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**What Incentives to Learn at the Bottom End of the
Labour Market?**

SKOPE Research Paper No. 94 July 2010

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Editor's Foreword

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ISSN 1466-1535

Abstract

UK policymakers desire to see more and better jobs in the labour market mirrors deepening concern that the quality of much employment is poor, wages are low and opportunities to progress are limited. The result is social inequality, growing and highly persistent income inequality and a lack of social mobility. The focus of current policy is on the need to ensure that those at the lower end of the labour market invest in their human capital through re-engaging with learning, which is assumed to enable progress into better-paid employment. This paper argues that a set of mutually reinforcing factors reduces the incentives acting on individuals and in many cases employers, to participate and invest in education and training. Each of these factors, on their own, would be sufficient to cause problems at the lower end of the labour market. Acting in concert, as a mutually reinforcing matrix, they produce powerful reasons why many individuals perceive that the incentives to learn are weak. Our argument suggests that the fundamental causes of low pay and rotten jobs have been misdiagnosed and policy interventions that inject more workers supplied with lower level vocational qualifications into the labour pool are unlikely to produce a shock to the system that would be sufficient to engender lasting and widespread change.

Introduction

Two issues drive this paper. The first motivation for what follows is that UK policymakers need to worry about mass unemployment once again, but they have also been experiencing increasing doubts about the nature of and quality and rewards attendant upon, work and employment at the lower end of the labour market. In part, this is because it has become apparent that many of the less attractive features and outcomes within the labour market do not seem liable to vanish of their own accord. In the mid-1990s and the early 2000s the UK government and many commentators and pundits in the Western world envisaged that as an era of unbridled creativity and knowledge-intensive working took hold, a workforce of knowledge workers who would command ‘authorship’ over their own work routines and activities would be created (Reich 1991, Michaels *et al.* 2001, Florida 2005, Leitch Review 2005 2006). As Tony Blair put it, ‘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).

Although never willing to openly repudiate this sunny vision, at least some commentators (Toynbee 2003, Howarth and Kenway 2004) and those within the corridors of power came to doubt that this happy ending was likely to be either as assured or on as wide a scale as the more optimistic projections had once suggested. In part, this has been because it has become increasingly apparent that neither sophisticated models of ‘soft’ HRM (Coats 2009), nor the growth of the knowledge driven economy will be sufficiently widespread to ‘magic away’ bad jobs (Lloyd *et al* 2008, Lawton 2009, UKCES 2010). As a result, in 2008/2009 Cabinet Office Strategy Unit meetings and projects on ‘flexicurity’ and the workplace were instituted (in which one of the authors of this paper was peripherally involved). These activities offered a platform for the development of concerns within the heart of government about the wage and employment prospects of workers at the lower end of the labour market.

Associated with this has been a growing dismay about low, static or even perhaps declining levels of inter-generational social mobility. Politicians across the mainstream parties have demanded an increase in the ability of the children from lower socio-economic classes to achieve better-remunerated jobs and higher social class destinations than their parents. The result is a strong desire on the part of

policymakers to find ways in which upward mobility within the labour market can be enhanced and for government policy to help create more and better jobs. As ever, more and better education and training provision is deemed the key ingredient to future success for those at the lower end of the labour market. Consequently, the education and training policy agenda, as a means of securing change, embodies large ambitions; however, these centre on long-standing problems, and looks particularly ambitious when being proposed in the context of a major recession and straitened public finances.

The second issue that lies behind what follows is an interest in the profound shift in UK policy discourses relating to low paid work over the last 30 years or so. As noted above, the problem has not gone away, but the manner in which it is conceived and analysed has shifted quite profoundly. In the not too distant past a large body of academic and policy-related literature analysed the causes of persistent low pay in terms that suggested that the existence of 'bad' jobs was bound up with a set of structural and institutional factors such as the shape of product markets, competitive pressures and the lack or weakness of trade unions and collective bargaining institutions (see, for example, National Board on Prices and Incomes 1971, Field 1973, Phelps Brown 1977, Mayhew and Bowen 1990). Skills and training either did not figure in this explanation for low quality jobs, or was only allocated a relatively small role within it.

Over time, this traditional analytical standpoint has faded from view and been replaced by a much narrower analysis (and associated policy agenda) that ascribes low pay in large measure to deficiencies in the stocks of human capital held by those in lower end work. Thus, the answer to low pay and to dead end jobs has therefore come to be focused upon a minimum platform of individual rights for workers, a National Minimum Wage (NMW), in-work tax credits for working parents to reduce child poverty and up-skilling for workers. The first three are in place but as the likelihood of any substantial further increases or strengthening of these measures appears relatively limited for the foreseeable future, the stress in public policy has come to rest more and more on up-skilling.

What follows is an exploration of whether the elevation of skills and the policy agenda for education and training as the cause of and answer to, low pay and bad jobs offers an accurate analysis of the problem. In addressing these issues, the paper deploys a typology of the incentives acting on individuals to encourage them to learn

(Keep 2009a). This typology and its associated analytical framework can be used to explore the pattern and strength of the incentives to learn in any developed country and can cover the whole population or any segment thereof. In this instance, the aim is to evaluate how strong such incentives are for those who occupy or seem destined to occupy lower end jobs in the UK labour market. The proposition is then advanced that the existence of a matrix of mutually reinforcing factors reduces the incentives acting on individuals and in many cases employers, to participate and invest in further education and training. The paper concludes that the matrix reflects the fact that the chief causes of low pay and bad jobs often lie outside the area of skills.

