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# 'Idle Fancy' or 'Concrete Will'? Defining and realising a high skills vision for the UK

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## Abstract

Although the current Labour government is committed to developing the UK as a high skills society, there is still much confusion as what such a society might look like and from where it might draw its inspiration. In so far as the government can be said to have such a vision, it tends to aspire towards a US-type model. Recently, a number of academics have also expressed the need for a much clearer vision of the kind of society to which the UK might choose to head for under the banner of 'high skills'. In this paper, the authors discuss whether such a vision is needed and what in their view this vision might look like. The authors argue that Germany and Scandinavia offer the best 'actually existing' examples of high skills societies and consider whether the UK could move towards a British variant of the North European model as part of a long-term project of social and economic construction. Having identified some of the obstacles currently blocking such a project, the paper discusses whether a vision is still needed and why academics must continue to debate what it means to build a high skills society in the UK.


> (The question) is one…of seeing whether 'what ought to be' is arbitrary or necessary; whether it is concrete will, on the one hand, or idle fancy, yearning, daydream, on the other.

(Antonio Gramsci 1971: 172, cited in Sassoon 2001:5)


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## Introduction

In its desire to transform the UK into a skills super-competitor for the 21st century, the current Labour government is far from alone (see DTI 1998, DfEE 1998). Today, the vision of a high skills, high value-added, knowledge-driven economy, nourished by a culture of 'lifelong learning' in a 'learning society', is one to which policy makers and politicians throughout the advanced industrialised world claim to be committed (see Ashton and Green 1996, Crouch *et al.* 1999, Brown *et al*. 2001). However, the high skills economy that emblazons policy texts and which trips readily off the tongues of politicians, government ministers and academic gurus alike, usually consists of a series of hollow and, by now, all too familiar 'sound-bites' concerning the need to develop 'a skilled and flexible workforce' for an 'economy characterised by continuous innovation and the need to adapt' (New Labour 1997, cited in Mansfield 2000:3). In terms of broad overarching policy objectives, anything much more concrete has been in pretty short measure. Consequently, what policy makers actually understand by the goals they set themselves, what a 'high skills' or 'learning' society might actually look like, and from where it might draw its inspiration, have remained shrouded in vagueness and confusion (see Lloyd and Payne 2002a).

Recently, however, a number of academic commentators have drawn attention to the need for a clearer vision of the kind of high skills society to which the UK might wish to aspire. Whether it is Keep's (2000a: 8) invocation of a future for Scotland that draws explicitly upon a 'North European and, particularly, Scandinavian tradition', Brown and Lauder's (2001) appeal to a society based on 'collective intelligence', or Coffield's (2002:495) reference to a hybrid model combining the best that Europe and America has to offer, some attempt at least has been made to articulate a vision of a high skills future that the UK might head for. In this paper we discuss our own vision of a high skills society and then draw out the implications of attempting to pursue such a vision in the UK.

The first step in this process is to ask ourselves why we need a vision in the first place. The case for defining a high skills vision can be couched in relatively straightforward, commonsensical terms. As Keep (2000b) has argued, unless one has some idea of the destination one eventually wishes to arrive at, the prospects for actually

getting there would seem to be somewhat remote. Simply critiquing current UK skills policy has its value but eventually alternative approaches have to be presented. Rather than attempting at this point a more nuanced justification for having a vision, we have adopted a slightly different tack. Our approach is to accept the idea that having a vision is a 'good thing', see where such an exercise leads us, and then return to the question of its purpose in the conclusion.

The second step is to identify what *kind* of vision is needed? A short detour by way of the debates around 'the learning society' (see Ranson 1994, 1998, Rikowski 1998) is sufficient to remind us of the dangers of constructing abstract, reified visions that have limited purchase on social, political and economic realities, as well as having precious little to say about the social forces that would be required to support and sustain them. Rather than construct 'castles in the air', our approach has been to accept that the high skills vision is one set firmly within the limits and constraints of capitalism. As a result, it seems valid to start from current societies and examine the extent to which they might offer a vision for the UK. This approach, therefore, sees the high skills vision in terms of a choice between *actually existing* varieties of capitalism, in terms of the kind of jobs they make available for the majority of their citizens, the opportunities they afford for the exercise of skill, discretion and participation in decision-making, as well as their broader social and distributional outcomes.

The structure of the paper is as follows. Section one establishes our criteria for selection as a basis for asking which countries offer the most desirable high skills model for the UK to follow. Section two then considers what 'embracing', or 'following', a particular model means in practice, given the UK's own particular starting point. Next, we move on to discuss the possibilities for realising such a vision in the UK. Section three begins with the broader international constraints by considering the supposed 'threat' posed by 'globalisation' to the authors' favoured high skills models, and the extent to which there still exists *space* for such a project within the current international economy. Section four then discusses the potential obstacles within the UK itself. In section five, the authors address a set of broader criticisms from the Left over the claimed 'progressiveness' of the high skills project. Each section raises a serious of questions that a high skill vision such as ours inevitably has to address. By way of conclusion, we bring

these questions (or challenges) together and return to the issue of whether we really do need a high skills vision in the UK.

