

INITIAL SUBMISSION ON ADULT LEARNING IN THE WORKPLACE -- EXPLAINING CURRENT PATTERNS AND THEIR OUTCOMES

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SUMMARY OF PAPER

The adult skills crisis that Leitch and public policy seek to address does not exist (at least in the terms it is currently portrayed). The current supply of skills is, depressingly, broadly in sync with demand, and any real change to this situation would require a major shift in the incentive structure facing individuals and firms. Current public policy runs the risk of wasting a lot of money, and diverting resources from wider forms of adult learning into the narrow cul-de-sac of workforce development – real demand for which is generally lacking

THE EMERGING ISSUES FOR ADULT LEARNERS

- What added value to the individual is there in receiving an NVQ level 2 (which often has little or no traction on labour market decisions, especially pay), via APL within Train to Gain?
- In a labour market where 22% of jobs are low paid (33% for women workers) a key issue for those on the lower rungs of the occupational ladder is what sort of education and/or training will help them move up and access better jobs?
- Do adult learners want/need more workforce development rather than more help/support for learning to do with the rest of their lives?
- Why are so many vocational qualifications so apparently worthless as currency in the labour market? What can be done to change this?

FUTURE CHALLENGES IN THIS AREA

- How do we create better (i.e. better paid, more interesting) jobs? Rather than training and creating more skills, perhaps we should start with work organisation, job design and making better use of the skills and ideas that staff already have?
- How do we get policy makers to see the world afresh, rather than repeating ideas that were stale 20 years ago?
- How do we move adult skills policy beyond human capital accumulation/qualification stockpiling?
- What will happen when employers do not deliver ‘The Pledge’?

“So the case for pessimism, based on psychological studies, is that it can make us more accurate in predicting events, particularly in a world of uncertainty”.
Charles Leadbetter, *Up the Down Escalator – Why the Global Pessimists are Wrong*, London: Penguin, 2003: 9

“More than at any other time in history, mankind faces a crossroads. One path leads to despair and utter hopelessness. The other, to total extinction. Let us pray we have the wisdom to choose correctly”.
Woody Allen, ‘My Speech to the Graduates’, in *Side Effects*, London: Random House, 1981: 61.

INTRODUCTION

The quotes reproduced above are not entirely frivolous. NIACE’s Commission of Inquiry takes place against a fairly unpropitious backdrop in terms of English government policy – the Skills Strategy and now the Leitch Review have set a narrow, deeply utilitarian agenda for education and training (E&T) policy in general, and adult learning in particular, which establishes the long-term ‘direction of travel’ (to use a favourite phrase of senior staff in DfES/DIUS) in this area of policy. As this submission will argue, the ‘skills crisis’ that both aim to resolve in reality does not exist (at least in the terms that public policy currently describes it). Despite this, or perhaps because of it, there is very little sign from the government that either the policy or the analysis that supports it is open for discussion and amendment. The government’s response to Leitch (DIUS, 2007) makes it clear that, from its authors’ point of view, the time for talk is past, the route map is fixed, and ‘partners’ and ‘stakeholders’ are now expected to sign up to this agenda, and get on and perform their allotted tasks in pursuit of the Leitch targets.

It therefore seems likely that if the Commission is to have any impact at all on what happens, it will need to do at least three things. First, to go beyond re-stating what tends to be the standard official reading of reality as it relates to the economic case for more adult learning. This case revolves around a few, high-stylised meta-level theories, such as human capital theory, the kind of models of globalisation and its effects favoured by Giddens (2002), and visions of a knowledge society/economy/worker of the type made popular in the UK by pundits such as Leadbetter (2000 & 2003). Resort to these very general, often simplistic universal narratives stems from the weakness and general theoretical deficiency of current popular conceptualisations and understandings of the labour market and how it distributes economic and social gains, particularly the role that skills and qualifications play within this process. As will be discussed below, this over-reliance on woolly versions of meta-theories and meta-narratives leads to deficient policy prescription and produces visions of the future that are extremely unlikely to be realised.

Second, it seems vital that the Commission adds value by providing policy makers with new and different ways of seeing and understanding the issues involved. This submission tries to provide an analytical framework, which revolves around different

types of incentives acting upon learners and employers that might be helpful in this regard.

Third, the Commission could inject the shock of some novel realism into current policy debates about adult learning for economic success. As this submission will suggest, despite what the Leitch Review asserted, the case for greater employer and/or state investment in whole qualifications and minimum Level 2 entitlements for very large chunks of their adult workforce is extremely weak. Much of the money being thrown at initiatives such as Train to Gain (TtG) is liable to be wasted. Insofar as we do have a skills crisis in jobs at the lower end of the occupational spectrum, it is one that revolves around weak employer demand for skill and poor utilisation of skills once created due to defective forms of work organisation and job design. In other words, the crisis is primarily about a lack of enough high quality jobs that need and can use higher levels of skill, not about an insufficient supply of skill.

What follows tries to provide a perspective on adult learning in the workplace that might help meet these objectives. The submission deals with workplace learning, but not with basic skills provision. Overall, it suggests that current patterns of supply of learning and workplace learning opportunities are broadly in sync with real demand for such learning and the skills it generates, at least in terms of what employers want. This situation will be hard to change, because the underlying structure of incentives produced by current levels of demand will not encourage substantially greater levels or different patterns of investment by employers or individuals. Government interventions may be able to boost the supply of learning for those in lower tier occupations through subsidy, but will have little long-term impact on what employers will provide to these workers, or upon economic performance at firm level. The underlying problem is not one of supply, it is of weak demand at the lower end of the labour market and occupational spectrum.

