

Peter Bartelheimer

To work or not to work? Institutions and individual agency in situations of unemployment

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A person’s working life is constructed both socially and individually. Choices and actions of individuals are embedded in and shaped by socio-economic regimes. But they also reflect those arrangements by which individuals integrate the life domains of family, household, employment and professional development into a personal way of life, and they are connected to earlier events, transitions and life phases in the sequential order of a person’s biography. Furthermore, by building their own life history, individuals also reproduce and influence the life courses as a social structure.

The proposed contribution tries to sketch an analytical framework for understanding how institutionalisation of life courses, professional case work and individual agency interact in situations of unemployment in contemporary welfare capitalisms. While the proposed contribution deals with the case of Germany, the framework to be established is intended as a basis for comparative research: experiences of unemployment are to be analysed against the background of different social models, both over historical time and across countries. Conceptions of institutional change, of individual capabilities and of co-productive professional personal services will have to be considered as theoretical reference points.

1. Unemployment as an institutionalised state in working lives

Modern welfare capitalism based on generalised wage labour has separated paid and unpaid economic activities and has defined a number of separate institutionalized states that make up individual life courses, such as training, employment, maternity, illness, retirement. Of these specific states, unemployment was historically one of the last to become an object of public action and to be thus institutionalized.

Unemployment as a status regulated by norms, laws and rules is socially constructed on four levels:

- by public and political discourse and their cognitive framework,
- by structures and regulations of the labour market,
- by the legal framework of Public Employment Services (PES), unemployment insurance and welfare,
- and by statistical definitions and conventions.

Presently, the erosion of the “Fordist” employment regimes and the transformation of social models of contemporary capitalisms affect and call into question many of the features that hitherto defined unemployment.

1.1 Public and political discourse on the unemployed

In practically all western welfare states, activation policies emphasizing individual responsibility have replaced Keynesian macro-economic policies and active labour market intervention as paradigms of political action. This paradigm shift was prepared by a shift in the economic standard interpretation of unemployment. In the last quarter of the 20th century the return of mass unemployment was commonly perceived as involuntary economic inactivity imposed on workers as a result of labour market failure caused by insufficient macroeconomic performance. With the rise of neoliberalism, neo-classical economic interpretations of unemployment as a basically voluntary state of inactivity, reflecting individual preferences of leisure over income, unwillingness of workers to adapt to market demands or mismatches between reservation wages, skills and productivity, became the new standard cognitive framework for policies regarding unemployment. Against this background, employability – i.e the chances to move from unemployment to paid work – is understood as a function of individual sets of personal characteristics that limit or enhance the capability to adapt to labour demand.

1.2 Labour market conditions and labour demand

Being involuntarily out of paid work, the unemployed are part of the labour force and thus in the labour market. Their socio-economic status largely depends on structures and regulations of the employment system and on labour demand. The ways in which labour

force is available to firms, especially the patterns of labour market segmentation (i.e. the relative weight of internal and external labour markets) and of internal and external flexibility of the labour force, all contribute to determining the status of unemployment. Personnel strategies of firms need to be considered as they tend to ascribe characteristics to unemployed applicants, for example assuming that workers of higher age are less productive or that women are less suited for particular tasks. The conceptual issue involved here is to specify employability of workers as a relational category, linking characteristics individually acquired by workers (as, for example, training, competences, prior work experiences) to labour demand.

1.3 Public Employment Services

Not all jobseekers are unemployed. Historically, all forms of public interventions on unemployment are based on practical definitions that distinguish situations of involuntary unemployment in which workers are entitled to support both from standard employment relations in which workers must contribute to social security, from employed jobseekers looking for a change of employment, and from positions that are considered as voluntary inactivity outside the labour market. These legal and administrative definitions change over time, largely reflecting the types of income supports, services and measures provided for the unemployed. Recent changes in the administrative concept of unemployment have been driven by a number of factors. As discontinuous and non-standard employment becomes more important, insurance benefits lose ground against means-tested assistance schemes. Activating labour market policies have imposed stricter job-search requirements and wider definitions for suitable work. Also, the increasing emphasis of activation policies on individual supervision of search activities, on in-work benefits and training on the job have de-standardized definitions of unemployment, leaving case workers more leeway in defining unemployment, and have somewhat blurred the distinction between unemployment and employment.

