

6-1-2011

Flexibility and Security on the Labour Market: Managing and Sharing Parental Risks

Günther Schmid

Follow this and additional works at: <http://epubs.scu.edu.au/jesp>

Recommended Citation

Schmid, Günther (2011) "Flexibility and Security on the Labour Market: Managing and Sharing Parental Risks," *Journal of Economic and Social Policy*: Vol. 14 : Iss. 1 , Article 5.

Available at: <http://epubs.scu.edu.au/jesp/vol14/iss1/5>

ePublications@SCU is an electronic repository administered by Southern Cross University Library. Its goal is to capture and preserve the intellectual output of Southern Cross University authors and researchers, and to increase visibility and impact through open access to researchers around the world. For further information please contact epubs@scu.edu.au.

Flexibility and Security on the Labour Market: Managing and Sharing Parental Risks

Abstract

Growing job insecurity in advanced economies mainly affects women whose increasing labour force participation correlates strongly with non-standard forms of employment relations. Women combining unpaid and paid work during the life course are still punished in terms of income, social security, and career development; men – apart from deeply ingrained cultural predispositions to “male role models” – are not yet stimulated by proper economic and social incentives to meet women half way in contributing to family responsibilities. However, there are some signs that men are also increasingly affected by this “feminization” of the labour market. Social security institutions are not well adapted to this trend, on the contrary. Failure of innovation in social security induces employers as well as employees to “escape” into non-standard employment, and flexibility might be hampered by ill adapted social security regulations. This essay argues that the mismatch between labour market trends and social security institutions affects mainly young adults (especially women) who intend to combine family and elderly care work with labour market careers. Flexibility and security, however, can be reconciled and to some extent even transformed into a mutually supportive relationship through applying the principles of transitional labour markets and social risk management. In developing this argument, three questions are addressed. First, what exactly are the risks related to parenting from a labour market point of view? Second, why is social insurance generally to be preferred to individual savings in managing these risks? Third, what are the consequences of these considerations in particular to sharing parental risks?

Keywords

Flexibility, Security, Flexicurity, Gender Equality, Labour Markets, Social Policy

Cover Page Footnote

Director of the Labour Market Policy and Employment Research Unit at the Social Science Research Centre Berlin (WZB) from October 1989 to March 2008, and Professor Emeritus of Political Economy at the Free University of Berlin. Email correspondence: gues@wzb.eu; homepage: www.guentherschmid.eu.

Introduction

Recent decades bear witness to a silent revolution: women increasingly participate in gainful employment, reflected in women's rising rates of labour force participation and in the narrowing gap between the rates of male and female labour force participation. However, it would be too hasty to forecast equalisation for the near future. In some countries the narrowing of the gap has even come to a halt. In Sweden, the gap between female and male labour force participation rates narrowed from about 12 percentage points in the mid-1970s to less than 5 percentage points in the mid-1990s but since then the gap has remained almost constant, even increasing slightly in the last few years.

In the United States, the average time mothers spent doing paid work jumped from 9 hours per week in 1965 to almost 26 hours per week in 1995. Time spent on housework fell commensurately from 32 to 19 hours, and then the trend stalled. From 1995 to 2003, mothers, on average, spent about the same amount of time on household chores. Their weekly time spent for child care, however, increased from 10 to 14 hours and their work outside the home fell correspondingly by 4 hours per week. Employed mothers, on average, work now at home and on the job a total of 15 hours more and sleep 3.6 hours less per week than non-employed mothers do. Women thereby hit a wall regarding the amount of work they can pack into a week (Bianchi et al. 2005). Maureen Dowd (2005) even observed a backlash and renaissance of traditional role models among men and women in the United States.

On the other side of the coin, men still do not much participate in unpaid family work. One indicator for this is the persistently wide gap between men and women in part-time work. In the EU-15, for instance, the share of male part-timers in total employment increased from 4.2 in 1992 to only 6.6 percent in 2002 as compared to a rise from 28.8 to 33.5 percent over the same period for women (European Foundation 2005, p.3). Although there are some signs that men are increasingly affected by the "feminisation" of the labour market, men are – apart from deeply ingrained cultural predispositions to "male role models" – not yet stimulated by proper economic and social incentives to meet women halfway in contributing to family responsibilities.

Furthermore, the increase in labour force participation of women correlates strongly with non-standard employment relations such as part-time work, fixed-term contracts, solo-self-employment, marginal jobs or jobs with low wages or limited career opportunities. Women combining unpaid and paid work during the life course are still punished in terms of income, social security and career development. Social security institutions are not well adapted to this trend. The failure of innovation in social security induces employers as well as employees to

“escape” into non-standard employment, and flexibility might be hampered by ill-adapted social security regulations.

Why is this so? Why is the process of equal opportunities on the labour market progressing so slowly? Why are old and new labour market risks so gender biased? I argue that the mismatch between labour market trends and social security affects mainly young adults (especially women) who intend to combine family and elderly care work with labour market careers. I argue further that flexibility and security can be reconciled and to some extent even transformed into a mutually supportive relationship by applying the principles of transitional labour markets and social risk management (Schmid 2008). In developing this argument, three questions will be addressed. First, what exactly are the risks related to parenting from a labour market point of view? Second, why is social insurance generally to be preferred to private insurance or individual savings in managing these risks? Third, what are the consequences of these considerations in particular to sharing parental risks?

1. Labour market risks related to parenting

In the stylised traditional labour market, women worked for a while after education, left the labour market when they got married and perhaps went back for some occasional work when their children had grown up. Men entered the labour market and worked full-time throughout their lives, if possible with the same employer. They received a family wage and an income that rose steadily with age, and they possibly experienced brief intervals of joblessness, which unemployment insurance covered. Risks related to the labour market were shared among men and governed by the state or trade unions organised as industrial risk communities.

\

This picture has changed dramatically. In the modern labour market, the male breadwinner model is eroding, and the borderlines between women’s unpaid family work and privately or publicly provided family work are blurring. Work organisation predominantly based on manufactured mass production is shifting to services organised in many cases as projects pursued through changing networks. During the life course, men and especially women experience an increasing number of risky transitions between various employment statuses, transitions for which traditional insurance systems provide only incomplete social protection, if any at all. In the modern labour market, there are three main risks related to parenting: the human capital risk, the risk of non-standard employment relationships, and the risk of reduced work capacity due to care obligation within the family. In the following, I briefly recapitulate these risks by emphasising their importance for women.

1.1. The human capital risk

If we take the European Employment Strategy's main goal of full employment, namely, to reach an overall employment rate of 70 percent by 2010 and an employment rate of at least 60 percent for women, then the breakdown by qualification immediately shows where the main problem lies. Highly skilled women already surpass the benchmark of 60 percent by 15 to 25 percentage points almost regardless of the kind of welfare regime involved. It is the low-skilled women whose opportunities for participation in the labour market are seriously compromised. Portugal, Norway and Switzerland are the exception, with employment rates of women already over 60 percent. At the overall EU-27 level, low-skilled women are with about 45 percent employment rate 37 percentage points below the average employment rate level of highly skilled women. The employment rate of low-skilled women in Australia is relatively high and matches that of the Scandinavian countries (see Figure 1).¹

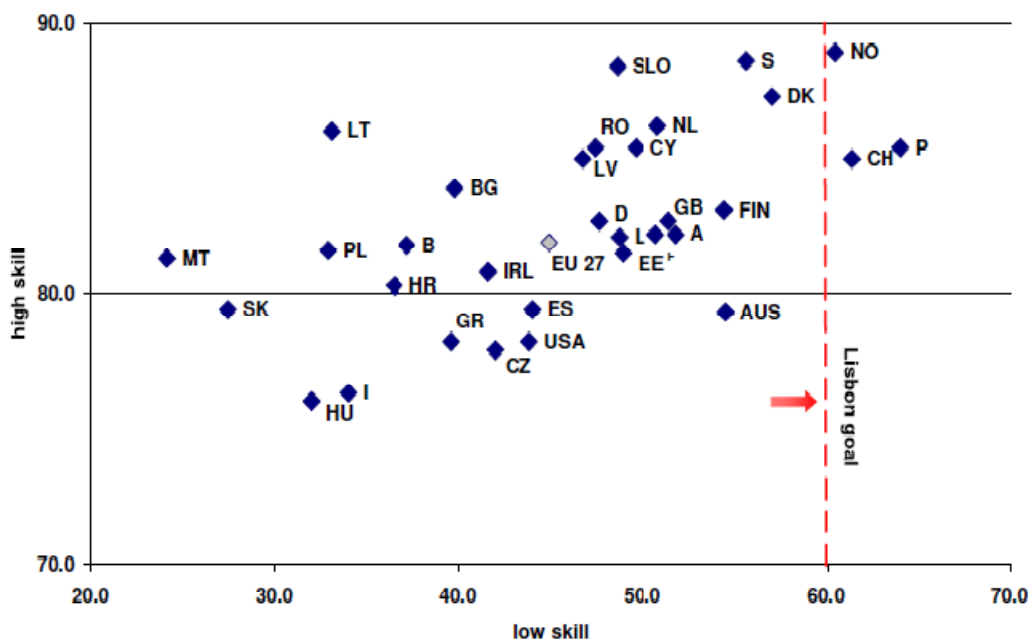


Figure 1: Employment rates of women (25-64 years old) by skill level, 2008 (2006)

South Korea seems to be an exception: the respective employment rates for low-skilled women are 58.4 %, for highly skilled women 'only' 60.8 %. Data for second quarter 2008, for Australia, USA, and South Korea: 2006. Definition "low skill": ISCED 0-2, "high skill": ISCED 5-6. Source: Eurostat; for Australia, USA, and South Korea: OECD Employment Outlook 2008, Table D. For abbreviations of countries see Appendix I.

