

# **TOO TRUE TO BE GOOD – SOME THOUGHTS ON THE 'HIGH SKILLS VISION', AND ON WHERE POLICY IS REALLY TAKING US –**

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**“In the past, even the future was better”**

Professor Peter Nolan, programme director, ESRC Future of Work  
Programme, 24<sup>th</sup> June 2003, ESRC Future of Work International Symposium,  
London.

**“The future is the past, but with fewer options”**

Ewart Keep

**“So the case for pessimism, based on psychological studies, is that it  
can make us more accurate in predicting events, particularly in a world  
of uncertainty”.**

Charles Leadbeater, *Up the Down Escalator – Why the Global Pessimists are  
Wrong*, London: Penguin, 2003: 9

**“More than at any other time in history, mankind faces a crossroads.  
One path leads to despair and utter hopelessness. The other, to total  
extinction. Let us pray we have the wisdom to choose correctly”.**

Woody Allen, 'My Speech to the Graduates', in *Side Effects*, London: Random  
House, 1981: 61.

## **INTRODUCTION**

When the author was first asked for a paper, it was suggested that what was required was a piece that offered a detailed overview of what a high skills economy/society might look like, plus a reasonably elaborate route map for achieving this vision. The paper that follows does not attempt to fulfil either of these demands. The reasons for this failure to deliver are simple: in the author's view, a high skill society (or economy) is simply not where we are currently heading, and time spent creating an elaborate vision of such a society would, in present circumstances, be little more than daydreaming.

Instead, what the paper seeks to provide is a set of three scenarios for the year 2015 (of which a high skills society is but one), and then see where current policy trajectories might be taking us in terms of these different projections of what the future might look like. The value of this heuristic

device, it will be argued, is that it presents policies as courses of action and choice that become set (path dependency), thereby offering access to certain options while excluding many others. Particular policy trajectories take us towards particular sets of outcomes – rather like Scalextric cars, once we are in the slot we know where we are heading (unless we fall off the circuit altogether!). One of the aims of adopting this device is to make it clear where it can be argued current government policies are leading England and what the consequences of this trajectory and its associated destination are liable to be.

The structure of the paper is simple. The first section outlines three possible scenarios for the year 2015. The direction of current vocational education and training (VET) policies and of other factors that it is sometimes adduced will lead us towards a high skills vision are reviewed. The rate and direction of change they are liable to deliver is matched against the demands/achievements outlined in the three scenarios, and some predictions made about where current policy trajectories will take us. The final section offers some brief thoughts about the role of the research community in trying to shift policy trajectories upwards.

## **THE SCENARIOS**

Outlined below are three very different scenarios of where England might stand on skills issues in the year 2015. These scenarios are not meant to provide a complete range of what might potentially come to pass, they are presented for illustrative purposes, and positions somewhere between the three visions presented (or indeed something completely different) are entirely possible.

It is important to emphasise that the purpose of these scenarios is to gauge progress towards some form of high skills society (or, to a lesser extent, a knowledge driven economy - KDE). The government has underlined, on a number of occasions, that it desires the development of an economy where the entire workforce are innovators:

We will succeed by transforming inventions into new wealth, just as we did a hundred years ago. But unlike then, everyone must have the opportunity to innovate and to gain reward – not just in research laboratories, but on the production line, in design studios, in retail outlets, and in providing services.  
(DfEE, 1998:10)

New Labour have also pinned their colours to the mast on the key role that higher standards of education and qualification are assigned in terms of increasing social mobility, offering the prime means of people bettering their lot, and in promoting greater social equity. Education and skills are to be the engine of social inclusion and a prosperous society for all. A high skills society or KDE that excludes a large proportion of the population/workforce is not what is being aimed for. It is against these lofty and ambitious aims that the scenarios that follow need to be tested.

## **Scenario 1 - The High Skill Society**

By 2015 England has become a high skills society in the full meaning of that phrase or concept\*. It possesses a prosperous, high wage, high productivity economy, where all share in the nation's economic success. The skills of the workforce are being utilised to full effect. Higher wages mean that the need for in-work state benefits is sharply declining and will ultimately all but cease. As productivity has risen, the National Minimum Wage (NMW) has been increased to a much higher level, and in-work poverty is much reduced.

The economy is internationally competitive, with high levels of exports – competitiveness here being defined as “the ability of companies, industries, regions, nations or supranational areas to generate, while being and remaining exposed to international competition, relatively high....income and....employment levels on a sustainable basis” (Hartzichronoglou, 1996: 12).

The country has a vibrant culture which is capable of maintaining its own distinct identity in a globalised world. Cultural activity and industries are a major source of export revenue. Moreover, the political culture has been transformed via a written constitution, a freedom of information act, and the devolution of power from central government and its agencies to communities, localities and regions, where empowered citizens and elected bodies are willing and able to play an active part in shaping their own social, economic and political destinies. The notion of citizenship in a European sense has started to take root, and the days when England was the only Northern European country in which elected local or regional had no formal role within the governance of tertiary education are long since over. There is a strong emphasis upon building a society that is just, inclusive and in which individual rights are counterbalanced by strong collective responsibilities. In many senses what is emerging is a European model, albeit one adapted to cope with English circumstances. England has chosen the ‘Nice North’ over the ‘Wild West’.

In order to achieve this profound change, a whole range of political, social and economic reforms have been put in place, with government acting as the catalyst for this change:

- The government (at national and regional level) has sought to block off access to the ‘low road’ to competitive advantage. The NMW and product and labour market regulation have played a part in helping achieve this. The national strategy for economic transformation has identified segments of the economy that need to raise their game and to move up the value chain, and has put in place incentives to encourage this to take place. Education, skills and R&D are embedded in this plan. The government's investment strategy is geared to the need to push more of the economy onto the high road and to reinforcing sectors and industries where we have sustainable strengths and advantages.

- Another lever has been the fostering of a more sophisticated and demanding consumer base. As wages have risen across the population, the market for goods and services sold chiefly on the basis of price is starting to shrink, and this is triggering a shift in employment opportunities out of some of the worst dead-end service sector jobs.
- The role of trade unions has been widened, European models of social partnership have started to be introduced and the unions' role in skills policies has been transformed. Instead of acting simply as evangelists of learning to their members (a useful but ultimately marginal role), unions now have rights to bargain on the issue and are closely in the governance of the VET system.
- Company law has been reformed to encourage a multiple stakeholder view of the firm, and support a long-term perspective on investment.
- Employee relations have been revolutionised, with new forms of mandatory employee communications and involvement that offer all workers a direct say in the long-term future of their organisation. High trust people management systems, which encourage new forms of work organisation and job design (and thereby a sharp reduction in dead end, no skill jobs), are increasingly the norm. Government pressure, exerted not only through legislation, but also through public sector purchasing and sub-contracting policies have helped leverage this change. The spread of the High Performance Work Organisation model (HPWO) is providing a workplace context in which higher levels of skill can be developed and then used productively.
- R&D has been boosted, both by government spending, but also by the use of sectoral R&D levies, not dissimilar to that used in the Australian wine industry. We are returning to the upper end of the OECD league tables.
- Labour market regulation has sought to discourage the most exploitative forms of employment and to put a floor under contractual conditions. Work/life balance issues have been eased by a much more rigorous enforcement of the Working Time directive. Stronger labour market regulation has helped boost the formation and use of skills, not least by reducing labour turnover and the 'easy come, easy go' culture that surrounded it.
- Higher taxation has helped provide the necessary resource base for public services and infrastructure investments, not least in education.
- Education and training's role in social and economic change has been carefully thought through. In order to help support social mobility, much greater effort has gone into supporting those from less advantaged backgrounds to gain access to the best educational opportunities, rather than simply endlessly expanding provision (for example in higher education) to the advantage mainly of less able middle class children. Training has been much more closely integrated into wider economic

development policies, and the quality of provision has been raised. Poor providers and employers who are unwilling to offer quality have seen government funding switched off. Vocational courses are now broader based.