## 1. Choosing a model

***Selecting the criteria***

If we are to search among existing varieties of capitalism for the kind of high skills society to which the UK might aspire, then we need to begin by identifying some criteria for selection. The approach is, in some ways, rather artificial and back-ended. To begin with, it is important to recognise that the high skills society is, by definition, a *relative* concept. Any society can only be described as high or low skilled in relation to another, as has typically been the case with the juxtapositioning of Germany and the UK as examples of high and low skill 'equilibria' (see Finegold and Soskice 1988, Finegold 1991). At the same time, our criteria are likely to become clearer only *after* we have searched for the high skills society among existing capitalist variants.

How broadly are the parameters to be drawn in defining a high skills vision? Much contemporary policy interest derives from the view that skills, education and learning are a panacea for a range of economic and social problems, while involving minimalist state intervention in the economy and private companies (Cutler 1992, Bienefeld 1994, Coates 2000). Skills are claimed to be the mechanism through which countries will be able to sustain higher wages, reduce unemployment, pay for a decent welfare state and provide equality of opportunity. It is, therefore, these broader objectives for which a high skills economy is intended (or rather claimed) to serve. Although we are unconvinced about the ability of skills (largely on their own) to deliver these outcomes, our view is that any high skills vision must include a wider set of criteria than simply the sum total of skills in use within a particular nation. It is ultimately about what *type of society* we would like to see created, and in this sense it is a political choice between alternative social and economic outcomes.

It is with this in mind that we come to *our* criteria for selecting a high skills vision. They are:

- a relatively high proportion of intermediate and high skilled jobs, alongside greater levels of autonomy and participation at work
- a more equal distribution of income
- better provision and more equal access to welfare, health and education
- strong labour and social rights
- relatively high waged

In this formulation, the high skills vision can be seen as shorthand for a better, fairer or more humane society. Many will no doubt argue that there are many aspects of a 'good society' that our criteria do not do justice to, such as democracy, active citizenship, tolerance and respect for others, to name but a few. We have much sympathy with this view. Nevertheless, we wanted to avoid drawing up a long list of fairly abstract, cultural features and ethical values that can quickly become just another way of describing utopia. As will become clear, however, it is *implicit* in our criteria that we prefer liberal democracies to more authoritarian states, and, moreover, that we prefer those liberal democracies that combine political citizenship with industrial democracy.

In our vision, the criteria are interrelated and skills are an important part of the picture but not necessarily *the* most important. Many other factors also stem from the short list identified above. For example, if firms are to pay high wages, they will have to compete on factors other than cost, such as quality, innovation and research, and many of these will demand high skilled workers. To encourage these types of competitive strategies will require a set of institutional mechanisms that install long-termism within the financial system and foreclose hire-and fire, low wage strategies; alongside an education and training system capable of supplying the skills and knowledge needed not only for the economy but also for the wider *social* and *political* context in which such an economy would have to be embedded. So, given the limited criteria outlined above, how do existing countries fare as potential models of a high skills society that the UK might wish to emulate?

***Applying the criteria to existing models***

Given that we find ourselves searching for a high skills vision *for* the UK, it is only fitting that we should begin by explaining why the UK and the US (as the usual exemplars of the Anglo-Saxon model) do *not* offer a desirable vision of a high skills society. Here we confine ourselves to some fairly general observations and refer readers requiring a fuller explanation to our other work (see Lloyd and Payne 2002a, 2002b). Put bluntly, high levels of social inequality, limited trade union and worker rights, long working hours, a polarised distribution of skills and relatively low wages for those towards the bottom of the income scale (Hutton 1995, Coates 2000, Green and Sakamoto 2001), represent a marked divergence from our criteria. The UK may have had a close to universal welfare and health system, but this has been eroded over the last 25 years, while both equity and quality in education is seriously undermined by a substantial private sector, the under-funding of state provision and a divisive 'market' for education in England (Brown and Lauder 1996, Lloyd and Payne 2003). The US boasts high levels of participation in higher education, some successful high skill sectors, and relatively high levels of productivity (Finegold 1999). Yet, the suggestion that it might be a desirable model for a high skills society quickly falls apart when we apply all the criteria we have identified.

Our next port of call is Japan which can also be dispensed with as a candidate for the high skills vision, although perhaps not quite so rapidly. Dore (2000:1), for example, argues that Japan is a more 'cohesive and egalitarian society' than the Anglo-Saxon models. There is a wide distribution of general education and generalist skills and relative wage equality. However, others stress the long working hours, intense work routines, low levels of individual autonomy at work, the lack of independent trade unions, a rigid and competitive schooling model, and the inequality between men and women (Whitley 1999, Coates 2000, Lauder 2001). The celebrated lifetime employment covers only between 20 and 30 percent of the workforce (mainly men), while the imposition of excessive demands and risks on smaller supplier firms and their employees are now legion (Takahashi 1997). Esping-Anderson (1999: 91) describes the Japanese welfare system as one of 'conservative corporatism', with benefits linked to the core earner's employment (usually the male), and only modest state benefits available. The

suppression of militant trade unionism in the 1950s, and their subsequent incorporation as 'company unions', lends credence to Coates' claim that 'the general subordination of labour is absolutely central to the Japanese growth story' (2000: 237).

