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The necessity for a demand-led approach to skills planning

Dr Andre Kraak

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School of Education, Wits University

SECTION ONE: QUANTITATIVE PLANNING CURSED BY FOUR PROBLEMS

1. A PEJORATIVE ASSOCIATION WITH 'MANPOWER PLANNING' of 1960s and 1970s

- Left scholars critiqued manpower planning for being reductionist and doomed to fail
- It fell out of fashion in 1990s and 2000s

2. THE ECONOMETRIC DOMINANCE OF CURRENT SKILLS PLANNING

- The limited contribution of Stats SA LFS, census data
- Disaggregation and drilling down to the meso and micro levels (local labour markets or specific occupations) not possible

3 THE WEAKNESSES OF SETA PLANNING INSTRUMENTS

- The SETA planning approach – SSPs and WSPs
- SSPs and SETA consultants – all econometric, studies most often poorly done
- No original NEW research done, eg employer surveys

4 THE RISE OF A PERFORMATIVE CULTURE AND THE IMPOSITION OF 'TARGETS' AND 'INDICATORS'

- Obsession with quantitative measurements of impact across government, even in contexts where measurement is near difficult
- Enforcement of targets has unintended consequences
- Leads to 'malicious compliance' and other forms of resistance

SECTION TWO: TINKERING WITH THE ‘SUPPLY-SIDE’ – BUT NOTHING CHANGES

5 THE NEW EDUCATIONAL ‘GOSPEL’

- Norton Grubb speaks of the faith in supply-side restructuring as the neo-liberal ‘educational gospel’– an act of ideological ‘faith’ in the knowledge economy and the consequent hope that education and skills will fix low economic growth, weak productivity and low wages
- The UK and SA governments have had an ideological disposition against using industrial policy levers in the economy, leaving regulation of the market to the softer fiscal interventions around interest rates, inflation targeting and macro-economic stability

6 Lack of employer buy-in

The most vocal and repeated of all criticisms of SETAs and their systems is the claim of limited employer 'buy-in':

- Employers are frustrated that their 'voice' and real needs are not heard
- They don't want a bureaucratic and complex system
- They see the levy-grant as a tax
- They have walked away from state vocational training institutions

The lack of employer buy-in throws up a big gap between the official policy rhetoric from government about 'employer-led' and the actual reality on the ground.

7. Statist models

1. The system which has evolved is civil servant dominated, with government imposing national skills policy frameworks on employers without their consent and buy-in.
2. The failure to engage employers has led to an over-reliance on centralised state-led programmes and institutions to fill the gap.
3. The role of SETAs has now become that of responding to the national policy agenda of government – not that of employers who determine the quantity and quality of jobs and training.

8. Continuous policy reform and institutional instability

- There has been a never-ending reform of the VET/SETA/College system since the 1980s in SA
- These constant reforms deprive the skills system of stability and continuity.
- Constant state reforms in structure and legislation continually undo the potential impact of specific reforms that might have been achieved
- There are too many state agencies – quango's – with overlapping responsibilities, leading to competition between agencies and confusion

9. Neglect of the actual 'demand conditions' in the economy

- The mandate of SETAs and other training agencies are narrowly defined on the supply side – leading them to ignore the wider issues of employment relations, labour market regulation, work organisation and business strategies within each economic sector.
- How do we then know that improved skill supply is matched by greater demand for, and utilisation of, skills in the workplace
- In SA and UK, productivity performance continues to be low despite major supply side improvements in education and skill.

10. The demand-led argument

The key to productivity improvement lies 'inside the firm'. Macro-economic levers are insufficient without this micro-economic focus.

1. Skills can only make a substantive contribution to productivity performance if they are effectively deployed in the firm. Supply-side skills policies on their own are not sufficient.
2. Attention to the 'black box' of productive performance requires a local focus on the specific mechanisms and processes involved in the translation of inputs into productive activity. Local labour market studies of firm behaviour are important.

SECTION THREE: AN ALTERNATIVE APPROACH



The critique of the supply-side dominance of education and training policy in the Anglo-Saxon world (but also within the OECD community globally) has grown exponentially over the past decade. There is now an emerging consensus from a number of disciplinary fields that demand-side interventions are necessary and that they are most effectively achieved in regional and local settings. The varying contributions to the debate include:

1. Skills, Knowledge and Organisational Performance (SKOPE) research network based at Oxford and Cardiff universities, UK
2. Scholars writing on learning with a background in 'Evolutionary Economics' (a literature focused on firm learning and the national innovation system)
3. The Australian 'skills eco-systems' research group
4. Recent work done on 'regions and skills' by the research project *Life Chances in Knowledge Economies and Societies (LLAKES)* based at the Institute of Education, London.
5. The American experience of integrating economic development (ED) and workforce development (WD) programmes; and finally
6. The OECD's programme on upgrading skills in local and regional economies



11. SKILLS, KNOWLEDGE AND ORGANISATIONAL PERFORMANCE (SKOPE) RESEARCH NETWORK

They argue, firstly, that it is the product market or competitive *strategy* of a firm that determines a firm's demand for skill – and certainly not national government's skills policy.

