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**GLOBALISATION, MODELS OF COMPETITIVE ADVANTAGE AND  
SKILLS**

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## **Editor's Foreword**

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## **Abstract**

This paper examines a profound paradox in current thinking on the process of globalisation. The paradox is this: many commentators, particularly those living in Anglo-Saxon countries, see one of the main likely outcomes of globalisation as being the triumph of the Anglo-Saxon business model of shareholder value capitalism and its dominance over other models of capitalism. At the same time, there is a widespread belief that high levels of skill and advanced people management system that embrace high performance methods of organising work will be the key to business success in the 21<sup>st</sup> century. However, a considerable body of research indicates that the Anglo-Saxon model of management, coupled with its interaction with financial systems and consumer markets, renders it extremely difficult to adopt this high performance workplace model or to invest in high levels of skill for the bulk of the workforce.

This paper explores these issues. It looks at the degree to which globalisation has come to be associated with the spread of the Anglo-Saxon business model; and examines the parallel model of the high performance, high skill workplace, adoption of which bodies such as the OECD have suggested is the only means of securing competitiveness in a globalised economy. The paper then explores the central paradox, that the high performance, high skills model is apparently hard to nurture within an Anglo-Saxon business environment, and seeks to suggest why many UK firms find it hard to do what they are repeatedly told is good for them.

The final section suggests some possible consequences, in terms of both what impact adoption of the Anglo-Saxon model might have on the skills and IR systems of other developed countries, and, conversely, what impact their adoption and modification of selected elements of the Anglo-Saxon business model might have on the UK and USA.

## INTRODUCTION

The central argument made in this paper is that there is a powerful and profound paradox embedded in current thinking and developments (at least as viewed from the UK) as they relate to the process of globalisation. The paradox is this: many commentators, particularly those living in Anglo-Saxon countries, see one of the main likely outcomes of globalisation as being the triumph of the Anglo-Saxon business model of shareholder value capitalism and its dominance over other models of capitalism. At the same time, there is a widespread belief that:

Each country depends for its livelihood on the wit, wisdom, agility and adaptability of its people; and on the continuously regenerated capacity of employing organisations to use those abilities to create products and services that other people and organisations are prepared to pay for.....Key to this is the design of jobs and work organisation on the one hand and skills development on the other.

New research shows how high-performance work organisations achieve results....If we want people to make the contribution that sets out our organisation from the rest, we have to make sure that we have the learning and organisational support systems they need.  
(Armstrong, 2000:1)

Unfortunately, there is a considerable body of research that indicates that the Anglo-Saxon model of management, coupled with its interaction with financial systems and consumer markets, renders it extremely difficult to adopt the high performance workplace model or to invest in high levels of skill for the bulk of the workforce.

This paper explore this issue. In terms of structure, the paper looks first at the degree to which globalisation has come to be associated with the spread of the Anglo-Saxon business model. It then turns to examine the parallel model of the high performance, high skill

workplace, adoption of which bodies such as the OECD have suggested is the only means of securing competitiveness in a globalised economy. The paper then explores the central paradox, that the high performance, high skills model is apparently hard to nurture within an Anglo-Saxon business environment. The reasons for this are probed and then the implications of this situation for skills and training policies are discussed. The final section suggests some possible consequences, in terms of both what impact adoption of the Anglo-Saxon model might have on their skills and IR systems, and, conversely, what impact their adoption and modification of selected elements of the Anglo-Saxon business model might have on the UK and USA.

## **GLOBALISATION AS THE INEVITABLE TRIUMPH OF THE ANGLO-SAXON MODEL OF CAPITALISM?**

Particularly in the 1980s, there was much debate about alternative models of capitalism. A distinction was drawn between three models: the Anglo-Saxon, the Continental European, and the Japanese. At the time this was very much in the context of the long-term economic success of Germany and Japan in comparison to most other developed capitalist economies. Contrasts were drawn along several dimensions. Prominent among these were structures of corporate ownership and associated means of controlling and rewarding senior management. However, there were other important elements which included: relationships between government and private enterprise; the role of corporatism in general and unions in particular; inter-firm relationships; employment relations and attitudes to worker security of tenure. One important aspect of all this concerned attitudes to relative roles of the individual and the collective in economic life. In contrast to the other two models of capitalism, the Anglo-Saxon one was alleged to prize the former at the expense of the latter. In this view the individual unit should be the important focus. Firms should not act in larger groups and governments should deal with them on an individual basis. Management should deal with individual workers rather than with the union. A modern manifestation of this is reflected in discussions about labour market “flexibility”. This term has many meanings at both the macroeconomic and microeconomic level (see Casey, Keep and Mayhew, 1999), but underlying discussion is a view that: (a) flexibility is good for economic success and (b) the Anglo-Saxon model delivers the most flexibility.

The debate has moved on since the 1980s. Much ink has been spilled on explaining just how extensive the alleged differences between the various models in effect were. Most significantly, much wind was taken out of the sails of the advocates of alternative models by the German and Japanese economic failures in the 1990s (see, for example, Streeck, 1997). Even before that, authors such as Ron Dore had speculated about a sort of systems Darwinism which might lead the Anglo-Saxon model to dominate, notwithstanding the virtue of the alternatives. Today there appears to be a consensus that at the very least there has been some convergence towards the Anglo-Saxon model, though still with substantial differences of practice between and often within countries. Within the specific field of employment relations this is very much the conclusion reached by Katz and Darbishire (1999) in a comparative study of the USA, the UK, Australia, Germany, Japan, Italy and Sweden.

## **HIGH SKILLS AND THE HIGH PERFORMANCE WORKPLACE MODEL – KEY SOURCES OF COMPETITIVE ADVANTAGE IN A GLOBALISED MARKETPLACE?**

The origin of the idea that skills are critical to economic success is a group of American economists; Gary Becker, Lester Thurow, and Robert Reich (1983) (Secretary of State for Labor in the first Clinton administration). Becker's human capital theory provided (at least in part) the underpinning assumptions that allowed writers like Thurow and Reich to argue that the rules of international competition have undergone a paradigm shift, and that, as a result, skills now form the sole long-term source of competitive advantage within the developed world. The following quote from Thurow gives a flavour of the argument, and of the style in which it is put across:

Show me a skilled individual, a skilled company,  
or a skilled country and I will show you an individual,  
a company or a country that has a chance to be  
successful. Show me an unskilled individual,  
company or country and I will show you a failure  
in the 21st century.

In the economy ahead, there is only one source of  
sustainable competitive advantage - skills. Everything  
else is available to everyone on a more or less equal  
access basis.