¹ The difference between high-skilled and low-skilled employment rates is also present among (German) men but is slightly less marked. I abstract here also from critical qualifications with respect to the employment rate as proper benchmark, for instance – especially among women – from taking into account the working time per employed or, respectively, full-time equivalents.

It is also important to look at the other side of the coin, the unemployment rates, which are, unfortunately, not well reflected in the European Employment Strategy. If only the Lisbon summit had set the benchmark at halving the unemployment rate to about 5 percent by 2010, then with a few exceptions, the EU statistics shows that highly skilled women are already at that level or even below (Figure 2). The exceptions concentrate in a remarkable way on the Mediterranean countries like Portugal, Greece, Spain and Italy where the highly skilled women have not yet reached this benchmark. On the other hand, in many countries, especially in Great Britain, Norway, the Netherlands, and the Czech Republic (in Australia, too), highly skilled women are already below Lord Beveridge's "full employment" level of 3 percent unemployment². Even in Germany, France and the other new EU member states, the unemployment rate of highly skilled women is below the virtual benchmark of 5 percent.

However, in most EU Member States as well as in the selected other OECD states, this goal is utterly out of reach for low-skilled women. Only in Denmark, South Korea, Ireland, Norway, and Romania the unemployment rate of low-skilled women is below 5 percent. At the overall EU-27 level, the risk of unemployment for the low-skilled women is three times higher than that for the highly skilled women.

² In his famous report to the British government, Lord William H. Beveridge (1945) defined full employment" not in terms of the employment rate but in terms of an unemployment rate of 3 percent.

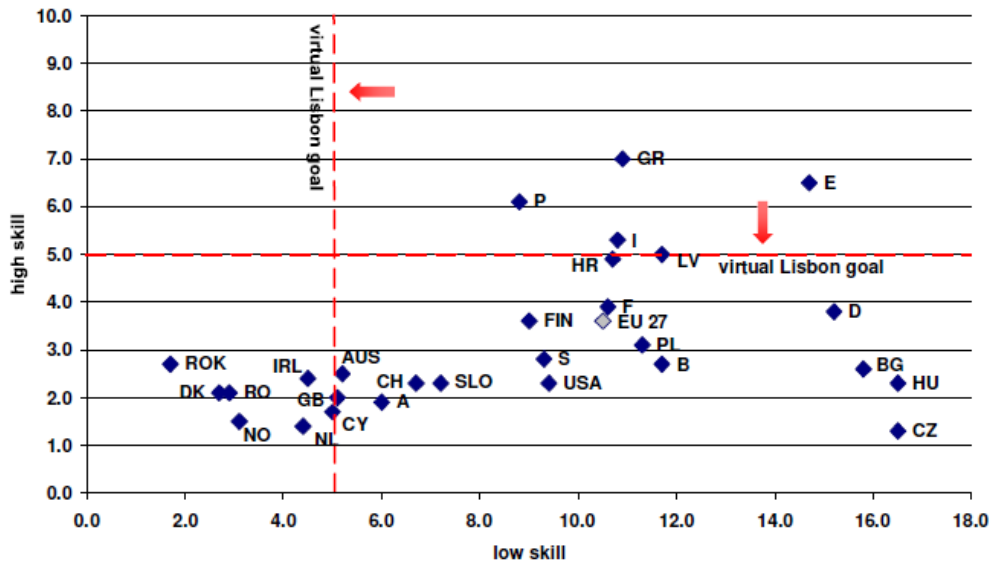


Figure 2: Unemployment rates of women (25-60 years old) by skill level 2008 (2006).

Note: Slovakia, as an exception (low-skilled 37.9 %, highly skilled 3.9 %) has been left out. Data for second quarter 2008, for Australia, USA, and South Korea: 2006. Definition: low skill: ISCED 0-2, high skill: ISCED 5-6. Source: Eurostat; for Australia, USA, and South Korea: OECD Employment Outlook 2008, Table D. For abbreviations of countries see Appendix I.

At first glance, relatively regime independent high employment and low unemployment rates of the high-skilled seem to corroborate the argument that education still serves as an effective insurance device over the life course. These figures, however, obscure the fact that highly educated people may also be at risk of falling into poverty or precarious work careers, or they may survive on the job market only at the cost of displacing lower skilled people. It is not only that one's skills may become obsolete because of new technologies during one's life course; it is also a fact that uncertainty is mounting because of the erosion of the protective national borderlines, often imprecisely addressed with the catchword "globalisation."

The direct consequences of globalisation are increasing competition through migration; the indirect consequences are increasing human capital investment risks through capital mobility or informational asymmetries. If, for instance, an Indian girl in Calcutta receives higher education, she might devalue the educational investments of my son in computer science because his potential high-priced services can now be bought at a low price in India. Furthermore, the higher the skills and the more the skills are specialised, the more difficult it is to assess their quality. Reputation, then, becomes partly a functional equivalent to solve this

information asymmetry. If, for instance, your daughter invests heavily in playing the violin, a Chinese boy in Beijing might do the same, win the musical competition, and receive many more subsequent engagements due to reputation. The new economy is not only a knowledge economy but also a celebrity economy (Krugman 1999, p. 203). In other words, good luck and reputation seem to be determining employment careers and life course income more and more.

There is scattered evidence for this thesis. In the United States, two thirds of the increase of inequality does not reflect widening gaps between more and less educated workers (say, college and high school graduates). Instead, it reflects bigger gaps among workers with similar education (say, college graduates). People's earnings now fluctuate more from year to year than they used to. In Germany, formal schooling explains, on average, only one third of the returns on human capital investment. Women in the age groups of 30 to 39 and 50 to 60 have experienced a sharp decline of returns beginning in 1994 compared to the same age groups before that time (Lauer and Steiner 2004). A study for the Netherlands found that older workers with higher education faced declining wages compared to old workers with lower education (wage compression), and intra-group inequality increased during the 1980s but remained stable during the 1990s (Jacob 2003). Hartog (2004) comes closest to the implications of risks related to human capital investment. He and collaborators found that higher variance of wages as an indicator of higher risks is partially compensated for by higher wages. However, they also found indications that these risks are presumably "under-recompensed", as Adam Smith (1776 [1976], p.208) already noted. This circumstance might especially prevent risk-averse would-be students with a low-income background from investing in those risky jobs.

The impact of escalating risks associated with returns on human capital investment is twofold and ambiguous. On the one hand, it induces to run for credentials that leads to *overinvestment* in formal education or training; on the other hand, it feeds risk aversion that leads to *underinvestment* in education or training among people who gravitate to the low-skill labour market, or among mature workers with short employment prospects due to expected retirement, and – last but not least – among young women or men being uncertain about their long-term job prospects due to expected family formation.

1.2. Risks related to non-standard forms of employment

The second concern is the swelling number of non-standard jobs, which means employment relationships that are not characterised by dependent full-time work and open-ended contracts. This is a vast field impossible to cover in all its facets here. Part-time work would be the first candidate to deal with in this context,

temporary employment (including fixed-term contract and temp-agency work), and self-employment would come next. However, research and literature abound, so that the facts in principle are well known³. I therefore draw attention to the general picture and show how these three non-standard forms of employment evolved and to what extent women are affected⁴. Brief attention is also given to the phenomenon of compressed work careers.

Apart from huge differences in the level of female non-standard employment across countries, Figure 3 displays a clear upward trend. Measured in terms of employment to population rate, the non-standard employment rate has decreased only slightly in Great Britain (from a high level) and in some of the new EU-member states, e.g. Estonia, Latvia, Lithuania, and Romania (from an already low level) since 1998. Even in countries with already high levels, notably the Netherlands, Germany, Spain and Sweden, the upward dynamics is unbroken. Mainly due to its “world championship” in part-time work (Visser 2002), the Netherlands is a clear exception: its female non-standard employment rate – including temporary workers, own account workers (self-employed) and part-time workers – increased from about 40 percent (1998) to 55 percent (2008); in other words, over half of the Dutch working women is employed in non-standard form.

³ For part-time work see for example O’Reilly and Fagan (1998) and European Foundation (2005); for fixed-term contracts see for example Schömann et al. (1998); for self-employment see for example Arum and Müller (2004), Schulze Buschhoff and Protsch (2008).

⁴ The following cross-country comparison is, for reasons of comparability, restricted to 24 EU member states. Related to the U.S., Canada and Australia see Mangan (2000); for an international broader picture see Houseman/ Osawa (2003). In Europe, there is an astonishing non-correlation between temporary employment and self-employment and part-time work; only the negative correlation between part-time work and self-employment ($r = -0.46$) hints to some kind of functional equivalent in flexible employment forms: part-time work seems to substitute to some extent own-account work or vice versa.