A number of theoretical concepts have to be considered in order to capture these changes in the institutional definition and treatment of unemployment: forms of institutional change, modes of welfare state intervention and types of entitlement (e.g. the concept of social citizenship) as well as typologies of activation regimes.

1.4 Labour Market Statistics

Statistical definitions of unemployment reflect the administrative requirements of the PES, but they also shape public perception of unemployment risks and they influence political discourses on labour market policies. In a situation of institutional and socio-economic transformation, established indicators are no longer robust: Statistical conventions of counting the unemployed tend to be at odds with new practices of institutional treatment of unemployment. Statistics lose their clear and accepted practical and normative meaning, becoming more responsive to political strategies while being less robust as measures of policy intervention. As mismatches grow between internationally harmonized definitions of unemployment and both former and present administrative statistics, unemployment ceases to be a statistically well defined state.

2. Individual agency in situations of unemployment

Within a given social structure and institutional setting, individual agency of the workers, the PES case officers and potential employers influence both the duration and the life course impact of unemployment spells and the transitions from unemployment to other socio-economic states. The concept of the individual capability set promoted by Amartya Sen and Martha Nussbaum will be used as a frame of reference in accounting for the role of agency.

2.1 Capabilities as an evaluation paradigm

Instead of comparing social positions by indirectly measuring resources or life satisfaction, the approach by capabilities targets the conversion of resources into valuable “functionings”, proposing to directly measure well-being by looking at the degree of real freedom individuals have to choose the way of life they value. While life ‘functionings’ stand for actual achievements of a person, the combination of everything a person is or does, the capability set represents the bundle of functionings he or she can choose from, including options that were available but not chosen. A person’s capability set depends on resources (goods, services and entitlements, whether exchanged on the market or not) and on the personal, social and environmental “conversion factors” that promote or restrict a person’s ability to transform these resources into valuable functionings.

In its normative individualism, the “capability approach” (CA) follows the same rationale as the older German concept of life situation (“Lebenslage”) that centers on a person’s space for action (“Handlungsspielraum”). Both concepts can be seen as a theoretical reflection of a more individualised society. But whereas the concept of life situation is virtually unknown to social science and welfare economics outside Germany, the CA is presently inspiring a rapidly growing body of social research, aiming specifically at comparing social positions across countries.

Being a research paradigm, the CA does not provide a specific methodology and has to be adapted to the issues under research. In order to apply the capability paradigm to situations of unemployment, as it is proposed here, issues of class and of the life course have to be introduced. Firstly, most research inspired by the CA has not modelled the interaction between social stratification and individual capabilities in much detail. Secondly, the concept has not yet paid much attention to the fact that capability sets and functioning vectors are both life course sensitive and life course relevant: An unemployed worker’s current options depend on advantages or disadvantages accumulated over time, and they condition the capability space from which the functionings of the following period can be chosen. Therefore, working lives must be considered as cumulative functionings.

2.1 Unemployment as an at-risk situation in individual working lives

All spells of unemployment are situations of risk in the trajectory of the concerned workers. Yet the exact extent of those risks, the personal significance of the unemployment experience as an episode or as a turning point in a person’s working life and respective coping strategies depend on a number of highly individual factors. Employability and employment orientations, search strategies and skills for job search as well as job expectations reflect training and prior work records. They also depend on the phase in the life cycle the person is in, on entitlements to income supports and employment services. For workers living in family households, breadwinner models, employment status and income of the spouse and household arrangements on domestic and care work also influence their options.

Contrary to neoclassical labour market economy, being unemployed is not normally considered a valuable function in itself by workers who find themselves in that situation. Rather, the duration and the conditions of unemployment spells and of income supports are valued by their function for achieving a valuable transition that will end the unemployment spell. The capability space of workers involuntarily out of work can therefore be described by distinguishing three subsets of options to leave unemployment:

- options to take up a job (job transition), their value depending on economic necessity and quality of available employment and work;
- options to enter into training periods that provide an alternative socioeconomic status while improving future employability;
- options outside of paid work, especially for care work within the family (a strongly gender-biased option) or for early retirement of workers of higher age.