THE OFFICIAL VIEW OF THE WORLD – WORKPLACE LEARNING CHALLENGES AND THE ANSWERS TO THEM

The Government’s Vision of and for Competitiveness and the Labour Market

The government’s vision is based around a set of mutually supportive propositions, many of which receive an airing in the Leitch Review’s two reports, but which in reality tend to reflect consistent strands of thought over the last two decades:

- More and better skills are, “the most important lever within our control to create wealth and to reduce social deprivation” (Leitch Review, 2006:2), with human capital now, “the key determinant of corporate and country success” (Blair, 2007:2).
- Globalisation is unstoppable, and its impact(s) on the economy, employment and the labour market cannot be controlled or altered.
- The role of governments is to ameliorate the most damaging of these effects by equipping individuals with the skills to change jobs and careers in response to economic change
- The bulk of the labour force either are, or will become, knowledge workers (“In a sense, a whole economy has passed away....In the new knowledge economy,

human capital, the skills people possess, is critical”, Blair, 2007:3). The economy of the future will require far more highly skilled employees than now (Leitch, 2005 & 2006, DIUS, 2007). This means that low skilled jobs are vanishing, and all workers need higher levels of skill and qualification in order to be employable and to move up the job ladder.

- The main safeguards for workers in terms of preventing exploitation within the workplace are twofold. First, via a minimum platform of universal individual employment rights (for example, on health & safety; entitlement to paid holidays, maternity and paternity leave). This platform is now in place, and no further major extensions are anticipated. Second, if people feel they are being poorly treated or undervalued in their current workplace, their skills will enable them to find better employment elsewhere (Blair, 2007).
- Skills are also the key to ensuring social inclusion, fighting poverty and ensuring social mobility. As DfES junior minister Phil Hope commented, “Lord Leitch understands that no one thing lifts a person, a family from poverty more than having a good job. Nothing helps you to get, keep and progress in a job more than having the right skills” (LSC, 2006: 16).
- Publicly funded investment in E&T can alter the incentives for individuals and employers to invest in skills and will leverage major additional investment from employers. This will sooner or later lead to a ‘supply push’ effect (H M Treasury, 2002; DfES/DWP, 2006: 4), thereby securing the long sought after holy grail of a “once and for all change in the training market” (H M Treasury, 2002: 15).

Unfortunately, many of the above beliefs are not all that well founded.

The Knowledge-Driven Economy – not arriving any time soon? The use of optimistic forecasts of the shape and structure of the future labour market has certainly been extremely helpful in allowing policy makers in government and its subordinate agencies to avoid addressing the substantial residuum of relatively low skilled, low waged (see below) work that persists within our economy. We need to be aware that the scale of fundamental change in the underlying structure of employment may be smaller than we sometimes like to believe. It is certainly true that there has been both a massive shift out of manufacturing (blue collar) employment into service sector occupations, and that the gender balance of the workforce has also undergone a profound change. However, the tendency to conflate service sector employment with higher skills and knowledge work (white collar) is potentially highly misleading (Nolan & Woods, 2003). As Delorenzi & Robinson (2006:29) illustrate:

Table 1: Changes in the structure of employment, 1982 - 2012

	1982	1992	2002	2012
Higher Occupations	28.3%	33.3%	40.2%	45.1%
Intermediate	32.5	30.4%	24.6%	20.5%
Lower	39.3%	36.3%	35.2%	34.5%

SOURCE: CE/IER estimates using SOC 2000 – Delorenzi & Robinson, 2006: 29)

While growth at the top end of the occupational spectrum has been significant, jobs at the lower end have not declined all that much (falls in manual work being balanced by increases in sales, customer service and personal service work). The real squeeze has been in the middle tier of occupations, particularly among the skilled trades – a development which has major implications for the government's desire to see a significant rise in those holding intermediate level skills (Delorenzi & Robinson, 2006:29), and for opportunities for progression up the job ladder for those wanting to get out of lower end occupations/job roles.

The Leitch Review (2005) presents figures that purport to show jobs that require no qualifications almost vanishing by 2020. Unfortunately, as the Centre for Enterprise (2007) point out, the Leitch Review appear to have completely misunderstood the nature and import of the data they were using. The relevant projections related to the supply of workers in the labour force who possessed no qualifications, rather than to demand by employers for qualifications held by potential employees. In other words, the scenarios underlying the projections were about supply of skills from the E&T system, not about demand for skills from employers (the English government response to Leitch (DIUS, 2007) tacitly admits that Leitch was completely mistaken in its reading of this data, see page 24). As will be detailed later in this submission, survey-based research evidence suggests currently in Britain there may be as many as about 6.9 million employment opportunities that require no qualifications to either obtain or perform the job in question.

There has been a great deal of debate about the definition and hence the scale of the knowledge economy (Livingstone, 1998; Thompson, 2004; Warhurst & Thompson, 2006; Fauth & Brinkley, 2006). Rather than fixate on these debates, given that the definitions of both 'knowledge work', and of 'skills' and highly skilled employment are open to endless contestation, it might be more profitable to talk about what is going on at the other end of the spectrum, in low paid work, where definitions and facts are rather easier to interpret. The starting point is the premise that even if one segment of the labour force have become or are becoming knowledge workers, there remains a very substantial proportion of work where this is not the case.

What follows draws on work undertaken by SKOPE (alongside NIESR) as part of a large-scale study, funded by the Russell Sage Foundation, on low wage Europe (see Lloyd, Mason & Mayhew, forthcoming). On EU definitions, about 22 per cent of the UK workforce is low paid (as compared to about 12 per cent in France, and just 8.5 per cent in Denmark), and no less than 31.3 per cent of all female employees in the UK paid below the EU definition of the low pay threshold (60 per cent of median earnings). Low paid employment is structurally embedded in the fabric of our economy and has persisted over long periods of time. It tends to be concentrated in certain sectors and occupations (unsurprisingly those which often show very low rates of return on vocational qualifications specific to that sector or occupation – see Dickerson & Vignoles, 2007). The sectors include retail (49 per cent of employees low paid), hotels (59 per cent of employees low paid), and wholesale (22 per cent of employees low paid), and the occupations cover sales assistants (66 per cent low paid); retail cash desk/checkout operatives (78 per cent); bakery operatives (46 per

cent); food, drink and tobacco operatives (25 per cent); and cleaners and domestics (76 per cent).