- The VET system is now managed in a more devolved and higher trust fashion. There are fewer initiatives and wheezes, institutional stability is much greater, and the use of targets is much more sparing and these are tied to forecast need rather than blanket percentage of age cohort measures. The timescales for designing and developing new initiatives and interventions has lengthened and the spread of evidence based policy and practice is increasing.
- Watchwords of this revolution have been: 'a living wage', 'solidarity', 'social cohesion', 'the common good', 'quality of life', 'voice and participation', 'local control', and 'work as a source of dignity and personal development'\*\*.

The overall sea change in the direction and tenor of policy has taken very considerable political courage. Rejecting the neo-liberal, laissez faire approach that characterised the preceding two and a half decades the government has embarked on a range of fundamental social, constitutional and economic reforms based around the slogan, 'A New England for a New Century'. It has fought and overcome opposition from powerful interest groups as varied as the City, US multinationals, public schools, the national press, and a range of business organisations. Progress has been slower and patchier than hoped, but is starting to become obvious. Social inequality is declining, and social cohesion and the sense of a society more at ease with itself is becoming clearer. There is still a long way to go, particularly in some parts of the economy, but we are on the road.....

### **Scenario 2 - Complex and Confused Attempts at Change**

By 2015 it has become abundantly apparent that traditional VET policies, centred around attempts by the state (whether national, regional or local) and its agencies to supply a more highly educated and trained workforce, have reached the limits of what can be achieved, and that if further progress towards some form of high skills vision is desired, new types of policy and broader forms of intervention will be crucial. The nature of the skills problem as one deeply embedded in the structure of our economy has become more and more obvious, and this has raised the issue of the need for wider reform and modernisation. The precursors for at least some of the new policies that might be needed are already in place.

The adult workforce is, thanks to a range of government interventions, including study leave, adult entitlements, and many forms of direct and indirect subsidy to employers to train, now better qualified. The existence of a higher education system that encompasses a greater proportion of the age cohort (and also achieves far higher completion and pass rates) than the vast bulk of other EU countries means that England now has a large and rising stock of graduates in its workforce.

The problem is that this has failed to deliver any major improvement in productivity, and that there are now very clear signs of under-employment and over-qualification among significant segments of the labour force. There is also mounting concern and political pressure centred on the prevalence of low skilled, low paid, dead end employment in large sections of the service economy. The burden of in-work tax benefits has risen, and both the social and economic costs of large numbers of workers living on very low incomes have become increasingly apparent. For example, many regions have realised that having a low wage economy dooms large sections of their local service sector to competing on price, and thereby creating and sustaining more low wage jobs. Breaking out of this vicious circle is seen as key to making any further progress on regional development. Calls for more regulated labour markets are being heard, not least from that section of employers who manage to offer superior wages and conditions.

The efforts of a few of the more successful regional governments and SSCs has shown that, with concerted help and support, some firms and sectors can, over time, be helped to move upmarket, improve productivity, and become better employers. The problem is how to move the bulk of the economy and to impact on the mass of low performers. Exhortation is plainly not going to do the trick.

The trade unions have tired of the role allotted to them by government of simply acting as evangelists for the benefits of learning to their membership, and are now demanding a more central and active role in skills policies, both at national level but also within the workplace. A statutory right to bargain over skills is central to their demands.

This issue is linked to a wider disillusionment with the state of employee relations, employee voice in the workplace, and a host of life/work balance issues. The governments minimalistic approach to information and consultation, and to working hours regulation, has left UK workers with fewer rights, less influence, and longer hours than almost anywhere else in Europe. The social costs of poor life/work and family/work balance are more and more apparent and less and less tolerated by large sections of the populous. A new reform agenda is being pushed by a coalition of trade unions and other pressure groups. Declining levels of job satisfaction and employee commitment are also forcing a major re-think of the state of people management.

The issue of social mobility is also causing anxiety. The latest studies show that it has further slowed, and this, coupled with increasingly overt competition for those educational opportunities that do deliver the good jobs (degrees at a handful of top universities) has served to weaken faith in education's redistributive potential and to underlined the education system's role in reproducing existing class advantage.

All of these developments have made it very apparent that the old model of low wage, long hours, low productivity working cannot be banished simply by

pumping more skills into the economy. A high skills economy for all (or even a majority of the population) is not emerging. The realisation that skills are not a magic bullet has now begun to permeate government and political debate, and politicians are now starting to argue about what other factors, besides skills, are needed to deliver the economy and society of the future. The prime minister recently argued, in a speech to the CBI, that, “boosting the levels of skill in our economy was the easy part, the much more difficult task of developing an economy and workplaces that can use them to maximum productive effect is one we must now pursue”.

Thus disillusionment with traditional VET policies has forced policy makers to contemplate broader forms of intervention. Some of these are already being piloted (marked with a \*):

- Increasing consumer rights and seeking to create a more demanding and discerning market for goods and services\*.
- Public purchasing policy to push to raise their game\*.
- Public naming and shaming of poor employers.
- Imposing conditions on sub-contractors in the public sector to discourage low waged employment\*.
- Experiments with work organisation and job design, particularly in the public sector, but also in the private sector via a government-sponsored Work Design Unit\*.
- Encouraging the growth of sources of patient and competent capital.
- The development of an economic ‘vision’ whereby a desired future shape of the economy can be mapped out and then act as a goal for driving policy. Although the term ‘industrial strategy’ is not used, this is what it is.

Fierce debate surrounds many of these actual and projected developments. Many favour sticking with the old neo-liberal, laissez faire, de-regulated approach, but economic and social indicators suggest that this has achieved all it can, and that if a different level of economic performance is desired, we will have to move beyond this model. Naturally, a wide range of interests are gathering against such change – not least the City, the financial press, and some employer bodies. Whether a sufficient coalition to overcome such interests can be constructed, and whether the government has the stomach to attempt such a fight in earnest, remains to be seen. A huge political choice is now looming.

### **Scenario 3 - The Polarising Society**

By 2015 England has become, by some measures at least, a high skills economy, though not necessarily a very productive one. In terms of input measures, the indicators generally look fairly positive:

Participation in higher education hovers around the 50 per cent mark (it is difficult to be precise because what constitutes higher education has become ever more blurred in order to ensure that the target remains attainable). The quality of what is being delivered within the HE system is also increasingly open to question. Other countries in the EU continue to refuse to recognise Foundation Degrees as a degree-level qualification, and their take-up, outside of a few subject areas, is disappointing. Graduate unemployment has risen, and the stock of what might be termed graduate type jobs (i.e. ones where a degree is either essential or desirable in order to do the work effectively) is now far exceeded by the number of those qualified to fill them.