Others have identified the East Asian Tigers as being successful in terms of economic growth and skill formation (Ashton *et al*. 1999). Once again, however, they score poorly in relation to our criteria. To begin with, both South Korea and Singapore could be described as authoritarian states (Boyer 1996, Yun 1997). Compared to many European countries, Singapore still exhibits relatively low levels of skill formation and substantial income inequality (the wage spread being similar to the US), intense forms of work discipline, and a school system that breeds social conformity (Green and Sakamoto 2001: 99-100). Ashton *et al*. (1999: 50) explain how the provision of a disciplined workforce, alongside control of the media and education and the incorporation of trade unions, were absolutely central to Singapore's growth strategy. Green and Sakamoto (2001: 100) also contend that social solidarity was 'engineered from the top down through a relentless and concerted ideological process of nation-building'. Similarly, South Korea has been characterised as repressive in terms of labour rights, low wages and long working hours (Coates 2000), while Jeong (1997) describes it as a military dictatorship that has denied even basic civil rights. While there have been some limited moves to democracy and labour representation, Whitley stresses the resilience of 'authoritarian supervision practices and tight control over task performance' (1999: 202). Thus, although these countries may offer some valuable insights into how states go about co-ordinating the supply of, and the demand for, skills through an active trade and industrial policy (see Weiss 1997, Ashton *et al*. 1999), what they clearly do not offer is a socially progressive vision of a high skills society for the UK.

Having rejected the Anglo-Saxon model, Japan and the East Asian Tigers, we inevitably turn to Continental Europe and the most frequently cited 'good examples' of Germany and Scandinavia. Germany's 'social market' model still offers, relatively speaking, shorter working hours, high wages, and a wide distribution and high utilisation of skills both in the service sector and manufacturing, together with a more egalitarian wage structure compared to the UK and the US (Rueda and Pontusson 2000; Green and Sakamoto 2001). There are strong labour rights with mechanisms for codetermination,

consultation and information at the workplace, and sectoral collective bargaining. However, female participation in the labour market has traditionally been relatively low. The otherwise much-vaunted 'dual apprenticeship' system has been accused of gender stereotyping, with women heavily concentrated in a few sectors, while foreign 'guest workers' have been used as 'shock absorbers' in the system (Lauder 2001). Furthermore, although there is extensive education and welfare provision, the emphasis is on social insurance with differential provision for different groups, e.g. blue and white collar (Esping-Anderson 1999). The 'conservative welfare state regime' assumes a male breadwinner, with limited availability of public (and private) care services, at the same time as stressing the importance of the family (particularly women) in taking responsibility for child care and caring for the elderly (Esping-Anderson 1999).

Relative to Germany, the Scandinavian countries score less well when it comes to the widespread distribution of skills, the supportive training structure and strong labour market regulation. In Sweden, for example, alongside the high skilled manufacturing sector, there remain large numbers of service sector workers who are low skilled. Still, these low skill jobs are relatively well paid and secure, and, as Esping-Anderson (1999:111) argues, 'private sector 'Macjobs' hardly exist'. Scandinavian countries, in general, boast the most egalitarian distribution of wages of advanced industrial economies (Rueda and Pontusson 2000). There are strong tripartite organisations, a core set of workers' rights, relatively strong trade unions and high levels of general skills (Crouch *et al*. 1999). Where the Scandinavian countries perform better than Germany is in their universal and high level of benefits, and the extensive provision of welfare and health services. Female participation in the labour market is also higher, with greater equality of wages between men and women, and more advanced forms of state support for childcare and the elderly.

From this brief, whistle-stop tour of the main varieties of capitalism, it would appear then that Germany and the Nordic countries match-up best with our criteria for selecting the 'high skills vision'. Germany is ahead if we prioritise skill levels, while the Scandinavian countries tend to come out top in terms of more egalitarian outcomes and broader social benefits. Not surprisingly, given the appeal that Germany and Scandinavia have often held for many on the British Left, we find ourselves agreeing with a number

of other commentators within the UK skills debate that have reached broadly similar conclusions (see Keep 2000a, Brown *et al*. 2001). If this is to be our vision, however, what are the implications for creating such a high skills society in the UK?

## 2. Something borrowed, something new?

The first issue to be addressed is what adopting, or following, a North European[1] 'high skills vision' actually means in practice in the UK. Can such models, for example, be transferred to the UK? The literature on the pitfalls of simplistic 'policy borrowing' (see Keep 1991, Noble 1997) - usually taken to mean transplanting a particular 'policy' or 'practice' without taking into account the wider institutional and cultural context - is only partly relevant here, since what we are talking about is following a model or recreating the broader features of the context itself. Few commentators, we suspect, would want to argue that embracing a North European 'high skills vision' means copying, bit-by-bit, the institutional architecture of a particular country. Will Hutton, for example, argues in favour of the UK moving 'towards a model with a more European emphasis on social cohesion, citizenship, the mixed economy and high investment' (Hutton 1995: 358). This would involve creating a distinctively British variant of the stakeholder society, that:

> …*emphatically does not mean constructing the current German economy in Britain…* Nor does it mean cherry-picking bits of best practice from around the globe… It accepts that the economy and society are ineluctably built around the market, but tries to shape the institutions, incentives and culture of the market system by looking for *appropriate triggers... we start from where we are and do things that our congruent with our very specific Britishness* (Hutton 1997: x, *emphasis added*).

