

Priority Learners and the Labour Market – some reflections

Ewart Keep

ESRC Centre on Skills, Knowledge & Organisational
Performance,
Cardiff University

Transitions

Transitions from E&T into the labour market have always been a source of concern.

They are now becoming longer, more complex and risky across much of the OECD:

Today, the journey from adolescence to adulthood is far more daunting. It takes much longer, and the roadway is filled with far more potholes, one-way streets and dead ends.

Symonds, Shwartz and Ferguson, 2011:11

Even if there had been no recession....

- Even if the global recession had not occurred, youth transitions would still be problematic.
- Structural shifts in the labour market and in the supply of E&T have been at work for a long time. The recession has simply made their effects more obvious.

Changes in employment

- Demands for experience
- Mass migration – not least from within EU – allows wide choice of well-qualified adults.
- Casualised forms of employment (part-time, zero hours) that do not favour the young
- Shrinking youth labour market

Solving transition problems through E&T

Vast amounts of policy energy and research on:

- Improving pedagogy
- Changing the curriculum
- Developing new qualifications and courses
- Inculcating 'employability'
- Driving up E&T achievement (completion and levels of attainment)
- Special schemes for disadvantaged groups
- More and better education/industry collaboration

This presentation partially looks elsewhere for answers

Transitions – from E&T into the Labour Market

- In any process of transition there is the preparation (E&T), and also the objective to which it is meant to lead (employment in the labour market). Much of the research and policy focus has been on the former, and surprisingly little on the latter. A more balanced approach is needed.
- This presentation will argue that the state and structure of the labour market, and employment opportunities therein, are key to both motivating successful E&T, and to smooth transitions.

In order to achieve:

1. Improved participation and achievement
2. Smooth and lasting transitions
3. Maximum returns on public investment in E&T

It is vital to factor in the demand side of the equation – the quality, quantity, and geographic and sectoral distribution of employment opportunities available.

Why.....?

Incentives set by the labour market have a powerful feedback into the E&T system.

Type 1 Incentives: - intrinsic to learning process – e.g. pleasure in discovering new things (well studied and understood)

Type 2 Incentives – generated in wider society – work, culture, e.g. wage gains for the better qualified, higher social status attached to skilled work, labour market regulation (licence to practice), cultural expectations (less well understood, except for wage returns to qualifications)

If Type 2 incentives are weak, complex or uncertain, learners may not participate or succeed.

Backdrop

The backdrop to problems with the labour market are the gradual ending of two popular dreams:

1. The Knowledge Driven Economy and 'skill biased technical change' turns out only to apply to some jobs, occupations and sectors, leaving a big residual pool of lower end employment.
2. The mirage of sophisticated HRM as the employee relations model of choice for vast bulk of organisations has faded.

The structure of what follows:

1. Two popular myths around transitions that are under question in the UK.
2. Bad jobs and the pattern of incentives they create
3. Problems with lower end vocational qualifications
4. Career choice and its implications
5. Apprenticeships and youth training schemes
6. Pathways
7. Random reflections on New Zealand policies
8. Final thoughts

UK Myth No. 1 – VET is intrinsically motivating for the disadvantaged

A huge amount of policy has built around the idea that vocational learning, as opposed to academic, can re-motivate the disaffected, reduce drop out, enhance participation AND completion rates.

Unfortunately, there are a number of problems with this.

Problems.....

- Evidence base for claims is very slender, academic learning taught in a different way could have the same impact.
- Danger that VET as social inclusion devalues the status of vocational route (it's for the failures).
- Danger that lower level vocational provision is narrow, lacks general academic element, and will not support any subsequent return to learning. It therefore helps trap young people in poor quality work.

UK Myth No. 2 – Employability is the responsibility of E&T providers

- Traditional story – young people’s lack of employability/skills down to failings in E&T
- Emerging story – whatever the truth of this in the past, most UK employers now pretty happy, and what failings remain are in terms of experience and skills that can best be learned in the workplace – *“there is a clear message here: if we want young people who are ready for the workplace we need to be willing to help build their employability skills”* – UKCES.

