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**PUBLIC POLICY IN A PRIVATE ARENA:
THE CASE OF VOCATIONAL EDUCATION AND TRAINING**

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Vocational education and training, long seen as a rather specialized and not particularly interesting area of policy, currently embodies a core dilemma of contemporary politics: while many economic problems become increasingly matters of collective concern, the solutions to them are increasingly located within the individual enterprise. It is usually difficult for state policy to operate sensitively at the level of the firm, and firms usually resent having to work with the state. Vocational training (VET) is an example of an area where general public policy is required, but where many forces lead to the centre of change and innovation being at the level of the firm. I have discussed elsewhere the reasons why this problem arises (Crouch 1997). Here, I want instead to look forward to some of the policy implications of the dilemma, some of which extend beyond the VET area and raise general questions.

An analysis of VET systems in seven leading industrialized countries (Crouch, Finegold and Sako 1998)¹ suggests that the worst placed to confront the problem are those systems that provide specific vocational courses remote from the enterprise: primarily the central state-regulated regimes for initial VET of the kind found in France, Italy and also to some extent in Sweden. Where the public education system is the main direct provider of vocational education there is almost inevitably a gulf between education providers and firms (*ibid.*: ch 4). While this might not have been important at a time of relatively slowly changing skills and technologies, it is today becoming a major handicap. It is extremely difficult for systems of this kind to respond quickly to market opportunities for making new and better uses of work skills, as has been widely recognized in recent Swedish debates and in French and Italian attempts to revive apprenticeship.

In most systems, not only those of this type, the role of direct state provision of training has been adversely affected by two self-reinforcing factors: the association of government action with residual provision for the unemployed; and the hostility of current neo-liberal orthodoxy to most kinds of government action. Within current neo-liberal policy orthodoxies, government becomes associated with care of social failure and not with dynamism, and the latter therefore comes to be seen as resting solely with private corporations whose initiatives the state can only weaken by diluting them with social concerns. Neo-liberal strategies are

¹ The countries studied were France, Germany, Italy, Japan, Sweden, the United Kingdom and the United States of America.

self-reinforcing in that they first residualize the state's role to one of a safety net for the welfare casualties of the economy, and then residualize it further because it has become associated with such tasks and is therefore seen as inimical to innovation.

On the other hand, at the increasingly important level of further (or in-service) VET there is evidence that the French state-led strategy of creating incentives for subsidizing firms to train through a levy system can have beneficial effects. The rationale of the policy is that, because of cash-flow problems or difficult investment risks, firms might not be taking advantage of opportunities to improve their market prospects by upgrading the quality of their existing labour force. A combination of levy and subsidy might enable them to do this. However, as the French debate shows, there are considerable anxieties about whether firms are making proper use of the system as intended. Monitoring such expenditure is extremely difficult; in many cases firms have probably secured a subsidy for doing something which they would in any case have done for themselves. By itself a subsidy may well not be enough to enable an unadventurous firm to discover new ways of using work skills to conquer new markets. Effort is concentrated on managerial and other already highly educated employees rather than on up-skilling those in danger of falling out of the march to the learning society - though this is also an issue in the USA, Germany, Sweden, the UK and other countries where state subsidies are not at stake.

In general, the state, even the French state, is losing its claim to be able to guide firms that have not found dynamic new paths for themselves into appropriate courses of action. Are any institutions today in a position to carry out such a task? As recent actions of Swedish employers have made clear, even when business leaders share the objectives of improving skills, they want to leave the initiative with individual companies. On the other hand, governments cannot pursue skill maximization strategies unless they are in close touch with business interpretations of what this means in practice. Once their officials and professionals retreat to a role of deregulating in order to leave space for company autonomy, and to the residual role of caring for social casualties, they cease to be plausible participants in the development of a high-skill economy and lose the possibility of acquiring and maintaining the expertise necessary to function as well informed participants in the provision of advanced skills. They also thereby lose the capacity to improve the skill positions of their populations

beyond the extent to which the companies operating within the borders of their states are willing to support. They end, as Dresser and Rogers (1997: 8) describe on the basis of US experience:²

with local governments or educational institutions stumbling along after what they take to be the latest industry 'trend' without the resources to drive it, and almost always finding that by the time new programming arrives, the underlying economic conditions have changed.

In the Italian, British and, to some extent, Swedish cases there have been signs of a response to this problem in the development of small, flexible government agencies close to local business communities (Crouch *et al.* 1998: ch 6). However, there is considerable difference between a government agency working with the grain of the needs of firms already engaged in skill maximization and one seeking to ratchet up the skill needs of companies lacking such an approach. Where firms are not themselves enterprising, the more responsive and firm-sensitive an agency is, the less capable it is of being pro-active and strategic. This is of little use to a national goal of maximizing national skill creation and utilization. No country seems yet to have found local-level policy mechanisms favourable to a long-term rather than a short-term skill creation model. In addition to suffering from the general problem of government policy trying to combine assistance for the unemployed and poorly skilled with attempts at pushing forward the frontiers of high-level skill creation, training has not usually been at the forefront of services sought by firms. Therefore, of course, it declines in importance among the services offered, illustrating the dilemma between a market-oriented, 'service-selling' approach that tries to get as close as possible to the defined needs of firms-as-customers, and a national policy goal that seeks to shift firms from currently perceived needs to something more ambitious.

The danger of being trapped between uninformed interference by public agencies and an incapacity of many firms to take advantage of new possibilities has in many ways been resolved through systems of the German kind. These not only combine, through the dual

² Dresser and Rogers regard this as being the way government 'is and always has been' (*ibid.*). This is not however a generalization that one would apply to all past experiences of governments in countries where government roles have not been marginalized as extensively as in the USA (for example, the Swedish active labour market programme [King and Rothstein 1993]; the Japanese skill certification system [Sako 1995]; or some forms of the French professional training system).

system, formal education with real work experience, but also mediate collective concerns through authoritative representative business organizations (the *Kammern*) rather than through government departments. Such arrangements can solve many problems, but they can be slow to adapt to change because they depend on carrying the commitment of a large number of interests that have to be consulted before a major adjustment is undertaken (Crouch *et al.* 1998: ch. 5). The German system is currently having difficulty adapting to the needs for social skills and to a more service- rather than manufacturing-oriented economy. At the same time it has encountered severe problems of declining competitiveness in manufacturing, caused partly by the over-valuation of its currency, partly by its high labour costs, and partly by the cost of renovating East Germany.

Recent German experience also suggests that, although the changeability and flexibility of new skill concepts is shifting emphasis towards further rather than initial VET, it is difficult to organize neo-corporatist involvement in the former. Initial training concerns a necessary interface between, on the one hand, the public and social sphere of the school system and, on the other, the private sphere of work and the acquisition of occupational identity. Further training takes place within this private sphere, after young people have been turned into company employees; employers are therefore less likely here to accept interaction with external institutions, even those drawn from their own entrepreneurial community. This will especially be the case when the further training takes the form of further induction into a specific corporate culture. French public policy would seem to be performing better than German in the area of further VET because of the greater role permitted to state action in the French context.

Adaptations could be made to the German apprenticeship system. It has changed much in the past; and in principle the dual system could be extended to further VET. If these changes do not happen, it will be because firms do not want external intervention in their affairs, not because apprenticeship and interest associations are inherently incapable of adaptation.