(Thurow, 1994:52)

This analysis has been extremely influential within the OECD and has had a significant effect in shaping national level policy in the USA and the UK.

At the same time, there has been a strong belief by policy makers in a parallel, and arguably linked, concept – that of the high performance (or high involvement) workplace, wherein people management systems encourage “a virtuous circle of partnership, high trust relations and skills development” (Keep, 2000:11). Within such workplaces, work organisation and

job design has been reconfigured to allow employees greater autonomy and discretion and to maximise job satisfaction and hence employee commitment.

## **THE CENTRAL PARADOX**

What this paper argues is that there exists a central paradox within the Anglo-Saxon model of capitalism. Put simply, the thesis outlined above suggests that, from a UK or US perspective, globalisation means the ultimate triumph of a shareholder value rather than multiple stakeholder model of capitalism, while at the same time acknowledging that to remain successful in globalised markets, firms in developed countries must invest heavily in skills and put in place the kind of high trust, high involvement, high discretion work systems that can maximise the productive utility of such skills. Unfortunately, what research from the USA and UK tells us, is that there are important elements within the Anglo-Saxon model of capitalism that tend to limit the ability of, or need for, enterprises to invest in skills and to adopt the high performance workplace model.

In the USA - ironically the 'home' of the high performance workplace model and of strategic HRM - "the low-wage, low-trust, low-skill, 'low road' is the path most US firms are following" (Milkman, 1999:38; see also Gordon, 1996; and Ichniowski et al, 1996). Rather than seeing a shift towards the high performance model, the US has instead witnessed the emergence of a model of people management in which job security has declined, and work intensification and stress levels increased (Cappelli et al, 1997). This style of management tends to discourage investment in skills and undermines employee commitment.

This situation has led one distinguished US commentator to remark:

Something very strange is occurring in organizational management. Over the past decade (numerous studies) have demonstrated the enormous economic returns obtained through the implementation of what are variously called high involvement, high performance or high commitment management practices....But even as these research findings pile up, trends in actual management practices are, in many instances, moving in a direction directly

opposite to what this growing body of evidence prescribes....  
firms have sought solutions to competitive challenges in places  
that are not very productive - treating their businesses as  
portfolios of assets to be bought and sold in an effort to find  
the right competitive niche, downsizing and outsourcing in a  
futile attempt to shrink or transact their way to profit, and doing  
a myriad of things that weaken and destroy their organizational  
culture in efforts to minimise labour costs - even as they repeatedly  
proclaim that 'employees are our most important asset'  
(Pfeffer, 1998:xv-xvi).

In the UK context, these depressing findings are replicated by data on the take-up of the higher performance model. The bulk of research, from both case studies (Dench et al, 1998; West and Patterson, 1997; Ackroyd and Procter, 1998; Guest, 2000), and from survey's such as the DTI/ESRC's 1998 Workplace Employee Relations Survey (WERS) (Cully et al, 1999) shows that highly routine, relatively lowly skill jobs, offering very limited opportunities for trust, creativity or discretion remain prevalent in the UK economy. Indeed, data from WERS suggests that the percentage of UK firms that have in place well-developed high performance work systems is very small - probably no more than 2 per cent of the sample.

This figure, coupled with the large number of workplaces that WERS found where a majority of the workforce were viewed by their managers as being 'unskilled' (see below), has led one team of commentators to suggest, "if Peters' (1987:302-3) uncompromising words, "the only possible implementers' of a strategy of quality production are committed, flexible, multiskilled, constantly re-trained people, joined together in self-managed teams", the UK clearly has a very long way to go" (Bach and Sisson, 2000:22). Even in sectors where the UK enjoys a strong global presence and a record of success, such as aerospace and pharmaceuticals, research suggests that the penetration and spread of the high performance model is very limited (Lloyd, 2000) and that the main routes to competitive advantage are seen to be via merger and acquisition and cost cutting.

If the high performance workplace model is essential to long-term competitive success, why has take-up been so limited? The reasons seem to be embedded in the nature of the Anglo-Saxon business system, in de-regulated labour markets, and the structure of domestic

consumer demand. In the sections that follow we examine these barriers in greater detail, starting with the problems of linking business strategy to people management systems and training activity.

### **Business Strategy, Human Resource Management Strategy and Training**

The first set of reasons for weak take-up of the high performance model is concerned with the often complex relationship between business strategy and people management policies. Policy makers in the UK assume, usually implicitly, that there are strong, clear and simple links between business strategies, people management systems, and training. This belief is supported by the idealised model of strategic HRM, which argues that strategic HRM is about developing people management systems that are integrated within and support strategic business objectives. Once such a link has been established, the textbooks suggest, skills and training can then, in turn, be linked into the framework set by both the business plan and the HRM strategy. As long as the 'fit' between business strategy and HRM strategy, and between HRM and training strategies, is good, all will be well.

Unfortunately for all concerned, this textbook model is rarely implemented, and may not be implementable. Why is this? To begin with, it is unclear whether many British businesses have strategies in the sense that they are frequently described in the prescriptive literature. Detailed, relatively stable plans covering product market strategy, product quality, marketing and other issues are often absent. Strategy quite frequently is 'implicit' (i.e. it is not spelt out in any detail and tends to be what the company lands up doing as the result of a range of internal and external forces, rather than as the outcome of any detailed, conscious planning activity).

Even where strategy is explicit, it may be relatively unstable over any length of time. It is by no means unusual to encounter organisations that have decentralised, re-centralised and then moved to another organisational form in the space of eighteen months. Coupled with this is the tendency for organisations to 'fad surf', often at the whim of an individual senior manager. The result are waves of supposedly profound, but in reality somewhat short-lived 'change programmes', centered on whatever happens to be the latest management fashion - centralisation/de-centralisation, business process re-engineering (BPR), total quality management (TQM), or e-commerce. As Bach and Sisson point out (2000:19) these waves of

change management measures at ever-shorter intervals "have given rise to 'initiative fatigue' and contributed to increased levels of employee and managerial cynicism (Dean et al, 1998; Doyle et al, 1997). From the perspective of this review, the point to note is that this fad surfing makes it extremely difficult to gear training to strategy, because strategy and the direction of the organisation is a rapidly moving target.