The Need for More Learning at the Bottom

The UK has been plagued by repeated indications that its levels of participation and achievement by young people in post-compulsory education and training are lower than in the vast majority of other OECD countries (UKCES 2009). After many years of effort and the expenditure of much public money, initial participation has moved from low to middling, but achievement (at least as measured in whole qualifications and as achievement at Levels 2 and 3) continues to disappoint (Pring *et al.* 2009). This leads to arguments that too many young people are either unable to secure employment or progress within it and that poor schooling helps to create a permanent social underclass. For example, the leader of the national employers' organisation – the Confederation of British Industry (CBI) – recently argued that our publicly funded school system produced results, 'which we ought to be ashamed of' and that this fed and was fed by 'a culture of low aspiration' (Curtis 2009).

The answer is now deemed to lie in qualification reform, in public subsidy to encourage young people to remain in education and training¹ and in moving to legally compel the young to remain in some form of learning until 18. In the last decade, policymakers have emphasised the need to ensure that those in the lower tiers of the labour market re-engage with learning and invest in their human capital in order to improve their employability (however defined) and to progress up the job ladder into better-paid employment. This has been motivated by a firm conviction that an individual's stock of human capital is a (possibly THE) key determinant in their ability to acquire a job and hold onto and progress in employment (Leitch 2006).

¹ A good example is Education Maintenance Allowances (EMA).

Managerial and professional workers seem to be offered a considerable amount of opportunity to acquire new skills or enhance existing capacities, whereas young people (Ball *et al.* 1999) and adult workers in lower end occupations appear much less likely to receive this kind of investment from their employer (Leitch Review 2005 2006). Although this situation has given rise to much official anguish among policymakers in the UK, it should be noted that a broadly similar pattern of access to adult training appears across much of the developed world, including the Scandinavian countries that are otherwise regarded as the poster children of lifelong learning. Examples of UK policy statements exhorting more to be done for lower end adult workers include HM Treasury (2002), DfES (2005) and Cabinet Office Strategy Unit (2008).

In addition, wider claims have been made about the need:

- for more and better education and training in order to empower individuals within the labour market in a way that replaces the need for collective forms of worker organisation (see Blair 2007);
- to generate wider cultural change, with schools acting as the ‘power supply’ for aspiration in the communities they serve (Wintour and Stratton 2008);
- to reduce the number of people in low paid employment; and
- to power social mobility (Blair 2007, Brown 2010).

As a result, the expectations about what education and training policy can deliver have expanded very considerably (Keep 2006, Keep and Mayhew 2010).

The Incentives to Learn – a Framework

In trying to gauge how likely the current policy is to promote more learning among both young people and adult workers and in turn how likely such learning would be to solve the problem of low paid, dead end work, this paper deploys a typology of incentives to learn and a framework for their analysis that has been elaborated in an earlier SKOPE Monograph (Keep 2009a). The section that follows tries to summarise the key points of this framework.

Incentive generation

The various incentives to invest time, energy and money in learning are generated through two sets of forces:

1. The *Pull* of opportunities, both to learn and to then utilise that learning, either for personal pleasure (intrinsic reward), to benefit others (altruistic reward), or for tangible gain through some form of paid employment; and
2. The *Push* of resources, expectations and social relationships, which enable and sustain learning.²

These push and pull factors will singly or in conjunction give rise to incentives of varying strength that will in turn impact upon and motivate different individuals to act in different ways. There are two main types of incentive:

- *Type 1 (internal) incentives* are generated inside the education and training system and create and sustain positive attitudes towards the act of learning itself and towards progression within each student or trainee. In other words, many Type 1 incentives produce, or are the result of, intrinsic rewards generated through the act of learning.
- *Type 2 (external) incentives* are created in wider society and within the labour market and the rewards they give rise to are external to the learning process itself.

The strength of the effects being induced will vary within and between Types 1 and 2. Wiseman *et al.* (2008) provide a useful overview of how extant research identifies and maps the different dimensions of Type 1 and 2 incentives. Type 2 incentives tend to be structurally embedded in and mediated through the fabric of society, the labour market and wider economic structures. This, coupled with the interaction of the economic and social dimensions, often makes Type 2 incentives relatively powerful compared to many Type 1 incentives. The following illustrate the different forms that Type 1 and 2 incentives can take:

Examples of Type 1 (internal) incentives

- Intrinsic interest and pleasure in learning and curriculum design and pedagogy fashioned to deliver and enhance this.
- Forms and methods of assessment that are designed to encourage further participation rather than to sort students or ration access to next level of learning (i.e. formative rather than summative assessment).
- Opportunities for progression in education and training that are relatively 'open' and are not tightly rationed.
- Institutional cultures within the education and training system that nurture potential and celebrate achievement.

² These resources cover a range of tangible and intangible elements, including financial support to students (from whatever source(s) and social, for example, well-educated parents who encourage the child to learn through support, exhortation and example providing ample opportunities through a supply of educational toys, visits to museums and books.

Examples of Type 2 (external) incentives

- Wage returns/premia to particular types and levels of qualification.
- Other benefits 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.
- Social status attendant on particular qualifications, career pathways and the earnings they generate.
- Cultural expectations within society or particular ethnic or class-based segments therein, concerning the value of learning and qualifications and for young people the parental pressure to achieve that this in turn supports.
- Labour market regulation that makes the acquisition of certain levels and types of qualification and learning experience a prerequisite for access to particular jobs/occupations.
- For adult learners there are also a wide-ranging series of non-economic benefits that relate to satisfaction/enjoyment in family life and sporting, cultural, political and voluntary activities that can be gained through applying new skills, knowledge and expertise.