Similarly, a number of commentators within the UK skills debate have stressed the need to develop policies that respond to British distinctiveness (see Brown and Lauder 2001; Coffield 2002). But what does heading towards a distinctively British version of the North European 'high skills society' actually involve? Hutton (1997) suggests that it

[1] From hereon we use the term North European as a short-hand for Scandinavian and German approaches. It goes without saying that there is, in any case, no single Scandinavian model (although we tend to use examples from Sweden throughout this paper), only a family of *different* Swedish, Norwegian, Finnish and Danish systems (for a discussion of these differences, see Ferner and Hyman 1998).

means ‘starting from where we are’ and finding ‘appropriate triggers’ that can produce similar advantages that such economies enjoy without necessarily copying the actual institutions themselves. This is an important distinction, as a couple of examples may illustrate. A central supporting feature of the German system is the access firms have traditionally enjoyed to a highly decentralised system of regional banks able to offer long-term finance, together with a weak stock market where predatory corporate takeovers have been rare (see Culpepper 1999, Green and Sakamoto 2001). Given the UK’s highly centralised banking system, and the entrenched reality of ‘the City of London’ as an international financial centre, it seems highly improbable that anything like the German financial system could be transplanted to British soil. A similar point can also be made in relation to the UK’s distinctive industrial relations system. Back in the late 1980s, Kelly (1988) argued that, what he called ‘a Swedish road to socialism’ was impossible in Britain because, amongst other things, the UK’s highly fragmented and anarchic industrial relations order meant that it lacked the institutional conditions necessary for a meaningful ‘political exchange’ between capital and labour.

Both of the above examples raise important, though rarely addressed, questions for those who would embrace a North European ‘high skills’ vision for the UK. The most obvious one is whether the path towards such a model is blocked by the UK’s institutional legacy. Alternatively, is it possible to find viable *substitutes* for what the UK currently doesn’t have in its institutional locker? Thus, Hay (1999) has argued that instilling a ‘long-term investment ethic’ into the UK economy could be approached through the creation of state and regional investment banks, as the Labour Party itself advocated under Neil Kinnock in the late 1980s and early 1990s. Likewise, Hutton (1995, 1997) suggests a number of practical measures, involving reforms to company law and changes to the tax system, designed to limit corporate takeovers and reward institutional shareholders for taking a more long-term view. In relation to the weaknesses of the industrial relations system, Wickham-Jones (2000: 20) has argued that ‘a social democratic settlement orientated around wage moderation without union involvement is theoretically possible’, provided the state moves in to fill the gap via an independent central bank engaged in wage setting (see Wickham-Jones 2002: 472).

There is no guarantee that *any* of the aforementioned initiatives would necessarily work and achieve what is claimed on their behalf. The real test would come only *when* and *if* they were *tried*. Our view is that any shift to a more North European approach would have to involve major reforms to the UK's financial markets and systems of corporate governance, aimed at instilling a long-term investment dynamic and stakeholder ethos within the British economy. It would also require an active industrial policy, strong forms of labour market regulation, a more corporatist approach to national policy setting, a central role for employers' associations and a strengthening of trade unions at national, sectoral and workplace level (see Lloyd and Payne 2002b, 2002c for more details). Our project, although only very broadly specified, shares certain, although far from complete, affinities with the detailed policy specifications of the work by Hutton and Hay. The significance of their work is that they are among the few commentators to have fleshed out what instruments and policies a radical social democratic project in the UK might deploy.

The first set of questions that confront those favouring a North European type vision, therefore, are as follows: *Can these models be transferred? Is there a 'British way' and what is it? What policies would be required to undertake such a transformation? Can the UK overcome its institutional legacy?* Having raised these questions, the next stage is to consider whether picking a North European model makes any sense if that model is under serious threat.

## 3. External constraints: the sustainability of existing social models under the 'threat' of globalisation

Contemporary debates around the political economy of high skills have at their centre important questions about the limits and possibilities of state intervention, and the available *space* for a progressive alternative to neo-liberalism. This inevitably encompasses debates around 'globalisation' and whether this means, as some have argued (Ohmae 1995, Gray 2000), the inevitable triumph of Anglo-Saxon capitalism over other models (for an alternative view, see Weiss 1997). If the globalisation school is right, and the more regulated 'stakeholder' models of Germany and Sweden are coming

under such pressure as to be no longer sustainable, then clearly this poses a major problem for those who define the UK's high skills project in North-European terms.

A brief foray into the literature suggests that there is no clear answer to the question of sustainability. There is a variety of evidence about the collapse of the centralised system of collective bargaining in Sweden, the withdrawal of employers from various tripartite bodies in the 1990s, the flight of capital, high levels of unemployment, and the assault on the welfare state (Coates 2001). The German model is also said to be under pressure, with the internationalisation of capital and financial markets, mass unemployment, a slow growth rate, the erosion of sectoral collective bargaining and a weakening of labour market regulations (see Streeck 1997, Hassel 1999, Dore 2000). The view is that these countries are either on the slippery slope to neo-liberalism or face terminal economic decline. Others, however, claim that changes have been exaggerated and the distinctiveness of these systems remains in tact. Part of these arguments rely on evidence that in Germany the internationalisation of corporate finance has been limited (Woolcock 1996, Hutton 2002), while the industrial relations and training systems remain firmly embedded (Culpepper 1999, Kilkauer 2002). In Sweden the picture looks rosier, with a recent economic recovery and unemployment falling to levels similar to the UK, alongside higher levels of employment participation. There has also been a reassertion of corporatist systems of collective bargaining, while recent evaluations suggest that the universal welfare system remains largely in place, with reforms only chipping away at the margin (Lindbom 2001, Steinmo 2003).

