Preface and acknowledgements

I want to stress the importance of maintaining the economy at as close to full employment as possible; unemployment represents the most dramatic failure of markets, a wastage of our most valuable resource. It is a primary responsibility of government to maintain the economy at full employment. . . . As unemployment goes down, risk taking goes up, not the other way round.

(Stiglitz 2003, pp. 292–3)

The spirit and the purpose of this book, *Full Employment in Europe – Managing Labour Market Transitions and Risks*, closely approximate the message of this introductory statement by Joseph Stiglitz. The similarity is even greater when it comes to his remarks about the ways in which governments and markets might promote full employment. Like Stiglitz, I regard the dichotomy between government and market as too simple. Fights over taxes, redistribution and so on are in some ways only skirmishes. ‘The real battle is more profound: it is about the nature of society, and the relationship between the individual and the society’ (Stiglitz 2003, p. 303). There is a need to go beyond markets and governments, a need to prompt and guide collective action. Whether the book ultimately serves these ambitions is a judgement for its readers to make, and I will be happy should they find that it makes at least a small contribution.

The first distinguishing feature of this volume is its fresh and new approach to the question of full employment in modern society. It is based on the observation that full employment defined as continuous full-time work for male breadwinners over their life course is neither a desirable nor a realistic goal in the future world of work. I argue instead for modernising full-employment policy in Europe by embracing a gender-sensitive alternative: transitional labour markets (TLMs), which are defined as legitimate, negotiated and politically supported sets of mobility options or social bridges between various employment statuses.

My reasoning stems partly from the fact that many member states of the European Union (EU) still face long-term unemployment despite an increasing lack of skilled labour. New employment policies and institutional arrangements must be found to solve this problem, for long-term unemployment is both a waste of economic resources and one of the main causes of poverty and social exclusion. The risk of social exclusion runs especially high for marginally skilled young people, ethnic minorities and

single mothers and might eventually undermine trust in the basic institutions of social democracy. TLM theorists regard the labour market not only as an economic institution that must efficiently and equitably match supply and demand but also as a social institution that must integrate young people and adults, men and women, and marginally and highly skilled people into meaningful forms of gainful employment. In the following chapters I propose the establishment of TLMs as a promising institutional arrangement for enhancing social integration in the context of the knowledge and equal-opportunity economy.

This book's second unique feature is the regulatory idea of social risk management, which centres on the adverse effects and the opportunities related to risky transitions during a person's life course. Some of these transitions are those from school to work, from gainful employment to unpaid work in civil society or the family, from part-time to full-time work, from employment to continuous education or training and from dependent employment to self-employment. The intrusion of the term *risk management* into the discourse on employment policy may indicate a dangerous commercialisation of employment relationships. It may also provide a moral opportunity to reconsider the balance between individual responsibility and solidarity and may represent a policy opportunity to establish a new balance between flexibility and security. A basic premise of this view is that individuals can assume added responsibility if the system enables them to enhance their capabilities not only by 'making work pay' but also by 'making transitions pay'. The institutionalisation of TLM would intensify the employment effect of growth and avoid the increasing segmentation of the labour market into 'insiders' and 'outsiders'.

The third distinctive feature of *Full Employment in Europe* is its comparative and interdisciplinary treatment of the dynamics of full employment. I synthesise approaches from labour economics and new behavioural economics, political science and governance theory, and socioeconomics and welfare state theory by means of an analytical framework derived from systems theory. In contrast to most comparable publications on full employment, the book draws on original analytical studies of both an empirical and normative nature. Going beyond pure quantitative measures of employment, it contains fertile empirical work on labour market performance (for example, transitions and risks in the modern labour market), especially on risks related to non-standard forms of employment. At various levels, I also undertake normative analytical studies based on modern theories of justice, equality, efficiency and risk perception.

The volume's fourth notable feature is the focus on the Europeanisation of labour markets and labour market policies. I treat this topic through multilevel institutional analysis, especially by assessing the potential of the

open method of coordination (OMC), and through examination of new forms of governance designed to combine public and private forms of regulation into an optimal mix of network governance or public–private partnerships. The book also offers a rich set of good practices for active labour market policy based on international experience with managing risky transitions over the life course. It shows in particular how conventional unemployment insurance can be transformed into work-life insurance that not only covers income and status risks related to unemployment but also copes with volatile income and career risks related to flexible jobs or discontinuous job careers.