The evidence suggests that positive and negative incentives tend to cluster around certain kinds of jobs. Higher status and higher paid employment, often requiring substantial education and training, generate much stronger and mutually reinforcing incentives to learn. Such jobs are usually more intrinsically interesting, provide opportunities to develop a career and perhaps to travel and have a higher social status. They often also demand that employees undertake continuing professional development (CPD) and training in order to remain employed and to progress within the profession or company (Sargent and Aldridge 2002). By contrast, low paid employment is often highly repetitive, offers less pleasant working conditions, with limited discretion and intrinsic interest, providing few incentives for further education and training and few real opportunities for progression (Lloyd *et al.* 2008, Lawton 2009). Those doing such work often see little point in training, since it is outside their experience, their employer does not require higher skills and the opportunities to progress are circumscribed (Crowder and Pupynin 1993). Furthermore, the role of prior education and training and qualifications in accessing such employment is often patchy and weak (Spilsbury and Lane 2000, Jackson *et al.* 2002, Bunt *et al.* 2005, Newton *et al.* 2005, Bates *et al.* 2008).

At the same time, incentives will vary in intensity across space. Some local and regional labour markets offer very different patterns of opportunity (in terms of wages and the range of jobs on offer) from others (Green and Owen 2006) and this situation may feed back into consequent patterns of choice about post-compulsory participation in education and training (see, for example, Gutman and Akerman 2008, Wiseman *et al.* 2008: 28).

Under New Labour there was an increasing reliance on public subsidy to act in the absence, or instead, of Type 2 incentives generated by other actors, particularly in terms of providing a substitute for powerful signals from the labour market to invest in post-compulsory learning (Keep 2005). Education Maintenance Allowances (EMAs), Learning Agreements and Adult Learning Allowances (ALAs) are three such examples. These subsidy-based incentives, generated within the education and training system and funded by government can be labelled Type 1b incentives. It should be noted that there are commentators who view their extension as an important means of supporting the move to compulsory participation in learning to the age of 18 (see Fletcher *et al.* 2007, Corney 2009).

At the same time, some policymakers have argued that by increasing state-funded education and training provision, a sufficiently massive increase in skills supply can be created that will lead to a change in companies' product market strategies catapulting the economy to a higher skills equilibrium. In turn, the demand for (and the rewards that accrue to) skills – higher Type 2 incentives – will increase thus creating a virtuous circle (see HM Treasury 2002). It is open to question how believable such a scenario really is. It is possible to argue that, in general, the causality runs in the opposite direction: the structure of demand dictates levels of provision and the demand for learning (see Fevre *et al.* 2000, Delorenzi and Robinson 2005: 26-39, Keep *et al.* 2006).

A Negative Set of Mutually Reinforcing Factors

Pring *et al.* (2009) highlight the poor performance in both initial and continuing (adult) participation and achievement in education and training. What follows suggests that this is because of a matrix of factors that reduce the incentives acting on individuals and some employers, when contemplating investing in education and training and the pay-offs that accrue to learning (in terms of better pay, promotion and

more interesting work). Many of these factors are deeply embedded within and reinforced by, cultural expectations and norms and by features of the labour market and its regulation within the UK. These factors are explored below.

1. Weak occupational identities and limited skill requirements

Broad conceptions of the skill needed to undertake an occupation in the UK are lacking in defining the skills required to capably undertake a wide range of jobs. Moreover, the notion of an occupation at the bottom end of the labour market is somewhat of a misnomer. Research from work conducted in UK call centres, hospitals, hotels, food processing and retail on low skill, low wage work suggests that employers and employees regard the positions at the lower end as jobs with job tasks and workers are recruited to perform a specific job, which in turn can be reduced to a bundle of fairly closely defined tasks (Lloyd *et al.* 2008). For example, one meat-processing worker described his job as:

My job is doing this: I have to bend down – I have five or six hundred pieces to do, have to bend down six hundred times, pick it up six hundred times, put it in the machine six hundred times. All six hundred times, take it out, pick it up, turn it around, clip it six hundred times. Pick it up, put it in another container six hundred times. (James and Lloyd 2008: 231).

Furthermore, the room attendants, retail workers and call centre workers in that research, although varying in the degree of discretion they felt in their job, if placed on a spectrum with no discretion on the left-hand side and a lot of discretion on the right hand side, would all have been left of centre. Clarke and Winch (2007: 15) iterate the difference between an occupation on the continent and its counterpart in England when contrasting the UK and Germany:

In Germany, for example, VET [vocational education and training] represents a system of ‘qualification’ to provide a given quality of labour, a system based on social partner consensus and integration into the state apparatus. ‘Skills’ and qualifications are socially constructed, collectively negotiated and recognized and are bound up with the value of labour under legal obligation, a value in turn reflected in the collectively agreed wage and associated with the potential as well as the responsibility to fulfil the particular tasks and activities agreed within a given *Beruf*. The result, though maintaining a divide between academic and vocational, is that VET has a higher status than it has in a country such as Britain and that the hairdresser, the carpenter or nurse are accorded more responsibility to plan, carry out and control his or her own work.