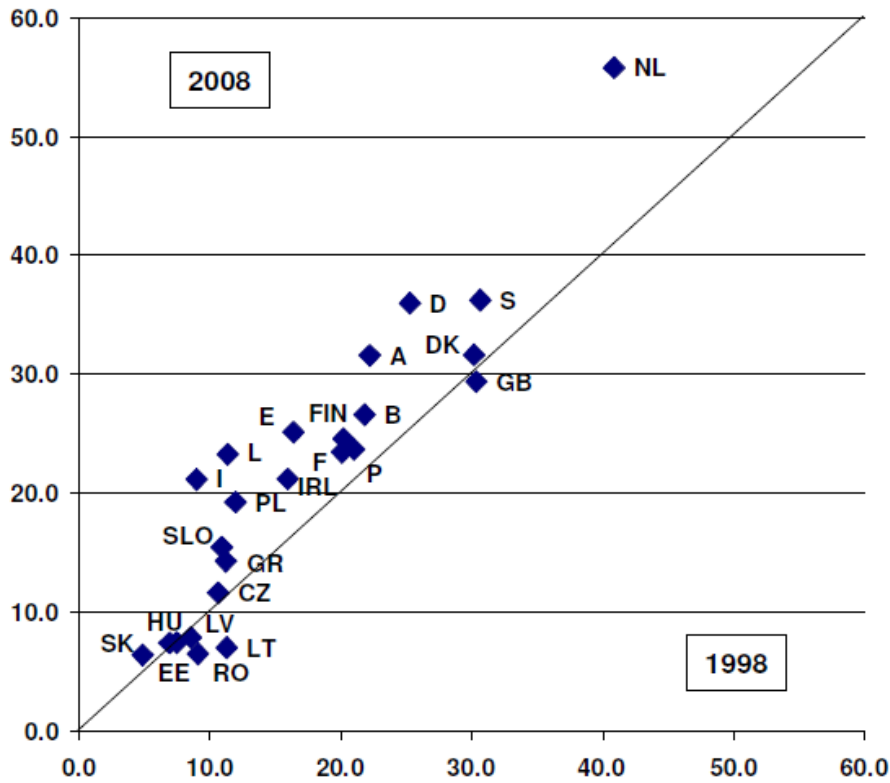


Figure 3: Non-standard employment rates of women in 1998 and 2008

Source: EUROSTAT, Labour Force Survey, own calculations. “Non-Standard Employment” comprises employees with a temporary contract; own self-employed working full-time outside agriculture, part-time workers with permanent contract (employees) and part-time working own self-employed persons who define themselves as part-time working. Exceptions due to data restrictions: IRL and SK: own self-employed outside agriculture working > 35 hours/ week, and part-time workers working <=35 hours/ week; PL: own self-employed working full-time including agriculture.

The picture becomes more telling if we look at the level and development of non-standard employment through the lenses of gender (Figures 4 and 5).

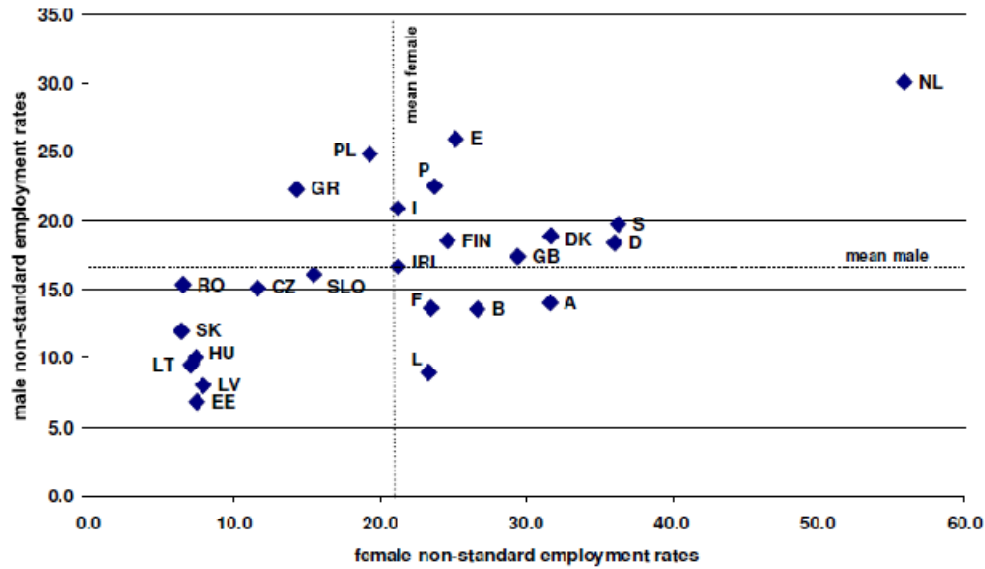


Figure 4: Non-standard employment rates of men and women in 2008

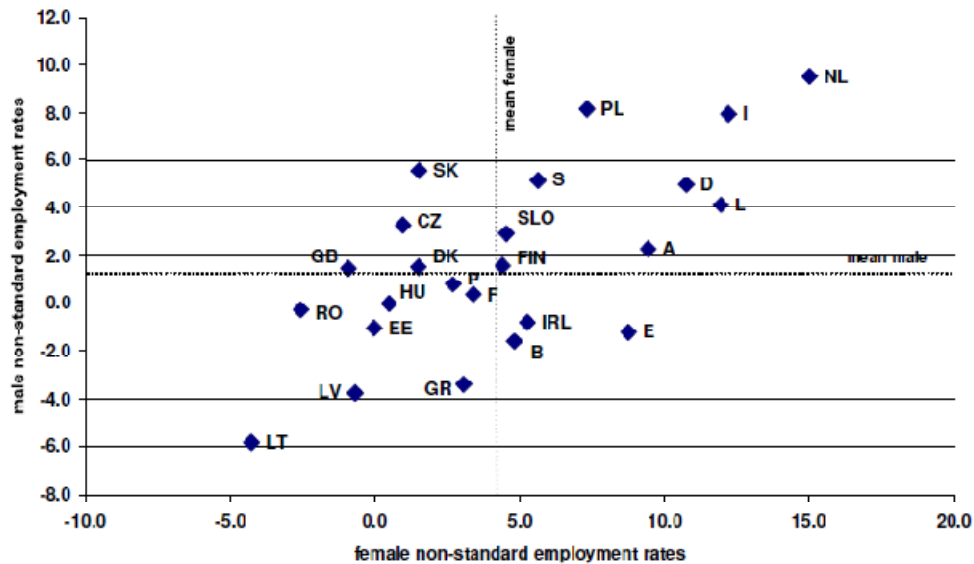


Figure 5: Change of non-standard employment rates of men and women from 1998 to 2008 (in percentage points)

Source: Eurostat Labour Force Survey, own calculations. Non-Standard Employment: employees with a temporary contract; own self-employed working full-time outside agriculture; part-time workers with permanent contract (employees) and part-time working solo-self-employed persons who define themselves as part-time working. Exceptions due to data restrictions: IE and SK: Own self-employed outside agriculture working > 35 hours/ week, and part-time workers working <=35 hours/ week; PL: own self-employed working full-time including agriculture.

The levels as well as the dynamics of non-standard employment are heavily concentrated among women. In 2008, the non-standard employment rate for women was on the (not weighted) average 21.4 percent, ranging however from 6.4 (Slovakia) to 55.9 percent in the Netherlands, compared with an average for men of 16.7 percent, ranging 'only' from 6.8 percent in Estonia to 30.2 in the Netherlands. Within only 10 years, women's non-standard employment rates increased on the average by 4.4 percent, ranging from 15 percent in the Netherlands to -4.3 percentage points in Lithuania. Men's non-standard employment rates increased on the average by 1.7 percent, ranging from 9.5 percent in the Netherlands and -5.8 percent in Lithuania.

Furthermore, figures 3 to 5 taken together show that the dynamic trend of non-standard employment is almost uniform in all EU-member states but the pattern is not. With the exception of Poland⁵, the new Eastern European member states are clearly "underdeveloped" in this respect, and men tend to be more or at least equally affected in these countries than women; the latter is also the case in the Mediterranean member states. In most of the 'conservative', 'liberal' and 'social-democratic' countries, however, non-standard employment is already high and mainly concentrated among women. It seems here that firms need added internal or external flexibility to adjust to the ever more competitive environment and new technologies. However, in the family-centered employment systems of southern Europe (Greece, Italy, Portugal and Spain) where job protection is strong and in the conservative-corporate employment systems (Austria, Belgium, France, Germany and The Netherlands) where job protection is not as strong but still important, non-standard employment seems to function as an escape route for reacting flexibly to increasing competition⁶. Also some endogenous explanation is plausible in the sense that women prone to non-standard work increase their employment or labour force participation mainly over the route of part-time.

A growing concern is the concentration of non-standard employment among the young, especially related to temporary employment. At the Eurozone level, 48.8 percent of the young workers (15-24) had a fixed-term contract in the second

⁵ Although Poland's labour force participation is low, its share of temporary work is high. In this country, fixed-term employment rocketed – especially among men – from 514,000 (1998) to 3,207,000 (2008), whereas total employment stagnated. The reason probably is the lax regulation of temporary work which allowed until 2003 fixed-term chain contracts without any limit. Only in 2004, Poland introduced stricter regulation, except in the seasonal and temp-agency sector. In fact, the height of fixed-term contracts was in 2007, and the number of temporary workers declined slightly in 2008.

⁶ The cross-country correlation of the OECD summary index for employment protection regulation with temporary work is quite strong ($r = 0.63$) but low and insignificant with the other two forms of non-standard work.

quarter of 2005 as opposed to only 12.5 percent of adults (25-54) and 6.7 percent of the mature workers (55+)⁷. The case is especially striking in Germany, where the burden of risks related to fixed-term contracts lies almost completely on 15- to 25-year olds and on the young adults aged 25 to 35. We know from many studies that ‘non-standard’ jobs serve often as useful bridges to ‘standard’ jobs. For a growing number of young adults, however, non-standard contracts are traps leading to permanently disrupted job careers and often ultimately to social exclusion. Marginal part-time employment (< 15 hours per week) turns out with the lowest transition rates to regular full-time or insured part-time work, whereas fix-term contracts are ambivalent serving both as a bridge to regular jobs as well as a trap to permanent inactivity. This ambivalence is due to different functions of temporary work, and it seems that it is not exactly temporary employment per se but job interruptions, lack of skills and missing training opportunities that harm employment prospects. Finally, part-time work with at least 15 hours per week seems to be the least risky non-standard relationship⁸.