The wide array of state funded adult learning entitlements, coupled with a relatively tight labour market created by demographic shifts and an ageing workforce, means that, compared to many developed countries, the adult workforce now appears reasonably qualified, though problems with adult literacy and numeracy remain stubbornly persistent. Indeed, recent OECD league tables show that, in terms of formal qualifications, the UK workforce as a whole now has a higher level of attainment than the USA.

One of the few blackspots in terms of targets is post-compulsory education participation, where young people have concluded that, in a world where half the labour force entrants now have degrees, and where any qualification below Level 3 produces no discernible return whatsoever (either in terms of higher wages, or access to 'better' employment) continuing study for those not entering HE or a strong Level 3 vocational route makes little or no sense. As a result, despite increasing levels of government spending on Education Maintenance Allowances (EMAs) and Further Education Maintenance Allowances (FEMAs), our participation rates at 17 and 18 remain at the lower end of the OECD league tables.

Employer engagement in VET provision also remains patchy and problematic (particularly with regard to government schemes and the use of the reformed qualifications structure). The government's response has been to continue to make vague threats about moving to a 'post-voluntarist' settlement, and to increase levels of state subsidy, individual entitlement and intervention. The one relatively radical element has been the introduction of a statutory right to educational leave (largely unpaid), which formed one of the centre pieces of New Labour's third term manifesto. As has been the case in many other EU countries that have adopted similar measures, take-up of the leave is patchy and at a fairly low level.

The trend towards an ever-greater emphasis on the education system as the main vehicle for upskilling (or at least raising qualification levels) has continued apace. These approaches are justified by reference to a continuing supposition of widespread market failure within the employer training system.

The VET system remains a complex and shifting jungle. Institutional reform has remained a key government ploy, and the LSC, SSCs, and SSSA have all been subject to major change. The continuing levels of instability in the system, coupled with a multiplicity of partnerships and overlapping remits,



render comprehension of the system's architecture and operation very difficult.

There are two main problems with VET policy. The first is that there are widespread signs that the supply of qualified labour is tending, in many occupations, industries and localities to exceed underlying demand. This is particularly true with respect to graduates, where the 50 per cent target has meant that graduate penetration has increased massively across all sectors of the economy. As the traditional graduate professions are full to capacity, a greater and greater proportion of graduates have penetrated sectors (such as retailing) and occupations that have previously been largely non-graduate. Many of the jobs they are now doing are ones that, in the past, demanded few, if any, formal qualifications. Dispersion in graduate earnings has risen very dramatically, and many students do not repay their loans.

One of the many adverse results of this situation is that positional competition for the still-finite supply of good jobs has become more and more intense. Rows about university admissions policies (particularly those of Russell Group universities) rumble on, with private schools and elite state specialist schools doing all they can to ensure that their pupils gain the places that offer the points of access to graduate recruitment in fields such as banking, consultancy, high-end media work, and other 'blue chip' employers (Brown and Hesketh, forthcoming). Interestingly, public debate does not focus on the recruitment practices of the large graduate recruiters, due to the presumption that whatever they do is liable to support meritocracy and to be driven by an objective reading of the labour market.

The second key problem is that rising qualification levels across the workforce have not been reflected in higher productivity levels, nor has the nature of work for many millions at the lower end of the labour market been transformed. There are a number of potential explanations for this. To begin with, private sector R&D investment remains very low by OECD standards, as does investment in plant and machinery. As ever, many UK firms are keener on dividend payouts and using cash to finance merger and acquisition activity than they are on laying the foundations for organic growth. The public infrastructure, not least in the field of transport, continues to lag behind what is available in other developed economies.

Despite a great deal of effort and the investment of much political capital, the impact of the RDAs, outside of the three regions that opted for elected regional assemblies (North East, Yorkshire and Humberside, and North West), has been limited. To some extent this reflects the fact that they are locked in a zero-sum game. It also bears testimony to their lack of leverage over crucial public investment decisions (e.g. transport infrastructure), where the capital city's tail (as ever) wags the English national dog. SSCs have suffered the legacy of weak inter-firm networks and the artificiality of many of the sectoral groupings into which they have been shoehorned. Most have sunk into acting as delivery agencies for the latest government skills supply initiative.

Moreover, the 'low road' to competitive advantage has still not been blocked off. Labour market and product market regulation remains among the lowest in the OECD. Indeed, the government's anti-poverty policies mean that there are a huge raft of low paid jobs supported by in-work tax benefits – in other words more and more indirect subsidy is being offered to inefficient employers to support their low productivity, low wage strategies. One fast growing segment of this state subsidised labour market has been domestic labour – nannies, cleaners, gardeners, dog walkers – as a new servant class emerges to support the 'cash rich but time poor' professional classes. Naturally, any attempt to interfere in this type of employment would be met with howls of protest by 'middle England' and its representatives among the national press.

In terms of popular debate, these labouring poor remain conveniently semi-invisible, but the evidence that there continue to be many low wage, low skilled (or at least low qualification requirement), dead end jobs has caused policy makers some heartache. However, the general official consensus is that, in part, this is because people have chosen this type of employment (trading off pace of life and pressure against wages). More importantly, those occupying these types of positions are viewed through the lens of personal deficiency models of labour market functioning, whereby their low wages are ascribed to their lack of human capital, dynamism, self-reliance, entrepreneurial talent and drive for self-improvement. They have selected themselves for their miserable lot. The fact that these jobs exist in abundance and demand to be filled by the employers offering them, and the lack of better alternative forms of employment in many local labour markets, is conveniently ignored.

More generally, the quality of working life for all groups has tended to deteriorate. The pace and intensity of work has further increased, the Working Time directive has continued to be implemented in a manner that renders it ineffective, discretion has carried on declining across the board, and the level of employee 'voice' in many workplaces remains minimal.

Income polarisation has grown ever wider, particularly as higher earners in the top decile have pulled away from the rest of society. Between 1997 and 2002, the number of UK individuals earning £100,000 per annum doubled. Since then it has increased several-fold. Just as the low wages and poor working conditions of those at the bottom of the labour market continue to be ascribed to their lack of human capital and to a deficiency model, those at the top justify their massive gains by pointing to the scarcity of the skills they hold and to the vital importance of retaining the motivation of those upon whom economic prosperity rests. Top people's pay, or so it is argued, reflects a human capital regulated meritocracy. Thus, far from a knowledge driven economy in which the skills of the bulk of the workforce make the difference, those at the top argue that it is the skills of the few (perhaps the top 5 per cent of society) that make all the difference and it is they rather than the rest of the workforce who therefore deserve to be richly rewarded.

Overall some now look back to the period from the 1950s to the end of the 1970s as a 'golden age' in which working hours shortened, productivity gains

were shared across the workforce (not least through collective bargaining), income inequalities were narrowing, and social mobility was increasing (albeit slowly). In 2015 this golden age seems a distant memory. Work is getting longer and ever harder, gains are shared increasingly inequitably – winner (or highly placed loser) takes all, income inequality is back to late Victorian levels, social mobility has sharply declined, and there is now sharp positional conflict over the limited supply of 'good jobs' among an increasingly over-qualified pool of potential candidates. The concept of work as a source of dignity, personal respect and self-fulfilment has rarely looked more distant.