2. Narrow conceptualisations of vocational skill and learning

This leads to a narrow conception of vocational skill and the type of vocational education and training necessary to create these skills. In many instances in the UK, the vocational qualification (and the course of learning that is associated with it) is focused quite tightly on preparing the individual to undertake that particular job, with little wider learning that might form a basis for future learning or for labour market progression, such as to supervisory levels. For example, the apprenticeship offered by McDonalds in the UK offers employees the opportunity to ‘wrap’ or ‘brand’ a discreet set of identified work tasks or functions (Fuller and Unwin 2008: 18) from the Level 2 Multi-skilled Hospitality Services NVQ/SVQ Framework. The units of the National Vocational Qualification (NVQ) form a set of identified tasks that would ordinarily be employed in the employees every day activities (see below). Whilst there is possibly the opportunity for some progression within McDonalds, taking into consideration the narrow range of tasks that can be completed in the work processes available, it is unclear how this qualification will provide the opportunity for industry recognition and wider progression into an occupation.

Unlike many Northern European countries, the luxury of a substantial element of general education within lower level vocational courses is often lacking in the UK (Green, A. 1998). Moreover, when there has been an attempt to combine elements of general education, for example key skills in apprenticeships, the type and level is not comparable to the general education mandatory in vocational education on the European continent. For instance, an apprenticeship in the UK at Level 2 often only requires (industry dependent) the key skills of communication and application of number to be completed at Level 1.

In what could be described as a last ditch attempt to provide vocational skill and learning incorporating general education, UK policymakers introduced the Diplomas in 2008. Initially thought of as a successor to General National Vocational Qualifications (GNVQs) they were developed by the respective Sector Skills Councils (SSCs) to be delivered in secondary schools ‘as occupationally related with relevant work experience’ (Pring *et al.* 2009: 155). It is too early to say how successful Diplomas have been in bridging the academic/vocational divide; however, take-up has been disappointing with less than 12,000 of the anticipated 40,000 students undertaking Diplomas in their first year of inception and according to the Sutton Trust

only 30 per cent of teachers thought the Diploma was useful for university entrance (BBC website, 6 April 2009).

The outcomes of this inheritance are far from benign. The lack of a substantial component of the general education within the vocational stream of provision makes it harder for those whose initial educational experience was in the vocational stream to subsequently return to academic studies (for example, via entry into higher education). Even though policy supports progression from the vocational route to further education, the take-up is low. Pring *et al.* (2009: 154) show there was an increase from 18 per cent to 25 per cent in the proportion of students entering higher education (HE) via the vocational route between 1995 and 2004; however, the proportion dropped from 14 per cent to 10 per cent when vocational qualifications alone were taken into account. The authors conclude the increase is due ‘to students combining vocational and general qualifications, something which in itself may enhance opportunities for progression to HE, but which does nothing to confirm the status of vocational qualifications as entry routes in their own right’.

Furthermore, evidence suggests that the work-based learning route is also a difficult way to secure progression to higher education: Advanced Apprenticeships have a very low rate of two to four per cent movement from the workplace to HE (Seddon 2005). Pring *et al.* (2009: 125) succinctly summarise the problem when they state:

Moreover, the government’s approach to reform reproduces divisions between academic and vocational learning, despite the claim that the Diplomas themselves will lead to more mixed study. These points taken together suggest a repeat of the mistakes of the early 1990s when reform was concentrated on GNVQs, as an alternative to A-Levels and GCSEs, rather than on transforming the 14-19 system as a coherent whole.

3. *Competence-based vocational qualifications*

As suggested above, a related set of problems arises from the UK’s adoption in the mid-1980s of a competence-based form of vocational skill certification – NVQs. The methodology tended to create qualifications specified on the basis of a lowest common denominator that employers in an industry could agree upon. One of the impacts of NVQs is that they encode a narrow and shallow conception of the skills required to undertake an occupation/job and enable policymakers to confuse the accreditation of prior learning (which NVQs were specifically designed to facilitate)

with an opportunity to acquire a substantially higher level of new skills (Ofsted 2008). Furthermore, many NVQs appear to lack much in the way of substantive learning content. Both NVQs and key skills have been pilloried by employers (James 2006) and educationalists (Grugulis 2002) who, on the whole, value the process of time it takes to acquire skill and knowledge. Moreover, a 2006 Department of Education and Skills (DfES now the DCFS – Department for Children, Families and Schools) survey showed that even after 20 years only 45 per cent of companies had any useful understanding of NVQs, only one sixth understood the equivalence between NVQs and academic qualifications and one in 20 said they would avoid recruiting potential employees with NVQs (Pring *et al.* 2009: 125). Research also indicates that the wage returns to some lower level NVQs, even when acquired via the apprenticeship route, is limited (Dickerson and Vignoles 2007, Jenkins *et al.* 2007, McIntosh and Garrett 2009). This is discussed further below.

Overall, there are good reasons to be concerned about the utility of some of the vocational qualifications that we currently have in the UK. Public policy sees the solution to any concerns as resting with attempts to allow employers (via their Sector Skills Councils) to refine the occupational standards for their industry/sector and choose which vocational qualifications should be eligible for public funding, with the explicit aim of reducing the overall number available. The difficulty with this approach is that it is entirely possible for vocational qualifications to meet the short-term needs of employers for task-specific skills for jobs, as they are currently constituted today, without such qualifications offering:

- Economic empowerment (via scarce and valued skills) and a significant wage premium;
- Coherent packages of learning and understanding upon which subsequent learning development, career change and labour market progression can be built;
- Wider learning and understanding that goes beyond the immediate bundle of job tasks around which the vocational qualification has been formulated; and
- Support for the individual in developing their roles as citizens and members of wider communities that bring with them roles outside the workplace (for example, as parents).