The risks that young adults run as they try to make the transition from precarious to stable jobs are often aggravated by “compressed work careers,” the phenomenon of having to fulfil several social roles simultaneously within a short period of working life. It mainly affects young women between 20 and 35 years of age. Since labour market participation is becoming the norm for these women, they must cope with at least five social tasks at almost the same time: They have to acquire a good education, look for a suitable job, plan a sustainable career, select a suitable partner, and set up a family at considerable expense in housing and furnishings. The way in which work, education, and welfare (including the housing market) are organised today scarcely helps them master these diverse tasks. Their transition to a sustainable career is seriously endangered. The attention given to this problem where young adults are concerned is relatively limited compared to the present high public concern when mature adults are at issue – a serious defect in the European Employment Strategy.

⁷ See Eurostat (2005, p.7, Table 9).

⁸ The dynamics of transitions between so-called non-standard and standard forms of employment is quite complex and complicated, not least because non-standard work can serve very different functions related to the individual life course (for instance non-standard employment combined with education or care work) or related to work organisation (for instance fixed-term contracts as a screening device or as a cost reducing instrument). For some econometric work on the basis of the ECHP and summarising the state of the art see European Commission (2004, Chapter 4 [Labour market transitions and advancement], pp. 159-186]).

1.3. Risks related to reduced earning capacities over the life course

Of course, this imbalance is not an argument for discontinuing the efforts to deal with the third risk related to critical events during the life course. Again, the first candidate for reduced work capacities and following reduced labour market attachment is the family-related risk when it comes to child care. An indicator for this risk is the gap of labour force participation rates between women aged 25 to 49 with children below 15 and women without children. For example, the employment rate of German women with two children below 15 (and the youngest child below 2 years of age) drops from 74 percent to 54 percent compared to women without children, while the gap in Denmark is only between 79 and 73 percent, in the Netherlands between 82 and 68 percent, and in the UK between 84 and 59 percent⁹.

This risk is known as the “family trap” and refers to the difficulty young adults experience in dividing their time and energy between family and career. In the current risk-sharing model, it is a fact that men gain resources when they have a family; women more often have to invest resources in the same situation. The impossibility, for example, of combining a business-consulting career with a family was by far the most frequent reason given by managers when questioned as to why female career development in this branch seems to be so difficult and therefore tends to be the exception (Rudolph 2004, p.12).

Less well known and even less well acknowledged in the present rhetoric of “active ageing” is the risk that mature aged women have to take over care obligations for the frail elderly after their own children leave the home. A reflection of this risk is the employment rate of women ranging in age from 55 to 64, which in most EU Member States is far below the Lisbon 50 percent benchmark (see Figure 6). Although the figures show, with a few exceptions, especially Poland, an impressive improvement of the situation in all Member States since 1983, most countries fall short of the Lisbon benchmark. Apart from the new Member States, especially family-oriented countries like Austria, Belgium, Germany, Italy, and Spain are lagging far behind this goal. For example, only about 42 percent of 55 to 64-year-old women in Germany are employed, in sharp contrast to the Scandinavian countries that recently passed the “benchmark” easily¹⁰. Also ‘liberal’ regime countries like USA, Australia and Great Britain display employment rates over or near this benchmark.

⁹ See Sachverständigenkommission (2005, p. 51, Table II.3).

¹⁰ The low employment rate of women especially in the family centred economies goes of course also back to the large share of women leaving the labour market after the first child and not returning anymore.

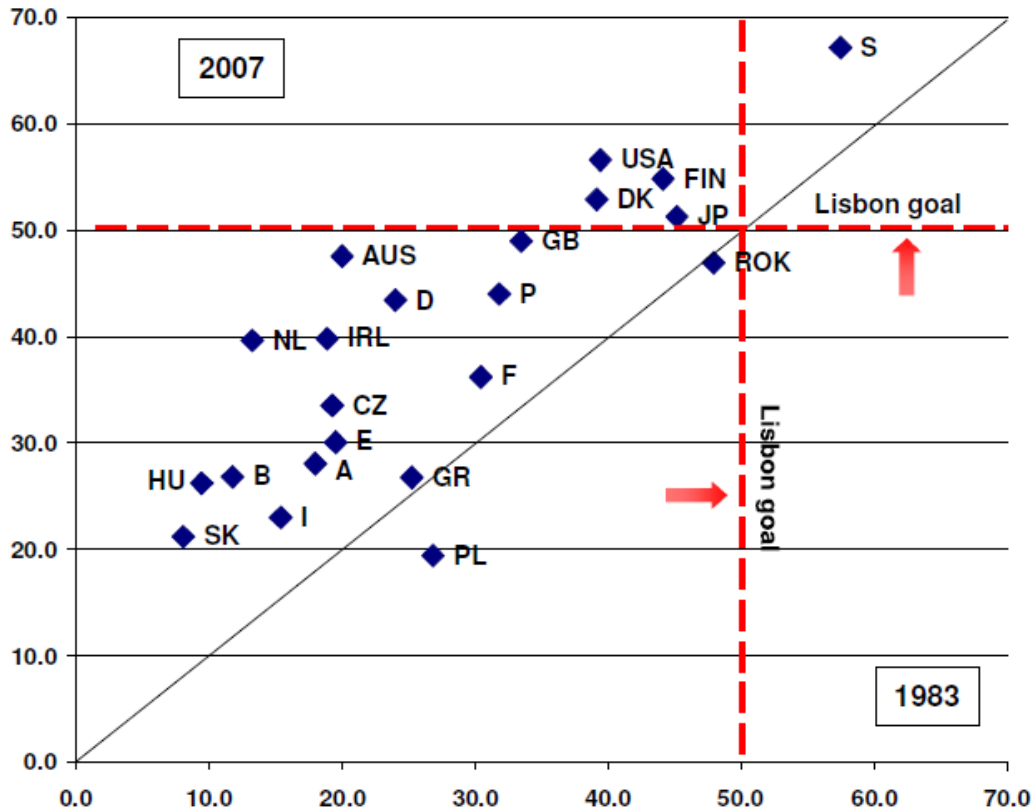


Figure 6: Employment rates of women (55-64 years old) in 1983 (1994) and 2007

Data for Austria, Czech Republic, Poland, Hungary, and Slovakia are from 1994; for GB from 1984. Source: OECD CDE, www.stats.oecd.org, OECD Employment Outlook 2006, Table H.

A notable outlier is Sweden, where about 68 percent of the mature adult women are actively participating in the labour market. What is the explanation for this “anomaly”? Anticipating the more systematic arguments in the next sections, we can list here already some plausible reasons. The first reason is that Sweden provides an extended public infrastructure of social services, taking away by this way some of the caring responsibilities of the family. Second, inclusion of mature adults in continuing education and training is relatively advanced (for example, through the massive “knowledge-lift program” from 1997 to 2002). Third, most monetary incentives to retire early have been dismantled in that country (long-term sickness benefits as starting point for labour market exit being still the exception); Sweden has one of the highest returns for every additional year of work from the age of 61. Fourth, the social right to care leave is particularly well developed; Swedish workers have the right to take paid care leave up to 60 days per year. Finally, women in Sweden accumulate pension rights independently

from the working career of their “breadwinning” spouse, an arrangement that Sweden has in common with Switzerland, among other countries (OECD 2003, Hartlapp/ Schmid 2008).

All three risks – underutilised, obsolete or eroding human capital; job instability; and reduced work capacity – must be considered against the background of eroding internal labour markets. From the perspective of risk management, the backbone of internal labour markets has been an implicit insurance contract, with the employer offering the male breadwinner a family wage, job security, and earnings stability over the life course in exchange for the acceptance of wages below the productivity level at the peak of the work career. This implicit insurance contract is breaking down without a clear alternative in sight yet.

A plausible conclusion would be to extend the principle of insurance to cover these new risks at least to some extent. But why would it be suboptimal to leave people alone with these new risks and to expect solutions through private savings or private insurance? This is the question I will turn to now.

2. On the advantages of social insurance compared to private savings

Why is social insurance generally to be preferred to private insurance or individual savings against social risks? To answer this question, I call to mind the basic principles of social insurance from the legal and social science point of view and in particular from an economic perspective.

From a legal point of view, the peculiarity of social insurance was reflected already 80 years ago by the labour lawyer Hugo Sinzheimer, who attributed a completely new principle of law to social insurance. Social insurance, in his view, is not based on private law or individual property rights but on collective law based on universal human rights to participate in the production and distribution of society’s prosperity. To ensure that people are not only “free from want” (which means having ensured access to basic necessities) but also “free to act,” the state is authorised to intervene in property rights and – to put it bluntly – to redistribute between those who are lucky and those who are not lucky in the lottery of natural endowments and the whims of the market (see Sinzheimer [1928] 1976).

From a social science point of view, the best formulation of the principle of social insurance can be found in the famous article on “Citizenship and Social Class” by T. H. Marshall: Whereas redistribution only for the needy may ensure the minimum level of a decent living, the introduction of unconditional social rights –

and with it social insurance – linked to the status of citizenship ensures:

a general reduction of risk and insecurity, an equalisation between the more and the less fortunate at all levels - between the healthy and the sick, the employed and the unemployed, the old and the active, the bachelor and the father of a large family. Equalisation is not so much between classes as between individuals within a population which is now treated for this purpose as though it were one class. Equality of status is more important than equality of income. (Marshall 1964 [1949], p. 102-3)

In the economic perspective, *social risks* are – in contrast to natural catastrophes like tsunamis, hurricane Katrina or earthquakes – *events related to individual choices and social actions* that imply individual losses of calculable probability if they occur and gains if they do not occur. Each individual could insure him- or herself against these losses by means of savings or precautionary measures. However, there are non-rational as well as rational reasons why individual risk prevention might not occur. First, prospect theory argues that people tend to myopic perceptions with respect to life course risks. They overestimate small-scale risks in the foreseeable future, and they underestimate large-scale risks that seem to lie far ahead. Most people are therefore more prone to buy travel insurance than disability insurance; most people also underestimate the risk of unemployment or the risk of large income loss due to the erosion or lack of skills over the life course; most people tend therefore to underinsure low probabilities with large single losses¹¹.