Despite these problems and difficulties, the political consensus remains stuck in a familiar groove. The knowledge driven economy is just around the corner, estimates of future skill requirements, if read selectively enough, show rising demand. Further efforts to boost skills, particularly those of the 'bottom half' who are not going into higher education are now the centre of attention. Although there is some hand wringing about the state of employee relations and people management, the path of exhortation and models of best practice continues to be pursued. Much ink has been spilled over the virtues of the high performance work organisation (HPWO) model, but the means of getting the bulk of employers to adopt it remain illusive. In part, this reflects the 'mind map' of the policy community, which continues to rely on a simple reading of human capital theory, on rates of return analysis to individuals investing in skills, and on an implicit presumption that wider forms of intervention are impossible or wrong. Moreover, to change course would be to admit the failure of the dominant trend in policy over the last three decades. As the most of the economy has not shifted of its own volition towards the high skills, high wage model, all that government can do is continue to nudge employers and to try and make the best it can of the low wage, low productivity outcomes being generated by the bulk of firms.

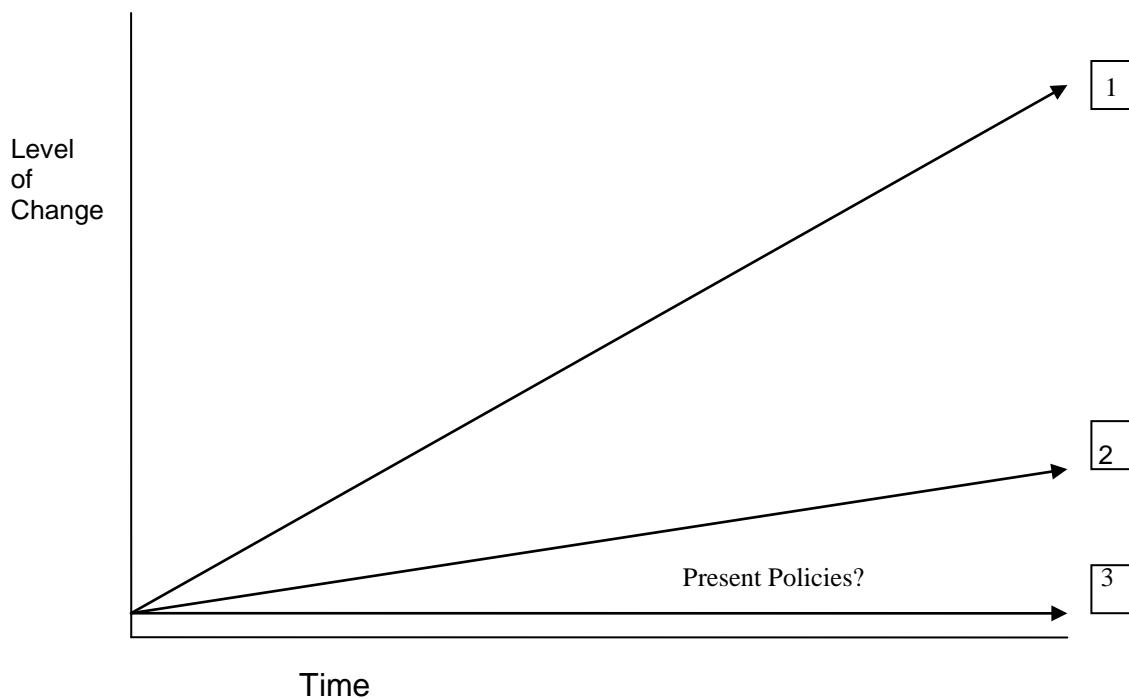
Polarisation has also not only failed to shift political discourse, it has also largely failed to shift political sentiment. For those who have done well out of the last fifteen years the current run of policy is the natural order of things, and any divergence therefrom a threat and an abomination. Those who do well, do so because they work hard and are talented (however that might be defined). Those who do not do well have only themselves to blame. Their talents are lacking and they may well be lazy. The prevalence of this explanation is one of the ways in which English society has continued to Americanise. Those who do less well tend to be politically disenfranchised, not least because none of the main parties has an agenda that directly addresses their concerns.

A new white paper on skills has just been announced.....

### **Overview**

The three scenarios painted above are just that – scenarios – or possibilities. They are not predictions of what the author necessarily expects will happen; they are simply illustrative visions of what might happen. They reflect the bundling of groups of circumstances and incentives, the individual details of which are of course open to challenge.

The scenarios can be represented diagrammatically thus:



As has been suggested above, the value of this approach is not its predictive accuracy, but its ability to illuminate the possible general consequences of choosing one course of action or one type of policy over another. Different directions take us closer to one scenario and further from another. This brings us to a consideration of where current policy trajectories may be leading us.

### **POLICY TRAJECTORIES**

Where we have come from and where we are now heading (in terms of direction, speed and types of ambition for policy) are likely to determine where we ultimately end up. Policy can be described as following a trajectory that can be charted and predicted – at least in part. As things stand, where might current policies be likely to take us?

The general direction of policy across the whole UK over the last twenty years has been to concentrate attention and resources upon the development of a supply-side skills revolution, whereby a step change (or in reality series of changes) in the supply of skills – largely through expansion of the tertiary education system – will enable the transition to our becoming a KDE. Major elements of this strategy have included:

- Massive expansion of post-compulsory education

- Massive expansion of higher education
- Massive and unceasing changes to the organisational structures that plan, manage and fund VET
- Attempts to reform and revitalise a work-based route for initial VET
- Reform of qualifications and of the qualifications structure (still ongoing)
- Increasing central government control of all aspects of VET

As the author and many others have observed on countless occasions, there has been very little attempt to link these reforms with any wider economic development agenda, or to draw any meaningful connections between skills policy and issues such as employee relations systems, work organisation, job design, or quality of working life. Indeed, the argument from policy makers has been that skills and skills alone will provide a sufficient lever to generate the economic transformation that is desired (see, for instance, H. M. Treasury, 2002), which argues that the UK can escape from a low skills equilibrium simply by the government supporting more skills creation).

In this respect, one key point to note is the high level of continuity in policy over the last two decades or more (Keep, 1999). The election of a New Labour government has had limited impact on the trajectory of policy. This is particularly so in the world of VET, where, with the exception of its attempts to involve trade unions in efforts to act as evangelists for the benefits of learning (Union Learning Fund, Union Learning Reps), it is hard to think of a single major New Labour policy that could not have come from either the Thatcher or Major governments. The flipside of this approach has been continued reliance on an equally well-worn set of economic and labour market policies, which avoid a clear vision of the future shape of the economy (or how we would get there), discount the value of possessing any form of industrial strategy, and which continue to stress the benefits of having a deregulated, 'flexible' labour market.

As will be argued at greater length below, current policies have built into them the tendency to take us closer to Scenario 3 than any other. The major discontinuity that has served to disrupt the long-standing consensus within government about how best the skills problem might be tackled, came in the form of the Cabinet Office Performance and Innovation Unit's (PIU) workforce development project which operated in 2001 and 2002 (Cabinet Office 2001a, 2001b, and 2002). The PIU's analysis of the nature of the problem suggested a deep-seated set of structural factors and, critically, that lack of adequate demand for skills was a significant part of the story. The PIU suggested that a much broader-ranging type of strategy was needed to address these issues, one that included attempts to stimulate demand for skills by impacting on wider business strategies.