The cumulative inheritance that forms the present day system offers a profoundly inadequate platform for initial education and training ‘formation’ and suggests that going beyond the short-term needs of employers may be a vital

component in reformulating vocational certification. If this kind of learning and certification was all that was on offer to the offspring of the economic and politically powerful, it seems reasonable to assume that it would be swiftly reformed, since it stands in stark contrast to the ‘gold standard’ model of learning towards which their children are destined.

On the other hand, this does not suggest that qualification reform, of itself, holds the primary answer to the policy paradox outlined above; however, progress is unlikely if we do not confront the impoverished nature of the system of vocational qualifications that we developed and ‘perfected’ over the last quarter of a century. The current system in the UK both reflects and supports power imbalances and inequalities in our labour market and its reform is thus an important component of any attempt to make substantial progress in tackling the problems outlined at the start of this paper.

4. Weak and limited labour market regulation

Labour law remains a largely un-devolved issue within the UK – power and responsibility reside in Westminster and Whitehall and not with the devolved administrations in Wales, Scotland and Northern Ireland – and the UK government is still keen to trumpet the fact that it possesses one of the least regulated and therefore ‘flexible’ labour markets in the developed world. A consequence is that the coverage of licence to practice in the UK labour market remains low compared to that in many other developed countries (for example, the USA at state level, Canada, Australia, Germany and Austria). As a result, the overall strength of Type 2 incentives to acquiring qualifications in order to enter various occupations is greater in these countries and may explain why many OECD countries have a higher stock of qualifications at particular levels (usually Level 3) in their workforces than in the UK (Keep 2005). This outcome may have little to do with underlying efficacy of their education and training systems or the Type 1 incentives they generate, it simply reflects the impact of stronger Type 2 incentives created via licence to practice regulation in the labour market.

Plainly, licence to practice regulation provides what might be termed an absolute incentive to learn, in that it creates an unavoidable requirement to follow a particular course of learning and/or acquire a particular qualification (Keep 2009a). As Gospel and Lewis (2010) report, in the instance of social care workers, the arrival

of licence to practice regulation appears to have had beneficial effects on levels of training (and rather unsurprisingly, levels of qualification), though the bulk of the up-skilling and certification costs for this have been met by the state not by employers. What licence to practice has not done is much to raise the pay of those working in such jobs and the wage premium for holding the required type and level of qualification has been small. Nor had licence to practice yet demonstrated much impact on the way labour was being deployed or managed, with little sign of more sophisticated people management/HR practices or policies being put in place (Lloyd 2005).

It should be noted that licence to practice regulation has gradually undergone some extension in recent years in the UK (see Cox *et al.* 2009). In some cases, this has occurred via government intervention in a particular segment of the labour market, such as in the care sector (Gospel and Lewis 2010). In others, it is due to the action of statutory authorities or other sources of intervention in support of licence to practice:

- Magistrates – who have required qualifications for ‘door wardens’ when licensing nightclubs, pub and bar management qualifications before granting sale of alcohol licences for bars;
- Health and Safety Executive (HSE) – who have required safe working practices certification for anyone working on track maintenance and repair on the railways;
- EU regulation, for example of coach drivers, with a requirement for mandatory CPD for such staff;
- customers such as the purchasers of large building projects in the construction trade; and
- trade and employer bodies who have sought to raise the standing of their occupation or trade via a voluntary qualification requirement code (for example, the fitness industry, see Lloyd 2005).

Nevertheless, the coverage of licence to practice in the UK labour market remains low compared to many other developed countries and as a result there is strong evidence (see Keep and James 2010) that the hold that qualifications have on the recruitment process in many sectors and occupations at the lower end of the labour market (such as retailing and hospitality) is limited or non-existent (see below).

The UK Commission on Employment and Skills (UKCES)³ has been investigating what forms of policy intervention might help raise the overall level of

³ An employer-led UK-wide policy body established in 2008 by the four UK national governments.

collective employer investment in skill in the UK (see Cox *et al.* 2009, Devins *et al.* 2009). One intervention (alongside a range of other measures) whose viability and popularity was explored with a range of stakeholders was an extension of occupational licensing. There was some enthusiasm for this kind of intervention (Devins *et al.* 2009), but it was deemed to be relevant only for a small number of sectors and/or occupations where issues of public or customer safety were highly visible. In the foreseeable future, it seems likely that very large swathes of lower end employment will continue not to be regulated by any form of licence to practice and that if anything there will be continuing pressures, not least from employers (CBI 2009), to maintain as de-regulated a labour market as is possible in the interests of competitiveness.

5. Recruitment, selection and the wage effects of vocational qualifications

For there to be strong incentives to engage in formalised learning, it would be necessary for the labour market to be structured and regulated in such a way that qualifications have a strong hold over recruitment and selection decisions across the entire occupational spectrum. Furthermore, lower level qualifications should either be an essential pre-requisite for gaining employment in a particular sector or job, or to generate significant positive wage premia for those holding them. Unfortunately, in the lower reaches of the UK labour market this is often not the case.

The hold that a large raft of lower level vocational qualifications have upon the recruitment and selection process is weak, patchy and limited, often because many of the social and generic ‘skills’ that employers are looking for are uncertified and because the formal skill levels needed in many lower end jobs are so limited (see Spilsbury and Lane 2000, Jackson *et al.* 2002, Miller *et al.* 2002, Bunt *et al.* 2005, Newton *et al.* 2005, Bates *et al.* 2008 and Shury *et al.* 2008). The widespread use of informal methods of recruitment and selection, such as word of mouth recommendation, further serves to weaken the role and impact of qualifications (Keep and James 2010).