Problems of company autonomy

In the present international neo-liberal political climate we must give particular consideration to the argument that public policy should more or less vacate the field other than to provide or encourage the provision of continually higher levels of general educational provision so that those firms which are able to see ways of making use of better qualified staff will have good material with which to work. While many companies will not participate in this process, there might be little that can be done by an external agency to help them. Japanese firms have shown that a very high level of commitment to skill improvement can be pursued within a corporate-dominated model (*ibid.*: ch 7). The Japanese economy is not however a true example of neo-liberalism, but one to which the institutions of supplier associations, business associations in general and strong internal labour markets are essential.

There are some difficulties in establishing firms' preferences here. On the one hand they increasingly want good general standards of education rather than highly specific skills. This is a reflection of three major changes taking place in the character of work: the demand for individuals capable of operating in multifunctional teams with a broad understanding of the business (Mohrman, Cohen and Mohrman 1996), the frequency of change itself (change in the skills required to perform a job and the need for flexibility and adaptability); and the growing importance, even in the manufacturing sector, of service and personal communication skills (Regini 1996a). These changes lead employers to seek in new recruits both a continuing ability to learn and what they usually call 'social skills', which might mean anything from ability to co-ordinate and secure co-operation, through ability to communicate effectively, to simple willingness to obey orders. With the exception of the last mentioned, these are the kinds of abilities that general education is best at providing. On the other hand, firms are often very critical of general education systems, saying that they want an education more closely geared to the world of employment.

Their position is not necessarily contradictory. There are three possibilities: this may be a matter of different employers, or employers of different types of labour, having different requirements; firms may be seeking a general education but of a different kind from that being provided by educational institutions; or firms may want people with the adaptability that a general education can give, but articulated according to a specific corporate culture. We

shall discuss these issues in this order.

First, there is the question of a diversity of requirements. For some tasks, those likely to lead to managerial or professional positions, or where the employee has to represent the firm in its relations with customers, suppliers and others, the versatility of general education is wanted. In other cases, perhaps for those lower down the firm's hierarchy, more specific skills are sought (or, if 'social skills' are desired it is largely those of obedience - a commodity which modern education systems find it difficult to combine with their job of developing inquiring, critical minds, both important components of the ability to learn). In this context, whether a young person should pursue a general or a highly specific course will depend on the part of the occupational hierarchy for which he or she seems destined. *Ceteris paribus*, for the individual there must be a bias in favour of conserving the possibility of aiming high, and therefore of taking more general courses. However, for the majority who will not be among the more successful, this may turn out to be poor advice, as in a world of generally increasing uptake of educational opportunities a relatively unsuccessful general education is likely to deliver worse prospects than a more specific, though potentially less ambitious, course. Büchtemann and Verdier (1998) go so far as to speak of the *déstabilisation* of specialized vocational education as a result of this process, and cite studies by Büchtemann and Vogler-Ludwig (1995), Ryan (1995), and Verdier (1995) for evidence of the process in Germany, the UK and France respectively. Lutz (1992) puts the point even more strongly, arguing that Germany is in danger of avoiding reforming its dual system by shifting to increased emphasis on general education, which will leave vocational training as an appendage to the main educational system - as happened in France with negative consequences.

Second, if firms are seeking what they regard as a general education but this differs from that being provided by educational institutions, then effective means of communication do not exist between employers and the educational world. This may be a problem of educational process, as many schools and colleges continue to deliver general content in a traditional lecture format, when what employers (and many educational researchers) prefer is an action learning approach, where individuals are taught to take control over their own learning and master general concepts in the context of real world problems. It may also be a problem of mismatched content. Young people may then suffer by wasting their time in inappropriate

learning, discovering eventually that firms were solving the problem by providing in-firm training for people recruited through a quite separate route.

Finally, firms may want a general, educated adaptability, but defined and articulated according to a specific corporate culture, leading the new employee to identify with the firm and its goals. If firms take this position, they are usually prepared to provide such an acculturation themselves, but the position is not without its paradoxes. While employers increasingly stress the specificity of their cultures and their desire to inculcate their employees in them, they also increasingly stress the need for greater ease of hiring and firing and tell employees that they must expect to change jobs more frequently than was common in the past (Rousseau 1995). The short, and declining, length of time spent with a particular employer by the average US employee is today seen as a mark of the superiority of that country's employment system, in contrast with, in particular, Japan.³ A decline in average employment tenure is meanwhile being recorded in Japan, Germany and other nations which in the past had lengthy average employment periods.

Even more challenging to the company culture idea is the trend towards ending the concept of employment altogether and replacing it by a series of contracts between a customer firm and a mass of small labour-contracting firms, temporary agencies, or, in extreme cases, individual providers of labour services. These can be accompanied by the growth of supplier communities as in Japan, in which case they can be made fully compatible with a company culture model, at least for the hub of the firm network and its largest suppliers. If, as is often the case, supplier networks are advocated as cost-cutting and commitment-reducing strategies, this is unlikely to occur. This will be particularly the case if, as in the UK, sub-contracting and franchising are not really examples of small-firm formation but of self-employment without infrastructural support.⁴

It is likely that often these paradoxes are being resolved by segmentation, with firms retaining a long-serving group of key staff who are inculcated into a culture and with whom

³ There is however evidence that some of the very brief periods that young people spend with employers are not so much examples of flexibility of employment as inefficient job matching caused by failures of communication between general education and vocational needs.

they have relational contracts, and a larger number of more marginalized individuals who are employed on a shorter term transactional basis (ibid.). However, it is also possible that, in the present context of intensified competitiveness, some firms are seeking to discover how far they can proceed with a policy of 'eating one's cake and having it' too: seeking strong but unreciprocated commitment and loyalty from staff. Anxieties about the constant pressure to demonstrate to shareholders adequate returns, and the fact that it is often easier to achieve these returns through down-sizing and layering than through growing the business, leads managers to do this, despite the fact that these managers themselves are thereby made vulnerable to redundancy. Certain basic requirements of the contemporary corporate environment are difficult to reconcile with the requirements of the learning society.

Nevertheless, there will be those who respond positively to this situation: people confident in the scarcity of their skills and of their chances of gaining new employment once the current contract ends. This will be common among people with particularly rare skills, able to charge very high fees for their services which provide them with security during any temporary periods of unemployment. This has long been the case of leading figures in the artistic and cultural world, especially performing artists; in the 18th century Ricardo formulated his concept of 'rent' specifically to explain their high incomes. Many modern technological occupations embody elements of this. Such people are most likely to be found at the sharp edges of new technology or science-based innovation, where the high morale produced by being involved in exciting innovation can provide that combination of total dedication to the task in hand with willingness to accept a high level of insecurity which is, for contemporary employers, the philosopher's stone of the ideal worker. It is a quality rarely found among German or French employee cultures, but quite common in certain parts of the USA. It is unlikely anywhere to be the predominant form of worker, rather something to be found in highly specific circumstances.