### **The Skills Strategy – Fast Forward to Failure?**

What are the possibilities for the work of the PIU producing a change in trajectory and the emergence of a major discontinuity in policy? The prognosis, at this stage, is not all that hopeful. The latest white papers (on higher education and the so-called skills strategy) suggest that more of the same, rather than something that is fundamentally different, is what is on offer and that policy makers remain deeply comfortable with, and wedded to, current conceptions of the nature of the skills problem and to traditional supply-side solutions to this problem. If the Skills Strategy can be construed as the DfES's considered response to the Cabinet Office PIU's reports on workforce development, then it suggests that the DfES remain in fundamental denial of the thinking undertaken by the PIU, and that attempts to redefine the PIU's analysis pointed to in *Keep* (2002) continue apace. In this regard, one of the key words and concepts within the English civil service's approach to policy formulation is the verb 'to finesse'. It means to paper over the crack(s) between intention and likely outcome, or between official rhetoric and uncomfortable reality. One of the white paper on the Skills Strategy's main functions is to finesse the tension between the PIU's analysis and the current direction of policy within the DfES.

The Skills Strategy - *21st Century Skills* - repeats a series of long standing assumptions that have formed the basis of DfES policies for the better part of two decades. For example, the old chestnut that, "the global economy has made largely extinct the notion of a 'job for life'", and that therefore employability is key (DfES/DTI/HMT/DWP, 2003: 11), is repeated despite job tenure figures that show that in the UK, overall, job tenure is rising (Taylor, 2002).

The assertion is also made that, "competing on the basis of low wage costs is not an option" (2003: 11), despite the Porter Report (Porter and Ketels, 2003) suggesting that this is precisely the route that many UK organisations have been following very successfully (albeit now with the potential for diminishing returns), and despite the evidence of books such as Toynbee (2003), which demonstrates the existence of a thriving marketplace for goods and services sold on the basis of low cost and supported by low wages, not least in contracted out public services. A similar picture emerges in the USA (see Applebaum et al, forthcoming; Milkman, 1998; Ehrenreich, 2002; Cormier and Craypo, 2000; and Lafer, 2002).

Indeed, one of the most depressing aspects of the white paper is its failure to get to grips with the genuine underlying structure of labour market demand, the nature of relatively low skilled employment, and the reasons for the continued and likely future existence of a large mass of unrewarding, lowly skilled, dead-end jobs. At a number of points the white paper suggests that, "far too many young people and adults are hampered by their lack of skills from getting secure, well paid jobs and all the social and personal benefits that go with them" (2003: point 6 in the foreword). The white paper's authors also suggest that higher levels of education and/or qualification will semi-automatically deliver higher levels of earning to individuals, irrespective of the

nature and level of that upskilling. Both these assertions are open to very serious doubt.

The growth of work in the service sector, particularly in areas such as personal and protective services, and retailing, indicates that there is and will remain a large reservoir of jobs that demand limited levels of formalised skills (Thompson, Warhurst and Callagan, 2001). As Toynbee's (2003) experiences in the UK labour market so starkly demonstrate, there are in fact a large number of jobs – some essential to the continued operation of public services – for which the training requirement is so minimal as to be close to nil.

Qualifications do not attract a premium in themselves; they do so because an employer values the skills they signal and are able to put these to some productive use. In many lower end jobs in our economy the jobs, as currently designed, can be done undertaken with no prior qualifications and no formalised training whatsoever. Toynbee's stark conclusion is:

Education and training will never be the primary solution for low pay for the one glaringly obvious reason that is gently skated over by policy makers. The thin ice is this: come what may, training or no training, millions of people will always be required to sweep and clean and cook and care. However many NVQs they may have in their back pockets, the basic hard grind still has to be done, day in, day out and night-time too.

(Toynbee, 2003: 222)

Forthcoming research from IER and SKOPE on the low skills equilibrium replicates this picture of low and no-skill employment in parts of the private services and manufacturing. Without massive changes to product market strategies, service standards, work organisation and job design, the means of achieving which are not obvious – see below – upskilling those who undertake these jobs will achieve very little of lasting benefit. True, individuals may be able to move up and out to find better work, but someone else will still have to undertake the jobs they have left behind them.

The danger of relying on upskilling to somehow 'magic away' low skilled, low waged work is that it may lead to over-qualification and to skills that are under-utilised or not used at all. On this point the warning offered by Crouch (1997: 369) is extremely apposite and cogent:

The fact that the educationally successful tend to be occupationally successful is the result of a competitive process; if everyone becomes educationally successful according to some existing criteria, then those criteria shift to a higher level. Improved education can be an individual solution because it assists one in

the competitive process, but that very characteristic means that it cannot be a general or collective solution. If education standards are generally rising, then the educational level of persons engaged in any particular occupation will be seen to rise. It does not necessarily follow from this that the skill level of the work has risen. In the long run it possible and often likely that employers will notice the increased capacities among their work-force and start to make use of them in new activities: this is the assumption on which the whole upskilling strategy rests. However, the long term might be very long, with considerable disillusion being experienced meanwhile among those who find their increased education has served only to submit them to increased competition for jobs.  
(Crouch, 1997: 369)

Brown (2003) expands these arguments, and explores how increasing educational supply can fuel heightened positional conflict within the labour market.

One of the key difficulties with current skills policies is their signal inability to cope with the notion that skills and qualifications often act as positional goods in competitions for a limited supply of good or at least better jobs. This is in part because it has to be endlessly asserted that in a KDE the supply of good jobs is expanding fast and that, if we are not careful, the supply of those qualified to undertake them will lag behind.

Also striking within the white paper is the degree to which the DfES has retained control over the policy agenda. One of the key messages hidden within the PIU project reports was the belief that the limits of what could be achieved by skills supply interventions was being reached and that for further major progress to be made new policy actors who had greater leverage over the demand for and usage of skills, such as the DTI and RDAs, would need to become more heavily and visibly involved in policy formation and in the development of a more integrated approach wherein VET was incorporated into some wider business development agenda.

The emergence of this wider agenda is slow in coming, and the white paper suggests a reluctance by the DTI to identify a new role for itself. Although the white paper's authors admit that, "improving skills will not be sufficient on its own to drive greater productivity. But taken together with enterprise, competition, investment and innovation, it (sic) has a crucial role to play" (2003: 17-18), the issues listed receive very limited detailed attention. All that is vouchsafed in concrete terms is:

1. A promise that the DTI's forthcoming Innovation Review will take on board skills issues and try and link them with innovation in support of its drive for greater productivity



2. A review of business support services in order to help reconfigure themselves and thereby provide the kind of help and advice that will raise business aspirations.
3. Vague references to the centrality of the Sector Skills Councils (SSCs) and their collective persona – the Skills for Business Network. It is noteworthy in this regard that the chapter summary for that section of the white paper dealing with the SSCs sets objectives for the SSCs that almost exclusively relate to their role in skills supply and forecasting. The only mention of any wider role in economic and business development is made in relation to boosting productivity.

There is also a great deal of talk about partnership between the various agencies (RDAs, SSDA, SSCs, LSC, and SBS), and the hope that the new Skills Alliance will guide implementation of strategy. Until the Innovation Review and the remodelling of business support services are complete it is hard to know how significant they will be in the long term. Nevertheless, it is difficult to see how, on their own, they will impact on many of the issues that need to be tackled.