Partly as a result of this situation, the wage returns to acquiring many lower level qualifications, particularly vocational qualifications, are generally poor (Dearden *et al.* 2000, Wolf *et al.* 2006). The evidence is complex, fairly depressing and reasonably consistent although recent re-estimations produce marginally better results (McIntosh and Garrett 2009). Unsurprisingly, the wage boost associated with

acquiring qualifications rises with the level of the qualification (Vignoles and Powdthavee 2006). The earnings returns to vocational qualifications are generally lower than those to academic qualifications at every level and there is considerable variation of returns to different types of vocational qualification at the same level: NVQs usually fare less well than other offerings, such as City and Guilds (Dearden *et al.* 2004, McIntosh and Garrett 2009). As Johnson *et al.* (2009: vi-viii) note in their review of the evidence on employee demand for skills,

... evidence suggests that returns to accredited training at the lowest levels of qualification tend to be relatively low. This is likely to influence low-skilled individuals' decisions to invest in skills development ... policy needs to address the finding that the financial returns to learning/skills/qualifications appear to be lower and less certain among lower-skilled and lower-qualified groups.

Despite these inconvenient facts, policymakers have continued to place heavy reliance on selective and partial use of the data as the means to encourage participation in post-compulsory learning (National Skills Forum 2006, Leitch Review 2005, 2006). There is a strong presumption that if actors were to become better acquainted with the existing evidence on monetary incentives (see Spielhofer *et al.* 2006 on their importance to young people) this would be sufficient to motivate them to invest far more into their skill acquisition, thereby producing the desired 'step change'.

Indeed, given the wage returns on some lower level vocational awards it could be argued that current levels of participation in initial education and training are actually higher than a rational response to the labour market incentives would dictate (Keep 2005). A fact perhaps now surreptitiously acknowledged by policymakers following their decision to make learning to the age of 18 a legal requirement. In other words, in the end the incentives to achieve the desired goal by voluntary means were accepted to be insufficient and legal compulsion seen as the only remedy.

6. Limited opportunities for progression

Policymakers are keen to see two outcomes from education and training with regards to progression and it is unclear that either expectation is well founded. The first is for education and training to provide a means of securing progression out of bad jobs. Although we have limited knowledge about progression out of low paid employment in the UK, the available data does not give rise to great optimism. The research suggests that opportunities for progression are limited in terms of the proportion of

the workforce who can hope to move up the job ladder (Grimshaw *et al.* 2002, Lloyd *et al.* 2008, Ray *et al.* 2010, Metcalf and Dhudwar 2010) and also the scale of the career and wage benefits that such upward mobility gives rise to (Atkinson and Williams 2003, Green *et al.* 2004, Hoggart *et al.* 2006). The bulk of low-end jobs are dead ends, with only a very small proportion of workers able to progress more than a single rung up the occupational ladder.

Furthermore, the attenuation of internal labour markets (Grimshaw *et al.* 2002), the increasing use of agency workers (Lloyd *et al.* 2008) and the flattening of hierarchies all mean that the chances of progression, both within the individual firm and in many occupational groups, is limited (Metcalf and Dhudwar 2010). These problems are being made worse by the downward cascade of graduate labour (Brown *et al.* 2003, Boden and Nedeva 2010), which is starting to occupy many of the first line supervisory roles that, in times past, shop floor workers could have aspired to fill by moving upwards (Keep and Mayhew 2004, James and Lloyd 2008).

The second outcome is to have higher levels of inter-generational social mobility through a better-educated inflow of young people into the labour market. Goldthorpe and Jackson (2007) make a cogent case for the main motor of such advancement to be centred on changes in the occupational labour market (a growth in white collar, professional, managerial and associate professional jobs) rather than educational attainment *per se*. They also note that, in a world where the supply of good jobs is finite, if we are to increase upward social mobility by children from lower class backgrounds, the corollary is liable to be the need for downward occupational mobility on the part of children from better-off backgrounds. This difficulty is heightened by the fact that, despite all the optimistic projections of a more knowledge driven labour market of the future, in reality the proportion of low paid jobs in the UK labour market (about 22 per cent) is unlikely to fall at all this side of the year 2020 (Lawton 2009). Goldthorpe and Jackson's advice is to reduce attention on aspiration and social mobility and instead think harder about how labour market outcomes might be made to have less polarised income outcomes, that is greater wage equality and how bad jobs might be made better (see also Hickman 2009).

Complex and Uncertain Incentive Patterns

The structures and circumstances outlined above work in ways, through the push and pull of different factors, that mean the pattern and strength of the incentives acting on learning decisions is potentially complex, uncertain and even perhaps daunting (see for example, Jenkins *et al.* 2007). For instance, the labour market impacts of the acquisition of a particular qualification often vary according to:

- The age of the learner;
- Their gender;
- The level of qualification;
- Subject and occupation (if any) to which it is related;
- Type of qualification/awarding body;
- Location in which the learning takes place (e.g. workplace versus non-workplace) and the status and standing of both the learning provider and the institution or body providing the education or training; and
- Who pays for it – low-level vocational qualifications paid for by the individual's employer appear to generate higher returns than those funded from other sources.

Moreover, the vast bulk of publicly available data on the wage premia associated with particular types and levels of qualification is expressed as an average. Very little information is vouchsafed about the levels of dispersion around this average, which can sometimes be considerable.