However, even these qualities may have collective and institutional components. It will be easier for a highly skilled worker to accept insecure employment in one firm if that enterprise is part of a network of similar firms whose managers and staff know each other

⁴ Regini (1996a) suggests that numerical flexibility (that is, easy disposability) is mainly wanted from occupational groups in decline.

well, since there will be a reasonable chance that the end of a contract at one firm will be quickly replaced by one at another with whom the worker may already be in contact. It will be very different for employees of isolated companies not so mutually connected. These are among the advantages of industrial districts, whether they feature co-operation through intermediate institutions, as is common in Italy and Germany, or simply a dense concentration of employers with similar needs that have multiple partnerships among independent firms, as is common in US high technology clusters.

Firms can resolve the dilemma of the relationship of their specific needs to employees' general educational background in three contexts. The first is an apprenticeship system of the German type, provided this can respond sufficiently rapidly to needs to change. The second, which corresponds to the position in the USA, is for the general education system to provide a vast, unstructured diversity of opportunities, some of which will be wasted and misguided, but others of which will hit the target of providing employers with their needs. Third, the Japanese large-firm model represents a particular combination of the other two: general educational provision of a US kind, but within a more 'German' context of a clear indication of the likely successful routes.

The second form may well be preferred by many employers, in Germany and Japan as much as in the USA, as it meets some of their current preoccupations with reducing commitments beyond the firm. On the one hand, little is required from firms in terms of interaction with governments, agencies, schools, even business associations or *Kammern*, interactions which might add to firms' costs and slow responses at a time when labour costs and speed of response are a priority. The model also assumes a large supply of potential labour from which some can be selected and many rejected - a characteristic which did not commend itself to employers at a time of consistently high employment as in the 1950s and 1960s, but quite acceptable in a prolonged period of slack labour markets. Such a system corresponds to a pure market in labour, within which employers act as pure customers, indicating their needs through the market signals of their hiring policies, rather than a Hirschmanian or Williamsonian market in which participants must communicate and interact more directly. However, even the USA, which has tight labour markets in the 1990s, cannot assume large available labour supply in the future.

If we view the situation through the eyes of young persons on the other side of the labour market, such a system may look less attractive. Virtually by definition they are poorly informed and unable to assess the variety of courses knowledgeably. They must however make decisions that will not be easily reversed but which must predict accurately the state of labour market opportunities in a future time period - the period after they have completed their educational preparation. They must also make extensive investments of time, energy and possibly money. Also, they cannot afford to make mistakes, since when all one is taking to market is one's own labour, one is offering only one item for sale, and one which has taken a lengthy period of preparation.

We may summarize the position that has been reached in the encounter between firms' need for autonomy and the social priority on generally increasing skills as follows. In many circumstances there are no reasons why firms, left to themselves, will not engage in a large amount of vocational training, especially the increasingly important reskilling of existing workers - though the new emphasis on dissolving the employment contract into labour sub-contracting and a shortening of the length of time that workers spend with a particular firm creates severe problems here. Where it does take place, company-led VET is likely to be exceptionally adaptable and seems to be associated, at least in the strong if different cases of Japan and the USA, with high performance in particularly highly skilled and innovative areas. However, it remains doubtful whether, by itself, a strategy that relies on an approach of reliance on firms can in any way produce the frequently stipulated requirement of an up-skilling of most of a working population - even where, as in the USA, that reliance is linked to a public policy and general cultural bias in favour of extensive general education. It cannot be claimed that in any country relying primarily on autonomous company initiative the majority of firms is operating at this standard. Even where firms do make a major contribution to training and retraining their employees, the evidence suggests that only a few, true leading-edge firms have a strategy of decentralizing authority to front line employees and providing all workers with the skills needed to handle these new responsibilities (Lawler, Mohrman and Ledford 1995). Most firms are pursuing up-skilling for only a minority of their employees, and limit further training to Beckerian firm-specific skills which do not contribute to labour-market flexibility. Regini (1996b) concluded from his study of leading firms in Baden-Württemberg, Catalonia, Lombardy and Rhône-Alpes that even in periods of

expansion their approach to up-skilling was selective and *ad hoc* and was not geared towards creating reservoirs of human resources which would favour innovation. Similar problems are reported of firm-level further VET in Germany, where the collective co-operation of the apprenticeship system is not carried over into further training.

The current period is one of uncertain product markets and intensified global competition in which firms need to reduce their costs wherever possible, but in which a combination of rising educational standards and high unemployment is making skilled labour a plentiful commodity. In this context firms have strong incentives to move from a voice to an exit approach in their labour-market behaviour, stressing the need for complete ease and freedom in hiring and firing policy while reducing their engagement in all institutions that require interaction and communication. In this environment the pursuit of the learning society as a general collective goal or object of public policy cannot be delegated entirely to firms. The growing paradox of the simultaneous demand by firms for both higher general education and vocational training to provide greater adaptation to the milieu of the individual firm requires change from every system: greater adaptability on the part of the dual system; far more effective advice to young people facing the deceptively helpful diversity of so-called free market systems, a task with which employers and their associations must expect to give considerable help rather than leave to the educational and careers advice services; some fundamental reconsideration of state-led systems that provide rather narrow, public training schemes with little contact with industry itself.

The limitations of a high-skill strategy

The implicit, often explicit, assumptions behind much public discussion of the need for improved vocational education are that, in a context of growing international competition, sustainable competitive advantage can only be secured in export markets (or in import substitution) by high-cost producers in the advanced countries in product-market niches requiring high skill. There are two problems with this strategy. First, only a minority of the working population is involved in producing internationally traded goods and services;

second, competitive niches are gained at least in part because of the increased productivity of the highly skilled labour that is produced by the training, which in turn reduces the amount of labour required for a given level of output. Therefore, while skills creation strategies aimed at increasing national presences in high value-added markets are necessary for countries' economic success and for sustaining and improving employment opportunities for skilled people, it is highly unlikely that employment of this kind will ever be the major, or even a major, source of new jobs.

Evidence that tries to relate patterns of international trade to skill levels (Crouch *et al.* 1998: ch 3) shows this. A few obvious generally high-skill export sectors can be identified: information technology, pharmaceuticals, aircraft manufacture. No country has been able to base more than a small amount of its export activity in these sectors. Even if skills increase in the medium-high technology areas, such as machine tool production, they are (especially as productivity advances) unlikely to employ large numbers of people. It must be remembered that some important service industries employ highly skilled workers and are internationally traded: aspects of financial services or, indirectly, other business services which are used by manufacturing and other firms engaged in export. However, these remain small and, given the direct nature of much service delivery, need to have large numbers of their staff employed in (and usually from) the countries where the service is being delivered, even if ownership and top management are located in a home country.

Sectors which provide high skill employment and those which provide advantages in the international economy are by no means synonymous. In most countries the biggest single employers of highly educated labour have been the health, education and welfare sectors, which are only marginally involved in international trade and usually publicly provided or subsidized. One might expect some expansion in the range of tradable services as trade barriers are reduced, especially within groups of nations like the European Union. However, even in those cases local labour forces will usually be used for most service delivery. If anything, the proportion of a nation's work force, as opposed to its capital, which is engaged in internationally traded activity is declining despite the growth of world trade (*Deutsches Institut für Wirtschaftsforschung* 1996).