The vast majority of these jobs demand relatively low levels of formal qualification, while offering poor pay, low job security, limited job satisfaction, and few if any opportunities for progression and development (see Toynbee 2003 for a depressing but detailed description of what it is like to undertake this kind of work). Insofar as skill needs in these jobs are changing, they are doing so in small, often very small steps, and such skill needs as this creates can be dealt with through short courses or more likely through formal and informal learning on the job. The kind of training that might be certified through whole qualifications is relatively rarely required. Moreover, SKOPE's research suggested that many of the workers employed in these areas already held quite high levels of qualification, in a significant number of cases well in excess of a first Level 2. The qualifications they held were not leading to higher pay or access to better training opportunities.

Thus, far from everyone becoming a knowledge worker, we are witnessing a greater polarisation between the good and bad jobs in our economy (Thompson, Warhurst and Callagan, 2001; Nolan and Wood, 2003). Our experience parallels that in the USA (Applebaum et al, 2004; Cormier & Craypo, 2000; and Lafer, 2002).

What evidence is available suggests that progression out of the lower end jobs is very limited (Jenkins, 2004; McKnight, 2000). McKnight's (2000) research suggests that mobility may actually have decreased between 1977 and 1999. Given how these jobs are organised, and how many of the firms that employ these staff choose to compete (price-based competition), it is unclear how publicly-funded upskilling of employees in these occupations will, of itself, change the wage structure (Edwards, Sengupta & Tsai, forthcoming). The number of such jobs is not set to decline markedly in the medium term and may increase, and as much of this employment is non-tradeable, globalisation will not necessarily force firms to improve their performance or design better jobs. It also needs to be noted that both knowledge work and low paid work are geographically concentrated, and this concentration appears to be increasing over time (Green & Owen, 2005; Local Futures, 2006). All this suggests that, whatever happens to the knowledge workers, for the large numbers of those outside this charmed circle working life may remain rather less glossy and comfortable than policy makers sometimes imagine.

Skills are the best answer – to everything. An enormous difficulty with current E&T policy is the level of expectation that it is being expected to bear. For example, much of SKOPE's work has demonstrated that, at the level of national economic performance, policy based around simple accumulation of stockpiles of human capital (as Leitch wants) is unlikely, on its own, to be sufficient to generate major improvement in economic performance (Keep, Mayhew & Payne, 2006; Ashton & Sung, 2006; Delbridge et al, 2006). It has certainly not had dramatic effects on the productivity of countries such as Canada and New Zealand (both singled out in the Leitch Review as countries whose qualifications stocks England must try and catch up with), since their productivity per hour worked trails the English average by quite a distance.

As noted above, a central concept for policy makers is belief in a supply-push effect, whereby publicly-funded boosts to stocks and flows of skill will push the economy onto a new, higher skilled, higher value added pathway (H M Treasury, 2002; Leitch Review, 2006; DfES/DWP, 2006). Acemoglu (2003) has provided a stylised theoretical model of how such an effect might work, and hypothesises that such an effect might explain the USA's success in adopting ICT and thereby boosting productivity. Unfortunately, he cites no hard evidence to support the hypothesis. As Keep, Mayhew & Payne (2006) note, from the UK's point of view the evidence generated by the Scottish economy is not very encouraging. Scotland has invested heavily in skills and has a far more highly qualified workforce than England. A major positive impact on relative economic performance is hard to detect.

Moreover, if there is a supply-push effect, there remains the question of what type of skills, at what level, for which workers and/or firms will actually produce an impact. Without some understanding of this, all that policy makers can do is resort to scattergun policies. As Ashton and Sung argue, research on firms' competitive strategies and their relationship with skills demonstrates "the need for a more differentiated and a more clearly targeted approach to skills development....it is not always useful to exhort all employers to train more. For some employers (with their specific competitive strategy), training beyond the operational level is pointless and counter-productive. Resources devoted to such an 'undifferentiated' skill policy are likely to be wasteful" (2006: 17). This is a major challenge for the approach argued for by Leitch, which is based around blanket targets, universal entitlements and one-size-fits-all initiatives aimed at boosting the supply of skill. The problems of supply-push thinking in relation to Train to Gain (TtG) are examined in more detail below.

At best, a focus on amassing more and more qualifications within the workforce is one necessary precondition for success, but no more. At worst, it is a serious distraction from the task of developing skills policies that are much better integrated with wider economic development and business improvement policies, innovation strategies, and efforts to encourage the take-up of more sophisticated forms of employee relations policies and practices, and improved work organisation and job design (Keep, Mayhew & Payne, 2006; Delbridge et al, 2006).

At the level of the individual, supplying a modest universal entitlement or platform of skills (basic numeracy and literacy, and/or a first Level 2 qualification, usually an NVQ) is expected to deliver major advances in terms of:

- Coping with the impact of globalisation;
- Improving social justice;
- Boosting wages and reducing income inequality;
- Promoting social inclusion;
- Increasing levels of employment;
- Enhancing job mobility and career progression.

See Leitch 2005 & 2006, and DIUS, 2007. For example, current official thinking argues that the individual worker's ability to counterbalance the power of global capital and of large multi-national employers rests, not with any form of solidaristic collective identity or action (like collective bargaining over pay and other terms and conditions of employment), but through the possession of skills that allow them to

quit unrewarding employment and seek better elsewhere (Blair, 2007). Such an atomised model might be applicable to leading edge software engineers, genetic researchers and other high level knowledge workers, but may offer less leverage and hence rather fewer rich pickings to those whom the state has equipped (through Train to Gain) with, for instance, a Level 2 NVQ in customer service.

In addition, the concept that job exit/quit provides individuals with a source of power in the labour market only works if the skills possessed by the worker are relatively rare and in high demand. Many low pay sectors, such as hotels, catering, cleaning, and retail already experience (and have for a long time) high levels of job exit and hence labour turnover. This has neither raised wages nor improved working conditions significantly in these sectors, indeed there is some evidence that working conditions are getting worse (Lloyd, Mason & Mayhew, forthcoming). The same research also suggests that the existence of a reserve army of migrant labour from the EU accession states has helped to reduce any pressure on wage levels that might otherwise have appeared (Lloyd, Mason & Mayhew, forthcoming; Dench et al, 2006).

Deficiencies with Current Levels and Patterns of Workplace Learning

The government perceives there to be two problems here. First, although the overall level of adult training in UK workplaces appears to be relatively high compared to other OECD/EU countries, the stock of qualifications held by the adult workforce is deemed to be too low compared to that in other countries.