Moreover, in many Anglo-Saxon organisations strategic management takes place, not through detailed plans, but by means of a set of profit maximisation and cost minimisation targets set by the centre and cascaded down through the various business units. There is no central blueprint, merely a propensity to invest in those businesses that do well and punish those who perform badly. Strategy is devolved, and the centre adopts the role of investment banker. More generally, there is a well-established tendency to 'peer at the business through numbers' (Purcell, 1989:85). For a more detailed, but clear and concise review of these issues and their impact on the ability of organisations to integrate personnel within wider business strategy, see Purcell, 1989. Set against this backdrop, the classic US conceptual framework for strategic HRM and its linkages to strategic organisational objectives (Devanna, Fombrun and Tichy, 1984) functions somewhat imperfectly.

Moreover, research on the integration of HRM and personnel issues with strategic management indicates that in the vast majority of organisations, skills are normally a fourth order issue (Purcell, 1989). First order issues relate to product market and competitive strategies and strategic investment decisions (often mediated through portfolio planning systems), second order decisions cover internal operating structures (divisionalisation, the use of strategic business units, etc). HRM matters normally appear as third order decisions that follow on from decisions about first and second order strategies. Skills issues nest within HRM, often a relatively low level. Outside of a few areas, such as the performing arts, business consultancies and very knowledge intensive industries (such as high level software development), skills are rarely treated as the starting point for competitive strategies or impinge directly on other aspects of first order business planning.

This line of argument is supported by evidence amassed over time that training and skills issues have rarely been integrated within senior management planning in UK organisations. In 1985 Coopers and Lybrand, in their landmark report for the UK government, *Challenge to Complacency*, concluded that, "few employers think training sufficiently central to their

business for it to be a main component in their corporate strategy; the great majority did not see it as an issue of major importance" (1985:4). Not much has changed. Rainbird's case study research in 21 organisations (mainly large, private sector organisations) indicated that training was poorly integrated into wider personnel or business planning (Rainbird, 1994).

More recently, detailed analysis of data generated by the Workplace Employee Relations Survey suggests that the spread of sophisticated training practices is very limited, and that one of the major problems centres on training's links to business planning. Edwards (forthcoming) finds that if we use as a measure of workplaces with a high level of training those where 60 per cent or more of the workforce has had off-the-job training in the last year, and that the average time spent per worker was two or more days, then 28 per cent of UK workplaces qualify. However, if the requirement for the training to be included in a strategic plan is added on, the percentage falls to 15 per cent. Finally, if a sophisticated approach to training requires some form of discussion of the training plan's contents with employee representatives of some sort or other (as would be the norm in much of the rest of Europe), the proportion of workplaces qualifying as sophisticated trainers falls to just 3 per cent.

Finally, as the government's Skills Task Force (STF) concluded:

the Task Force's research suggests that skills tend to be a neglected issue when employers are formulating their business strategies. There must be a question therefore about whether employers properly evaluate their skill needs and, even where they attempt to do so, whether they give full consideration to these needs before they embark upon a particular product market strategy.

(STF, 2000a:19).

It is important to understand that these problematic and weak links between training and business strategy mirror wider difficulties with the operationalisation of the textbook model of HRM and the general integration of people management issues into high level business planning. Evidence amassed over the last decade and a half indicates that in both Britain and America, despite endless exhortation strategic business planning and choice of product market

strategy, product quality and production technologies often remains divorced from people management issues. The problems with training and skills nest within this general tendency by senior management to ignore all manner of personnel issues. Also, as suggested above, it also means that the adoption of the kind of personnel practices associated with the high performance workplace model espoused by the OECD and the European Commission remain a distant dream for the vast majority of the UK and US workforces.

### **The Risk from Step Change to a New Model**

A second potential explanation thrown up by research is that moves towards the high skilled, high performance workplace model run into the problem that its benefits spring, not from the deployment of isolated techniques, like Total Quality Management (TQM), but from the ‘bundling’ together of a range of practices into a coherent, inter-linked, and mutually-supporting package (Huselid, 1995; Pil and McDuffie, 1996). This means that to secure the full benefits, wide-ranging and therefore inherently risky change must be embarked upon (Pil and McDuffie, 1996). Such change often takes time to implement, and, without a high level of senior management commitment, may be undermined by job insecurity (not least on the part of managers), or overtaken by short term pressures (Bach and Sisson, 2000). The current notion of shareholder value has placed a premium on management strategies that minimise risk and uncertainty and which can claim to deliver measurable financial gain over a given, usually relatively short, period of time. As the industry secretary in previous Labour administration admitted, “all too often at the moment company directors feel they are under a legal duty to put the short-term interests of their shareholders above everything else. What we need is an approach which allows directors to take a long-term view” (The Guardian, 29 May 2001). Such attitudes and expectations on the part of senior management render problematic the risky and unpredictable process of comprehensive re-design of working practices.

### **The Structure of Domestic Demand in the UK**

Third, income structure in the UK means that there is a relatively sizeable proportion of the population who will have relatively little choice but to buy many of the goods and services that they require largely on the basis of price rather than quality (for an overview, see Goodman et al, 1997; for research detailing the impact of poverty on choice, see Gordon et al, 2000). This structure of demand has profound implications for the product market strategies

and hence skill requirements of those UK organisations, particularly in the service sector, that cater mainly for and to the domestic UK market (Keep, 2000). A country that is home to one fifth of the EU's poor (as defined by the EU) is likely to face problems with demand for skills.

### **The Lack of an Impetus from Labour Market Regulation**

The problems outlined so far are compounded by the relative absence of any reinforcement effect from wider labour market regulation by the national state. As Streek (1989) has argued, relatively tightly regulated labour markets help cut off the option of cost-based competitive strategies, and through raising the cost of labour and giving its representatives legal rights to information and consultation, heighten the salience of the management of employees as an issue for senior management attention and company strategy formation. Such rights may also form the basis for moves towards high involvement work systems and forms of work organisation and job design that maximise discretion and skill usage. They are therefore also liable to lead to an increase in the overall level of workforce training. As this section will suggest, the UK illustrates what happens in the absence of such a supportive external environment.

For instance, the UK and the USA jointly hold bottom place in the OECD's table calculating the intensity of labour market regulation. When compared with the rest of Europe the UK's lack of strong labour market regulation systems is very noticeable. For example, van de Velden and Wolbers (2001:8) calculation of the intensity of employment protection (based on OECD data) in different EU countries affords the UK a clear bottom place, with the most minimalistic protection. The scale of the difference between the UK and the rest of the EU is striking. Van de Velden and Wolbers allocate a score of 2.2 to Austria, 2.9 to Germany, 2.9 to France, 1.7 to Denmark, 3.4 to Spain, 3.7 to Italy and 2.4 to Sweden. The UK scores 0.5.