Another factor adding to complexity and uncertainty is the fact that it is participation in learning that imposes costs and requires investment and participation is not the same thing as achievement. In other words, a student or trainee can participate in learning but fail to achieve the desired outcome or qualification (see, for example, Villeneuve-Smith *et al.* 2007:6). In such cases, the investment made, may be either totally or partially wasted. English policymakers have an unhealthy tendency to slide from participation to achievement as though the one more or less guarantees the other (see, for instance, DfES 2007, DCSF/DIUS 2008).

Overall, weak and complex information (Cabinet Office 2008), coupled with uncertainty about the scale and likelihood of a sufficient return on the investment of scarce time, energy and money by individuals at the lower end of the labour market makes decision-making difficult. Those at the lower end of the labour market may well be more risk averse as their resources are constrained (they have lower incomes and are less likely to secure support from their employer) and their past experiences of

education may not have been particularly positive (Ball *et al.* 1999). The probable outcome is limited incentives to engage with education and training.

Demands for more Learning in the Face of Evidence on Over-qualification

A final factor that adds to the uncertainty of investment in skills is the growing body of evidence on demand for qualifications from employers, qualification mismatch and over-qualification in the UK labour market. As Francis Green (2009: 17) notes:

Unfortunately, Britain has long been caught in a low-qualification trap, which means that British employers tend to be less likely than in most other countries to require their recruits to be educated beyond the compulsory school leaving age. Among European countries, only in Spain, Portugal and Turkey is there a greater proportion of jobs requiring no education beyond compulsory school. There is some way to go before British employers place similar demands on the education system as are placed in the major competing regions in Europe.

This relatively limited demand, coupled with the massive expansion of post-compulsory provision and qualification achievement (Moreau and Leathwood 2006), has been the lynchpin of education and training policy across the UK for the last two decades. Individuals, who are incentivised through the pull of opportunities to attend higher education, do so through the belief that these opportunities will lead to ‘enhanced earning power associated with a graduate job’ (Boden and Nedeva 2010: 40). It has led, perhaps rather unsurprisingly, to indications that levels of over-qualification and qualification mismatch are tending to rise over time.

Felstead *et al.* (2007), using data from the Skills Survey suggest that, within the overall workforce the proportion of workers who felt they held qualifications at levels above those needed to obtain or undertake their current job had increased from 29.3 per cent in 1986 to 39.6 per cent ten years later. Sutherland (2009) produces even more depressing figures using data from the 2004 Workplace Employment Relations Survey. He suggests that slightly more than half of the workers in the WERS sample felt that their skills (rather than simply qualifications) were either ‘much higher’ (21.3 per cent) or a ‘bit higher’ (32.6 per cent) than those needed to do their present job. These figures may point to another set of negative incentives that are acting on individuals when they think about up-skilling, though Sutherland (2009) reports that workers at the lower end of the wage distribution were slightly less likely to believe themselves over-skilled for their current work.

Plainly, the current thrust of government policy – to further increase the stock of qualified workers at all levels in the labour market – runs the risk of exacerbating this situation. If skills supply continues to outstrip demand, the incentives to learn, over time, may decline. As the UKCES (2009: 9) note in their ‘state of the nation’ assessment of the labour market:

The UK does, indeed, have more high skill jobs than high skill people (implying we have insufficient people with high-level skills), but this gap is actually small relative to most countries. Moreover, the growth in our numbers of high skilled people significantly exceeds the growth in our numbers of high skilled jobs. The growth in high skilled jobs is also occurring at a slower rate than in other countries. This growing mismatch is also seen from research which indicates an emerging gap between the supply of and demand for graduates as well as an increase in the proportion of workers who are ‘over-qualified’ for their current jobs.

Taken together, these findings are lead indicators of potential imbalances between the number of skilled jobs and skilled people; between the skills available and those in demand – which, in turn, may result in ‘over-skilling’ or ‘under-employment’ of skilled workers.

More is not Enough...

Furthermore, as the OECD has noted, ‘under-investment in adult learning is due to demand-side reasons rather than supply constraints’ (2005: 29). Therefore, simply increasing the supply of publicly funded (or part-funded) opportunities to learn may not be sufficient to change this picture all that dramatically. As Johnson *et al.* (2009: 55) conclude:

Major surveys have consistently found that career progression and accessing better-paid jobs are key motivators for people (including lower skilled workers) participating in learning and training. Yet there is evidence that undertaking lower level vocational training offers few immediate returns to the individual in terms of higher wages. If this remains the case, there may be little rational incentive for lower skilled workers to participate in such forms of training. Of course, entry-level adult learning may act as a first step towards further skills development activities that carry a higher wage premium, but there is a need to ensure that such progression routes are clearly articulated and that even the most basic skills provision is clearly linked to improved job performance and/or opportunities for progression. In the more immediate term, it is also essential that the qualifications system offers vocational awards that can deliver a wage premium for successful training completers.

Unfortunately, from an official perspective, many of these problems continue to remain more or less invisible. In large part, this is due to two factors. First, because many of the issues discussed above are deemed to be impossible to tackle within the current ideological choices that frame policy, since they would require forms of labour market regulation and interventions within the management of the employment relationship that are deeply unfashionable and currently ‘off limits’ (Keep 2009, Keep *et al.* 2010, Keep and Mayhew 2010). Second, because policy is based around a central, pre-ordained conclusion: more education and training for longer and to a higher level is what is needed and because government wants this outcome, everyone else will concur. Incentives are implicitly and explicitly assumed to support this conclusion, when, even in their own narrowly constructed terms, this may not be the case.