Second, in most cases insuring oneself is more costly than pooling risks. Nobody keeps his own fire brigade; we all contribute to the community fire brigade instead. Furthermore, precaution or prevention may become costly and may tie up too many resources. For instance, trading ships used to be accompanied by convoys to ward off pirates; insurance proved to be cheaper. In modern times, many labour markets are heavily regulated to protect against opportunistic resignations or dismissals, but it probably turns out that generous wage and employability insurance may not only be cheaper but also more equitable. I come back to this point later.

If the risks are individually unrelated and distributed equally by chance, the potential losses can be privately insured. The insurer thereby organises

¹¹ For non-rational decisions in general due to misjudgement of probabilities concerning negative events and the selective use of information see Frey (1992, p.171-195); for the prospect theory in particular see Kahneman/ Tversky (2000); for an application to labour market policy, see Schmid (2006 and 2008).

redistribution between those hit by the cost-causing event and those not hit by it. *Ex ante* – that is, before anyone knows who will be hit, before the veil of ignorance is lifted – insurance is a cooperative game of sharing risks. *Ex post*, after that veil has been lifted, insurance is redistribution from the lucky to the unlucky. If the insurance is effective, it establishes a win-win game.

To be efficient and equitable, however, insurance has to meet some conditions. The three most important ones are well known: no moral hazard, no adverse selection, and no correlation of the risks. If risks are correlated or even infectious, as with unemployment, no private insurance can guarantee liquidity high enough to compensate for the losses. If risks are unequally distributed, bad risks will tend to overcrowd and good risks will tend to opt out. Consequently, either bad risks will have to pay deterrent high premiums, or private insurance will not be established. If moral hazard exists and if it is difficult to detect for informational asymmetries, then control will have to be exercised by legitimate power over which private insurers normally do not dispose.

These are the reasons why no civilised country has private unemployment insurance that sufficiently covers the risk of involuntary unemployment. Only the state can guarantee liquidity in the event of correlated risks. Only the state can force good risks to participate in the insurance or alleviate the burden of premiums for the bad risks. Only the state can ultimately exercise legitimate control over moral hazard.

However, if we argue for a wider application of the social insurance principle, we must go beyond the risk of unemployment. We must ask why the welfare state in effect provides or organises risk-sharing for many more life-course risks than it does for involuntary unemployment. Even liberal welfare states have some kinds of mandatory social insurance – such as those against the risks of low-income (poverty), illness, disability, work accidents, and old age. They at least play a strong regulatory role in supervising or supporting various kinds of private insurance.

The few mainstream economists who dare to deal with this question agree that the welfare state plays an indispensable role as a risk-sharing institution¹². Why? First, social insurance can enhance efficiency by stimulating otherwise risk-averse people to engage in prosperity-enhancing activities. Historical examples abound. In fact, Peter Bernstein argues in his stimulating book *Against the Gods* (1996) that it was the invention of insurance that propelled modern capitalism. The rise of

¹² The best references are Agell (1999, 2002), Atkinson (1991, 1999), Barr (2001), and Sinn (1995, 1996).

Venice to become the world's richest city in the 14th and 15th centuries would have been inconceivable without the invention of a modern insurance system. Henry Ford once said that New York would not have been built without the help of the insurance system.

Apart from traditional arguments concerning market failure, political economists provide additional important reasons for universal and at least publicly ensured risk-sharing institutions. Hans-Werner Sinn (1996, p.263-264) especially stresses the timing problem related to risks over the life course. Typically, private insurance companies deal only with contingent risks that affect clearly distinguishable groups of people. Such risks include the risk of fire, theft, or traffic accidents. They are not correlated with a person's lifetime. Social insurance, by contrast, is an all-inclusive insurance that protects against multiple and interdependent risks of lifetime careers. The insurance provided by the public tax and transfer system is an insurance against the randomness of career opportunities and of nature's lottery of innate abilities. Because of time dependencies, private insurance contracts would have to start right at the beginning of human life, maybe even with conception. How should a private insurer determine the premiums and the indemnities for such complex and interrelated risks? Only public social insurance can deal with this time problem, and it will probably be much cheaper than private insurance given that a system of fiscal taxation is considered inevitable anyway.

Anthony Atkinson (1991) hints at another important reason for the advent of social insurance, one that cannot be explained by the traditional economic focus on information asymmetries and adverse selection. It is the distinction between risk and uncertainty, which harks back to the classic work by Frank Knight ([1921] 1964). When social risks cannot be calculated, no private insurance can do the job of compensating for severe and irreversible damages. Faced with uncertainties such as wars, riots, epidemics, demographic imbalances, large-scale accidents, and other unforeseeable challenges, social insurance contracts have to be flexible enough to mobilise quickly the resources to mitigate such risks and cope with them¹³.

Jonas Agell (2002) adds another important argument. Proponents of rolling back the welfare state should be aware that social insurance did not develop mainly as a rent-seeking behaviour of interest groups but as substitution for the erosion, weakness or even disappearance of traditional self-insurance institutions such as

¹³ The Contergan case in the late 1950s and early 1960s (also known as the scandal caused by Thalidomide) might serve as an instructive example of such internal social risks that cannot be calculated.

the extended family, the “hinterland” of small farms providing economic subsistence, the neighbourhoods, and the communities or trade unions organising mutual self-help. The shift to universal social insurance systems occurred especially in countries exposed to rapid structural change and characterised by a relatively homogeneous population.

Agell (2002) also suggests functional equivalents as second or third-best solutions if tax-financed universal social insurance is not feasible. In addition to insurance against the hazards of volatile wages directly through minimum-wage laws or unemployment insurance, there are also indirect ways of narrowing and stabilising wage distribution by means of centralised wage bargaining¹⁴. Agell uses a formal model to show that the insurance benefits from a small compression of the wage structure will outweigh any costs in terms of unemployment and reduced output. Furthermore, surveys persistently report that the state and collective social insurance systems are politically accepted, even strongly supported. The representative worker is willing to accept a lower expected wage in exchange for a wage structure that offers insurance against the uncertainty of who will be in the wage distribution.

Of course, there is a trade-off. On the one hand, people protected by the welfare state engage in risky and profitable activities that they otherwise would not have dared to undertake. Risky occupations might not be chosen without the protection of the welfare state, and it would be difficult to find entrepreneurs willing to undertake risky investment if debtor’s prison were all that society provided should the venture fail. On the other hand, the welfare state may, in fact, make people too eager to jump, to become careless, and to take excessively dangerous short-cuts in the mountainous paths of life (Sinn 1996). This is the moral hazard to which an overwhelming majority of policy advisors call attention.

How to balance productive risk-taking by avoiding careless risk-taking and its moral hazard in a way that maximises efficiency and equity is an old conundrum of welfare state theory. In any case, risk-taking has important repercussions for the observable degree of inequality in the economy. If people choose more risks *ex ante*, they will typically be more unequal *ex post*. Risk-averse societies may exhibit relatively little inequality but also little economic dynamism. By contrast, risk-taking societies may indeed exhibit high economic income at the cost of high inequality, as the ‘liberal’ employment system of the USA seems to show. Denmark, however, has recently received increasing applause for its achievement of high risk-taking and low inequality both before and after taxes – the

¹⁴ In addition, totally flexible wages would aggravate cobweb-like (and therefore quite unstable and costly) adjustments to external shocks (see Arrow 1971, for example).

“flexicurity” model par excellence (see Auer 2000 and Madsen 2006, for instance). It therefore does not seem that social insurance necessarily drives the “big trade off between equality and efficiency” (Okun 1975). Under certain circumstances it may well also drive a “virtuous marriage” between equality and efficiency (Schmid 1994). The question of how such a complementary relationship might work shall be tackled in the next step.

3. Application of risk-sharing to parental risks

How can these general principles and reasons for social insurance be applied to parental risks? The social construction of risk is clear in this area. The time problem already mentioned is best understood from the perspective of parents-to-be because for them the veil of ignorance has not yet been lifted. These parents do not know which abilities their children will be endowed with. They may fear that their children will suffer from illness and injuries. They may worry about bad teachers and bad friends. They are concerned about a lack of job opportunities and about bad choices. They are afraid that their children may become unemployed. And they hope, but cannot be sure, that a successful marriage will be possible.

It is inconceivable that private insurers could cover these risks. They could do this only with contracts that would come close to bondage – as Hans-Werner Sinn (1996, p.263) starkly put it. It would have to be acceptable for parents to allocate substantial portions of their children’s future incomes to private institutions without their offsprings having the chance to nullify or even modify the decision when they become adults. Private insurance contracts would therefore have to wait until a person comes of age, but by then most of the veil of ignorance would have been lifted. If both the insurer and the insured have the same knowledge about the inequalities then existing, they will not be able to find mutually agreeable redistribution contracts. And if the insured person has superior knowledge, the typical adverse selection problem will exist.

In fact, the solution may be simpler than this overly sophisticated economic talk. Children are wonderful. Their risks cannot be calculated, and uncertainty cannot be insured privately. The solution for the lifetime risks of children can only be the family as an insurance device, or – if families are poor or family relationships become unstable – the state. The welfare state, however, cannot eliminate these risks. But by offering a redistributive social contract between lucky and unlucky children, it can help mitigate the consequences. All welfare states therefore offer more or less social protection against child poverty, equal access to primary and secondary education, and health and disability insurance. However, new risks arise, and that circumstance has much to do with endogenous changes related to

values, families, labour markets and with maladjustments of institutions to the new risks.