This situation has a number of effects. To begin with, as Lloyd's research on skill formation in the aerospace industry in France and the UK demonstrates (1999), low levels of employment security can undermine training and development. Labour market flexibility, as construed by the UK, is she concludes a major barrier to the development and maintenance of skills.

Second, the UK's approach to labour market flexibility has been distinctive, essentially preferring numerical to functional flexibility and multi-skilling (Casey, Keep and Mayhew, 2000). Put bluntly, many UK employers have tried to use non-standard forms of employment to transfer increased risk being experienced in the product market to the employee (Purcell, Hogarth and Simm, 1999:64).

This approach has been coupled with a strong reluctance to extend the same employment rights held by full-time employees to part-time, temporary and other forms of flexible staff, and this has helped reinforce a view that sees non-standard forms of employment and those holding such employment as being part of a secondary and inferior labour market. The deployment of a vocabulary which sees the workforce as divided into a core workforce supplemented by a disposable and secondary peripheral workers both reflects and reinforces this approach.

One area where this view has a clear impact is in the limited provision of training opportunities to peripheral workers (for reviews of the evidence on this point, see Tam, 1997; and Gallie et al, 1998). Research by Felstead, Ashton and Green (2000) indicates that not only do part-time workers receive less training than full-time staff, but that part-time and temporary workers are in jobs that require lower skills and that, over time, the skills of part-timers and those in non-unionised workplaces have significantly deteriorated compared to those working full-time, (Felstead, Ashton and Green, 2001:22). They conclude that:

The encouragement and promotion of non-standard employment may run counter to the creation of a high skilled and just economy.....The policy lesson is that labour market regulation should apply equally to all types of employment, and the climate for trade union recognition and organisation made more favourable. Without such a policy intervention inequalities in work skills will increasingly be based around the nature of the employment contract with non-standard terms and conditions being equated with sub-standard jobs....For the individuals concerned and the economy in general, further growth in these

flexible types of employment may, therefore, be too high a price to pay.  
(Felstead, Ashton and Green, 2001:22).

The overall weakness of labour market regulation in the UK also helps support alternative strategies to upskilling – including work intensification and long hours. In recent times the UK has had a strong track record in making employees work harder, longer and faster rather than smarter.

According to EU statistics, people in the UK work the longest hours in Europe, with the usual number of hours worked by a full-time worker per week in 1999 being 43.6 (against an EU average of 40.4) (Trades Union Congress, 2001). The introduction into UK law of the European Union Working Time Directive has had very limited impact on this picture (Neathy and Arrowsmith, 2001) because, alone among EU governments, the UK government also introduced an individual opt out clause to the 48 hour ceiling on the maximum working week. This means that people can sign an opt out form that says they agree to work more than 48 hours per week. At present, more than three million Britons regularly work more than 48 hours per week (TUC, 2001). A survey conducted after the Working Time Directive had been introduced indicated that no less than 24 per cent of companies relied upon their employees working more than 48 hours a week (Blick UK Ltd, 2001).

In addition, 80 per cent of workplaces have employees who work more than their standard hours and 39 per cent of employees do so unpaid (Institute of Employment Research/IFF Research, 2001). The TUC have calculated the value of this unpaid overtime as £23 billion per annum – *The Guardian*, 12 September 2000). One in eight employees work Saturdays and Sundays, and one in nine full-time employees work more than 60 hours per week (IES/IFF, 2001). As one government minister has admitted, “the long hours culture is alive and kicking....We are all working too long hours and it is making us ill” (*The Guardian*, 12 September, 2000). There is also some evidence to suggest that work intensification has been taking place in many British organisations, perhaps at a faster pace than elsewhere in the EU (Green and McIntosh, 2000; Burchell et al, 1999).

## **Skills – Not the Only Answer on the Strategic Manager’s Table**

From the foregoing it will not be surprising to learn that, despite the assertions of Thurow and Reich, skills are by no means the only, or even the most attractive, route to competitive success, perhaps particularly so in the Anglo-Saxon world. Rather than seeing skills as the key to competitive success, it might be more realistic to view upskilling as simply one model of competitive advantage vying for senior managers’ attention in a marketplace for ideas. As a quick scan through any recent sample of US and UK management textbooks will confirm, there are many other competing models available - e-commerce, new technology and IT, mergers and acquisitions, strategic alliances, outsourcing, management by contract, globalisation and economies of scale, and so on.

Research tells a similar story. Regini (1995) suggests that the model of a high skills/high value added strategy allied to a supportive VET system that can deliver a highly educated and trained national workforce (as in Germany), is simply one of a number of viable models available to European firms and nation states. There are a number of other, perhaps equally attractive routes to competitive advantage from which firms can choose. Far from a single, simple, universalistic movement towards higher value added and higher quality goods and services throughout the developed world, different companies, sectors and even countries are following a range of divergent trajectories. These alternatives include: seeking protected markets, growth through takeover, seeking monopoly power, cost-cutting and new forms of Fordism (Keep and Mayhew, 1998).

As developments in the UK in the year 2000 demonstrated, merger and acquisition has been the preferred route to global competitive success in many sectors of the economy – pharmaceuticals, banking, insurance, food and drink manufacture. The scale of merger activity is considerable, especially when set aside spending on other sources of competitive advantage. In 2000, UK companies used £200 billion to buy other companies, whereas investment in training was, according to the DfEE about £23 billion, and investment in R&D about £13 billion. These figures place into perspective claims that skills are the key source of competitive success. In a world where globalisation is a reality (at least in some sectors), for large firms economies of scale and distributed physical presence close to the richest markets are the real issue. In the early 21<sup>st</sup> century, size does appear to matter.

## **Conclusions**

It has been argued above that systems of strategic management, combined with a range of external factors (such as the structure of demand and the weakness of labour market regulation) make it possible for UK organisations to pursue low skill competitive and product market strategies. These, in turn, explain the failure of many organisations to adopt the high performance workplace model. These problems are deeply embedded in the economic environment and managerial culture and will not easily be shifted.

The twin forces of globalisation and increased competitive pressures may not be enough, on their own, to bring about significant change. Many service sector organisations operate in sectors that cater to the domestic market and faced limited exposure to direct overseas competition. Furthermore, in any sector, firms are not in competition with all other firms in that sector as they tend to segment the market – targeting particular niches within the marketplace. Thus, a budget hotel will aim to compete with other budget hotels, not with the Savoy. Not everyone will want or need to make a step change to move upmarket. Research undertaken as part of the work of the government’s Skills Task Force illustrate this tendency at work.