The problem with 'Bad Jobs'

Bad jobs can be defined as:

1. Low paid (less than 2/3rds median wage)
2. Insecure/casualised
3. Lack of control
4. High stress levels (often with work intensification)
5. Dull, boring, repetitive (short job cycle times)
6. Lack of opportunities for progression

And.....

For those who think/know they are heading towards such jobs they create weak incentives to participate and achieve in E&T.

No amount of adjusting Type 1 incentives inside the E&T system can fully compensate for the effects of weak/patchy/uncertain Type 2 incentives coming from the labour market. Many educationalists (and policy makers) do not accept this point!

If in any given labour market

- The number of jobs is finite and is exceeded by the supply of those seeking work
- And the number of good/desirable jobs is a finite sub-set of the jobs available

There will be losers. Some people will get jobs, but not good jobs, and some people will get no jobs at all.

E&T can move people up and down the job queue, but of itself will struggle to create more and/or better jobs. Raising educational attainment will not give everyone a good job. If everyone had a degree, there would remain many low paid jobs, that someone would have to do, degree or no degree.

Thus.....

- The higher the levels of unemployment
- The higher the levels of inequality in terms of job quality across available openings
- The larger the pool of bad/poor jobs relative to the good ones (particularly in specific labour local labour markets)
- The weaker the returns (employment outcomes and wages) to qualifications

The more likely it is that those thinking of investing in learning will be faced by complex, patchy, uncertain and therefore risky incentives to learn. They will respond rationally!

Achieving win/win scenarios is difficult with a finite supply of good jobs

Boosting incentives for one group may weaken them for another, as individuals (and groups) are locked in a zero sum game positional competition for the good jobs. Thus expanding HE may benefit those who otherwise would not have entered university, but may reduce the rewards and/or incentives for non-graduates as the range of occupations they can enter shrinks.

Problems with low level VQs

In the UK, after 25 years plus of argument, the Wolf Review has finally concluded that, *“the staple offer for between a quarter and a third of the post-16 cohort is a diet of low-level vocational qualifications, most of which have little or no labour market value”*. – the implications for participation and achievement are dire.

Competence based qualifications are very narrow and task specific, have little or no real general education (basic literacy and use of numbers), offer no foundation for citizenship/LLL/or return to academic learning, and often have limited hold on recruitment and selection.

Weak qualification design

Wolf concluded that VQs for adults are often not suitable (on their own) for use in initial VET for the young.

Elsewhere in Europe, initial VET is much wider than just the VQ, and contains a substantial element of general learning.

QUESTION: in some occupations/sectors is it possible to create low level VQs that would show any substantial real rate of return given current wage levels and progression structures? Probably answer = NO!

Participation is conditional

Besides the tendency for low level VQs not to offer strong and certain rewards, there are other problems, which may help explain weak participation and high drop out:

- Many drop out because a job is offered (there would be a real risk of staying to complete a qualification when this has only a limited hold on labour market outcomes).
- Others either do not participate or drop out because they calculate that they have only a limited chance of completing successfully. They may be acting rationally – participation does not = achievement.

Clustering and allocation..

- Bad jobs are often concentrated within specific local labour markets.
- They are also clustered within certain sectors/occupations – in the UK ones that are heavy recruiters of young people – hospitality, and retailing.
- In positional competition for the finite supply of good jobs, many people know that certain types of student tend to get this work, and that those from other social class/ethnic backgrounds are much less likely. Impact on incentives?

To put it another way

- People perceive a pecking order
- Aspiration (in terms of jobs and careers) may reflect the material reality of how good and bad jobs are currently allocated – *“if there are no ‘better’ local jobs requiring higher level skills for higher pay, then it is entirely rational to stay in a low-level job without training”* (Gracey & Kelly, 2010: 9), rather than try to upgrade one’s skills.
- People with lower social, material and cultural capital will tend to be risk averse, yet they often face the weakest incentives and riskiest E&T choices.

Or another.....

Schoon, 2010: 100

In considering different possibilities for their future young people are aware of the barriers that may hinder their ambitions. The expression of educational expectations is intertwined with perceptions of opportunities and constraints and young people from less privileged backgrounds are generally less ambitious than their more privileged peers...

To raise ambition you may need to increase good opportunities in the labour market! From 'changing individual minds rather than collective circumstances' (Archer) to 'more and better jobs' (EU).