Full Employment in Europe is the outcome of a long journey on which I was accompanied by many companions. Without their generous input and encouragement, the book would not stand as it is. Even their silence on preliminary versions of the following chapters was stimulating, for I took it to mean that the texts were not good enough. Although such reserve may well endure even with this version, I hope to have made some progress towards meeting the expectations of these collective critics. I express my deep appreciation to all of them for having served so ably as the necessary intellectual sounding board without which individual scientific work never reaches a reasonable level of maturity.

My first thanks therefore go to the most proximate source of help, the numerous and frequently changing body of scholars and staff in my research unit at the Wissenschaftszentrum Berlin für Sozialforschung (Social Science Research Centre, Berlin). Their responses emerged not only from our many joint seminars, colloquia, workshops and conferences but also from innumerable lunches together and from our frequent farewell parties marking career transitions (most of which, I am happy to say, were successful). These exchanges imparted the rewarding sense that we had achieved something valuable together. I also acknowledge the students of my seminars and lectures at the Free University of Berlin, who forced me to keep up with the ‘classics’ and to sharpen my arguments through simplification.

Of great importance to me somewhat further a field was the European-wide scientific community TLM.NET, a thematic network of about 60 scholars sponsored by the EU Fifth Framework Research Programme and devoted to the study of transitional labour markets. I thank especially Klaus Schömann, the scientific coordinator of this network, and Nick van den Heuvel, its administrative coordinator. The many workshops and conferences they arranged afforded me the opportunity to test, enrich, extend and deepen the concept of transitional labour markets. In the context of this network, the Netherlands Institute for Advanced Studies in the

Humanities and Social Sciences (NIAS) awarded me a full-term fellowship that I was able to accept from September 2005 to January 2006. It was the invitation that jump-started this book. I will never forget the Indian summer during the first weeks of this sojourn, the long walks along the beaches of Wassenaar, and the invigorating intellectual and social environment at NIAS. It is my hope that the following work reflects it all in one way or another.

I am also grateful to a host of individuals. Unfortunately, not all of them can be named here, but I would like to mention at least those who had a particular influence, gave me special support or sent important signals of encouragement. Among my colleagues, I thank Dominique Anxo, Anthony Atkinson, Peter Auer, Jean-Claude Barbier, Axel van den Berg, Thomas Breedgard, John Buchanan, Mark Considine, Lennart Delander, Christine Erhel, Colette Fagan, Georg Fischer, Jérôme Gautié, Anthony Giddens, Erik de Gier, Anton Hemerijck, Brian Howe, Jaap de Koning, Flemming Larsen, Lorenz Lassnigg, Lieve de Lathouwer, Jane Lewis, Per Madsen, Jonas Månsson, Nigel Meager, Ruud Muffels, Jackie O'Reilly, Maria Joao Rodrigues, Ralf Rogowski, Paul Ryan, Joop Schippers, Els Sol, Luis Toharia, Ton Wilthagen and Kamil Zawadzki. Bernard Gazier deserves special mention, for without his enthusiasm and forceful imagination the TLM idea in this book would have not proceeded as far as it did.

Christoph Albrecht's exceptional administrative support for my research unit and Susanne Grasow's absolutely reliable secretarial assistance enabled me to concentrate on this book. The empirical chapters profited from the research skills of Dorit Griga and Simone Modrack. There are two persons to whom I am especially indebted: Jutta Höhne for her excellent secretarial contribution, masterly technical handling of the tables and figures and invaluable supervision of the whole book process; and David Antal for his faithful, meticulous and imaginative translation of parts of the book from German into English and for his equally adept editing of my own English. I heartily thank all these persons. A great measure of gratitude also goes to the publishers Edward and Catherine Elgar for their confidence in my work and to their friendly and highly effective team for their unflagging support and interest in shepherding this book into print.

I dedicate this work to my wife Barbara, who shared all the secrets before and during the adventure it represents and who, with me, is longing for the life after this book.

Günther Schmid
30 August 2007