One implication of this argument is that the challenge posed to employment in the advanced countries by new low-cost producers or by the switch of production to cheaper countries is less direct than often believed (Krugman 1994). To some extent what happens is that the savings that domestic consumers make through buying cheaper imported goods are spent by them on domestically produced services, either directly or indirectly through their capacity to pay higher levels of tax to finance public spending. For some parts of the labour force - the growing number of highly skilled people working in education, health and similar services - this logic has clearly been at work. However, some other services and manufacturing industries are subject to a different logic. When productivity is rising in some sectors, those where productivity remains low will have to compete by being low-cost, which primarily means having low labour costs. By definition, a low-productivity sector will produce more jobs per unit of turnover than a high-productivity one. Low-productivity sectors have therefore recently acquired a new prominence in job creation. Low-productivity jobs have to be relatively low paid and are likely to require lower levels of educational background.⁵ In most countries, but especially in the USA where the labour market responds particularly quickly to change, recent job creation has taken a bimodal form, with expansion at the top and bottom levels of the skill range (Crouch *et al.* 1998: ch 2). This reflects on the one hand the gradual growth of educational levels and capacity of the economy to make use of them, and the disproportionate employment gains that come from expansion in low-productivity areas.

The likelihood that low-skill, low-wage jobs will be a major source of employment in economies where productivity is improving quickly in globally traded sectors has a number of serious implications. Most prominent in general academic and political debate has been its consequences for income distribution and labour protection. The two countries in which this form of employment has expanded most, the UK and the USA, have experienced an extraordinary polarization in their income distributions in recent years, with the bottom 10 per cent of the working population in the USA now being absolutely poorer than they were at the

⁵ There is however still an optimistic argument concerning the role of education in employment of this type. It can be argued that if the educational level of those performing low-skilled tasks rises, the productivity of their work rises, making possible improvements in their income. For this reason skill-enhancement policies for the low-skilled are often an important counterpart to policies for introducing or improving minimum wages. The argument is optimistic because it has to assume that use can and will be made of a worker's improved skill level, rather than it being 'wasted'.

end of the 1970s despite a near doubling of the nation's wealth (OECD 1996). Job creation of this kind is likely to be very sensitive to costs, and is likely to take place only if security, protective measures and social insurance costs as well as wages are reduced. Since encouragement of such employment has now become an official policy of the OECD as one of the major means of resolving the problem of continuing high unemployment, a deliberate worsening of labour standards is being advocated by international agencies for possibly the first time in the history of modern employment systems.

To date, labour-market deregulation strategies among the advanced countries are free-riders on other countries' continued regulation. Were all countries to adopt current Anglo-American policies there would be a risk of an uncontrollable downward spiral of declining labour conditions and security, which would in turn undermine consumer confidence and hence production. Of course, the advocates of such policies do not accept such a categorization, but would argue that universal adoption of their proposals would yield universal benefits. However, this could only be expected to happen over the long term, which would leave neo-classical policy proposals with the same problems that Keynes analysed during the 1930s. They are at present protected from that experience and able to point to employment gains for countries which do follow the prescription by virtue of the fact that these countries are gaining at the expense of those who have not followed it. These are relative gains which are, by definition, not generalizable.

Another consequence of such a strategy is that the unemployment problem is 'solved' by making the conditions of employment increasingly resemble those of unemployment. People seek work, *inter alia*, in order to escape poverty, insecurity and lack of self respect. If the circumstances of employment for many require low wages, a high level of insecurity and the performance of humble, low-level service tasks, the gains from moving from unemployment to employment may appear small, even though entire national systems of employment regulation will have been swept aside in order to provide it. However, from the point of view of governments the problem of unemployment is conceived quite differently from that of those unemployed or fearing unemployment themselves, and consists in the fact that unemployed people are usually eligible for some kind of expensive benefit, an eligibility which they lose if employed in any way.

There are signs of unease at some of these implications even among the authorities who have urged the deregulatory approach. The OECD, having encouraged greater income inequality in general and a harsher approach towards the unemployed in order to make them accept low-paid work and poor conditions (OECD 1994a and b), has more recently shown anxiety at the social problems caused by extreme inequalities and has entertained the thought that poverty and the prospect of a succession of poorly paid, insecure jobs might have adverse effects on work motivation (OECD 1996). The G7 group of nations has at least recognized the need to avoid the competitive downward spiral of employment regulation, though concrete agreement on consequent policy measures will be very difficult to achieve.

These wider issues are not our immediate concern here. The most likely implication of declining general labour standards in the field of skills creation will be intensified demand for education among young people, seeking to avoid being drawn into growing low-productivity forms of employment. Employers are likely to respond to this improved educational supply with either a reduced demand for the products of education or a demand for relatively high levels of qualification among the people taking on the low-productivity jobs. This would be wasteful because the educational level is being used solely as a screening device and not substantively on the job. The clash of expectations that results from this leads many young people to prefer to stay out of the labour force until something suited to their educational achievements becomes available, rather than be perceived by potential employers as someone working in a low-skilled job. The response of policy to this is to force people to accept whatever work is offered to them if they wish to be eligible for public support during their period of unemployment, which changes considerably the entire face of welfare and job search policy.

It is possible that in some circumstances situations of this kind will eventually lead some young people to cease bothering with education, because despite all its sacrifices it might lead to nothing better than could have been attained without it. There is some evidence of this among populations with particularly poor employment prospects, such as young women in the Italian south, where the poor development of the welfare state has prevented them from taking advantage of the main source of employment opportunities for women in northern

Europe (Esping-Andersen 1996) or young males in America's most deprived inner city areas. However, the more likely response will be an even more desperate search for qualifications, perceived as a means of gaining an advantage in the struggle.

Policy implications⁶

The approach to public VET policy in many countries has been a pattern of the following kind: considerable effort around general educational participation and basic skills provision; many programmes for helping the unemployed (or, more accurately, helping the unemployed compete with others and thereby perhaps increasing the rate of flow through unemployment); some specific bargaining for in-firm training between unions and employers or associations of employers; some sparks of innovative activity among first-class firms; and hesitant, uncertain efforts by various combinations of actors to take action oriented to the coveted long term.

Our analysis has suggested a number of worrying features of this pattern. Growing dependence on the individual enterprise rather than general public policy as the source of major initiatives in work skills raises the central paradox on which we have concentrated: the acquisition of skill has become a fundamental public policy issue, being almost a requirement for future guarantees of effective citizenship when the price of poor or inappropriate educational preparation for work is likely to be a low-paid job in a low-productivity sector with diminished security; but for its provision we are increasingly dependent on the private sphere of the individual firms which can have no responsibility for general needs. We must now move beyond demonstrating the existence of problems and indicate some possible ways forward.

⁶ Much of this section draws heavily on Finegold and Levine (1997).

Reasserting the role of public agencies for pursuing high skills

Public agencies (including business associations) must be able to play an effective part in trying to maximize the role of advanced skills in the economy if we are to transcend this dependence on individual firms. To do this they must be equipped with appropriate and rapidly changing knowledge. This does not lead to the fashionable solution of public agencies working with companies through a mode of 'market' provision of advice like any other consultancy, since this merely follows firms' existing perceptions. Public skills creation bodies must certainly work far closer with firms than in the classic mode of, say, French or Italian state provision, but they must do so from positions of authority, based partly on being channels of funds allocated authoritatively, and partly on the fact that their decisions are rooted in extensive knowledge, so that they will win the respect of firms. They must therefore be well resourced and well staffed, offering long-term contracts to professional experts who have years of relevant experience, including work in the private sector and with long-term commitments to this field of work. The model of short-term employment contracts with agencies fighting for their own survival and as worried about possible bankruptcy as about becoming major sources of expertise on skill requirements that has been imposed on British Training and Enterprise Councils - following the rather unsuccessful model of British small firms in general - is not a helpful guide. A neo-liberal residualized concept of public service, in which all attractive activities have been hived off to private consultancies, leaving public policy in the hands of a rump agency with poor quality staff, scant resources and low prestige cannot provide the basis for an authoritative service.