Finally, the white paper, despite acknowledging that, “isolated endeavours will not be enough” (2003: 12), and promising that, “the strategy is not predominantly about new initiatives” (2003: 12), then goes on to announce a raft of new initiatives (including a range of government-funded adult learning entitlements), plus references to a plethora of often-tiny existing and planned VET schemes, programmes and wheezes (for example, the DTI’s promised ‘Inspired Leadership Index’ and associated toolkit). The overall impression is that VET supply remains at the heart of what is being assayed – “creating a truly demand-led approach means reforming qualifications, reforming the way we fund colleges, and reforming the way we deliver training” (2003: foreword, point 11). What is promised is yet more, “concerted action to reform the supply and delivery of publicly-funded education and training” (2003: 14), a very traditional DfES preoccupation. By contrast, almost nothing is said about how skills issues could be linked to the take-up of better forms of employee relations and involvement, or how work organisation and job design problems might be tackled. Perhaps most depressingly, the vast bulk of the white paper could have been written at any point over the last ten to fifteen years, which suggests that it represents continuity with past failure rather than a break point and a move towards potentially more productive policies.

If policy has yet to succeed in adjusting to the realities revealed by the PIU workforce development project, what other drivers are there that might lift our trajectory and power use towards Scenario 1? The two normally deployed by policy makers and commentators/pundits of the Leadbeaterian school (see Leadbeater, 2003) are economic and technical change in the face of globalisation, and, associated with this, the development of the labour market in a manner that leads inexorably towards a knowledge driven economy (KDE). Neither of these ‘get out of jail free’ cards/happy endings looks particularly plausible.

## **Global Pressures and Wider Economic Reform**

In the case of globalisation and national economic competitiveness, the government-commissioned Porter Report suggests that the UK is faced with the need to make a step change in the way it chooses to compete, but is trapped in a series of deep-seated, structural-embedded path dependencies that make achievement of the desired paradigm shift in competitive model very problematic indeed. Porter and Ketels' central argument is that:

The UK currently faces a transition to a new phase of economic development. The old approach to economic development is reaching the limits of its effectiveness, and government, companies, and other institutions need to rethink their policy priorities....We find that the competitiveness agenda facing UK leaders in government and business reflects the challenges of moving from a location competing on relatively low costs of doing business to a location competing on unique value and innovation. This transition requires investments in different elements of the business environment, upgrading of company strategies, and the creation or strengthening of new types of institutions.

(Porter and Ketels, 2003:5).

Unfortunately, Porter and Ketels have remarkably little to suggest in terms of how this transition might be managed, and neither government nor organised business interests have any real means of engaging with this type of demanding and broad-ranging agenda. To begin with, many in business are very happy doing what they are doing and have, as indicated above, little appetite for fundamental change. For as long as the current formula produces winnings, it will remain in place. If it starts to fail, the normal response is to do what has always been done, but do it harder (often to try another round of cost cutting). Leaving aside any other considerations, many businesses lack the managerial skills to try anything new with much hope of success. There are certainly few signs that business apprehends that having a low tax regime and, "the lowest level of product market and labour market regulation in the OECD" (Porter and Ketels, 2003: 25), may no longer be a source of competitive advantage. For instance, employer reactions to the European directive on employee consultation reflect a continuing belief on the part of the bulk of firms that de-regulation is best.

Another source of path dependency is the nature of the markets in which UK enterprises are operating. As Mason (2003) has demonstrated, using data from the DfES (and now LSC's) large scale Employers Skill Survey, the vast bulk of businesses see the horizons of the product markets in which they compete as local, regional or, at best, national. No more than 10 per cent of firms saw the prime focus of their product markets being at international level (for details, see DfES/DTI/HMT/DWP, 2003: 49). Given the structure of income distribution in the UK, this means competing in product markets that have a limited capacity to pay for higher value added, higher spec goods and

services, and where a mass market for low cost strategies continues to operate. In this competitive environment, the impetus for radical change will be muted.

The problems for government are perhaps even more severe. If many firms are happy as they are, attempts to shift them up-market become very difficult to pursue. There are a limited number of strategies available:

1. Exhortation and benchmarking (a form of organised exhortation)
2. State spending or state subsidy (often via tax breaks), in part to make good deficiencies in private sector investment, in areas such as R&D, and transport infrastructure.
3. Attempts to alter the wider incentive structure faced by firms
4. Regulation

Firms are generally indifferent to 1, quite like 2, and the government has tried both, albeit without understanding that the figures provided by Mason and cited above explain why endless attempts to invoke the UK's trailing levels of productivity in international league tables have so little impact. To some extent, the hope appears to be that in unspecified ways, and using levers that have yet to be identified, the RDAs and SSCs will undertake elements of strategy 3, but without upsetting powerful interest groups, such as the City. Strategy 4 is firmly off the agenda. This last point reflects the fact that, leaving aside the problems inherent in enlisting a critical mass of firms in any meaningful change agenda, the government's main problem in fronting up to the challenge set by the Porter Report is that it shares much of the neo-liberal, de-regulationist agenda that Porter and Ketels now claims has more or less run its course as a source of competitive advantage.

As suggested above, the problem is one of a desire for intervention-free intervention. Real efforts on strategy 3 might, for example, mean discouraging firms from such strong reliance on merger and acquisition activity as a source of growth, but that would mean taking measures that would affront the UK's one real world class knowledge-intensive cluster – the City of London. Strategy 4 might mean a more genuinely European approach to the management of the labour market.

The chances of these kinds of development are minimal. First, because the government has shown a determination not to confront 'business' except on relatively minor matters. Second, because the Chancellor and the Prime Minister are both in agreement on at least one thing – their mutual admiration for the American business model (or at least what they and their advisors understand that model to be - its actual realities may be somewhat different). This is not unrelated to the point about the power which the City of London wields. As Hutton (2002) and others (see, for example, Marginson, 1994) have illustrated, the links, in terms of inter-penetration of ownership between the US and UK business, capital and financial systems, mean that American

ways of doing things have a strong influence over UK business and politics (not least in terms of senior executive pay and notions of shareholder value). The UK has increasingly become, in business terms, a form of 'little America', with all that this implies for the capacity of government to frame attempts to intervene in the market that do not founder on the iceberg of neo-liberal sentiment.

Not that there are many signs that anyone in government is keen to test the limits of possibility on this front. Even if the political world were to change its conception of the nature of the problem, it is far from clear that the bulk of civil servants or staff in the other relevant policy agencies would be keen to follow suit. The author has been struck in recent years by the continuing adherence by a substantial majority of those in the policy community to an anti-interventionist stance, whereby the state may seek to boost the supply of skills, but may not interfere inside the black box of the firm wherein the skills are being used, or 'second guess' employers' skill usage strategies or product market strategies in any way. Government intervention in the workings of the market for skills is endlessly justified on the grounds of persistent and widespread market failure (though the evidence base to support this assertion is exceedingly slender).

In realms outside the VET supply system however, the invisible workings of the market are assumed to be sufficient (and conveniently not subject to market failure), and if not sufficient, unalterable. Such a set of beliefs makes it very hard to draw useful links between skills and many of the issues highlighted by either the Porter or PIU reports – product market and business strategies, people management systems and processes, and innovation strategies – because these are not fit subjects for direct government intervention above and beyond the usual exhortation.