Overall, the STF uncovered limited evidence for the transformatory power of competition in promoting profound changes in skills requirements across broad swathes of UK employment. Large scale survey evidence from STF-commissioned research indicated that about 40 per cent of private sector establishments reported that the statement ‘we are implementing or are about to implement, plans to move to new higher quality product or service areas with higher profit margins’, was either ‘very applicable’ or ‘fairly applicable’ to their circumstances (STF, 2000a:115). Even this figure may be an over-estimate. It seems reasonable to presume that respondents to this government-sponsored survey could work out what the desired/acceptable/hoped for answer was supposed to be! More than half the respondents were planning little or no change in service or product quality.

Nor does the introduction and application of new technology hold out much promise for acting as a catalyst for step change. Decades of research into the adoption of new forms of technology in the workplace have indicated that its impact is more halting and conditional than might be expected (Clark, 1995). Moreover, the general consensus is that technology

does not dictate or determine in any straightforward way the configuration of the workplace, skill requirements, or work organisation and job design (Bradley et al, 2000; Noon and Blyton, 1997). Two different managements, introducing identical technology, can arrive at very different endpoints. For example, Quack, O'Reilly and Hildebrandt (1995) show that German, UK and French retail banks, faced with similar requirements for change and near identical technology, opted for very different ways of using it, with significant and widely divergent implications for designing and controlling work and for autonomy and skill levels across the workforce.

### **THE IMPLICATIONS FOR SKILLS AND TRAINING**

As has already been hinted at in relation to the impact of the UK's flexible labour market model, the overall structure and direction of the UK's model of management and competitive advantage tends to militate against a requirement for a highly skilled workforce.

The debate has moved on since Finegold and Soskice coined the terminology of the low skills/low quality equilibrium in 1988 (Finegold and Soskice, 1988). Nowadays the stress is on product specification rather than on quality per se. Specification is one aspect of quality; the other aspects relate to various dimensions of delivery to specification. For any narrowly defined product (goods or services), specification increases the more characteristics the product possesses, the more willing the producer is to vary these characteristics for different consumers at any given time and the more the producer changes these characteristics through time. If a producer chooses low specification, then he or she is likely to be competing with lots of other producers doing just the same thing. Therefore they will be competing simply on price. The greater the forces of "globalisation" in their particular market, the more ferocious the competition is likely to be. Competing on price means competing on unit labour costs (productivity and the direct and indirect costs of labour). The more the competition comes from developing countries, the more alarming the implications for British workers who happen to be employed by low spec firms. Of most immediate relevance for this paper is that low spec firms are likely to exhibit limited requirements for skilled labour. In traditional manufacturing industries, low spec production is associated with Fordist work organisation. The emphasis is on long production runs, the achievement of engineering economies of scale, and job design which removes skill from a significant proportion of tasks. It is possible to see

modern service sector equivalents – the move to factory-style production in retail banking; call centres; certain hotel chains.

The extent to which British employers are engaged in low spec production compared to employers in competitor countries is still a matter of some debate. The fragmentary evidence that exists suggests that it may be greater in Britain than elsewhere (see Casey, Keep and Mayhew, 1999; del Bono and Mayhew 2001), particularly within parts of the service sector where large retailers and financial institutions are Neo Fordist mass producers of relatively simple, standardised goods and services sold largely on the basis of price (Keep and Mayhew, 1998).

These dangers are, in part, reflected in evidence from the ESRC/DTI Workplace Employee Relations Survey (Cully et al, 1999) which indicates that managers in many UK organisations believe that large sections of their workforce require limited skills. Companies were asked what percentage of their non-managerial employees could be regarded as 'skilled' (i.e. having professional, associate professional and technical, or craft and related status). The proportion of workplaces indicating that less than one quarter of their non-managerial workforce was skilled was as follows:

Manufacturing -	44 per cent
Electricity, Gas & Water -	10 per cent
Construction -	31 per cent
Wholesale and Retailing -	80 per cent
Hotels and Restaurants -	82 per cent
Transport -	75 per cent
Financial Services -	80 per cent
Other Business Services -	30 per cent
Public Administration -	58 per cent
Education -	2 per cent
Health -	55 per cent
Other Community Services -	53 per cent

SOURCE: Cully et al, 1999:31-32)

In Wholesale and Retailing, 40 per cent of workplaces believed that they employed no skilled non-managerial employees. In Financial Services this figure was as high as 57 per cent.

In the light of these problems, this paper now examines the impact of the UK business model on the acquisition of basic skills, the functioning of the work-based route for initial vocational education and training, the problems it creates for many government VET initiatives, and the underlying danger of the low skills trap within the economy.

### **The Impact of the Business Model on the Nature of Skills Policies in the UK**

Before examining the specific issues listed above, it is first worth outlining how the business model impacts upon and shapes the range of policy options available to government in seeking to confront long-standing problems with skills.

First, the training system is largely voluntaristic. Employers have proved extremely resistant to attempts by government or any other outside bodies to compel them to offer training to particular groups of the workforce or to spend a proportion of profits/turnover/payroll costs on training. As a result, statutory requirements to train are limited to areas such as health and safety, and food hygiene.

Insofar as the government seeks to influence employer attitudes and levels of activity, it does so perforce through exhortation, the setting of voluntary targets and other forms of benchmarking exercise, and through subsidy for some types of training (particularly the training of young entrants to the labour market, through various forms of apprenticeship).

Issues such as choice of competitive strategy are viewed as being decisions for business to make with little or no input from government. The Anglo-Saxon model favours minimalistic role for direct state intervention and an essentially laissez-faire approach. The state may exhort employers to move up market, to produce higher value added goods and services, and improve productivity, but there is no political consensus to support any meaningful form of state intervention in support of these desired goals.

Moreover, the general belief among employers and government that a de-regulated labour market is a source of competitive strength, means that issues concerned with work

organisation, job design and skill usage are also left almost entirely to employers. The state (whether national, regional or local) offers employers almost no help in trying to re-think approaches to these issues or support to enable them to experiment with the adoption of new types of work organisation or job design.

National skills policies are narrowly framed in terms of boosting the supply of skilled labour. This is chiefly to be accomplished through increasing the size of the post-compulsory education system (a choice of policy largely dictated by the state's inability to compel or persuade employers to do more). The links between competitive strategy, work organisation, job design, and skill usage tend not to be debated and play little part in the official policy discourse on skills.