In particular the role required will not be achieved by agencies which have as their principal responsibility catering for the unemployed, especially where responsibility for placing the unemployed in jobs is linked to that for disciplining them and requiring them to accept work offers. When these strategies are used, the public service cannot then become associated in employers' minds with advanced developments in VET. King (1995) has recently described how, during the 1970s, employment placement services in many countries adopted a path of moving up-market, delivering high-quality services from High Street premises, and extending their appeal to a wide range of potential employees. This was part of

an up-grading of public labour-market policy in order to help people maximize their match to career opportunities. A central aspect of this task was the complete separation of this career guidance service from that of paying unemployment benefit and checking on the job searches of those registered as unemployed.

He then describes how this strategy has been completely reversed since the late 1980s, initially in the UK and the USA, but more recently in reforms introduced in other, less market oriented economies, as through a policy which has now been recommended to all its member states by the OECD. There are two reasons for this. First, job-placement services are being privatized as part of the general contemporary strategy of stripping back public activities. Clearly, private job placement agencies want to take over the task of advising and placing those for whom it is easy to find employment. The remaining state service therefore becomes again a residual one, the staff of which will not gain experience in tracking high-quality labour needs. Second, in order more closely to monitor the behaviour of the unemployed, services of benefit payment, job search and policing are all concentrated in the one residual employment department.

The story is an interesting case of how perceptions of the employment problem among government departments in a number of countries have changed, away from trying to ratchet up the skill needs and practices of firms and towards finding low-wage jobs towards which the unemployed can be channelled. The experience of the TECs in the UK showed a similar record affecting, not job-placement services, but agencies designed originally to be the spearhead of Britain's challenge to German and Japanese skill levels (Crouch *et al.* 1998: ch 6).

A central conclusion of our review of VET policies in various countries is therefore that public agencies in this field need to be able: (i) to relate closely to individual firms; but (ii) to advise firms on the basis of an authority based on constantly updated knowledge, so that competencies can be ratcheted up and so that educational institutions and relevant government departments can be kept in touch with what is required; (iii) to be able to influence firms' further VET efforts as well as their participation in initial training; and (iv) to link skills creation with the other services (for example, technology transfer, access to capital,

assistance in work process redesign, export marketing, etc.) that can help firms make the transition to internationally competitive, high-skill, high value-added strategies.

This has a number of implications for the design of policy and policy agencies. They must be well resourced and able to develop high-quality expertise so that they can become associated with success. They will probably be best equipped to operate authoritatively if working closely with business networks and neo-corporatist associations. In countries where such employer associations have traditionally been weak, there may be an opportunity for state policy makers to foster inter-firm networks. Historically, US and to some extent UK firms have been reluctant to co-operate through associations because of anti-trust concerns, cultural opposition to behaviour that is viewed as contrary to the free market, and a relatively weak and fragmented employer organization structure. In the last decade, however, there has been a major transformation in inter-firm relations in these more market-based economies, as many large corporations have sought to emulate the Japanese lean production strategy in building close partnerships -- including co-operative training agreements -- with suppliers, while there are a number of examples of employer networks of an 'Italian' kind that have emerged at the local level, both in thriving high-tech areas like Silicon Valley (Saxenian 1994) or more defensively as with some British TECs (Crouch *et al.* 1998: ch 6). The British cases suggest that government can bolster these nascent networks by providing support for co-ordination activities and using them as a vehicle for the delivery of services.

To work effectively with employer organizations or networks, however, the state must be endowed with sufficient authority to counter cartelistic tendencies within these employer groups. Depending on what most suits local political cultures (and care needs to be taken with the precise design), such requirements could be embodied in a number of different institutional forms: departments of central government, provided they are capable of responding genuinely to local initiative; less formally structured agencies, provided they are not compelled to act in a passively responsive mode; chambers or similar representative bodies of business, provided they have sufficient coverage of the local employer base and are free to support innovation and new industries; community colleges linked with local economic development agencies. It is particularly important that however training is provided, a public agency has responsibility for standard-setting and monitoring.

In creating such policy instruments, it is important to think carefully about which types of services should be universal and which should be targeted at particular groups. Some public services may benefit from being comprehensive. Perhaps the clearest example is a labour market information system, where a comprehensive and up-to-date database that lists all available vacancies in a region and/or sector and those available for employment can provide a valuable service to companies and individuals while providing policy makers and training providers with a powerful tool for continually updating their programmes. Sweden has developed the most sophisticated version of such a system as a central component of its active labour market policy. With new information technologies, such as the Internet, it is possible to link such databases across the country or internationally, as well as to tailor searches to an organization's particular requirements.

Reasserting publicly funded education

The current trend towards low taxation and concomitant reduced public services has unavoidable implications for skills and employment. All the countries we have studied devote a substantial portion of public spending to education, usually concentrated on the young. There are strong public-goods aspects of education, which make it impossible to treat it like just another consumption or even investment good. A commitment to a learning society requires more and constantly improving education at all levels. There is a strong case, based on differences observed in educational attainment within and across countries, that more effective use could be made of the substantial resources already devoted to education and training. But even if these reforms were to succeed in raising the standards attained by lower performing schools or whole educational systems, it is unlikely that they would be sufficient to meet the societal need for higher skills in the advanced industrial countries.

There are at least three main areas which call out for additional educational investment: early childhood development, mass post-compulsory education, and universal further training. The first of these is beyond the main focus here on work-related education and training, but is so vital for overall skill development that it must be included in any discussion of policy

options and education investment priorities. The need for placing a priority on this area of development is made clear by a growing body of research which suggests that much of people's learning capacity and subsequent life chances are determined by the learning that they do in the first two years of life, long before they reach the formal educational system. At the same time, however, the significant increase in the number of women in the paid work force and of two-career families, along with the increase in single-parent families, has meant that an increasing proportion of children is not at home with a full-time parent during this crucial stage of development. Thus, there is a strong societal need to develop high quality, affordable safe child care outside the home -- such as the French *crèche* and *école maternelle* -- along with flexible employment arrangements and other supports for families where one or both parents are sharing primary child-rearing responsibilities.

A second educational priority is to expand learning opportunities -- whether part-time or full-time -- for young people after compulsory schooling, so that the vast majority is able to develop an advanced skill set. With secondary education increasingly becoming the norm for many developing countries, and with some newly industrialized ones (such as Singapore, South Korea and Taiwan) already producing world-leading literacy rates and educational attainment, it is essential that the advanced industrial countries provide their young people with a strong educational foundation if they are to compete successfully in the world marketplace. Although most of the countries included in this study have, in the last two decades, begun the shift from elite to mass higher education systems, it is only in the USA that more than half of each new cohort participates in some form of higher education, and even there the percentage obtaining a bachelor's degree has been relatively stable, at about 25%.⁷ While traditional, more academic forms of higher education may not be appropriate for the majority of the population, it is clear that most individuals can benefit from some form of structured, more advanced learning after compulsory schooling. Countries like Denmark and Germany, for example, have expanded their higher education systems, while maintaining and modernizing their technical education and apprenticeship systems, to ensure that 85-90% of the population enter the workforce with a recognized occupational qualification and/or a degree.