Arguments concerning the extent of 'convergence' and 'divergence' of the different varieties of capitalism rage on (see Ferner and Hyman 1998, Katz and Darbishire 2000), but what conclusions can be drawn? There is little doubt that there has been *some* retrenchment in the more progressive social democratic models, yet there clearly remain distinct differences (as well as greater benefits) associated with Scandinavia and Germany. The question is have they now stabilised, leaving the models intact and recognisable but not delivering perhaps as many positive outcomes as they once did; or is there an inexorable downward trend that promises to wipe out most, if not all, of their advantages? The former would certainly indicate a resilience and optimism in relation to these alternative visions for the UK. The latter would raise the spectre of

whether it is at all plausible to invoke the social democratic model if the exemplars of this approach no longer exist in anything like their current form in ten to fifteen years from now. Unfortunately, there is no crystal ball, only a confusing morass of contradictory opinions and speculations, with no certainty about how these countries' futures will pan out.

Much the same conclusion can be applied to the burgeoning literature on 'globalisation', usually seen as the main threat to existing social democratic models. If this is the *only* problem then a whole range of arguments can be brought to bear concerning the limited nature of globalisation, the continued importance of home countries to multinational companies' operations (e.g. Wade 1996, Weiss 1997) and high profile examples of 'reverse delocation', such as Texas Instrument's decision in 1994 to transfer its technological development teams from the UK to Germany and France (Ferner 1998:184). Even one of the more pessimistic commentators concedes that the contemporary global economy may 'not have obliterated the space for social reform, but it has definitely squeezed it' (Coates 2001: 303). At the same time, it is often claimed that social democratic pacts are being undermined by internal forces operating within national borders, for example the slowing down of productivity growth, the increased burdens on the welfare systems, and, in Germany's case, the incorporation of East Germany. The battle both with internal and external forces is not necessarily a modern phenomena. The oft-made assumption that these models have historically been secure and tightly woven together is denied by Streeck who argues that the German competitive position has been something of a 'socioeconomic tightrope walk' (Streeck 1997:245, see also Flecker and Schulten 1999). As Coates (2000: 233) neatly stresses, 'the volatility of capitalist systems inevitably makes the decision to pursue any model an inherently precarious and unreliable process', a point we return to later.

In a sense, the globalisation debate, where each side amasses data on the extent (or lack) of the internationalisation of capital, production and trade, ends up at an inconclusive 'dead-end'. However, until more convincing evidence can be found as to the withering of existing social models, it seems all the more important to resist those readings of globalisation, whether from the right or the left, which deny any possibility of a progressive alternative to neo-liberalism. Some positive signs are that both the German

and Swedish models are embedded in strong institutional arrangements that are not necessarily easy to unpick (Woolcock 1996: 182), while there are indications that popular support remains firmly in favour of existing approaches (Hassel 2002: 316; Steinmo 2003). If these social democratic models are to survive under new and difficult conditions, it may well be because they are vigorously defended. Conceding *a priori* defeat is only likely to undermine the forces of resistance and so make neo-liberalism a self-fulfilling prophesy[2].

It is one thing to try to preserve these social democratic models in a period when capital is on the ascendancy and labour has been seriously weakened. However, it is something else entirely to make the transition to such a model for a country like the UK faced with similar external pressures, yet with a completely different set of institutional structures. The second set of questions relate to the external constraints on the high skills model. *Are current German/Scandinavian models sustainable? What is the threat of globalisation? Can the UK make the transition in the current international environment?* The next section shifts the emphasis to exploring the internal constraints that obstruct the pursuit of a high skills vision.

## 4. Internal constraints: is there space for North European social democratic/high skills project in the UK?

Even if we accept that 'globalisation' *per se* does not rule out the possibility of a North European-inspired high skills project, and that an appropriate set of polices could be developed to take account of British distinctiveness, there still remains the question of the *likelihood* of such a project ever happening in the UK. There are two key questions to be confronted. First, is there a political party able and willing to take the lead on such a project and, second, is there anybody willing to be led?

Certainly, the present UK Labour government looks to be an extremely unlikely, not to mention unwilling, candidate. It is not only that New Labour appears firmly wedded to the UK's existing neo-liberal growth model, centred on macro-economic

[2] There has been little consideration of how social democratic models could be transformed into neo-liberal economies, in terms of their ability to maintain high value-added production or to compete in (already overcrowded) lost cost markets.

orthodoxy, flexible labour and capital markets, a voluntarist training market, and US-inspired 'workfare' (see Hay 1999, Coates 2000, Lloyd and Payne 2002c). It also explicitly rejects the North European model, with its emphasis on strong forms of social partnership, collective bargaining, and labour market regulation, insisting that whatever success such a model may have enjoyed in the past, it is now too 'inflexible' and 'sclerotic' to survive in the modern globalised 'knowledge economy'.[3] The choice facing Europe is, in the Blairite view, either to 'flex-up' their models, along the Anglo-Saxon lines, or simply be trodden underfoot by global competition.

In itself, this does not mean that a more radical social democratic high skills project could not be attempted were Labour, or indeed another centre-left government, to decide on such a course in the future. Hay (1999) argues that Labour could have pursued a far more ambitious project if they had *convinced* the electorate and a section of industrial capital that their long-tem interests lay in the direction of an alternative growth strategy aimed at developing a long-term, investment-orientated economy. In this view, political ideas and personalities matter, and the Labour leadership, lacking political conviction and courage, shaped its policies in accordance with the perceived short-term preferences of big business and the median voter. What New Labour should have done but failed to do, therefore, was mobilise a powerful coalition of social forces willing to support and defend such a project in the face of inevitable and fierce opposition from the City, the press and the business lobby.