Strong involvement by the social partners in skills issues does not take place. Overall, the role of unions generally has been greatly weakened in the UK in the last twenty years (through state intervention supported by employers) and the coverage of collective bargaining arrangements has declined quite sharply in the private sector.

Because collective bargaining is limited, and industry-level agreements now very rare in the private sector, employers organisations are also relatively weak and poorly resourced. This has an impact on training because strong sectoral arrangements are hence lacking. Outside of a few sectors (such as engineering) the sectoral National Training Organisations struggle to have much impact, are funded largely by government grant, and are incapable of having major influence on their members' training decisions.

As can be seen, such a situation places very clear limits on the range of national skills policies that can be available to policy makers. The main weapons are exhortation (directed at employers) and expansion of state-provided and financed education (whether academic or vocational). The government lacks, or is disinclined to try and use for fear of employer resistance, any very direct means of impacting on employers' internal skill supply or skill usage strategies.

## Basic Skills

It is against this somewhat depressing background that the issue of basic skills (reading, writing, numeracy/use of number) has exercised UK policy makers to an increasing extent in recent years. In part, this concern has been fuelled by international comparisons generated by the International Adult Literacy Survey (IALS), and it has been added to by official inquiries, such as the Moser Report.

Perhaps the most important point that can be made on this subject in relation to the workplace and workplace development, is that research suggests that basic skills deficiencies may be yet another example of a low skills equilibrium/trap. For example, survey evidence gathered as part of the Scottish Executive's recent research initiative on basic skills among the adult population in Scotland suggests that a sizeable proportion of the workforce are currently in jobs that demand very limited reading and writing skills.

The survey of individuals (MORI, 2001 forthcoming) found that, in terms of reading skills, the following percentages of respondents claimed that their work rarely or never required them to use:

Information from computers -	34%
Letters or memos -	26%
Bills, invoices or spreadsheets -	35%
Diagrams -	31%
Manuals, reference books & catalogues -	53%
Reports, articles or magazines -	52%
Foreign language materials -	91%

Overall, 27 per cent of the workforce indicated that they rarely or never used five or more items on this list in the course of their work.

The figures on writing skills were equally depressing, with the following percentages claiming rarely or never to be required to write or fill in:

Letters and memos -	37%
Forms, bills, budgets or invoices -	42%
Reports or articles -	51%
Estimates or technical specifications -	59%

Overall, the proportion of the workforce indicating that rarely or never engaged in three or more of these items was 39 per cent. McIntosh and Steedman’s analysis of the IALS data also identifies a relatively large group of employees “who work in jobs that fail to provide them with the motive or opportunity to develop reading skills through reading tasks” (2001:97).

The problem that these figures pose is that, without some form of work re-organisation or job re-design, offering adults occupying these posts adult literacy training may be relatively ineffective. Skills that are not used on a regular basis tend to atrophy (see Krahn, 1997 on this point). McIntosh and Steedman conclude:

Daily tasks required in work are likely to be undemanding of literacy skills so that it is unlikely that work demands alone can help to raise literacy levels of this group. Confidence in own literacy skills is likely to be low.

(McIntosh and Steedman, 2001:98)

Current government policies commit £1.4 billion to a major education campaign to reduce the scale of adult literacy and numeracy problems. However, in the absence of any concrete plans to tackle the type of work organisation and job design that places very limited demands upon such skills, the success of this strategy is open to serious doubt.

### **Work-Based Training for Young Entrants to the Labour Market**

As Payne’s paper to this conference (Payne, 2001) illustrates, the UK continues to experience considerable problems in developing and maintaining any form of reasonably high quality work-based apprenticeship route. This problem has been around for a long time, see MSC

1981. For more recent analysis, see Evans et al, 1997; Gospel, 1998; Unwin and Fuller, 2000; Unwin and Fuller, 2001a and 2001b).

Despite a number of high profile government interventions, some costing very large sums of public money, a solution has yet to be found. Some of the difficulties revolve around a de-regulated labour market and a voluntaristic approach to training policy, employers can offer as much or as little training as they wish. Thus, it still remains unclear how employers can be persuaded to cease to employ young people in jobs that offer little or no training. The national employers' confederation, the CBI, proposed just such a development as long ago as 1989 (CBI, 1989). Their members ignored the suggestion and significant numbers of jobs with no training continue to be available to young people on leaving the education system.

Research also suggests that the difficulties surrounding firms' attitudes to the development of generic skills through the apprenticeship route which are symptomatic of wider problems of engaging with employers over vocational education and training. These skills – called Key Skills in the UK – cover literacy, numeracy, communication, teamworking, IT, problem solving, and improving own performance. When consulted at national level by policy makers, employers and their representatives appear enthusiastic about Key Skills (STF, 2000b), but experience of trying to introduce and integrate Key Skills in MAs suggests that in practice this enthusiasm is in fact often very limited (Kodz et al, 2000; Winterbotham et al, 2000). As one NTO Key Skills Co-ordinator commented, “we would be better concentrating on their trade skills rather than IT, etc. Why would a modern apprentice welder want basic IT skills and mathematics when he (sic) will never use them in the whole of his working life!” Attitudes such as these, with their inherently backward looking and tightly circumscribed conception of what skills and capabilities work does and will entail, go a long way towards explaining why vocational skills in the UK remain narrow and low level compared to what is often found in mainland Europe (Green, 1998).

Many of the problems with the work-based route for young people stem from employers' attitudes towards such provision. As evaluations of current MA provision have clearly indicated, employers in many sectors have limited comprehension of what a genuine apprenticeship would resemble, and still less ability to provide it (Sims et al, 2000; Kodz et al, 2000). To give just one example, Winterbotham et al (2000: 3) report that only 6 per cent of MAs in retailing attended college as part of their apprenticeship and “a third appeared to have

no formal training of any sort (formal here meaning training beyond merely being supervised while doing day-to-day work)". It is hard to see that provision of this sort constitutes an apprenticeship in any meaningful sense.

### **Employer-Provided Training for Adult Workers**

The very skewed distribution of training outlined below should not necessarily be judged to be the result of short-sightedness or stupidity on the part of employers. It may reflect highly rational judgements about real skill needs across the UK workforce as structured by the business model within which managers operate.

An overview of the DfEE's Individual Commitment to Learning project reported that:

The attitudes of most individuals towards lifelong learning were generally passive, with most adults who had left full-time education only contemplating further learning when approached by their employers about it.

Consequently, policies for encouraging employers to involve all of their individual employees in a broad-based agenda of continuing learning must be a key part of any individual commitment to learning plan.