The answer is held to be changes to the qualification system so that employers can certify their in-company training. This is highly unlikely to happen. To the best of the author's knowledge, there is not a single OECD country where more than a small proportion of employer-provided training for adult workers is certified and there are enormous technical and logistical difficulties in changing this picture.

Second, as the Leitch Review (2005 & 2006) discusses, the distribution of learning opportunities within employment remains skewed in a highly inequitable way, with those at the top of the occupational hierarchy obtaining the most and those at the bottom the least (though it might be noted that a broadly similar pattern of access to employer-provided adult learning appears to pertain in almost all other OECD countries). Moreover, there is some evidence (Eraut & Hirsh, forthcoming) that it is not merely in volume terms, but also the quality of what is received, that managers and professionals do better. Those at the very top of the organisational hierarchy appear to be the beneficiaries of sophisticated integrated approaches to training and development that are not made available to those further down. Indeed training for the mass of employees may be becoming even more fragmented, just-in-time and narrowly task-focused, rather than more broadly developmental. The answer here is believed to be Train to Gain (TtG) and adult entitlements. The validity of the expectations that underlie this belief is probed below.

INTERNAL AND EXTERNAL INCENTIVES- A FRAMEWORK FOR CONCEPTUALISATION AND ANALYSIS

Incentive Structures in E&T – An Overview

One way of trying to analyse why we have the current levels and patterns of adult workplace learning, and why some of the official solutions appear to be facing significant problems, is to think in terms of the incentive structures that face

individuals and adults when they contemplate making investments of time, energy and money in upskilling/further learning.

A key initial point to make is that these resources are finite, sometimes scarce, and that both individuals and employers can invest them in things other than skills/learning and perhaps see greater returns. Much current adult learning policy implicitly ignores this element of choice and of the possibility that individuals and employers are making entirely rational cost-benefit analyses between different types of investment, and deciding that learning does not offer the best returns.

Moreover, as has been discussed above, some of the key elements that are assumed to be creating a need for greater skill, and therefore driving up the incentives to invest in it, may be much weaker and far patchier than policy makers like to assume. The current patterns of investment and participation may therefore reflect the distribution of stronger and weaker incentives across firms and segments of adult workforce.

Within this conceptual framework, there are two categories of incentive acting on decisions about learning and upon the choices made by individual students/trainees and employers:

Type 1 Incentives generated inside the E&T system and the act of learning itself.

Type 2 Incentives generated externally.

The strength of these will vary within and between 1 and 2. The aim of what follows is to consider how these two types of incentive act upon individuals and firms and upon the choices that they make.

Examples of Type 1 Incentives

- Intrinsic interest/joy of learning and curriculum design and pedagogy fashioned to deliver/enhance this.
- Forms of assessment that are designed to encourage further participation rather than to sort/ration access to next stage of learning.
- Opportunities for progression to next stage of E&T.
- Institutional cultures within E&T providers (including employers and within the workplace) that nurture potential and celebrate achievement.

Examples of Type 2 Incentives

- Wage returns/premia to particular types and levels of qualification within given labour markets. These vary across occupation and place, and the official use of average returns is often highly misleading, as there is often a massive range of dispersion around that average.
- Other benefits that accrue to qualifications/skills that enable access to particular higher status/higher qualification entry professions and occupations (e.g. intrinsic job interest, opportunities to travel, etc).

- Career progression and promotion opportunities accessible within particular occupational labour markets/employers due to:
 - a). achievement of threshold qualifications/patterns of skill acquisition that allow access to said labour market.
 - b). participation in further learning/CPD (either funded by employer, individual or both).
- Social status attendant on particular qualifications, career pathways and the earnings they generate.
- Cultural expectations within society in general about the value of learning and qualifications, and for young people, the parental pressure to achieve that this in turn supports (e.g. Japan).
- Labour market regulation which makes acquisition of particular levels and types of qualification and learning experience a prerequisite for access to particular jobs/occupations (e.g. Germany, Austria, Australia).
- For adult learners there are also a wide-ranging series of non-economic benefits that relate to satisfaction and enjoyment in family life and sporting, cultural, political, and voluntary activities. As government policy has shifted to concentrate more or less solely on the economic benefits/incentives relating to adult learning, it has tended to lose sight of these other incentives. The lesson from adult learning schemes such as the Ford Motor Company EDAP scheme suggests that even for adults in relatively low-skilled manual jobs, learning opportunities that are non-work related can be important motivators.

As a general proposition it seems reasonable to assume that the best outcomes (in terms of generating higher levels of participation and achievement) will occur within national/regional/local systems wherein Incentive Types 1 and 2 are closely aligned and mutually reinforcing. It is worth noting that in many other countries some of the key decisions that determine patterns and levels of participation, achievement and progression tend to be driven by incentives generated outwith the E&T system (i.e. Type 2 Incentives) – mainly through the labour market. In the UK there are problems:

- A lack of strong, universal cultural expectations from society/parents about high achievement.
- A crucial lack of labour market regulation (especially an extensive use of Licence-to-Practice (LtP) that might incentivise achievement.
- A long-term decline in the proportion of middle-tier jobs and ladders up and out of low paid work, coupled with growth of HE means that the internal and external (Types 1 & 2) incentives bifurcate – you are either on a high status, apparently relatively high economic return route via A levels to HE, or you are not. For those who are not, the returns to further study are often poor, sometimes nil.

UK policy makers continue to place heavy reliance on the use of externally generated and driven rate of return (in reality usually wage premia) calculations to various levels/types of qualification as the means to motivate participation in post-compulsory learning. The readings of evidence they offer as reasons to continue in education/achieve more are often selective and partial, in that they make much play of the relatively high average returns to Level 4 (while ignoring growing dispersion around this average) and keep quiet about the appalling returns to many Level 2 NVQs. In other words, for many adults, some forms of learning manifestly do not pay (and bizarrely, it precisely these forms to which TtG and much adult first level 2 entitlement provision is geared).