Secondly, the way in which this competitive strategy shapes the utilisation of skills on the factory floor is seen to be a result of the choices made by firms in using the skills of its employees Employer choice shaped by:

- (1) the technologies used by employers and
- (2) the management of production systems and the high performance working practices they adopt

They formulated two types of ideal-type national economies:

- 'High skill equilibrium' economies
- 'Low skill equilibrium' economies

12. EVOLUTIONARY ECONOMICS



The importance of 'learning' in the firm

They focus on 'learning' within the firm in the new global economy. This is because the greatest value-added in production is increasing generated by the dynamic capabilities of firms and their ability to absorb new technologies and work organisational techniques, introduce new processes and product, and operate in newly diversified fields of the economy. Competitiveness is also directly related to the need to compete on the basis of 'quality' and not purely in terms of cost of production inputs.

13. Definition of ‘Learning’ in this firm–focused literature has a three–fold definition:

1. Learning is interactive and context dependent. Thus successful learning is the outcome of interactions and relationships between firms and/or other institutions within favoured regions.
2. The second insight is that learning is a collective process - between firms, vocational education institutions, other workforce intermediaries and branches of the state at local and regional level.
3. Cumulatively, over time, the collectivity of firms and other state agencies become specialised in certain sectors, technologies and institutional structures. Essential ‘know-how’ becomes embedded in these local and regional contexts, revealing ‘architectural knowledge’ - the rules of the game, established routines, tacit knowledge about the ways of working and learning as they participate in the regional economic system.



14. Tacit knowledge

- Tacit knowledge is the primary intangible asset of firms. It is practical, experiential knowledge which all employees in work contexts acquire – including managers, R&D specialists and shop-floor production workers. It is the opposite of codified knowledge which is formal and procedural knowledge, organised in a range of academically based disciplines, and publicly available through academic study and research.
- Tacit knowledge is not only invested in individuals, but more importantly, is embedded in firms themselves, through specific managerial strategies and workplace routines, norms of behaviour, professional and institutional cultures.
- Networks are also repositories of tacit knowledge. In fact, they have become the principal means by which firms strengthen their new information sets. Networks open up possibilities of new ways of doing things – through the sharing, transfer and diffusion of internally acquired tacit competences across the network.

15. Skills ecosystems

1. 'Skills ecosystems' is a concept developed in Australia and piloted by the New South Wales state government.
2. 'Skills ecosystems' are clusters of high, intermediate or low-level competencies in a particular region or industry shaped by interlocking networks of firms, markets and institutions.
3. Skill ecosystems generate a positive, mutually reinforcing dynamic which - like a biological system - continues to evolve and adapt in response to external and internal stimuli.
4. The concept of a skills ecosystem is intended to address skill issues in the context of the wider drivers of productivity and economic development - these being business strategy, new technology, changing models of service delivery, work organisation and job design.

16. THE FOCUS OF WORK MUST BE ON RAISING EMPLOYERS' DEMAND FOR SKILLS

Delbridge *et al* propose that firms undertake 'adaptive learning' – strategies to improve value-added and competitiveness through changes to the organisation of work and deployment of skills. This will require a broader concept of 'business support' to improve competitiveness and not merely skills improvement:

... skills can only make a substantive contribution to higher productivity if they are utilised within organisations. This, in turn, depends upon a range of factors such as firms' choice of competitive strategy, together with their approaches to work organisation and job design, and the way in which employees are managed. Current policies, aimed primarily at increasing the supply of skills/qualifications, need to be combined with broader measures designed to impact upon these wider areas of in-firm activity, so as to ensure that skills are brought into productive play and used to generate improved economic performance. (Delbridge *et al*, 2006: 15)

SECTION FOUR: CONCLUSION

17. Focusing on demand-led initiatives – are we now pro-employer Neo-Liberals?

- We need to recognise the asymmetric power relations in the firm
- What employers say can't always be interpreted as fact
- There is a strong need to clarify a progressive project in SA on demand-led inquiries into skill