⁷ One contrast between US and most European education systems is the existence of a substantial sub-degree higher education sector in the former.

A final area where greater skill investment is required is in ensuring that high quality further training is available to the entire workforce. With the rapid pace of technological and organizational change, individuals at all points on the skill spectrum will need to update their skills, if not entirely change their careers, periodically over the course of their working lives. This need is particularly important for those who have lost their jobs or who have taken time off from their careers for family reasons, and do not have the support of a firm to retool their skill set.

The market alone is unlikely to provide sufficient levels of skill investment to meet these pressing needs. At younger age levels the expenditure is that of parents rather than individuals themselves. Since children can rarely be expected to repay their parents' expenditures on them, such spending does not take the form of rational investment expenditure in anticipation of individual gains on the part of the investor. It is far more likely to be determined by parents' current income and wealth. A shift towards increased parental contributions to educational spending would therefore produce a strong shift in the take-up of educational opportunities towards young people from wealthy families. Such a development would ease the problems of governments based on parties drawing much of their support from such families, as their voters would feel less anxious than at present that their children will face competition from others for what promises to be a declining proportion of well rewarded secure positions in the economy of the future. It would however be incompatible, not only with the promise of equality of opportunity which remains a universally accepted educational slogan among all shades of political opinion in most societies, but also with the concept of a learning society.

After compulsory schooling, the issue for policy makers is how to finance an expansion of ongoing learning opportunities given public fiscal constraints, and yet at the same time not discourage individuals from poorer backgrounds from pursuing education because of a lack of personal resources or access to credit. There is a strong argument that individuals should be asked to bear some of the costs of further and higher education. While there are positive externalities to this investment, most of the returns accrue to the individual in terms of future income. Currently, in those countries where the majority of young people are asked to finance

a portion of their own advanced education they have to do so by working part-time during their studies. Large numbers do this in the USA, the Netherlands, Denmark, the UK and elsewhere. In many ways this can be a useful development, in keeping with the fact that an increasing percentage of those in higher education are more mature students who are already in the workforce. It also encourages individuals to view education as an investment in their own human capital which has real costs, rather than a natural right or consumption good that they have earned based on passing an entrance examination, as is now the case in some European countries. Likewise, the part-time route can give students work experience and provide a supply of workers who do not seek security or full-time work while still bringing to the routine tasks they perform, mainly in the retail and catering sectors, a level of alertness and ability that would not otherwise be available to employers in these sectors.

There are, however, limits to the part-time approach and relying on individuals to finance their own post-compulsory education. First, the inequality effect of differential parental wealth still operates; children from wealthy families do not need to take paid employment during their studies, which might enable them to secure better grades. Beyond a certain point simultaneous study and paid work will affect academic performance and therefore lower the quality of the educational enterprise. In addition, the highly educated student workforce has the effect of crowding out employment opportunities for others with lower educational qualifications.

Alternatively, firms might be expected to make more of a contribution to subsidizing the development of transferable skills. Governments' policies may also have a direct effect on managers' willingness to invest in skills. This can take the form of a carrot that induces firms to spend more on training, such as tax breaks or subsidies for training certain categories of workers. In Japan, the Ministry of Labour operates an unemployment scheme that has a dual benefit for workforce development (Finegold *et al.* 1994). In sectors that have been hard hit by the recession, the government pays part of the worker's salary. The programme not only requires training during the recession, but also encourages managers to develop their employees' skills when the economy recovers, since the firm knows that it will not have to lay off employees quickly if demand slackens.

An alternative is for the government to penalize firms that do not invest in human capital, through mechanisms such as a training levy introduced at different times in France, Australia, the UK and Singapore. These programmes generally require all employers above a certain size to spend a certain percentage of payroll on training, or pay an equivalent amount into a fund that supports worker training. While a training tax almost certainly will lead to a one-time increase in the quantity of training, the danger is that some of this human capital investment will be wasted if firms are doing it to comply with regulations, rather than as part of a co-ordinated high-skill strategy. For countries considering this option, there is a strong argument for first putting in place a well-functioning system of national skill standards, so that employers who are providing transferable, certified skills are rewarded.

But again the scope for such policies is limited. If the free-rider problem suggests that most firms will not voluntarily provide vocational education, leading virtually all countries to develop policies for encouraging them to do this, it will be that much more difficult to persuade more than a number of them to assume a growing share of the task of funding investment in general skills. But if one reason for trying to move to a low-tax economy is to reduce the cost burden on companies that must compete globally with countries that impose few costs on firms, there is little to be gained from replacing taxes by direct contributions from firms to fund the same services.

The challenge for policy makers is to devise a means of financing an expansion in the supply of higher education and ongoing training that shares the costs equitably among the three main sources of skill investment: the state, individuals and employers. One possibility is to provide every school leaver with an entitlement to two to three years of further or higher education or the monetary equivalent, which could be used directly after finishing compulsory education or in the future, after they have entered the workforce. Those that require additional resources for completing a degree(s) (including living expenses) would be given a loan by the state that could be paid back through a graduate tax once individuals have entered the workforce and started to receive the returns on their educational investment (for additional details see Finegold *et al.* 1992); a similar system has already been put in place by Australia to successfully expand its higher education system (Chapman and Chia 1989).

In addition, people could be given lifelong learning accounts that could be used throughout their careers to finance education and training investments for themselves or their children. Individuals could make tax free contributions similar to the payroll deductions now made for pension plans in the USA, while employers could be required or encouraged to make small contributions (similar to the tuition reimbursement programmes that many firms now offer). When an individual became unemployed, the state could make an additional contribution to the account that would enable the individual to purchase retraining and other job placement assistance from either public or private providers.

When considering how much the society generally, and the government in particular, can afford to spend on education and training it is vital to keep in mind that these are investments that can have important payoffs. To see the potential for payoffs to investments in human resources, consider the case of preventing dropouts (Finegold and Levine 1997). In the USA, the average high school dropout earns 49 percent less than high school graduates with no additional education, leading to lower average tax payments by dropouts. In addition, the present value of total welfare, prison, and parole costs averages about \$70,000 for high school dropouts (almost entirely prison for men, and welfare for women). This figure is far above the \$30,000 cost for each high school graduate who does not attend college, and the \$15,000 cost for those who do attend college.⁸ (USA 1995a: 188). Thus a programme capable of influencing typical high school dropouts to behave like typical high school graduates would reduce spending on welfare and the criminal justice system by about \$40,000 in present value terms for each youth affected. Differences in taxes paid would increase this figure. This example shows that investments in human resources can take years to pay off, but potentially have large returns.