(Tremlett and Park, 1995:36)

The key role played by the demands of employment and the labour market in motivating individuals to learn is a common theme in both the research and policy literature. This therefore places employers centre stage in acting as a catalyst for promoting lifelong learning.

Unfortunately, what we know about UK employers' investment in the training of their adult employees indicates that the potential of this catalytic role is, at best, patchy across the workforce as a whole. In overall terms, the Spring 1998 Labour Force Survey (LFS) recorded that 72 per cent of UK employees had received no training in the 13 weeks prior to interview. Of these, just under half (48 per cent) claimed that they had never been offered any type of training by their current employer (DfEE, 1998:33).

The groups within the workforce that generally fare particularly badly include:

- Lower status occupations. Those at the top of the occupational hierarchy, such as managers and professional workers, are far more likely to be offered training opportunities than those in semi-skilled and manual jobs (IFF, 1997; Metcalf, Walling and Fogerty, 1994).
- Those on 'atypical contracts'. Flexible workers, particularly part-timers have consistently lower chances of being offered training of any sort by their employer (Tam, 1997; Gallie et al, 1998).
- Those working in SMEs. SMEs are less likely to offer formal training opportunities to their adult employees (Dench, 1993) and, if they do, they appear less willing for it to encompass non-task specific skills (Metcalf, Walling and Fogerty, 1994).
- Older workers
- The less well qualified

It should however be noted that the picture on the ground is extremely complex, and that even among low status occupational groups working in the same sector, the distribution of learning opportunities at work can vary enormously (Rainbird et al, 1999).

Besides the inequity of the distribution of opportunities, there are also grounds for concern about the scope and focus of employer-provided adult training. This can be located within a spectrum, ranging from very narrowly focussed, task-specific skills, and at the other aimed at training for promotion, the creation of general and transferable skills, and even learning opportunities that may not be geared in any direct way towards work (for example, the Ford Motor Company's famous EDAP scheme). What research shows is that the broader end of the spectrum tends to be on offer only to those in the upper reaches of the occupational ladder with those at the bottom receiving little except job-specific training - if they are lucky enough to get any training at all (Metcalf, Walling and Fogerty, 1994; Dench, 1993; Felstead, Green

and Mayhew, 1997). For a more detailed overview of this picture, see Keep (1999) and STF (2000a).

This situation has important implications for national policy on lifelong learning. As Tremlett and Park note, "with most employer provided training being both job specific and targeted at those in certain occupations, for many employees the notion of full 'lifetime' learning remains just that - a notion" (1995:8). The inequitably distribution of wider training opportunities also renders meaningless the concept of employability, offering those most at risk of redundancy (those at the bottom of the occupational ladder) with the least opportunities for the type of broader, transferable training that might make transition to another job easier (Tampkin and Hillage, 1999).

Moreover, survey evidence on employers' attitudes towards adult learning suggests "a general consensus that any training taken without the [employing] organisation's support would generally be unlikely to enhance the employee's prospects within the organisation" (Tremlett and Park, 1995:10). This is of importance because there is strong evidence to suggest that adult skills that are not used on a regular basis tend to atrophy and become lost (Krahn, 1997). Policies that disengage the link between skill supply and skill deployment and usage in the workplace are liable to produce at best sub-optimal results, both for society and for individuals.

Given the levels of performance outlined above, policy makers might hope that better access to broader adult learning opportunities is an issue that employers are willing to seek to address. There are few signs that this is the case. The DfEE's survey of employer attitudes towards individual commitment to learning (Metcalf, Walling and Fogerty, 1994) indicated quite starkly that very few employers saw it as in any way their concern to provide non-job specific learning opportunities of any sort to their non-managerial workforce. Although employers appear to support the abstract concept of lifelong learning, it is apparent that few are enthusiastic about being encouraged or assisted in supporting more general, non-job specific training. They tend to see this type of lifelong learning activity as having nothing to do with them, and as being the responsibility of either the individual or the government. As one manager in a district council commented on the Ford EDAP scheme, "as a public sector organisation we are not into that sort of self-indulgent exercise. I don't think we have anything to learn from the Ford experience that would benefit the local community - not a

good use of public resources at a time of stringency" (Metcalf, Walling and Fogerty, 1994:30).

Indeed, many employers perceive clear disadvantages in training those of their workers in lower occupational groups, particularly training above and beyond the immediate task. These included increased staff turnover, increasing dissatisfaction with boring and menial jobs, and the raising of unrealistic expectations (about opportunities for progression, for example) (Metcalf, Walling and Fogerty, 1994).

To these barriers might be added recent changes in the structure and direction of training provision in many organisations, such as devolution of responsibility for training to line managers and shifts towards the provision of training on a 'just-in-time/just-enough' basis, are tending to make learning opportunities more and more geared to the immediate task (Raper et al, 1997). As one academic commentator put it, "learning should contribute directly to the achievement of central corporate objectives and key priorities" (Coulson-Thomas, 1999:16). This leaves little space for 'blue skies' learning or training oriented towards social goals and such developments are undermining both wider training to support employability and organisations' capacity to evolve towards the type of sophisticated models of reflective learning required to make the learning organisation a reality (Raper et al, 1997).

Overall, the end result is that employees' motivation to obtain, and access to, upskilling remain "dependent on the 'progressiveness' or otherwise of their employer" (Labour Party, 1996:3). As most employers appear not to be particularly 'progressive' towards those employed in the lower occupational groups, the results for many employed adult employees are potentially serious, in terms of both social equity and economic efficiency. First, the failure of many employers to offer more than a sub-section of their workforce broader opportunities for up and re-skilling renders the rhetoric about employability as the basis for a new psychological contract between employers and employees empty of meaning. Second, current patterns of adult training provide evidence that the universal adoption of the high performance workplace model remains a very long way off in large swathes of UK employment. Third, those most at risk of unemployment - the least educated and skilled among the adult workforce - are those who will almost inevitably receive the lowest investment in employer-provided education and training. Finally, as Stern and Sommerlad (1999:xiv) note, "a commitment to learning at work is as much a statement of values, an

assertion of the kind of society that people will want to live in, as an economic imperative. It implies a preference for a more inclusive society".

As the author has suggested elsewhere (Keep and Mayhew, 1998), the problems outlined above with the levels, intensity and coverage of training activity in the UK are, on the whole, not an aberration or the result of stupidity on the part of employers. The training currently being provided, broadly speaking, represents what employers deem their workforce needs to know. The national employers confederation – the CBI - has certainly argued that this is the case (see, CBI, 2000). They state:

Business is responsible for training in line with business objectives. The highly skilled are more likely to receive training because average firms have a greater need to train those in more skill intensive jobs. The line manager is more likely to receive more training than the cleaner. Where employees lack basic skills or want to upskill themselves to further their own career objectives, it is not primarily the role of business to fund this. (CBI, 2000:7).