Interestingly, a number of commentators on the UK skills debate have reached broadly similar conclusions, arguing that 'consensus' between the state, capital and labour is an absolute prerequisite of any project aimed at putting the UK economy onto a higher skills trajectory (see Ashton and Green 1996, Coffield 1999, Brown 2001). Hay (1999, 2002) stresses that the spade work for such a counter-hegemonic project would have been best done in opposition, since it only becomes harder once the party takes power. Hutton (2001:361-2) is more optimistic about what could still be achieved once in government. He argues that New Labour has taken some tentative, if largely

[3] As Wickham-Jones (2002: 474) points out, Blair sought to distance himself from the German and Japanese models as early as 1996 in his Mais lecture, noting 'This approach may sound compelling but, in fact, the relationship between finance and industry reflects a number of different and cultural factors that

unconscious, steps in a North European direction, citing, for example, the Myners review of institutional investors and a new Companies act that will encourage directors to acknowledge obligations beyond simply their shareholders. However, the approach has been 'piecemeal and unsystematic', lacking 'an overarching political and intellectual narrative'. Opportunities afforded by EU directives on working time and information and consultation to redefine the idea of the company in more stakeholder terms have been effectively squandered as New Labour, wedded to neo-liberal flexibility, has acted to dilute what might otherwise have been potentially significant developments. Implicit in all of the above positions is the acceptance that there exists a 'progressive' section of industrial capital capable of being won over to a North European approach. For example, Hutton (2002: 360) argues that outside the more vocal, neo-liberal business lobby in the UK, there may even be a silent 'majority' of employers open to a project along these lines.

In contrast, Coates (2001, 2002) disputes such a proposition, stressing instead a series of *structural constraints* that limit space for agency, and which, in turn, may help explain *why* New Labour took the path that it did. In his view, a progressive coalition for the modernisation of the British economy, that includes a leading section of employers, may be extremely difficult, if not to say impossible, to form:

> *if* the big UK players are now genuinely transnational in their scale of operation, *if* local manufacturing industry survives competitively on the basis of low wages and low value-added production, and *if* the local manufacturing sector is now too small and too under-capitalised easily to catch up with even its European opposition, let alone its North American and Japanese competitors (Coates 2002: 299).

Adding the external constraints posed by heightened capital mobility and financial liberalisation, makes the outlook appear even bleaker. However, for Coates, it is ultimately, what he calls, the 'dull logic' or 'permanent conservatism' of British Labourism that really scuppers the project. In other words, it is the historical record of past Labour governments – never *able* or *willing* (and there is an uneasy semantic slippage on this point in Coates' work) to mobilise a broad 'bloc' of social forces behind

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cannot be transposed with success. Furthermore, there are problems with this over-simplified view of our difficulties' (Blair 1995: 16).

a radical modernising programme – that makes such a project today rather a 'forlorn hope'.

In our work on the political economy of skill formation (Lloyd and Payne 2002b, 2002c), we too have argued that there is often a tendency among certain commentators to downplay the problems involved in forming a political consensus in favour of a radical high skills project in the UK. Consensus building may look difficult enough when it comes to the British electorate, many of whom may at least be open to the argument that the current neo-liberal model imposes intolerable levels of social inequality, poverty and crime, a high degree of insecurity and stress at work, and an under-resourced welfare state. But that is the electorate; it is not UK employers who are likely to have a very different reaction, especially given the continued viability of low skill, low value-added strategies in an economy noted for its high ratio of capital export. Neither is it at all easy to demonstrate that the more densely regulated and institutionalised models of capitalism actually deliver better *economic* outcomes than their free-market counterparts, particularly when the main comparator, namely the US, is a world military, economic and political superpower with all the advantages such a position confers. Moreover, attempting to steer UK policy makers, let alone employers, towards the virtues of Germany and Sweden at a time when these very models are experiencing major economic problems, is rather like trying to power a yacht when all the wind has gone from the sails. Why should UK capital give up the freedoms it currently enjoys in exchange for the apparently dubious, long-term benefits of a new model that promises strengthened unions, higher levels of tax, and a more regulated labour market? Commentators backing a North European high skills vision for the UK ultimately find themselves confronted with the question as to *whether there exists a section of UK domestic industrial capital that can be won round to such a project by force of argument alone* (see Coates 1996, 2000).

A better question may be to ask whether it might be possible for a government to *impose* such a project upon initially reluctant capital? Once again, however, this involves putting the cart before the horse, since it assumes the existence of a centre-left party already willing and able to act in this manner. Given that the present Labour government steadfastly refuses such a role, the question then becomes under what conditions might

the party shift in favour of such a project? Although there are limits to how far one might wish to engage in speculation as to the circumstances under which such a transformation might take place, one point seems worth emphasising. Much is likely to depend on the strength of the labour movement and its ability to dictate the terms of a new social settlement. To recall the conditions under which such settlements were formed in countries like Sweden and Norway in the 1920s and 1930s, is to be reminded of a period of intense industrial conflict during which a well-organised trade union movement, with close ties to social democracy, confronted a relatively weak, national, industrial-owning class (see Dolvik and Stokke 1992, Kjellberg 1998).