Let us examine value changes first. As long as the role (i.e., the responsibility) of parenting is socially ascribed to women, child-bearing and child-rearing is not a risk that goes beyond the boundary of the family. However, as soon as it is accepted that both men and women should have the free choice of engaging in this task and that both should have the opportunity to earn their own income, caring for children involves a career risk as well as an income risk for both parents. A science fiction novel even went so far as to imagine conception being randomly distributed between men and women. In a way, of course, this idea is seriously misplaced, for most children are consciously planned. However, accepting the thought experiment that men, too, can become pregnant would cast new light on the need to increase the mutual compatibility of family work, education, and labour market work, and men would certainly be much more open to the concept of equally sharing risks related to parenting (Pateman 1988)¹⁵.

I now turn to changes in the family and in the labour market. Not every child entering the world is hit by the related risks in the same way as all the others. Whether and how much men or women are affected depends on the employer, the occupation, the work tasks, the neighbourhood, and so on. These factors are ones that individuals normally cannot determine or predict. Some people, such as academics and people living in intact families or functioning neighbourhoods, can manage to combine labour market work and family work more easily than others. And there are other people – those who cannot work at home, those who must live in broken families, or those who are not integrated into a functioning neighbourhood – who are less fortunate. Furthermore, the number of single-parent families is climbing in almost all modern welfare states, exacerbating the vulnerability of children and single parents alike.

The lack of social insurance against these new risks will lead to three kinds of penalties: wage and career penalties for women, intra and inter-generational equity penalties, and overall welfare penalties on society because of declining fertility rates and probably also because of skill deficits.

First, the calculated average risk of wage penalty incurred by, say, 5 years of full-time leave amounts to 1.5 to 2 percentage points yearly. The wage penalty declines to 0.5 percentage points only if part-time leave is taken and it differs from one employment regime to another. As compared to liberal regimes with

¹⁵ The topic of the pregnant man is well known in mythology and history. The illustration of Adam as being pregnant with Eva and giving birth to Eva was used in the medieval age for symbolising the superiority of men over women (Zapperi 1991).

medium public support for employment during the family phase (e.g., Canada), the wage penalty for interrupting full-time work is 7 percentage points in conservative regimes (e.g., Germany). This kind of difference likewise emerges in a comparison with social democratic regimes enjoying high public support (such as Sweden; see Gustafsson et al. 2002 and Stier et al. 2001)¹⁶. Such large wage penalties for complete employment interruptions can be taken as an argument for publicly financed or publicly provided institutions for child care during preschool and elementary school. They would not only broaden the occupational choices of parents (especially women) but would pay off economically as well. One must also figure in the risks of status loss and restricted occupational choice after expiration of the parental leave.

Second, the equity penalty is especially reflected in a massive redistribution of income from families with children to families without children over the life course. This effect is especially pronounced in Germany, where the Ifo-institute calculated that the state would gain 76,900 Euros over the life course for one child (born in 2000) of an average-income family, an average income of the child, and an average fertility rate of the child¹⁷. In other words, raising a child induces a tax punishment of about 80,000 Euros, which leads de facto to an income redistribution of a corresponding amount over the life course to families or people without children and from the young to the middle-aged and older generation. Apart from the inequity scandal, such a redistribution is largely inefficient, for the state's opportunity costs (forgone taxes and contributions) related to women's reduced labour force participation raises the amount to 119,800 Euros for one child (see Biedenkopf et al. 2005, p. 103, Figure 5).

Simple cost-benefit accounting systems show that the state could gain by investing a substantial part of this forgone income into public or private day care facilities or in improved preschool education of children. For instance, in a dynamic accounting of the costs and returns of day care provision in Denmark, the treasury's net fiscal gain was estimated to be 260,000 Danish Crooners (about 35,000 Euro) if women worked full-time for five years instead of fully

¹⁶ Complementary results come from the varieties-of-capitalism approach. Coordinated regimes are characterised by higher specific human capital investment, the effect being that the wage penalty of employment interruptions is higher than in liberal regimes, where firms do not invest much in specific human capital. Correspondingly, wage penalties are generally higher for the highly skilled than for the low-skilled, whereby the regime types, again, compound the differences (Estevez-Abe et al. 2001, Rosenbluth et al. 2002).

¹⁷ For a detailed explanation of these calculations, see Hans Werner Sinn and the Ifo-Institute in Biedenkopf et al. (2005).

interrupting their career for private child care¹⁸. A German cost-benefit analysis estimated, for example, a net fiscal gain of about 6,000 Euro per year for each educating mother with a child younger than three years if that mother were to work instead of draw social assistance (Spiess et al. 2002, p. 34).

Third, the welfare penalties of inadequate social insurance are no less severe. Whenever children's lifetime risks are not properly provided for, the lapse will have repercussions on the decision to establish a family with children. From this perspective it becomes plausible that the welfare regimes with the largest drop in fertility rates are those in which life-course securities for children are not properly covered. If parents or would-be parents are highly uncertain about how to protect against these risks, they will decide against children. The desire to have children – an important aspect in the quality of life – will continue to be blocked if the future of the would-be parents themselves becomes insecure. Drastic increase of unemployment and instability of jobs to be expected by would-be parents is one of the most important predictors of low or declining fertility¹⁹.

As a recent German report on family policy correctly notes, it would be a mistake to see the drop of fertility rates only as a change of values or preferences (Biedenkopf et al. 2005, p.78f.). The wish of having at least one if not two children is still fairly widespread. Thus, also from this point of view it is reasonable to relate the reduced birth-rates largely to opportunity constraints on the labour market, inflexible work organisation, and inappropriate incentives in the system of taxes and benefits and to expected employment insecurities. The increasing tendency toward the single-child or even (especially among academics) no-child family therefore has to be assessed as a dramatic decline in the quality of life.

Summing up, if we accept the abolishment of traditional role ascription of who

¹⁸ See Esping-Andersen (2006, p.46, Table 2). Assumptions: Mother aged from 30 to 35 has two children, does not interrupt employment except for one year of maternity, has a wage equal to 67 percent of an average production worker; continues working until age 60, and has a 1.5 percent per annum "Mincer estimate" of cumulative loss for a 5-year interruption of employment.

¹⁹ A prominent historical example is the case of East-Germany (formerly German Democratic Republic) merging in 1990 with West-Germany (formerly Federal Republic of Germany) leading to a drastic decline of employment, a rocketing of unemployment and a long-lasting job insecurity as consequence of the transition from a planned to a market economy. Its impact of fertility was spectacular: In 1989, 200,000 babies were born in East-Germany; in 1992 only 87,000. On a cross-section basis for most of the OECD countries, the correlation between fertility rate and unemployment rate for 2003 is $r=-0.47$; for the changes in fertility rate and unemployment rate from 1993 to 2003, the correlation amounts to $r=-0.45$.

shall take care of children, we shroud ourselves in the veil of ignorance as described by John Rawls (1990, 2001). Would-be parents do not know where they will end up in the lottery of their own careers and that of their children's careers. Hence, the structural situation for risk-sharing through social insurance is given, and it legitimates redistribution between fortunate and less fortunate parents and their children.

To the extent that societies value their children, there are strong arguments for redistribution through social insurance or extended social rights linked to citizenship, albeit in a direction other than that pursued thus far (especially in Germany). Related to the inter-generational contract, this redistribution would be a decent lump sum to cover some of the immediate costs for children, for instance a non-means-tested child allowance. This tax financed allowance, however, has to be balanced against financing general investments in children – preschool education and child care services²⁰. As with elementary and secondary schooling, it makes sense to provide these services largely cost-free or at least by ensuring affordable public or private child care services through tax premiums. The Grand Coalition's increase of the tax allowance from 3,648 Euros to 4,000 Euros per child and per year as of January 2006²¹ is certainly an improvement for medium and high-income families, although that amount probably does still not cover the real costs for the children, which include, for instance, financial costs of learning foreign languages, using modern communication technologies, and opening access to associations or clubs. However, such tax allowances offer no help to low-income families below or near the tax threshold. Moreover, pension entitlements for raising children would be another element of inter-generational redistribution.

Related to the gender and intra-generational contract, the new policy could be a

²⁰ Germany, recently, was embroiled in a debate over reducing the level of the non-means-tested 154 Euro child allowance in favour of cost-free child care services. Germany pays 34 billion Euros in child allowances, 12 billion Euros more than in the mid-1990s. An increase of 10 Euros per month in the child allowance would mean an overall increase of 2 to 3 billion Euros in budget expenditures, enough to cancel all fees for public child care! Equity considerations (even low costs deter poor families from buying professional child care services) as well as efficiency considerations (all studies confirm the high returns of very early investments in children) speak for trading some of the generous cash benefits for free high-quality in-kind services.

²¹ Loudly opposed by the Social Democrats, the original proposal to exempt the first 1000 Euro (formerly 1,548 Euro) from the tax allowance for children under six years of age was dropped for obvious reasons of equity. To keep the total subsidy level to 460 million Euros, however, only two thirds of the costs can be deducted. Single-earner families can use this tax privilege only for children aged 4 to 7 years (a rule that might change again because conservatives claim it discriminates against a specific family model).

wage insurance that compensates for the risk of child care-induced reductions of earning capacities. This arrangement means paying a generous *and* universal wage replacement of, say, 80 percent for up to two years in case of parental leave instead of only a small and eventually even means-tested lump sum, which usually leads to parental leave being taken by low-income women. Subsidised life-course saving plans to compensate for reduced earnings due to intermediate part-time work could add to this scheme. There are even strong arguments for introducing take-it-or-leave-it paternity leaves to share the risks between men and women equally, as already introduced on a small scale in Scandinavia (Rosenbluth et al. 2002).²²

Last but not least, in terms of governance, parental risk-sharing as social insurance would have the advantage of reducing the fragmented, intransparent and often contradictory child care subsidies that have mushroomed over the decades²³. The other side of the coin, however, would be the acceptance of co-financing and the willingness to negotiate solutions to complicated problems of coordination between employers and employees.