These figures are almost the reverse of US public spending on education and training: the typical college graduate is the beneficiary of over \$25,000 in public spending between the ages of 16 and 24, while the typical high school graduate receives about \$11,000 and the typical high school dropout less than \$6,000. (Compared to the USA, most other industrialized nations have smaller wage gaps and rates of incarceration, but larger

⁸ These figures are the net present value at age 18 of the costs incurred between the ages of 18 to 54, using 1992 data. Costs are discounted at a 4-percent annual rate (ibid.).

employment rate gaps and more generous spending on social welfare. Thus, the total benefit of preventing dropouts may be similar to the USA. Moreover, programmes exist that appear effective in improving the life chances of at-risk youth, while saving governments money. For example, the various remedial schemes in Sweden for offering chances of completing education some years after normal school-leaving ages for those who had dropped out of school. Likewise, the Quantum Opportunities Program in the USA provides an array of after-school, tutoring, mentoring and summer programmes in a number of cities, and has been shown cost-effectively to reduce dropouts and teenage pregnancies. (See the review of evidence for this and other programmes in USA 1995b).

Thus, to achieve the twin aims of promoting an increase in the average standard of living while reducing or at least halting the growth in income inequality, it is difficult to see any major democratic alternative to a prolonged and intensified commitment by governments to publicly funded education at most levels as part of the learning society strategy.

Reasserting the role of public-service employment

Even with substantially increased educational investments, an important minority of the work force will be unable to participate in the employment provided by the learning society; even specific skill-upgrading agencies will not be the route through which the majority of the unemployed will find work. Indeed in their work for further skills training these agencies will be helping predominantly those already in employment, not even labour-market entrants; and, as we have seen at a number of points, involvement with work for the mass of unemployed diminishes at least the image and probably the substance of agencies' attempts to operate at the top end of the skills range. This challenges the position of those who posit improvements in VET as an alternative to the growth of low-productivity jobs, and also that of those who claim that deregulating labour markets and leaving firms free within the market will both reduce unemployment and encourage improvements in quality in vocational education and elsewhere.

For many years to come many members of the work force will be unable, as a result of both demand and supply factors, to gain high-quality places in the labour market. It should not be pretended that, if they only showed adequate initiative and responded to the education opportunities available, most people would be able to do so. Many will be forced to compete for the low-productivity opportunities that will not require high levels of education except as the filtering device through which, by definition, many will not pass. If people in this position are to avoid facing both low wages and high insecurity by competing for jobs in deregulated private services as their long-term prospect, there will have to be an expansion of public services, which can provide secure though still low paid work for people capable of only low productivity.

Such choices are beyond the scope of this study, but consideration needs to be given to the future of public services as sources of employment. The public sector plays two vital roles in creating jobs at opposite ends of the skill spectrum. At the high end the primarily public social and community services sector of the economy is the principal employer of highly educated labour in all countries (Crouch *et al.* 1998: ch 2).⁹ That sector and the services it supplies, some of which make a central if indirect contribution to competitiveness, have therefore been a fundamental component of the high-skill economy. A concentration of public policy preoccupation on reducing the size of the public service would not of course lead to a complete loss of all occupations and services currently being performed there; some would thrive in the private sector under privatization and marketization. There would however be a large net loss: to take only the example closest to our current concerns, a complete privatization of education would lead to a decline in its up-take by poor and moderate-income families, with a consequent loss in both high-skill teaching jobs themselves and in the economic contribution that results from an educated work force.

At the same time, public services have been important sources of employment for relatively low-skilled workers. One thinks immediately of the whole range of environmental cleansing services: refuse collection, street-cleaning, maintenance of public spaces; also of child care, and some jobs within health care and public transportation. These services have

⁹ Even where, as in the USA, a large part of the sector is counted as private, that includes a good deal of charitable and publicly subsidized provision; the amount of pure market activity in this area is limited.

often made a distinctive contribution to the structure of employment available in the advanced societies: work that required relatively modest skills, paid rather low wages, but offered security of employment and (because of the commitment of most public employers to concepts of 'the good employer') freedom from the brutalization often associated with low-skilled and low-paid work. Anxiety to reduce the size of public employment and taxation has recently led most national and local governments to make working conditions for this kind of employment more closely resemble that to be found at the low end of the private sector, either by privatizing it or changing its regime through marketization within the public service.

If we must accept that a sizeable number of people is destined to remain in low-skilled employment, the former public-service model will require rehabilitation. A dilemma currently preoccupying the OECD is that while wages should fall at the lower end of the skill range in order to increase the supply of jobs, poor and insecure working conditions and frequent job changes have a demoralizing effect (OECD 1996: xx). The public-service model of low pay combined with decent conditions, which is difficult to achieve in the down-market private sector, can square that circle and did so for many years in most countries.

Creating new institutions and policies to support high-skill societies

However desirable increased public expenditure on education and training and employment may be, the political reality is that these investments are unlikely to occur so long as the power of global capital and corporations continues to increase relative to that of nation states. Rather, there is intensifying pressure on the continental European economies to cut back on their existing levels of public spending and deregulate, in the short-term to meet the conditions for European Monetary Union (EMU), but more generally to try to emulate the success of the USA and UK in creating jobs. The danger, as we have already suggested however, is that this will create a downward spiral, with countries competing with each other to attract firms and international investment by cutting the size and regulatory power of government, and weakening the safety net for the least powerful groups in society.

In the Uruguay round of global trade negotiations there was some recognition of the need for supranational regulation of corporations to accompany the increasing liberalization of flows of goods, services, capital and labour. These restrictions, however, were only minimal – for example, sanctions against child or slave/prison labour - and even these have proved difficult to enforce. In the long run there is likely to be an increasingly compelling argument for the creation of a much stronger international regulatory regime that would set some basic standards - a living wage, access to health care, a clean environment - that would be a floor below which firms would not compete. Initially, this regime would probably need to be limited to the advanced industrial nations (for example, members of the OECD), which continue to account for the vast majority (over 85%) of all global trade and have more comparable living standards.

In the absence of such a large change in the international governance of corporate activities, those countries (for example, the USA, Germany, Japan) that have traditionally relied on an employer-based system for key elements of the welfare state (for example, health care, pensions) may need to rethink their basic model of delivery. The need for restructuring is driven by several factors. First, as individuals move more frequently between organizations and an increasing portion of the workforce is accounted for by part-time, temporary and self-employed workers, an employer-based system is increasingly impractical and a barrier to mobility. In addition, as the pressures of international competition continue to increase, there is a real danger that firms will reduce or eliminate these essential benefits altogether on the grounds of remaining cost competitive.

There appear to be two alternatives to an employer-based system. One, already in place in some European countries, is a universal state system. While this has many advantages, including the containment of health care costs, as we have seen, it also suffers from the general pressures that neo-liberal policies and globalization have generated to reduce the size of the public sector. The alternative is to create a more individual-based system of portable benefits, so that people are given greater control and responsibility for their own health care and retirement, with the state providing a regulatory framework and safety net. Such a system could also include lifelong learning accounts, where individuals, employers and the government share the costs of ongoing human capital investment.

Within the context of approaches of this kind, governments need to be active in supporting skill standards, as individual students and workers are poorly placed to ensure these themselves. This can take the form of a competency-base model such as the NVQ system in the UK (which has been adopted in modified form in Australia and New Zealand), or a more traditional set of occupational standards linked to recognized courses, as found in the Germanic countries' apprenticeship systems, or the skill certification programmes run by the Japanese Ministry of Labour. Unfortunately, rapid organizational and technological changes can soon make industry- or occupation-specific skill standards obsolete if they are written too narrowly.