The third set of questions that will need to be addressed by those advocating a North European-style high skills vision for the UK is as follows. *Is there a section of UK domestic industrial capital that can be won round? Could a government impose the project on a reluctant set of employers? What would make a government attempt such a strategy? Could the project be achieved with a severely weakened British trade union movement?*

## 5. (Non)Progressive Competitiveness?

One final point that needs to be considered is the matter of just how *progressive* is a centre-left 'high skills' project inspired by the German and Scandinavian experience, or what some Marxist critics have chosen to label as 'progressive competitiveness' (see Panitch 1994, Albo 1997, Coates 2000)? If we leave aside the question of the feasibility of a North European high skills project in the UK, how *desirable* is this as a 'strategy for labour' (Panitch 2001), and what are the alternatives? These critics reject the progressiveness and, therefore, desirability, of such a project on the basis of series of linked arguments including:

- It is not possible for all countries to compete on high skills within an unregulated global economy.
- If one country is successful in the pursuit of such a strategy, this can only have the effect of exporting unemployment or 'bad jobs' to those who don't succeed and,

therefore, cannot be 'progressive' when viewed from an internationalist labour perspective.

- The strategy is not free of its own contradictions and is vulnerable to 'being undermined by similar initiatives elsewhere'. In particular, the strategy cannot offer a *permanent* defence against competition from the low cost developing world (Coates 2000: 119).
- It requires organised labour to embrace a strategy for national competitiveness/social equity based on a 'social pact' with capital *at a time when the latter is said to be busily trying to extricate itself from such arrangements*. Through such accommodation, labour not only cedes its role as a permanent and independent opposition, but may be less well placed to offer mobilised resistance to cheap labour growth strategies (Albo 1997, Coates 2000).

Given such criticisms, it would seem incumbent upon those who reject a radical reformist high skills project to come up with a feasible alternative and the agencies capable of delivering it. The real challenge for the Left, these critics argue, is to seek a 'strategy for labour' that encourages national labour movements to make more radical and ambitious demands upon the state and capital (Panitch 2001), and combines workers' protests across the globe into an *international* labour movement or 'agency' strong enough to *find, develop* and *impose* 'a successful left-wing alternative to current capitalist models' (Coates 2000: 264). While retaining a faith in the capacity of 'global labour' to devise such alternatives, these commentators resist the criticism that theirs is a redundant vision, pointing to an intellectual climate where neo-liberalism is on the ascendancy and any socialist alternative to capitalism is no longer judged to be credible (see Andersen 1994, Panitch 2001). However, as Coates (2000) himself seems willing to acknowledge, at least in part, such a defence is weakened by the failure of the Left to provide anything more than the very briefest of sketches as to what such an alternative would consist of.

Leaving aside the lack of detailed vision, we would wish to take issue with some of the more specific accusations of 'non-progressiveness' levied at the high skills project. First, the charge that anything which benefits one set of workers but harms others (whether in another firm, sector or country) is ultimately non-progressive turns out to be

an extremely difficult principle to adhere to in absolute terms. For example, these same commentators are likely to support workers' protests over wages and conditions, even though sectional economic militancy has often been seen to impact negatively on other workers, particularly the less organised, through higher prices and reduced real wages. In short, almost any policy with potential benefits for labour can be ruled out on these grounds (see also the debate on import controls in the 1970s (eg. London CSE Group 1979)).

Second, it is not clear why lifting one economy on to a higher growth path must necessarily, as Coates (2000:254) suggests, push 'an alternative economy onto a lower one', unless it is assumed that there exists a fixed demand for high skill, high price products within the global market. This view neglects to take account of the fact that markets are not simply static but are ever-changing and can be created (i.e. as more customers enter the market with higher wages and disposable incomes they demand higher quality products). Moreover, it tends to be based upon assumptions about *the specific limits of the market for manufacturing goods*. As such, it forgets that internationally non-tradable services now make up the bulk of employment in all industrialised economies, and misses the potential that exists to increase *domestic* demand for higher quality, higher price services delivered by better paid, better trained and more highly skilled employees.

Third, it is important to distinguish between different varieties of 'social partnership' on offer and the position different labour movements currently find themselves in. Clearly, the North European model of social partnership, with its emphasis on centralised collective bargaining, together with strong forms of workplace democracy and labour market regulation, has been able to deliver tangible benefits for labour, and has also played a key role in blocking-off low wage competitive strategies. Trade unions in these countries have proved far more effective in this respect than their counterparts in the UK, where a weak legal framework left them vulnerable to a concerted state and employer offensive after 1979. Moreover, in countries like Germany and Sweden, it may not be quite so easy for employers to simply withdraw from densely institutionalised 'social settlements'.