Despite apparent acceptance that parts of the economy may be locked in a low skills equilibrium (DfES, 2003; HMT, 2002; DfES/DTI/HMT/DWP, 2003) of the type originally outlined by Finegold and Soskice (1988), there appears to be little realisation of what this implies for the scale and type of policy intervention required to tackle the problem. Skills cannot be linked very explicitly to any wider vision of what the future shape of the economy ought to look like, because that shape will be determined by the atomised workings of the market, and is not amenable to legitimate influence by government. An industrial strategy is therefore impossible, because it would mean 'picking winners', and many policy makers are convinced that government cannot and should not seek to attempt such a choice. Perhaps the key passage in *21<sup>st</sup> Century Skills* is the one where it is announced that:

**It is not for Government to tell private business what products and services to invest in.** But it is the Government's role to offer support to businesses to increase productivity and invest in innovation, so that they stand the best chance of success. That means encouraging and helping employers to invest in skills and training in a more strategic way, linked

to business strategies, human resource strategies  
and product-market strategies (*emphasis added*)  
(2003: 22-23)

The problem is that if, as outlined above, firms are locked in a low skills equilibrium, are consequently subject to path dependency problems, and are managing (for the time being at least) to make reasonable profits via this route, government support may simply make them slightly better at what they are currently doing, rather than actively encourage them to raise their game and undertake a step change.

The policy makers also seem to be blissfully unaware of the massive scale of the problem they face. The key finding from all of the research undertaken in support of the work of the National Skills Task Force (NSTF) was this, when asked (as part of a very large scale survey exercise) whether or not they were implementing or about to implement plans to move into new higher quality product or service areas with higher profit margins, no less than 60 per cent of firms responded that they were happy where they were (NSTF, 2000: 117). This is the size of North face of the Eiger that the RDAs, SSCs and business support services are supposed to be climbing. As Ashton and Green (1996), and Brown et al (2001) illustrate, in other developed countries governments have felt obliged to take more proactive and directly interventionist roles in support of a vision of where they wish their nation's economy to be in the future.

The corollary of these policies of denial is the continuing strength of belief that our skills 'problem' can be defined largely in terms of weaknesses in the mechanisms of supply, and that the economy is constrained by large-scale skills shortages and deficiencies of one sort or another that the state does have a major role in remedying. In this respect it is instructive to note that in the Skills Strategy the quote offered above is framed underneath a title proclaiming the requirement to be, "strengthening the supply of skills to deliver what employers want in the way they want it" (2003: 22). In this respect, the continued adherence to a skills supply led strategy in no small part rests on the fact that it provides government with a form of intervention that is ideologically acceptable, can be framed within a neo-liberal paradigm, and (so long as expansion is funded from general taxation) is acceptable to business.

Thus the 'iron cage' of policy thinking (Keep, 2002: 476) remains firm locked, bars unbroken, with the government and its policy machine trapped inside, prisoners of the shackles of past policy and of a set of ideological assumptions that make escape and hence progress unthinkable. More skills supply initiatives, coupled with the dream of 'intervention-free intervention' remains the best that can be attempted.

### **The Knowledge-Driven Economy – the Uninformed in Pursuit of the Non-Existent?**

The KDE represents a useful (from a policy maker's point of view) escape route from reality that allows the inexorable workings of the labour market, coupled with mysterious competitive and technological developments, to

usher in - any day now - an economy and society in which high and ever-increasing levels of skill and qualification are essential for all. For a recent example of the KDE vision in full flow, readers are directed to the latest tome from Charles Leadbeater, which offers the following prognosis:

In a knowledge economy, in which technology is cheap and ideas are the source of value, more and more of the assets that matter will be owned by this new breed of independents. Firms will increasingly become alliances of independent knowledge workers, brought together to jointly store, combine and create knowledge. The culture of work in these companies will have to be highly collaborative.....The only way to make this work is if knowledge workers are increasingly able to self-manage their work. The employment contract that allows managers the right to issue instructions will become increasingly at odds with this emerging self-management culture of knowledge work....the growing importance of knowledge and learning will corrode and outmode traditional capitalist forms of organization based around the employment contract. A different kind of economic system will be born, not from socialism, but from an evolution within capitalism. (Leadbeater, 2003: 222-224)

The problem is that policies that rest upon the arrival of this kind of KDE utopia are framed in pursuit of a mirage. As a number of academics have argued – Crouch, 1997; Crouch, Finegold and Sako, 1999; Thompson, Warhurst and Callaghan, 2001; and Brown, 2003 – evidence for the existence of a KDE is lacking. Indeed, if the KDE is meant to cover the bulk of the workforce then the evidence suggests that its arrival is a very distant prospect indeed. Brown and Hesketh (forthcoming), and Brown (2003), demonstrate all too clearly, even the USA – surely the model for the KDE – does not show many signs of developing a labour market where the bulk of the workforce will require particularly high levels of skill. What emerges is a picture of an economy in which there are islands of high skill (geographic clusters, sectors and a few occupations) set amidst a sea of low skill service work (Applebaum et al, forthcoming).

If the USA is not showing any great signs of transforming itself into a KDE, the prognosis for the UK is even less promising. Future labour force trends suggest increasing polarisation, with growth in high skilled professional and managerial occupations, but also extensive demand for labour in low skilled occupations at the bottom end of the occupational spectrum (Campbell et al, 2001). Far from the emergence of Leadbeater's autonomous knowledge worker, current empirical evidence points to a workforce facing declining task discretion and autonomy, increasing work intensification, and declining levels of employee commitment – Taylor, 2002; Cully et al. 1999; Felstead, Gallie and Green, 2002). His predictions of the rise of self-employed 'independents'

also seems wide of the mark – self-employment has been falling steadily over the last decade (Taylor, 2002).

Unfortunately, the absence of any compelling evidence to support the emergence of a KDE in the UK has in no way dampened the enthusiasm of policy makers for deploying this rhetoric or vision, and for using it as the hook upon which the case for a further expansion of the supply of skills can be hung. Indeed, the capacity of this vision to exist autonomously from any objective evidence for its existence as some form of meaningful social and/or economic reality suggests that the KDE has a semi-religious dimension whereby its existence rests in essence on an act of faith. If Grubb and Lazerson (forthcoming) talk about a vocationist ‘gospel’ within US discourse on VET, then the KDE’s existence forms one of the articles of faith within this new gospel. To put it another way, the concept of the KDE is important not because it necessarily reflects any concrete reality, but because it provides the ‘god in a machine’ whose arrival will ensure a resolution and happy ending to the VET policy narrative.

### **Paths to Glory or the Road to Nowhere?**

The foregoing has argued that policy continues to persist in the comforting belief that the high skills vision will just happen, and that the main role for government can safely be confined to increasing the supply of skills. This is a major misreading of likely events, and is liable to lead to serious disappointment. Unfortunately, reliance on a narrow skills supply agenda and the unrolling of some form of manifest national destiny means that the kind of policies that might deliver Scenario 1 are not currently on the horizon of political possibility. At the same time, many current policies have the tendency to drive us closer to Scenario 3. For example:

- Current trends in executive pay are steadily widening income inequality.
- As Brown and Hesketh (forthcoming) demonstrate, the expansion of higher education is already intensifying positional competition for a limited supply of good jobs and is liable to lead to heavy levels of over-qualification. More generally, over-reliance on expansion of human capital to resolve social inequalities is failing to deliver (Brown, 2003).
- Working Families’ Tax Credits are providing state subsidy for many deeply inefficient employers (see Toynbee, 2003).
- Many firms in many sectors of the economy are continuing to make a success of product market strategies based on low price as the chief selling point.
- Expanding parts of the service sector are generating a large store of low wage, low or no skills jobs.
- Existing data suggests that the quality of working life and of employee satisfaction and ‘voice’ is deteriorating (Taylor, 2002).

