colleagues and collaborators of Günther Schmid, past and present, is extremely broad, ranging from national economic strategies such as the Rehn–Meidner model to transitions made by first-time mothers. We hope that this collection of essays reflects the broad scope and stimulating contribution that Günther Schmid’s work has made to labour market studies.

NOTES

1. Transitional labour markets and other key concepts are discussed in more detail in four volumes (O’Reilly *et al.*, 2000; De Koning and Mosley, 2001; Schömann and O’Connell (forthcoming); Schmid and Gazier (forthcoming)).
2. The subject of his doctoral thesis at Berlin’s Free University was ‘Functional Analysis and Political Theory’ (Schmid, 1974).

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