Nevertheless, there are very real dangers that a strategy of progressive competitiveness could rapidly become un-progressive, particularly without the existence of strong independent trade unions. It would be far too easy for employers at the first recession to seek to recover losses by demanding wage restrictions, cuts in taxes and redundancies. There are also genuine concerns about the extent to which economies can all be competing within the same markets. Germany has come under pressure from successful Japanese competition in high quality markets. Although with expanded incomes and expectations demand may rise for high value-added manufacturing products within the UK, there is no reason that demand will increase to match global levels of supply. Overproduction is an endemic feature of capitalist forms of production, making any strategy, whether based on low cost or high quality, essentially precarious. The fourth set of questions asks *what would be the economic implications of another large relatively high skills economy and how long can a progressive high skills model be sustained?*

## Conclusion

This paper has afforded a valuable opportunity to discuss our vision of the kind of high skills society we would like to see developed in the UK, and to consider the prospects for realising such ambitions within the current conjuncture. Having identified our criteria, the journey led us ultimately to Germany and Scandinavia as the best 'actually existing' examples of high skills societies. These countries, founded on long-standing neo-corporatist 'social settlements' between the state, capital and labour, have, for much of the post-war period, been able to combine relatively high levels of investment, fairly generous welfare provision, limited social inequality, strong labour and social rights, and a broad distribution of high levels skills. This is not to suggest that such societies are perfect; merely that they offer the most desirable model of a high skills society for the UK, given what is currently available under capitalism.

The challenge, then, is to consider whether or not the UK *could* move towards a British variant of the North European model as part of a long-term project of social and economic reconstruction. Such a project would need to address a series of interlocking weaknesses within British 'stockholder capitalism' – endemic short-termism, a

deregulated labour market, weak social partners and a run-down welfare state – which *are implicated in the UK's current skills problem*. Implicit in this vision is a fundamental and radical break with the prevailing neo-liberal growth paradigm and the UK's institutional legacy. In turn, this led us to a series of other overlapping questions that would need to be confronted by those nailing their colours to a North European-inspired high skills vision for the UK. The core elements are as follows:

- *Can these models be transferred?*
- *Can UK institutions be radically changed?*
- *Are current German/Scandinavian models sustainable?*
- *What is the threat of globalisation?*
- *Can a coalition be formed in favour of the vision?*
- *Could a government impose the project?*
- *Why would a government attempt such a strategy?*
- *Is a strong trade union movement a pre-requisite?*
- *Is the high skills vision economically viable?*
- *Is the vision sustainable?*

Having charted a morass of problems and uncertainties that would beset our vision, we may now be better placed to answer the question posed in the introduction to this paper. In particular, do 'we' need a high skills vision, or, better still, having found our vision, what good will it do us? The answer depends, in large measure, on who the 'we' is and what the vision is being *used for*. If the idea is that such a vision can be deployed by academics to persuade policy makers that there is a better road for the UK to follow, then we are deeply pessimistic. It is not just that the current New Labour government appears to have already made up its mind that the US is the model to follow, and that there is little, therefore, to be learnt from the 'over-regulated' Europeans. It also neglects the deep-level changes to the model of British capitalism that this project would require, and the powerful vested interests that would vigorously oppose such a transformation. This fact alone makes the project an inherently risky and uncertain one, leaving aside whether there is the political will for it or, for that matter, a leading section of employers willing

to go along for the ride. Radical capitalist re-modelling on this scale, therefore, is unlikely to be produced simply by academics lighting upon the right vision and mustering what evidence they can that its current exemplars still work well enough to deliver better social outcomes in the face of 'globalisation'. A big question mark looms over the sustainability of the 'exemplar' German and Scandinavian models, even among hitherto staunch supporters (see Streeck 1997). It is difficult to prove that these economies deliver better economic performance at the best of times, let alone when they appear to be experiencing major economic problems of their own. No wonder then that many academics often choose to be less than candid about whether and how these models might be 'transferred' to the British context.

It is one thing, therefore, to hold up, in one hand, the vision of a North European social democratic alternative and, in the other, the nightmare scenario of American levels of social inequality in Britain ten or fifteen years from now; it is quite another to expect that this exercise will necessarily provide academics with a powerful lever for policy change. One only needs to consider the fate of Hutton's elegantly worked out case for the stakeholder society, quickly jettisoned by New Labour on arrival in office, to realise as much. Until the *political* parameters of the current policy debate are shifted, through a groundswell of popular opposition to the New Labour project, it remains difficult to see how such a vision can make any serious headway in policy terms.

Might a more extensive debate around the high skills vision nevertheless serve a useful purpose for academics engaged with UK and international VET debates? To this question, we may answer rather more optimistically. Asking commentators to be clearer about what exactly they see the high skills project involving in the UK, may help to force a closer and critical engagement with some of the more complex and difficult issues that have tended to lurk in the shadows of the skills debate. In particular, as many commentators rely on government to pursue their high skills vision, the continued failure to make any headway in this direction would seem to indicate a requirement to at least address the question of agency. What are the factors that might push government to pursue a particular approach and can academics influence those pressures? A sharper academic debate would, at the very least, undermine the apparent 'consensus' that we are

all aiming at the same target - 'the high skills society' - when really this simply masks major conflicts in underlying objectives.

The alternative is to give up on the vision altogether as impossible or unrealistic. But what then are we left with? A brief glance at the newly unveiled UK Skills Strategy (DfES 2003) suggests that what we may be faced with is a story of a recurrent cycle of policy failure, where the UK state endlessly launches one skills supply initiative after another that repeatedly neglect the underlying causes of the UK's skills malaise. Meanwhile, our manufacturing industry slips overseas, the service sector churns out a steady stream of low skill, low wage jobs, social welfare provision remains inadequate, and British society grows ever more polarised and unequal. It is vitally important that academics tell that story well. It would be foolish, however, to delude ourselves that if 'we' only tell it well enough, policy makers must eventually sit up and listen.

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