Fortunately, general problem-solving skills appear to remain useful for long periods of time. International organizations should work with member governments and the private sector to create a common set of building blocks that measure these general skills. Industries and nations could then voluntarily adopt these building blocks in future generations of skill standards. Having generic standards (and sample test instruments and training materials) would lower the cost of creating high-quality skill standards. Importantly, these skill standards would emphasise the skills of solving problems and working together in groups that researchers have identified as crucial for high performance workplaces. Ideally, people moving between nations, industries, or occupations would only need to receive training in those skills not already covered by the generic building blocks included in their previous certifications.

A similar role is played by the certification of firms' training standards. International organizations, member governments, and large private-sector customers should work together to create certifications that measure which companies produce high quality and are organized to improve their quality. Many companies are adopting the International Standards Organization (ISO) 9000 series quality standards. These standards require that companies maintain and follow documented procedures for almost everything they do. Unfortunately, the ISO standard has no requirement that the procedures be continuously improved. Levine (1995) - probably the scholar who has done more than anyone else to develop thinking in this field - has suggested an addition to the ISO standard which would increase its usefulness for

identifying excellent suppliers:¹⁰

¹⁰ Guidance on procedures for continuous improvement is given in ISO 9004-4, Guidelines for Quality Improvement. A more complete proposal for improving ISO 9000 is found in Levine 1995: 140-141.

Improving Quality Plans: The supplier shall establish and maintain documented procedures for continuously improving all documented procedures. The supplier shall ensure that this procedure is understood, implemented, and maintained at all levels of the organization.

Because high-quality suppliers tend to rely on their workforce, a move to improve product and service quality will also improve the quality and skill of jobs. The multi-industry Process Certification Standard is becoming widely accepted in the private sector. International standards-setting organizations must ensure that this standard and its successors identify employers where each employee has the incentive, ability, and authority and responsibility to constantly improve the workplace. The important public characteristic of standard certification and role of state institutions in maintaining inspection systems also becomes one of the means by which public authorities can continue an authoritative and expert role within training systems despite the shift to corporate economy and to customer/supplier rather than authority relationships in the connections between government and the private sector. The place of public/ private co-operation achieved by the Japanese skill testing and certification system in Japan (Sako 1995: 1, 21) is an outstanding example of this.

In addition to general quality management standards, governments may also want to expand the use of exemplar employer quality or skill standards or kite marks, such as the Denning Award in Japan, or the US emulation of it in the Malcolm Baldrige Award. While these awards are about quality only, the UK's Investors in People (IIP) scheme is more closely related to training, recognizing organizations that have demonstrated excellence in their development of employees' capabilities. Many of the organizations that have attempted to receive the kite mark, cite the process itself, and the changes it precipitated, rather than winning or losing as the ultimate benefit (Finegold 1997). To ensure that the kite mark has a high value and thus provides an incentive for organizations to attain it, governments must first ensure that all winners meet a rigorous 'best practice' set of standards.

There can be both 'market' and 'voice and commitment' approaches to ensuring that standards are met. The former include measures to improve the flow of information concerning best standards, and offering various *incentives* to improve. For example, as with ISO 9000, governments can use their substantial buying power to encourage the promulgation

of the standard by giving preference to suppliers that attain it; or, as with IIP in the UK, access to various government grants can be restricted to firms achieving the standard. The 'voice and commitment' involves giving extended periods of advice and assistance to firms on how to improve their standards. For example, the Japanese Union of Scientists and Engineers, which makes the Dening Award, offers a process of up to two years' prior diagnosis and evaluation.

Conclusion

Despite the scepticism at heavy reliance on skill creation to resolve social and economic problems indicated at the outset, it has also been possible to suggest a number of practical measures for making a skills strategy work. This is because such a strategy comes into the awkward class of 'necessary but insufficient' policies. It is insufficient in that it is not feasible to expect a majority of any country's work force will be enabled by improved and more focused education to find useful, high-productivity employment to such an extent that unemployment, social integration and poverty and the social policies traditionally associated with their resolution become residual. There is currently a strong desire among policy makers to believe that such an outcome can be achieved, thereby reducing, if not solving, the pressing social problems of unemployment, income inequality and poverty. As electorates become increasingly resistant to financing high public spending, and as political consensus over the respective role of markets and various forms of intervention becomes impossible to sustain, the skills creation strategy becomes very attractive. It promises to minimize the need for welfare spending and, as an area of public policy that concentrates on improving the quality of labour supply, it has an appeal across the political spectrum (Cutler 1992). There is a danger of excessive expectations based more on fervent desire that an outcome might be possible than on a realistic evaluation of its chances - a phenomenon that could lead eventually to a serious bout of disillusion.

We must however also stress the necessity of a high-skill strategy. Claims about the implications of competition in a globalized economy and about the need to maximize the role

of high-productivity labour if living standards in the advanced countries are to be sustained and improved, are realistic. Perhaps the most difficult type of conclusion to draw from a comparative study of different policy instruments is to assign an appropriate role to learning from experience elsewhere. On the one hand, imitation, in the sense of taking a set of policies from one country or firm and installing them in another, neglects questions of context. To disinter a few structural elements from the richly interlocked economic, political and social institutions of, say, Germany and Japan is not well advised; and there are limits to the extent to which smaller countries can imitate ideas that seem to work in the vast, almost closed economy of the USA, large parts of which are still not closely linked to the international economy. The contemporary tendency for both governments and business management to be policy 'fashion victims' increases the risk of both inappropriate and superficial change, and an unwillingness to allow policy change time to take effect before a new change of direction is launched.

One can illustrate this with an example. Until the early 1990s there was enthusiasm in a number of countries (among those covered by this study France, Italy, Sweden and the UK) for imitations of German apprenticeship, though rarely did those advocating the imitation appreciate how the German institution was embedded in other elements of socio-economic structure. More recently, particularly following post-unification difficulties, Germany has become generally unfashionable. There is now less talk of the advantages of apprenticeship, and policy makers, including in Germany itself, talk of the advantages of general academic education over vocational preparation. There is, however, little evidence that they are coming to grips with the implications of inviting all students to pursue academic courses when eventually most will fail to gain access to the kinds of occupations to which they believe such courses lead.

On the other hand, it is absurd to argue that there can be no learning between economies, as they are not fully self-contained, separate structures. And attempts at copying successful ideas from elsewhere must be based on careful planning as to how the imported element may be grafted on to existing practices and structures; it can neither be expected to obliterate these nor to flourish without their support. One consequence of this is that even if there is, for better or worse, convergence on some hoped for 'one best way' for creating an appropriately

skilled work force, the outcome will not be convergence on a common set of institutions, as Regini (1996b) points out. The addition of a common set of new structures to some diverse past legacies is not an overall convergence, but a redefined diversity. At present it is not at all clear what the diversity of skill creation institutions in the advanced countries will look like in, say, five years time, since current ideas about appropriate imitations embody a number of contradictions, as we have seen in this study. There are desires for more general, adaptable skills, but skills that are also relevant to employers' needs; the same sets of policies are often trying to help the unemployed but also to operate at the leading edge of advanced skills; there is a demand for vocational education and training to fulfil social policy goals, while it is also increasingly seen as a matter for private business to determine. It is unlikely that these contradictions will be resolved, but policy measures have to find means of accommodating them in addition to pursuing their ostensible task of creating the learning society.

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