Exhortation is unlikely to change these perceptions in any very fundamental way, and other, deeper policy interventions may well be needed. Unfortunately, traditions of non-intervention and voluntarism stand in the way of such changes.

### **Potential for a Mis-Match between Employers' Views and the Needs of the Wider Economy**

On the danger of a fundamental mis-match between the collective result of micro-level decisions and the macro-level needs of society and the economy as a whole, the first report of the Skills Task Force highlighted what is perhaps the most fundamental dilemma facing any training system that operates on a voluntary basis. Examining future skill needs, the STF argued that, "it will not be enough to simply meet the needs of our current business base - in

order to achieve our aspirations for the whole economy, we must 'keep ahead of the curve' (STF, 1998:12). Furthermore, the Task Force members also recognised that:

we think it would be a mistake to treat the current demands of employers and individuals for skills as coterminous with the needs of the economy.....the demand from individuals and employers is conditioned by the current structure of the incentives they face and the information they have about education and training opportunities and their economic benefits. It cannot be assumed that these necessarily reflect the wider needs of the economy for economic growth and stability.

(STF, 1998:33)

Although the Task Force posed this question at an early stage in their deliberations, they were unable to produce anything approaching an answer to in their subsequent reports. This failure can, in part, be explained by resistance by employer members of the STF to any form of radical change in the direction or nature of traditional, narrowly-defined, voluntarist skills policies.

## **POSSIBLE SOCIETAL IMPLICATIONS OF THE EXPORT OF THE ANGLO-SAXON MODEL**

Countries in Europe face pressure from a range of sources to adopt many of the features of the Anglo-Saxon business system model. The UK government continues to lecture its EU colleagues on the necessity of adopting a UK-style, de-regulated, 'flexible' labour market. Global financial markets and multinational companies demand an easing of take-over laws to enable more and faster mergers and acquisition activity. The Anglo-Saxon managerial technologies and their associated cultures are being spread by large accountancy and consultancy firms.

As Streeck (1989) and Regini (1995) both underline, the totality of the business system plays the key role in determining how different skill mixes both support and are a consequence of different competitive strategies, and systems of work organisation and job design; and how these factors interact with the design and operation of the skill supply system. One of the

main points of concern is the possible ability of the spread of the Anglo-Saxon business model to gradually dissolve the 'high skills equilibrium' that may exist in some European countries and to weaken the forms of labour market regulation that may favour the adoption of high performance work models. Finegold, Crouch and Sako (1999) hint at just such an outcome.

The model pushes management to demand an increasingly de-regulated labour market and one in which the power of other actors, particularly unions, is perforce limited. Without powerful unions, the pressure to train is reduced, and ease of hiring and firing, coupled with an ability to force staff to work longer hours, reduces the demand to evolve methods of working smarter rather than harder.

The overall decline of collective bargaining, and the tendency for it to be devolved to company or plant level, undermines national bargaining and with it employer organisations. This, in turn, weakens sectoral training institutions and reduces the capacity to concert employers' training efforts.

Access to upskilling in the workplace becomes very heavily polarised, with implications for the development and/or maintenance of a 'learning society'. At the same time, income dispersion is liable to increase, with a growing gap between the rich and the poor. In the case of the UK and the USA this creates a substantial segment of the domestic market that can only afford to purchase goods and services on the basis of price, rather than quality or high specification. Such goods and services can often best be delivered through Neo-Fordist modes of production (at best, mass customisation) and relatively highly Taylorised forms of work organisation. This, in turn, feeds back into the demand for skilled, which is limited for those companies catering to this segment of the market (Keep, 2000).

Given the enormous pressure that national governments and firms are facing to adopt the Anglo-Saxon model, attention is now focused on how they will react. Options range from total abandonment of other forms of capitalism (stakeholder/Rhineland), through accommodation and partial modification of national and firm level systems, to outright rejection and attempts to maintain existing national systems and settlements unaltered. Commentators take a number of positions on how the balance of response is taking shape, not least because the results of the pressure for change are playing out differently within the

varying national political, social and economic environments of Europe's nation states (see, for example, Vernon and Rees, 2001; Gosling, 2000; Hutton, 2000; Campbell, 2000; Bischof, 2000; de Woot, 2000).

The authors would make two points. First, as we have underlined, from the perspective of skills issues, the Anglo-Saxon model – as it operates in its native environment – brings with it serious problems, particularly for those who wish to see the workplace as a 'classroom' or as one of the building blocks for a learning society. Those advocating the wonders of the Anglo-Saxon model tend to be selective in the picture they paint. At the very least, it seems important that countries seeking to evaluate the long-term implications of adopting such a model in any very wholehearted way should be fully aware of both the pluses and minuses that it may bring in its wake. This is particularly important given the arguments we have made about the potential to undermine attempts to adopt the high performance workplace model.

Our second point is slightly more hopeful. A recent study by PricewaterhouseCoopers (Batten and Waller, 2001) has concluded that "the Anglo-Saxon business model will not win outright victory in Europe. Instead, a distinctively European style of capitalism will emerge – drawing on many facets of the Anglo-American approach but preserving an eclectic European identity" (2201:37). This is an interesting prediction, in part because management consultancies normally tend to be bullish about the over-arching superiority of the Anglo-Saxon model, since its managerial techniques are what they are usually in the business of selling. However, the main importance of such a prediction is that, if correct, it raises the potential for a major long-term challenge for the Anglo-Saxon model. The argument goes thus: if other countries can adopt sufficient selected elements of the Anglo-Saxon model without having to ditch notions such as taking account of the interests of stakeholders other than shareholders, or social partnership, or a long-term perspective on investment (in, for example, R&D and skills), then they ought to be able to produce improved economic performance while maintaining levels of social welfare and cohesion that are liable to remain unobtainable in the UK or USA. If this happens, there is the potential for political pressure (transmitted in part through the EU) for modification and convergence within the Anglo-Saxon world. European countries over the next decade will furnish us with a number of testbeds for the development of such a hybrid. If it can be achieved, the global forces of convergence may start operating in the opposite direction!

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\* Due to an administrative error, the DfEE published an earlier draft version of the text of STF Research Paper 15 rather than the final version, with the result that a number of sections of the paper and key references are missing. A copy of the full text of this paper can be obtained from the author.