UK policy makers also usually make the assumption that policy itself can have little or no impact on the shape or scale of Type 2 incentives, which are treated as immutable or outside government influence. Thus, although it is strongly rumoured that the Leitch Review toyed with the idea of extending LtP legislation, in the end the mantra of labour market flexibility as a key source of UK competitive advantage appears to have won out, and nothing of substance appeared in the Review's Final Report.

However, concern about our poor (comparative) record on post-compulsory participation and worries about the skewed distribution of adult training, have led government to try the two following approaches:

a) In recent times policy makers have tried to use Type 1 (internal) incentives to increase participation in E&T (particularly for young people) in part because Type 2 (external) incentives are either lacking or weak. Examples here would include the new Diplomas, curriculum reform, junior apprenticeships and efforts to use the vocational route and FE as the means to re-motivate disaffected students.

b) There has also been an increasing reliance on government providing subsidy to act instead of/in the absence of Type 2 incentives generated by other actors (normally employers). Examples here would include Educational Maintenance Allowances (EMAs) and TtG. These schemes reflect the problem of weak incentives for those not following the Royal Route (i.e. A level and HE) and also the long-established patterns of access to adult training provided by employers.

Very often the government justifies the use of these externally generated incentives on the grounds that they are needed to tackle market failure, and that it is market failure that is the cause of weak direct incentives to individuals and employers to invest in skills. Thus the aim of TtG is to provide subsidy that will act in lieu of market incentives, which are deemed to be insufficient to stimulate employer or individual investment at present, due to market failure (H M Treasury, 2002). The problem with this thesis is that the evidence for market failure is lacking. Its existence is endlessly asserted by government, but it increasingly seems to be deployed as an explanation of first and last resort for outcomes that do not meet the government's expectations or decisions that do not help meet the government's targets.

For a detailed discussion of market failure see Keep (2006), but here it is sufficient to note that if the market for adult skills was failing to any very significant extent it might be expected that there would be chronic skill shortages when employers tried to

recruit new workers, and large skill gaps among the existing workforce. The government's own evidence, generated by the LSC's massive National Employers Skills Survey (NESS) suggests quite the opposite. Genuine skill shortages are limited and stable (and tend to be concentrated in particular occupational groups), and skill gaps are small, usually transitory and falling in size as a proportion of the overall workforce. In other words, the market seems to be working, it is just that a significant store of jobs in the lower occupational groups in our economy do not appear to require substantial amounts of initial or continuing training in order to undertake them. In a sense, the decision by the Leitch Review to opt for international comparisons of skill stocks as the justification for a renewed moral panic about E&T in the UK simply reflects the fact that no other 'crisis' could be found upon which to latch new policy or calls for additional resources.

Government-generated, market failure oriented incentives, which here will be termed Type 1b Incentives (which in effect are simply straight subsidies), appear to deliver relatively weak effects (as well as being expensive on the public purse and carrying high levels of deadweight – i.e. they pay for things that would have happened anyway). They may also only produce partial or ephemeral incentives:

Partial – EMAs do motivate continued participation, but do not appear to generate much in the way of achievement (see, Maguire and XXXXXX, 2006).

Ephemeral - TtG may boost employer engagement/demand but only for as long as the subsidy lasts. The likelihood of any sustained 'afterglow' is problematic, as TtG has no direct linkage to organisations' product market strategies, work organisation or job design (see below).

The Impact of Increasing Adult Skills Supply on Incentives

Current policy on adult learning in the workplace (and outside it) is predicated on a belief that this will generate benefits to the individual and to their employer. Both of these propositions need careful scrutiny.

As was discussed above, there is now a wealth of research that shows that the links between the skills of a workforce (whether at organisational or national level) have a complex and often indirect bearing upon the performance of organisations and national economies. As suggested above, Leitch's view that the economy with the biggest stock of qualifications in its workforce somehow 'wins' in international economic competition is far too simplistic (for a fuller review of this topic, see Keep, Mayhew and Payne, 2006).

In the case of individuals, in any given labour market the supply of good jobs (those with high levels of pay and other conditions, prospects for career advancement, and intrinsic interest) is normally limited. The proportion of such jobs within the overall national labour market may be growing, but as we have seen there are many other jobs that are much less desirable, and some that represent relatively low quality, dead-end employment. Labour will tend to be apportioned to these different opportunities via a job queue, whereby those at the head of the queue (who possess the highest skills and other attributes that employers are seeking) will obtain the better jobs, and those further back in the queue will have to settle for less well-remunerated/attractive work.

Where the number of those wanting a good job exceeds the supply of such opportunities, positional competition will ensue, creating winners and losers. Re-distributing chances of gaining the desired good simply alters who will prove to be the winners and who the losers. Thus, if every worker possessed a degree, not every worker would be able to get a 'graduate' job – someone would still have to be traffic wardens, pick litter, wait at table, clean hotel rooms and hospitals, pack food, staff supermarket checkouts, etc. E&T policy can move people up and down the job queue, it cannot of itself create substantially more good jobs (see below). Many policy makers unfortunately appear to have enormous difficulty in apprehending this, not least because they like to depict the expansion of E&T as a situation that delivers wins for everyone. Thus visions of what will be on offer to the 'bottom half' – the 50 per cent not destined for higher education – remain very vague, as do the likely payoffs that might be expected to accrue to qualifications below Level 4, particularly vocational qualifications (Dickerson & Vignoles, 2007). What will be available to the bottom half of the bottom half – the lowest 25 per cent – is liable to be low waged employment.

Moreover, it is far from clear that the reality is, as the government often suggest, one of, "poor schooling leading to poor jobs, poor families and poor communities across generations" (Lewis, 2003: 34). The flaw in this analysis is that even if E&T provision were transformed tomorrow, so that every student entering the labour market and every adult worker were equipped with high levels of qualification and a broad education that embraced both liberal and vocational elements in a sophisticated mix, the poor jobs would still be there and still have to be done by someone. Better education will not, on its own, magic away current labour market structures, large swathes of low paid jobs or limited levels of demand for more skilled labour.