Summary and Conclusions

The borderlines between labour market work and family work are becoming increasingly blurred or – as far they still exist and are even newly developing (e.g., unpaid care work for the frail elderly) – are being crossed by women through increasing labour force participation. One part of the solution is marketisation, which means the provision of originally unpaid household services by the market or the state; the other part of the solution is combining unpaid and paid work. Both “solutions” imply often volatile income and precarious career risks that are still carried mainly by women. There are few signs that this erosion of borderlines has been taken as an opportunity to define new role identities for men and women or to develop a new division of labour within the family. The

²² The Grand Coalition in Germany has also moved in this direction. Since 2007, the new parental leave law provides for an income-related parental allowance (Elterngeld) equal to 67 percent of previous net income up to 1,800 Euro (corresponding to the unemployment benefit) up to 14 months, financed by taxes (!). Men and women can share this entitlement; however, two months are individually allocated to men, which mean that the 14-month duration of the benefit is reduced by two months if the father does not avail himself of this opportunity. In practice, the net replacement rate will be lower for medium and high income earners (around 58 percent due to some deductions from the net wage), and for women the allowance will be paid only for 10 months since the wage replacement of the two months of mother allowance will be deducted from the 12 months entitlement of parental allowance.

²³ Germany has about 150 such child care subsidies.

reasons for this lapse are complex. One candidate, however, is the lack of institutional innovation in risk-sharing related to the formation of families with children. This hypothesis served as the starting point of this chapter thereby crossing also conventional borderlines of social and labour market policy.

Becoming a mother or father is normally not considered a risk. In traditional societies children are quite openly seen as an asset helping to insure against poverty or dependency in old age and against disability, and chronic illness. But the responsibility for ensuring that children exist and that they finally become able to perform this function was clearly allocated to women within the family or the clan. The rise of the modern welfare state and the continuing predominance of the romantic conception of marriage tended to glorify children as completely independent individual beings and obscured the interdependency of the gender and generational contracts. Externalising the risk of old age and dependency from the family to the state did not eliminate the fact that it is eventually succeeding generations that ensure our social security in old age.

A logical consequence of this externalisation would have been to rebalance the responsibility of caring for children (or frail elderly), either by re-allocating it away from the family to the state or by mandating that both men and women share this risk equally within the family. But the fact is that the burden of parental risk still rests more or less on women and/or the paternalistic family with children in which the men are assumed to be the main breadwinner. As demonstrated in many comparative cross-country studies as well as in case studies on gender biased segmentation of the labour market, this “family trap” remains one of the most important barriers to overcome if women are to have equal opportunities for careers in the labour market, especially when the jobs are highly demanding both in terms of skills as well as long working hours. Enabling economic autonomy through state support of financial compensation for care and the provision of care services for people facing care responsibilities would help to reduce the uncertainties related to raising children and is even likely to support rather than undermine personal relationships²⁴.

The consequence of this inconsequence is reflected by declining fertility rates and by striking inequities within and between generations. A satisfactory new balance in the gender and generational contract has not yet been found. This essay has tried to make a small contribution to the search for a new balance. By consulting the theory of social insurance about a balanced sharing of parental risks, I have concluded that there is no reason to roll back the welfare state. On the contrary, there are strong reasons to defend the principle of social insurance and the redistribution capacity of the state. Through extending unemployment insurance

²⁴ See, among others, Lewis (2005), Meyers and Gornick (2003), Rubery et al. (1998).

to employment insurance or a kind of work-life insurance, through children-contingent tax and benefit rules, and through a care infrastructure ensured by the state, society could mitigate the risks of parenthood. It could thereby induce men in particular to share these risks and allow women to stay in the labour market. The increased costs of such work-life insurance and of extended state responsibilities for parental risks would easily be offset by reduced opportunity costs – which would shrink with expansion of female labour force participation, of childless people's savings (and probably of fertility-induced growth rates), of child care, and of primary education.

There are a number of points to keep in mind. First, new social risks have evolved from familiar risks not yet well covered by unemployment insurance or other insurance arrangements. They include increasing social risks related to human capital investment. Job instability, too, is a growing social risk and is related to family, care, and life-long learning obligations. There is also an escalating threat to earning capacity. This risk stems from the obligations of young and aging families to provide care and from new ways of organising work in a globalised labour market marked by eroding national, social, and technical borderlines.

Second, compared to private insurance or individual saving plans, social insurance has the great advantage of keeping the rules of the game flexible. In addition, democratically legitimate governments can redistribute *ex ante* on the basis of social criteria or, to use an outmoded term, solidarity. Solidarity is fundamental to social insurance, as expressed in spirit by Lord Beveridge in his famous 1942 report entitled *Social Insurance and Allied Services*: “The term social insurance,” he wrote, “implies both that it is compulsory and that men stand together with their fellows.” This notion, which must now include women as well, of course, is precisely the reason for the fierce opposition to social insurance from new libertarian quarters.

Third, if we accept that the practice of ascribing the role of child care solely to women has been abolished, we cloak ourselves in the veil of ignorance described by John Rawls. Would-be parents do not know where they will end up in the lottery of their own careers and that of their children's careers. In other words, the structural situation for risk-sharing through social insurance is given, a circumstance that legitimates redistribution between fortunate and less fortunate parents and children. That redistribution could take place, for instance, through generous non-means-tested children allowances, public or affordable private child care services, and universal as well as generous wage insurance during parental leave.

Fourth, the extension of the employment contract would be an essential element in the new gender and generational contract. It is necessary to adopt new social rights that go beyond dependent employment to include income and employment risks related to transitions between various employment statuses during the life-course, especially the parental risk. As forcefully presented in the Supiot Report (2001), these social rights are new in content, scope, and nature in that they cover subjects unfamiliar to industrial wage-earners: rights to education and training; to appropriate working hours; to a family life; and to occupational redeployment, retraining, or vocational rehabilitation. Their scope is also new because they would cover not only “regular” wage-earners but also the self-employed; the semi-self-employed; and temp-agency, contract, and marginal workers. The nature of these social rights is new because they often take the form of vouchers or social drawing rights, which allow workers to rely on solidarity within defined and perhaps collectively bargained limits when exercising their new freedoms.

We can no longer see these new securities as being given in exchange for subordination (as in the employment contract of old times) but rather as the foundations of a new freedom to act. They can be regarded as active social securities that go hand-in-hand with worker’s initiatives to shoulder rather than restrict the risks of flexible employment relationships related to the care for children or the frail elderly. In this way, the erosion or crossing of conventional borderlines, especially gender borders on the labour market, could be seen as a chance for social innovation. Sharing parental risks equally between men and women would be an essential step to overcoming the “family trap” and to breaking both inequitable and inefficient gender segmentation.

References

- Agell, J. (1999), On the Benefits from Rigid Labour Markets: Norms, Market Failures, and Social Insurance, in: *The Economic Journal* 109(February): F143-F164.
- Agell, J. (2002), On the Determinants of Labour Market Institutions: Rent Seeking vs. Social Insurance, in: *German Economic Review* 3(2): 107-135.
- Arrow, K. J. (1971), *Essays in the Theory of Risk Bearing*, Amsterdam: North Holland Publ.
- Arum, R. and W. Müller (eds.) (2004), *The Re-emergence of Self-Employment – A Comparative Study of Self-Employment Dynamics and Social Inequality*, Princeton and Oxford: Princeton University Press.
- Atkinson, A. B. (1991), Social Insurance: The Fifteenth Annual Lecture of the Geneva Association. In: *The Geneva Papers on Risk and Insurance Theory* 16(2): 113-131.
- Atkinson, A. B. (1999), *The Economic Consequences of Rolling Back the Welfare State*. Cambridge, MA: MIT Press.
- Auer, P. (2000), *Employment Revival in Europe: Labour Market Success in Austria, Denmark, Ireland and The Netherlands*, Geneva: ILO Publications.
- Barr, N. (2001), *The Welfare State as Piggy Bank: Information, Risk, Uncertainty, and the Role of the State*, Oxford: Oxford University Press.
- Bernstein, P. L. (1996), *Against the Gods: The Remarkable Story of Risk*, New York et al.: John Wiley & Sons.
- Beveridge, W. H. Lord (1942), *Social Insurance and Allied Services*, London: Stat. Off.
- Beveridge, W. H. Lord (1945), *Full Employment in a Free Society*, New York: Norton.
- Bianchi, S. and V. Wight, S. Raley (2005), *Maternal Employment and Family Caregiving: Rethinking Time with Children in the ATUS*, Paper prepared for the ATUS Early Results Conference, Bethesda, MD, December 9. Bethesda, MD.
- Biedenkopf, K. and H. Bertram, M. Käßmann, P. Kirchhof, E. Niejahr, H.-W. Sinn, F. Willekens (2005), *Starke Familie*. Bericht der Kommission, 'Familie und demographischer Wandel' im Auftrag der Robert Bosch Stiftung, http://www.bosch-stiftung.de/download/starke_familie.pdf (download: April 19, 2006).
- Dowd, M. (2005), *Are Men necessary? When Sexes Collide*, New York: Putnam Adult.
- Esping-Andersen, G. (2006), Putting the Horse in Front of the Cart: Towards a Social Model for Mid-century Europe. In: WRR (ed.), *WRR lecture 2005: Towards a New Welfare State*, The Hague: WRR/ Scientific Council for Government Policy, 31-69.
- Estevez-Abe, M. and T. Iversen, D. Soskice (2001), Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State, in: P. Hall and D. Soskice (eds.), *Varieties of Capitalism*, Oxford: Oxford University Press, 145-183.
- European Commission (2004), *Employment in Europe Report 2004*, Luxembourg, Office for Official Publications of the European Communities.