- At a regional level, over-qualification and the under-utilisation of skills is already a problem (see Hepworth and Spencer, 2002)
- Social mobility is declining.

It is hard to escape the conclusion that the general flow of current policies is taking us closer to Scenario 3 than any other, and that, short of some major change or intervention (the form of which is very difficult to imagine) concerted moves towards Scenario 1 and the high skills vision remain an exceedingly distant prospect. The main choice in terms of what might be achieved in the next decade appears to rest on whether we can make it to Scenario 2 rather than 3. The argument above suggests that, on the whole current structures and policy trajectories take us towards 3, and that achieving 2 would require us to raise our policy game somewhat. This would not, given the way policy is made and the pace at which its direction tends to change (see below) be a minor achievement.

One thing that may aid efforts to push policy towards 2 is liable to be tendency for the gap between policy rhetoric and reality to continue to widen and to possibly become more obvious. In essence, mirroring the three scenarios presented above, it could be argued that there are three parallel ‘realities’ currently co-existing somewhat uncomfortably alongside one another:

1. The KDE Vision, to which government and its agencies aspire.
2. The realities of the current VET system, which are increasingly supposed to be geared to delivering 1.
3. Actual current and likely future developments in the labour and product markets in England and the demand for skills they will produce.

As policies progress in pursuit of 1, the gap between what the VET system is delivering and what the labour market actually requires are liable to widen rather than close, particularly in relation to those at the lower end of the occupational spectrum. Exposing issues such as under-utilisation of skills, over-supplies of skilled labour, and the continuing absence of large-scale productivity gains ought to be a key role for researchers. This brings me to the part the research community might seek to play in shifting policy thinking.

### **A GRAMMAR OF POSSIBILITIES - ISSUES FOR THE RESEARCH COMMUNITY**

In his theological writings the Archbishop of Canterbury has pointed to the concept of “a grammar of human possibilities” (Williams, 2000: 7). This author in turn would like to suggest to the VET research community that one of its chief roles in the future is to continue to develop an expanded grammar of VET policy possibilities with which to confront the policy community. The present theoretical basis of government policy in this area is narrow and impoverished, and the range of policy moves that are being considered is unduly restricted and poorly focused. Our task is to try to widen horizons and



to think the unthinkable, because if we do not do it, it is hard to see who else can or will. It will not be easy.

In a world where there is ostensibly 'evidence based policy making', it might be expected that the void between the academic and policy communities' respective understanding of the skills problem and its possible resolution would be closing quite rapidly. As this paper has suggested this is sadly not proving to be the case. Policy remains the victim of a deep form of path dependency, and policy makers by and large remain wedded to use of research as the source for the one-off, isolated 'killer fact' that will support whatever policy has already been decided upon. It is extremely rare for policy makers to start with the research and ask what lessons it might hold for the direction and shape of policy. The opportunity presented by the PIU project was an unusual one – indeed the only time that the author can recall in his entire career in which central government policy makers sat down with a blank sheet of paper and asked themselves searching fundamental questions about the theoretical basis for skills policy. Its like will not come again all that rapidly.

Another issue is the recent arrival of new players in the policy game – the SSDA, the DTI, and HMT. This development represents, from an academic point of view, both a cost and an opportunity. The cost is implicit in having to deal with an ever larger and fragmented English policy community (and that before turning to deal with the Scottish, Welsh and Northern Irish administrations, and the English regions). The opportunity comes in the shape of new players whose central remit potentially aids their ability to link skills to wider economic and structural issues. The DfES obsesses about skills supply, in part at least, because that is what it controls. It has no real remit for, nor understanding of, competitiveness or people management issues.

These new opportunities are best exemplified in the shape of the DTI, which is relatively well-positioned, if it chooses, to work with other partners, such as the LSC, SSDA and SSCs, the Small Business Service, and RDAs, and to evolve less narrowly-focussed solutions to the skills problem. As the central government department with prime responsibility for competitiveness and innovation, as well as employment relations (including work organisation and job design), the DTI is well placed to develop and take forward the kind of policies that the PIU project suggested might be needed to begin to stimulate long-term demand for skills within employment and to ensure that those skills are then used to maximum productive effect. The fact that the Skills Strategy provides for a new arrangement of joint DfES/DTI overview of the SSDA's activities is significant, not least because it may help the SSDA to ward off attempts by the DfES to reduce it and the SSCs to delivery agents for the DfES's latest skills supply wheezes (for example, Foundation Degrees). It is also already apparent that the DTI will be a major player in the design and commissioning of central government research on VET. It is therefore essential that the research community try to help these new players to gain a thorough understanding of the real issues that confront them.

Experience suggests that this will prove to be a marathon rather than a sprint. Policy makers' understanding of the problem often moves at pace wholly out of sync with that of the academic world. For instance, Finegold and Soskice advanced their theory of the low skills equilibrium in 1988. It took until the dawn of the 21<sup>st</sup> century and the PIU workforce development project for the official world to acknowledge that the concept might furnish a useful tool in terms of guiding policy analysis. Those in the academic community looking for large, quick, easy wins are liable to be disappointed. The task that faces us more closely resembles a long, hard slog.

Issues and topics that need to be chipped away at include:

- The inextricable interconnection between what organisations are trying to achieve and the skill profiles they need to do this.
- The place of skills within organisational strategy (a fourth order issue).
- The real future shape of the labour market and the implications for skill demand and usage.
- The persistence of low wage, low skill employment.
- The ways in which low skills equilibrium can make it rational for firms to pursue a low skills route and the levers that would be required to change this.
- The linkages between skills, and employee relations and personnel management issues.
- How work can be re-organised and jobs re-designed in order to boost the use of skills.
- The links between labour market regulation and skill usage.
- The limits to what expanding educational opportunities can deliver, in both social and economic terms.

In pursuing this agenda, what is there to play for? This paper has argued that, for the foreseeable future, the full-blown knowledge-driven economy model or the high skills vision are not likely to be realisable. What can be achieved within the timescale deployed in the scenarios outlined above might be movement closer to the state of understanding and play outlined in Scenario 2. This would deliver limited but important gains, and would make the basic underlying choices facing politicians and officials much narrower and starker. Where policy makers might then choose to go is not at all clear. As Lloyd and Payne have indicated, both in their paper to this conference, and in earlier outputs (see, for example, Lloyd and Payne, 2002), the problem of agency and of political willingness to undertake fundamental economic and social reforms and to confront very powerful vested interests within society and the economy, would remain.

This endpoint may not seem like a particular glittering prize, given the work it would take to get there. The only defence the author can offer for urging colleagues along this rather rocky and uphill road towards not a New Jerusalem, but a junction on the possible route thereunto, is to suggest that in the absence of such efforts, the most likely, if not inevitable, outcome is the distinctly distopian world outlined above in Scenario 3. Leadbeater (2003) calls for 'militant optimism', the author of this paper would much prefer militant realism – it is a more powerful and potentially constructive weapon.

\* The 1<sup>st</sup> Scenario in this paper draws heavily on Keep, 2000.

\*\* The 'watchwords' are drawn, in part, from a presentation given by Professor Tom Kochan to the ESRC Future of Work International Symposium, London 24<sup>th</sup> June, 2003.

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