Furthermore, much of the policy promulgated in the last few years implicitly or explicitly assumes that enhanced skills can generate a positive wage effect automatically (so if everyone possesses a Level 3 qualification, every worker would earn the same average wage premium as a Level 3 attracts at present levels of supply), as though there were no labour market or wage structures that might block this effect. Conventional labour economics are clear – particular types and levels of human capital normally produce returns and confer advantage proportional to their scarcity in relation to levels of demand within a given labour market. The adult learning entitlement (a first Level 2 and basic literacy and numeracy) and hence Train to Gain (TtG) provide limited leverage because the skills they confer are both relatively abundant, and demand for vocational Level 2 qualifications (particularly NVQs) is limited and weak.

This is because there are, and are set to continue to be, many jobs that do not need a Level 2 (or indeed any other qualification) to either obtain or to undertake the work (Felstead et al, 2007). It is not that such jobs are automatically unskilled, merely that qualifications often play little or no role in the recruitment and selection process. There is now quite extensive research evidence (much of it commissioned by the Department for Work and Pensions) that shows that for many jobs in the lower ranks of the occupational ladder, qualifications are not all that important when employers make decisions about who to hire (see Spilsbury & Lane, 2000; Jackson, 2001; Jackson, Goldthorpe & Mills, 2002, Miller, Acutt & Kellie, 2002; Atkinson &

Williams, 2003; Bunt, McAndrew & Kuechel, 2005; and Newton et al, 2005; Forth, 2006).

In some cases the lack of stress placed by employers on qualifications does indicate that the job is relatively unskilled. In many others, it reflects the growing importance of other forms of human capital and of soft and generic skills (integrity, appearance, accent, ability to communicate, etc) that are not covered by traditional forms of certification (Jackson, 2001; Newton et al, 2005; Atkinson & Williams, 2003).

Many of the jobs where qualifications have limited purchase on recruitment and selection decisions are in low pay occupations (Bunt, McAndrew & Kuechel, 2005), where the levels of remuneration reflect structural problems rather than the skill levels or qualifications of the workers per se (Lloyd, Mason & Mayhew, forthcoming). It is unclear how further boosting the qualifications stock among those who undertake this type of work will, of itself, do much to tackle the problem of low wages, or of job structures where opportunities for progression are often very limited (Lloyd, Mason & Mayhew, forthcoming).

The growing problem of over-qualification. Finally, the evidence we have suggests that one of the side-effects of government's attempts to boost the supply of qualified workers is to increase levels of qualification mis-match and over-qualification (see Felstead et al, 2007 – especially Table 4.7 on page 83; and Kersley et al, 2006:86-87). This is not just a UK phenomenon, there is much North American research that suggests that over-qualification is growing as the E&T systems in the US and Canada expand and the supply of good jobs does not grow as fast. A key text on this is Livingstone (1998), which the Commission would be well advised to examine. The basic problem is that the supply of qualified workers now outstrips the number of jobs that really require that level of qualification. For example, Felstead et al's analysis of the 2006 Skills Survey suggests that there may be as many as 6.9 million jobs in the British economy that require no qualifications to obtain the post, but just 2.23 million adults with no qualifications (2007:80). The Work Foundation (Fauth and Brinkley, 2006:35) recently concluded that, "what is painfully clear is the imbalance between qualifications and job requirements among non-graduates. Many of those with even fairly basic skills appear to be overqualified for the jobs they have to do". Plainly this is not an issue that can be addressed through the E&T system. It requires interventions that look at product market strategy and business improvement to boost the underlying demand for skills, and work organisation and job design initiatives to alter the skill requirements in many currently low-skilled jobs.

The Case of Train to Gain

If we accept the broad thrust of what has been outlined above, and deploy it as a framework for analysis, what can it tell us about the likely success of current policy interventions, such as TtG? In particular, can skills policies, using Type 1B Incentives, counter some of the structural effects of current incentive patterns?

There are two key issues. First, can government programmes, of the type represented by TtG change the incentives faced by employers sufficiently to exert substantial long-term leverage on employers' patterns of investment in skill, in terms of both the level of spending and the types of workers who benefit? Second, can publicly funded interventions, such as TtG create what policy makers have defined as a 'supply push'

effect, whereby publicly funded skills supply pushes the economy towards a higher skills equilibrium. Official policy claims it can (see H M Treasury, 2002; DfES/DWP, 2006).

As noted above, the basic premise behind TtG that possession of a Level 2 qualification is increasingly, “the baseline for successful participation in the labour market” (H M Treasury, 2002: 7) is open to serious doubt in many lower level occupations. In addition, much of the thinking behind the design of TtG adopts a simplistic and stylised reading of how the labour market operates.

For example, the H M Treasury document that launched the Employer Training Pilots (ETPs) (the forerunner of TtG), noted that, “adults who have attained level 2 are much more likely to either undertake training on their own initiative or receive training from their employer...and thus gain higher-intermediate skills” (H M Treasury, 2002: 6), and went on to argue, “once workers achieve basic skills and level 2 qualifications they are more likely to receive training from their employers. This reinforces the point that basic skills and level 2 skills are key for further progression” (H M Treasury, 2002: 11). The joint DfES/DWP research paper prepared to support the Leitch Review (DfES/DWP, 2006) in turn points to Dearden, McGranahan and Sianesi’s (2004) work showing that NVQs appear to produce reasonable wage returns when delivered in the workplace by the employer, but not otherwise. It also cites Blundell, Dearden & Meghir’s (1996) findings that employer-provided training yielded relatively high pay-offs to individuals, particularly workers aged between 23 and 33. Blundell, Dearden & Meghir (1996) also found that employees who received training from their employer had higher average job tenures than those who did not. Thus, DfES and DWP argue that, “the best improvements in earnings and productivity occur when qualifications are gained in the workplace” (DfES/DWP, 2006:5). It is on this basis that TtG’s offer of a first Level 2 is seen as offering a platform for progression. Once they have their first Level 2 (provided by/for employers largely in the workplace), their wages will improve, and they are more likely to receive further training from their employer. In other words, official thinking believes that TtG can re-structure the incentives that employers face and make it worth their while in investing in further training for workers who have been through TtG.