These options and the value unemployed workers attach to them evolve as the situation of unemployment persists. Re-assessments of chances for re-employment, based on failures and successes experienced in job search and on observed market shifts, changes in entitlements to income support and changes in the life circumstances all influence employment orientations and the relative value attached to different options. Many of the observed transitions from unemployment rather reflect an adaptation of preferences to restricted capabilities than a basically valuable functioning.

Three types of PES resources affect capabilities in situations of unemployment: financial supports (cash transfers), client services (being mainly job-search related) and labour market programs (active measures). But other resources, especially family supports, play an important role. The person's achieved characteristics like working life profile (education and training, work experience), age and health, household and family context form specific personal conversion factors. Labour market conditions, conditions of use for PES resources (rules of entitlement, degrees of "tailoring" in service provision, PES governance) influence the capability set as societal conversion factors.

2.2 Unemployment as a case for interactive service work

Personalized client services have always been an administrative requirement for being registered as unemployed. Yet, as activation policies are centred more on individual counseling and monitoring of jobseeker's search activities than on actual placement services, training or job creation programs, case officers have acquired increasing importance and considerable discretionary powers in defining situations of unemployment and in assessing individual options. They convey and withdraw the formal status of being registered as unemployment, supervise and impose job search activities, decide what job offers are suitable, verify that conditions of entitlement to income supports are met and define eligibility for active measures. Individual integration contracts between the unemployed and their case workers have become standard procedure in establishing entitlements to PES resources. In their individual interactions with clients, PES case workers act as "street level bureaucrats" and "gatekeepers" for the institutions they represent: How they re-interpret laws and rules largely depends on the professional "action models" they follow in their work.

For all these reasons, service encounters or service relationships between the unemployed and their case officers are an important autonomous conversion factor in determining capability sets in situations of unemployment. For example, case officers can encourage and support older unemployed workers in looking for work or they can recommend early retirement, pushing clients for adaptation to what they perceive as exigencies of the job market. In using their discretion, case workers follow different professional action models. These models differ on three issues:

- how to combine the control and service functions of their task
- to what extent workers' behaviour or their employability in relation to the labour market are identified as the "damaged object" (Goffman) the service addresses,
- and how to solve the problems of co-production between service providers and clients inherent in all interactive service work.

These action models need to be understood in order to fully understand the impact of client services as a conversion factor in situations of unemployment.

To evaluate the effects of employment services in situations of unemployment from a capabilities perspective deviates in more than one respect from standard models of poli-

cy evaluation. Firstly, a CA oriented evaluation is less concerned with measuring how effectively the outcomes that were predefined as program objectives (e.g. number of transitions from unemployment to employment) were reached. Rather, individual outcomes valued by the clients are the key criterion for evaluating effects of intervention: Did the provided services enlarge the unemployed clients' capability sets, i.e. did they promote access to options otherwise inaccessible to them and did they correct inequalities in capabilities accumulated over the life course? Secondly, besides observed functionings the presence of counterfactual alternative options is also considered as a valuable outcome. Thirdly, the process of service provision cannot be neglected as a black box: Did it respect diversity of needs? Did it leave clients room for co-production, agency and choice?

2.3 The role of individual employers

While the aggregate effect of personnel strategies of firms enters into the institutional setting, actions and decisions of individual employers that occur during situations of unemployment have a major influence on how unemployed workers' and their case workers assess individual employability, and on the value they attach to alternative options. Their actions may differ from the patterns of aggregate labour demand and can be influenced by interactions with jobseekers and PES staff.

2.4 Agency and structure – interactions

A multilevel research approach has to show how the social construction of status intervenes in individual situations of unemployment and how changes in discourse and in public action on the unemployed affect capabilities of unemployed workers. If the outlined analytical framework proves viable, it can orient further comparative research on the experience of unemployment in various historical and socio-economic contexts.