- European Foundation for the Improvement of Living and Working Conditions (2005), *Part-time Work in Europe*, Dublin, <http://eurofound.europa.eu/ewco/reports/TN0403TR01/TN0403TR01> (download February 26, 2007).
- Eurostat (2005), Statistik kurz gefasst: Letzte Entwicklungen des Arbeitsmarktes – 2. Quartal 2005. Erwerbstätigenquote der Bevölkerung im erwerbsfähigen Alter bei 63,7%, H. 20. Internet: http://epp.eurostat.cec.eu.int/cache/ITY_OFFPUB/KS-NK-05-020/DE/KS-NK-05-020-DE.PDF (download: April 19, 2006).
- Frey, B. S. (1992), *Economics as a Science of Human Behaviour*, Boston et al.: Kluwer.
- Gustafsson, S. and E. Kenjoh, C. Wetzels (2002), The Labour Force Transitions of First-time Mothers in Britain, Germany, The Netherlands and Sweden, in: H. Mosley, J. O'Reilly and K. Schömann (eds.): *Labour Markets, Gender and Institutional Change: Essays in Honour of Günther Schmid*, Cheltenham, UK, Northampton, MA: Edward Elgar, 185-211.
- Hartlapp, M. and G. Schmid (2008), Labour Market Policy for 'Active Ageing' in Europe: Expanding the Options for Retirement Transitions, in: *Journal of Social Policy*, 37 (3), 409-431.
- Hartog, J. (2004), *Schooling as a Risky Investment*, Lecture at the KNAW Meeting, Afdeling Letterkunde, February 9, University of Amsterdam, Mimeo.
- Houseman, S. and M. Osawa (eds.) (2003), *Nonstandard Work in Developed Economies – Causes and Consequences*, Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 512 pp.
- Jacob, B. (2003), *The Lost Race Between Schooling and Technology*. CPB Discussion Paper, No. 25, CPB Netherlands Bureau for Economic Policy Analysis, Den Haag.
- Kahneman, D. and Tversky, A. (eds.) (2000), *Choices, Values, and Frames*. Cambridge: Cambridge University Press.
- Knight, F. H. (1964 [1921]), *Risk, Uncertainty and Profit*. New York: Century Press.
- Kok, W. and C. Dell' Aringa, F. D. Lopez, A. Ekström, M. J. Rodrigues, C. Pissarides, A. Roux, G. Schmid (2004), *Jobs, Jobs, Jobs – Creating More Employment in Europe*. Report of the Employment Task Force Chaired by Wim Kok, Luxembourg: Office for Official Publications of the European Communities.
- Krugman, P. (1999), *The Accidental Theorist: And Other Dispatches from the Dismal Science*. Hammondsworth: Penguin Books.
- Lauer, C. and V. Steiner (2004), *Returns to Education in West Germany: An Empirical Assessment*. ZEW Discussion Paper No. 00-04. Mannheim: Zentrum für Europäische Wirtschaftsforschung.
- Lewis, J. (2005), Perceptions of Risk in Intimate Relationships: The Implications for Social Provision. In: *Journal of Social Policy* 35(1): 39-57.
- Madsen, P. K. (2006), How Can It Possibly Fly? The Paradox of a Dynamic Labour Market, in: J. L. Campbell, J. A. Hall, O. K. Pedersen (eds.), *National Identity and the Varieties of Capitalism – The Danish Experience*, Montreal: McGill-Queen's University Press, 321-355.

- Mangan, J. (2000), *Labour Markets in Transition. An International Study of Non-standard Employment*, Cheltenham and Northampton: Edward Elgar.
- Marshall, T.H. (1964), *Class, Citizenship and Social Development – Essays by T.H. Marshall with an introduction by Seymour Martin Lipset*, Westport, Connecticut: Greenwood Press; reprint of “*Citizenship and Social Class*” [1949], 65-122.
- Meyers, M. and J. Gornick (2003), *Families that Work: Policies for Reconciling Parenthood and Employment*, New York: Russell Sage Foundation.
- O’Reilly, J. and C. Fagan, C. (eds.) (1998), *Part-time Prospects: An International Comparison of Part-time Work in Europe, North America and the Pacific Rim*, London: Routledge.
- OECD (2003), *Ageing and Employment Policies – Sweden*, Paris: OECD Publications.
- OECD (2004), *Employment Outlook*, Paris: OECD Publications.
- OECD (2005), *Education at a Glance*, Paris: OECD Publications.
- Okun, A. M. (1975), *Equality and Efficiency: The Big Trade-off*, Washington, DC: The Brookings Institution.
- Pateman, C. (1988), *The Sexual Contract*, Standford: Standford University Press.
- Rawls, J. (1990), *A Theory of Justice*, Oxford: Oxford University Press.
- Rawls, J. (2001), *Justice as Fairness – A Restatement* (edited by Erin Kelly), Cambridge, MA: Harvard University Press.
- Rosenbluth, F. and M. Light, C. Schrag (2002), *The Politics of Low Fertility: Global Markets, Women’s Employment, and Birth Rates in Four Industrialized Democracies*, Mimeo, Department of Political Science, New Haven, CT, Yale University.
- Rubery, J. and M. Smith, C. Fagan, D. Grimshaw (1998), *Women and European Employment*, London and New York: Routledge.
- Rudolph, H. (2004), *Beyond the Token Status: Women in Business Consultancies in Germany*, WZB Discussion Paper SP III 2004-202, Berlin.
- Sachverständigenkommission (2005), *Familie zwischen Flexibilität und Verlässlichkeit. Perspektiven für eine lebenslaufbezogene Familienpolitik. Siebter Familienbericht*. Berlin: BMFSFJ.
- Schmid, G. (1994), *Equality and Efficiency in the Labour Market: Towards a Socioeconomic Theory of Cooperation*, in: G. Schmid (ed.), *Labour Market Institutions in Europe: A Socioeconomic Evaluation of Performance*, New York: Armonk, 243-280.
- Schmid, G. (2006), *Social Risk Management through Transitional Labour Markets*, in: *Socio-Economic Review* 4 (1): 1-33.
- Schmid, G. (2008), *Full Employment in Europe – Managing Labour Market Transitions and Risks*, Cheltenham (UK) and Northampton, MA (USA), Edward Elgar.
- Schömann, K. and R. Rogowski, T. Kruppe (1998), *Labour Market Efficiency in the European Union*, London and New York: Routledge.
- Schulze Buschoff, K. and P. Protsch (2008), *(A-)typical and (in-)secure? Social Protection and "non-standard" Forms of Employment in Europe*, in: *International*

- Social Security Review*, 61 (4), 51-73.
- Sinn, H.-W. (1995), A Theory of the Welfare State, in: *Scandinavian Journal of Economics* 97 (4): 495-526.
- Sinn, H.-W. (1996), Social Insurance, Incentives and Risk-taking, in: *International Tax and Public Finance* 3 (3): 259-280.
- Sinzheimer, H. (1976), Wandel im Weltbild des Juristen, in: H. Sinzheimer, *Arbeitsrecht und Rechtssoziologie. Gesammelte Aufsätze und Reden*, Bd. 2, erste Auflage 1928, Frankfurt/M. and Köln: Europäische Verlagsanstalt, 42-49.
- Smith, A. (1776 [1976]), *The Wealth of Nations*, Harmondsworth: Penguin.
- Spiess, C. K. and J. Schupp, M. Grabka, J. Haisken-De New, H. Jakobeit, G. G. Wagner (2002), *Abschätzung der (Brutto-) Einnahmeeffekte öffentlicher Haushalte und der Sozialversicherungsträger bei einem Ausbau von Kindertageseinrichtungen*, Gutachten des DIW im Auftrag des Bundesministeriums für Familie, Senioren, Frauen und Jugend, Bonn.
- Stier, H. and N. Lewin-Epstein, M. Braun (2001), Welfare Regimes, Family-Supportive Policies, and Women's Employment along the Life-Course, in: *American Sociological Review* 106 (6): 1731-1760.
- Supiot, A. (2001), *Beyond Employment: Changes in Work and the Future of Labour Law in Europe*, Oxford: Oxford University Press.
- Visser, Jelle (2002), The First Part-Time Economy in the World: A Model to be Followed?, in: *Journal of European Social Policy*, 12 (1), 23-42.
- Zapperi, R. (1991), *The Pregnant Man*, Chur et al.: Harwood Academic Publishers. Revised and Updated Fourth Edition.

Annex I: Country codes

A	Austria
AUS	Australia
B	Belgium
BG	Bulgaria
CH	Switzerland
CY	Cyprus
CZ	Czech Republic
D	Germany
DK	Denmark
E	Spain
EE	Estonia
F	France
FIN	Finland
GB	Great Britain
GR	Greece
HR	Croatia
HU	Hungary
I	Italy
IRL	Ireland
L	Luxembourg
LT	Lithuania
LV	Latvia
MT	Malta
NL	Netherlands
NO	Norway
P	Portugal
PL	Poland
RO	Romania
ROK	South Korea
S	Sweden
SK	Slovakia
SLO	Slovenia
USA	USA