The problem comes in the interpretation put on these research findings by policy makers. Could it be, for example, that the reason training provided by employers tends to produce higher paybacks than training provided externally is because employers may be selecting those of their adult workforce who are most able to benefit from upskilling to be the recipients of the limited amounts of training that are available? In the same way, maybe only some low qualified adult workers are given training by their employers because only a proportion (sometimes quite small) of workers have the opportunity to progress up the job hierarchy and enter more skilled or supervisory positions, or because only some of the jobs in the firm offer the opportunity for higher levels of skill to be utilised productively? Findings from SKOPE’s work on the low paid employment supports this kind of interpretation (Lloyd, Mason & Mayhew, forthcoming). It therefore does not follow that if the government pays for other workers (whom the employer will not fund) to receive the same training in the workplace as those the employer has selected for such opportunities, the same wage returns and chances to progress will then also materialise. Even quite limited incremental improvements in pay and progression

within given workplaces and sectors may be finite positional goods unless other changes take place alongside TtG.

Moreover, the key assumption that policy makers construct out of the research cited above is that it constitutes evidence of widespread market failure, which only government intervention can correct. As noted above, the government's enthusiasm for market failure as a blanket explanation for features of the E&T system that do not meet government expectations and desires, is not very well evidenced. Indeed, the data available suggests that in many cases the levels and patterns of training for those on the lower rungs of the occupational ladder may reflect limited demand for skills from their employers (which is precisely why the returns to individuals' investment in such training is often low – employers do not need the skills and won't pay for them). For instance, the often relatively low returns to Level 2 vocational qualifications (Dickerson & Vignoles, 2007) do not suggest that demand is outstripping supply at present. Limited demand may, in turn, reflect product market strategies, work organisation and job design that simply do not require high levels of formalised skill and qualification from the bulk of the workforce (Keep, Mayhew & Payne, 2006; Ashton & Sung, 2006).

It is also unfortunate that those designing TtG have chosen, yet again, to condemn those undergoing government sponsored training to be working towards obtaining the type of vocational qualification (NVQs) that repeatedly show the lowest rate of return in the labour market. As Dickerson & Vignoles note (2007: 6-7), the returns to NVQ Level 2 qualifications are often weak and sometimes negative (they actually sometimes lower people's wages, perhaps through some form of signalling effect – see Dickerson & Vignoles, 2007:6), while the returns to other, older vocational awards at that level (e.g. City & Guilds and BTEC) are higher. One major improvement in TtG would be to open up the qualifications it aims for to include these types of older vocational qualifications.

The other problem with official readings of the research evidence comes in terms of the hope that providing a first Level 2 will provide a platform for subsequent progression to Level 3 and intermediate skills. For many workers, in many sectors, this is unlikely to be a realistic aim, as demand for Level 3 skills from employers is often quite limited (Lloyd & Steedman, 1999). Evidence from the 1998 ESRC/DTI Workplace Employment Relations Survey (Cully et al, 1999) indicated that managers in many organisations believed that large sections of their workforce required limited skills. Companies were asked what percentage of their non-managerial employees could be regarded as 'skilled' (having professional, associate professional and technical, or craft and related status – i.e. Level 3 or above). The proportion of workplaces indicating that less than one quarter of their non-managerial workforce was skilled was as follows:

Table 2: Proportion of workplaces where less than a quarter of non-managerial workers were regarded as skilled

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 (i.e. Level 3 and above) non-managerial employees. In Financial Services this figure was as high as 57 per cent. As reported above, SKOPE's recent research in low pay sectors replicates this picture. For non-managerial employees opportunities for progression from the shop floor into intermediate level occupations were often extremely limited, both in the firms where they worked, and in the sector more generally.

More recent research by Dickerson & Vignoles (2007) on returns to (and demand for) qualifications on a sectoral basis appear to confirm that demand for Level 3 qualifications, particularly vocational qualifications, may be quite small. They report that:

In terms of intermediate (level 3) vocational qualifications, there is no evidence of the relatively low supply leading to high returns. Some (generally production-based) SSCs do offer a robust return to these qualifications.... However, in just under half of SSCs, the return to level 3 vocational qualifications is essentially zero. Clearly, on the basis of this evidence, there is no national shortage of level 3 vocational skills. Both supply and demand for level 3 vocational qualifications appears to be relatively low. The issue therefore, appears to be more one of low demand compared to our international competitors, which arguably needs to be stimulated if skill levels are to be on a par with those abroad, and the aspirations of Leitch are to be achieved. (Dickerson & Vignoles, 2007: vi).

In other words, TtG's attempts to restructure the incentives to invest in vocational Level 3 qualifications through getting everyone to a first Level 2 appear doomed to fail as the result of lack of demand from employers in Level 3s. At best, the strategy may work in some production-based sectors, such as land based industries, oil and gas, textiles and footwear, and energy (Dickerson & Vignoles, 2007). Experience with the two Level 3 TtG pilots is reported to have been depressing, with employers refusing en masse to contribute 50 per cent of the costs, and the LSC being forced to reduce this to 33 per cent in order to get any takers. Even with this reduction, reports suggest that employer demand within the pilot areas has remained limited.

Moreover, experience with the ETPs indicates that there are significant problems with a subsidy-led approach, not least the danger of extremely high levels of deadweight, and low levels of additionality in the shape of subsidy-leveraged employer-funded training, (Hillage et al, 2005; Abramovski et al, 2005). In addition, it should be borne in mind that much of what TtG does is not training per se – it is accreditation of large amounts of prior learning, with a small amount of top-up training (perhaps 60 hours).

Most of what is being paid for are the accreditation costs. The actual boost to the levels of skill in workforces affected by ETP may sometimes be very small (Delorenzi, 2007), which suggests that employers may be unwilling to pay any wage premia to staff who have passed through TtG..

In terms of TtG's ability to create the mystical supply-push effect on any very significant scale, even a cursory glance at the recent past suggests that such catalytic effects are liable to be extremely hard to achieve. For example, the Youth Training Scheme (YTS), which in its various iterations cost perhaps £16 billion plus at today's prices (far larger than anything envisaged for TtG), and which sought to establish 'a permanent bridge between school and work', had little or no lasting transformative effect on initial vocational preparation for young workers, a problem contemporary apprenticeship (YTS' direct successor) is still struggling with in many sectors. Nor did it have a positive impact on the subsequent wages of those young people who went through it, indeed some studies (Lee et al, 1990) suggest a negative wage effect for many trainees. Finally, it certainly did not produce the once-and-for-all change in skills performance that policy makers hanker after.