Over-qualification and 'trading down'

A 'problematic' policy combination:

1. Goal of increasing tertiary/HE participation
2. Weak information, advice and guidance
3. Increasing positional competition for limited supply of good/middling jobs
4. Growth in highly qualified outstripping increase in supply of jobs that need higher level skills (x6 times in UK)

Outcome:

- Graduate under-employment/mis-match
- Trading down to ensure getting a job
- Widening dispersion in graduate earnings
- Trading down displaces other young people
- Scarring impact on lifetime earnings may be significant

In NZ 33% of 25-29 year old graduates are in intermediate or lower level jobs

Individual labour market power = scarcity of skill

Interns Anonymous website:

Posts that were previously being offered to new graduates are now being staffed by unpaid interns...why would a company fork out £15,000 to £20,000 a year for an entry-level fashion designer, when they have an endless supply of people willing to do it for free?

Wolf Review of Vocational Education, 2011: 31

Other things being equal, high (wage) returns to a particular form of qualification mean high demand for, or short supply of, the skills and qualities to which it attests

Career choice – beware linearity!

Traditional model – choose a career and then stick with it. Change of direction = failure.

Reality – *“In the cohort born in 1991, 62% of employed young people changed aector in the 1 year between age 17/18 and 18/19. About 40% also changed their broad occupational level. Taking an 11-year period (1998-2008), an analysis of those in their 20s and early 30s who remained in employment throughout showed that the average such individual changed jobs 3.5 times, changed occupations 2.5 times and changed sector 1.8 times”* (Wolf, 2011: 37).

Implications:

1. Broad rather than narrow courses in initial VET make sense.
2. Good IAG is helpful.

Apprenticeship and youth training

- In England, much that is labelled apprenticeship would not be recognised as such anywhere else in Europe – it is too narrow, low level, employers are not involved and it lacks any general education.
- Demand exceeds supply, and this will remain a huge problem.
- Expansion has been in post-19 provision
- The history of low level vocational training schemes in the UK is that they act as warehousing, often serially.

Pathways

- Flavour of the month in UK, Australia, NZ, OECD as means of securing smoother transitions and better learning outcomes.
- Need to be broad notion of occupation and encompass some element of general education
- Work better if they exist not only within the E&T system, but also the workplace, in terms of career structure and opportunities for progression. This would improve incentives.

Thoughts on NZ policies around transitions

Having read the *Tertiary Education Strategy* and other statements, 2 technical issues and 1 of minor principle:

1. Gender issues seem to be very low down the order of concerns – very different from UK. Why?
2. Calculating wage premia as between those with low level awards and those with no qualifications is misleading. No qualifications = proxy for other problems (mental health, substance abuse, learning difficulties, etc). A 4-legged horse will run faster than a 3-legged..
3. Moves towards outcome related payments for priority learner groups may backfire. UK experience suggests providers simply try to shuffle hardest to reach/teach off onto other providers (in the UK, often the voluntary/charity sector).

Final thoughts

- Try mapping the Type 1 and 2 incentives faced by learners in the priority groups. I suspect that in some instances there are weak, patchy and uncertain Type 2 incentives. The existence of significant numbers of poor quality jobs will make it much harder to motivate young people to participate and achieve, and will make transitions much more conditional and uncertain.
- The design of qualifications and courses for initial VET really matters. The UK has spent 25 years in denial of serious problems on this front, but solutions may not be easy, and low returns may simply reflect the structure of occupational labour markets.

Final thoughts 2

- There are still things that can be done to improve employability and work-readiness, but they often require input from employers.
- Bringing together apprenticeships; work experience; qualification design; recruitment, selection and employment practices; re-thinking occupational, wage and career structures and their skill requirements; and labour market regulation may be needed to address demand side/Type 2 incentive issues.

Final thoughts 3

Minimising unemployment, under-employment, credentialism, bumpy transitions and wasted public and private investment in E&T also requires:

1. Product market, innovation (broadly defined) and competitive strategies that drive rising demand for skills across the bulk of the economy.
2. Systems of work organisation, job design and employee relations that stress good skill utilisation, workplace skill formation and innovation.