Such an outcome is hardly surprising. As much of SKOPE's research has demonstrated, skills are often a third or fourth order issue for management, they do not normally determine an organisation's product market or competitive strategy and altering the supply through public subsidy may have very little long-term impact on what organisations produce or how they choose to compete (Keep, Mayhew & Payne, 2006; Ashton & Sung, 2006).

In part, the very nature of many of the government's preferred policy instruments - blanket national targets for qualifications gained, and one-size-fits all skills supply initiatives such as TtG - militate against their ability to change incentives at the level of the individual organisation or impact on labour market outcomes. Again, as so much of the extant research shows (Hogarth & Wilson, 2003; Ashton & Sung, 2006; Dickerson & Vignoles, 2007; Edwards, Sengupta & Tsai, 2007), different firms and different sectors have widely varying needs, which in turn reflect the range of product and labour markets they are operating within. Without more targeted and differentiated interventions that engage with the complexity of real need for skill within particular productive environments and product market regimes, policy will continue to fail to generate much leverage, either in terms of the productivity of firms, or the employability of individuals.

CONCLUSIONS

Current official visions for adult learning in the workplace aim to secure a 'happy ever after ending' using interventions that are incommensurate with the scale of the task in hand. For example, a universal adult entitlement to a basic skills and/or a first Level 2 (usually an NVQ) is unlikely, of itself, to be sufficient to usher in a new age of declining income inequality. A decade of New Labour governments has proved unable to reverse the large increase in income inequality that took place in the second half of the 1980s (ONS, 2007a&b), and even the achievement of more limited goals on reducing child poverty remain extremely problematic (Harker, 2006). As a DWP-commissioned report on child poverty noted, "the major drivers of poverty - such as high levels of wage and wealth inequality - remain considerable impediments towards reaching the 2020 child-poverty target, suggesting that far greater changes to the

distribution of wealth, earnings and opportunity in society will be necessary” (Harker, 2006). Better initial education and adult learning entitlements are liable to be insufficient to transform this picture. Even the inventor of the ‘third way’ has recently argued, “education often reflects wider inequalities rather than muting them. We have to work to reduce inequalities at source if we want to establish a fairer society” (Giddens, 2007: 32).

Policy makers manage to square the circle by ignoring uncomfortable truths, such as the role of E&T in securing scarce positional goods (the limited supply of better jobs), and by assuming developments (such as the vast bulk of the labour force becoming knowledge workers) that are unlikely to come to pass. There is little overt recognition of the problems that attend using E&T as a means of securing equity objectives (see Schuller, 2004). As the author has suggested on other occasions (2002), on the economic front, policy makers appear to be in search of ‘intervention free interventions’, and have selected E&T as fitting this bill. In relation to social policy (social justice, reducing poverty and income inequality, and increasing inter-generational social mobility) E&T appears to also have been picked as the means of delivering ‘loser-free’ empowerment and redistribution.

The fundamental weakness within current E&T policies on adult workplace learning is bound up with failures of understanding. First, of how E&T works, and second of how it interacts with social and economic structures to distribute opportunities, enhance performance, and thereby establish incentive structures that drive investment decisions.

Is There Any Alternative?

This submission has argued that the incentive structures faced by both employers and individuals provide a weak, often very weak, pull factor to encourage either party to invest much beyond current levels, particularly for those occupying low paid employment. Put bluntly, the demand for skills in many of these jobs is low, and unlikely to increase more than incrementally in the foreseeable future under current policies. Moreover, these jobs are not set to vanish and constitute perhaps a quarter of all paid employment (a third for female workers). This is not a problem of skill supply. It is a problem about weak demand, and in some cases the poor usage of skill once created. It also reflects a labour market where opportunities for progression within particular occupational markets (whether inside an individual firm or more generally) are often very limited and can only encompass a small proportion of the workers employed in this trade/activity.

The problem therefore cannot be tackled simply through changes within the E&T system, by entitlements or by boosting the supply of qualified workers. Changing the underlying structure and strength of incentives to adult workplace learning (for individuals and employers) needs to be addressed through policy avenues that in other OECD countries would be seen as logical adjuncts to skills policy but which are ignored here. There are several missing potential policy levers:

- The first is the key role liable to be played by business improvement and economic development policies (see Keep, Mayhew and Payne, 2006).
- As the Porter Report, (jointly commissioned by the DTI and the ESRC) indicated, many of the structural problems with productivity centre on businesses’ strategies

for securing competitive advantage and the dangers of over-reliance on a fading model of the UK's comparative position as a low-cost base within Europe to produce standardised goods and services sold on the basis of price (Porter and Kettels, 2003).

- A second gap is provided by trade unions and collective regulation of the labour market, and the consequent absence of skill creation through collective bargaining and social partnership institutions.
- Also absent are any notions about the use of regulation to change the incentive structures faced by firms and thereby encourage them to raise their game. Although there are rumours that the Leitch Review toyed with the idea of recommending a significant extension of licence-to-practice regulation, in the event, nothing of substance featured in the Final Report. Another example would be the report commissioned by the DTI on using public procurement as a lever to ratchet up levels of innovation and demand for skills (Binks, 2006), which appear to have vanished without trace in terms of any impact on policy thinking in Whitehall.
- Finally, better employment relations policies and practices, improved work organisation and job design are also missing from mainstream public debate in England. If skills provide the ability to perform better, it would seem relatively obvious that there is also a need for employment conditions that motivate people to want to perform and provide the opportunity to put new skills to good use. The existence of such conditions is simply assumed. Indeed, for policy makers, skill sometimes appears to act as a substitute for these, rather than as something that requires them in order to be deployed productively (Eraut and Hirsh, forthcoming).

Efforts along these lines could help to start change the incentive structures that currently undermine and inhibit greater investment in adult workplace learning. Such changes would reduce the need for government intervention/subsidy and the use of Type 1b Incentives.

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