In addition, the current economic downturn seems liable, at least in some sectors, to create more struggling companies; more pressure on pay and attempts to intensify work thereby leading to more bad jobs; reduced opportunities for progression; and pressure on both public and private funding for training lower end workers. Rather than the steady improvement that policymakers dream of, things may be about to get worse.

A Policy Bermuda Triangle?

Each of the elements above, on their own, would be sufficient to cause problems. Acting in concert, as a mutually reinforcing matrix of forces, they produce powerful reasons why many individuals perceive (often quite correctly) that the incentives to learn are weak and hence conclude that it is not worth their while to invest in either initial or continuing vocational education and training. Moreover, the implication is that the incentives for employers to provide any form of skill formation are weak too. The argument above suggests that, having misdiagnosed the fundamental causes of low pay and rotten jobs, public policy interventions have lighted upon a solution – up-skilling – that is relatively ill-fitted to achieving the desired policy goals. How did this misdiagnosis and the policy/problem misalignment occur?

In essence, it can be argued that policymakers’ concerns about the labour market and the conditions of employment have collided with a set of fundamental ideological assumptions, certainties and ‘no-go zones’ (Keep 2009b). The result is

that policymakers in the UK, perhaps most particularly in England, find themselves enmeshed in a tangle of conflicting policy paradigms and priorities. Of these, four of the most important are:

1. A continuing belief across much of the mainstream political spectrum (that has its roots in the world of Thatcherism) that a ‘flexible’, highly de-regulated labour market is both a badge of modernity and an important source of international competitive advantage in a globalised economy;
2. A desire to see more jobs, but also better jobs – a desire that mirrors a growing concern that the quality of many jobs in the UK labour market is poor, wages are often too low and progression opportunities are limited. Too many people are trapped in ‘bad’ jobs;
3. Concern about social inequality, growing and highly persistent income inequality and lack of social mobility;
4. A rejection of collectivist solutions (for example, strong trade unions, social partnership or the extension of effective collective bargaining) to points 2 and 3 above. This leaves the state with almost sole responsibility for leading action to rectify the problems.

The beliefs embodied in points one and four have helped to bring about the re-focusing of the explanatory narrative around low pay and poor jobs alluded to in the Introduction to this paper. For example, the incidence of low pay could no longer be ascribed to weak trade unions and a lack of collective bargaining because stronger trade unions and the encouragement of collective bargaining were no longer regarded as appropriate forms of public policy intervention. By contrast, poor skills could be adduced as a major cause of low pay because public policy deemed education and training one of the few remaining areas where public policy interventions were legitimate within the labour market. Given the large range of labour market and economic policy interventions that are regarded as ideologically impossible or repellent, skills have come to represent the bulk of the policy ‘space’ that is left (Keep 2009b).⁴ As Brown and Tannock (2009: 383) note,

Indeed, as the other planks of the welfare state were undermined and dismantled, national governments came to regard education as one of the most effective remaining instruments of national policy (Green 1997). Education is commonly described as being pivotal to ‘national strategies for securing shares of global markets’ (Slaughter 1998, Tannock 2007).

In many ways education, training and skills have been seen as the means by which policymakers can square the circle, particularly in terms of affording them

⁴ For more detailed expositions of this set of clashing assumptions, priorities and lines of policy development, see Keep (2009b), Keep *et al.* (2010) and Keep and Mayhew (2010).

opportunities for ‘intervention-free intervention’ in the workplace (Keep 2006) and ‘loser-free redistribution’ in the social and economic spheres (Keep 2009b, Keep and Mayhew 2010). However, as time passes and the desired policy outcomes remain illusive, there is a growing realisation that the traditional response, that is increases in the publicly funded supply of skills, may not, on their own, be sufficient to make a significant impact. Despite this, there is a continuing effort on the part of those who devised a ‘skills-led’ approach to social and economic problems to promote initiatives such as Train to Gain and other adult education and training interventions.

These government schemes have had relatively limited impact, at large expense, in boosting the scale of post-compulsory education and training participation and to increase the supply of skills to the adult workforce (see, Ofsted 2008, Pring *et al.* 2009, Keep forthcoming, Wolf *et al.* forthcoming). On the latter point, given the structural circumstances within the labour market that have been adduced above, the often quite limited and patchy impact of adult education and training provision aimed at workers in lower end jobs is generally unsurprising, but it has caused and continues to cause, policymakers considerable heartache. This is because they ascribe an importance to skills that many employers do not. As the Confederation of British Industry (2009: 20), noted with brutal honesty in a recent report on the future structure of the economy:

The skills profile and hence the supply and cost of some skills, may never be ideal in the UK, but labour market flexibility will remain our real competitive advantage.

From an employer’s perspective, many of the features of the UK labour market encouraging weak skills formation, are seen as a more powerful source of competitive advantage and therefore deemed far more important than skills. In other words, the problem of bad jobs is often not to do with the inadequate skills of those who do such work, indeed it is often not to do with skills per se at all. Insofar as skill levels are an issue, the major problem is often one of limited employer demand for skill, over-qualification and poor skills utilisation, rather than an inadequate supply (UKCES 2009). If this analysis is correct, then it will be hard, if not impossible, to solve by public policy interventions that are led by traditional skill supply models (Lloyd and Mayhew 2010).

The Individual

Indeed, a number of lines of policy development in England are continuing to worsen the problems discussed above. One of these has been the emergence of a model of agency and intervention that sees the issues in highly individualised terms. Within this, the policy goal becomes one of mobilising an individual's aspiration or moral project around self-betterment. Thus, the UK government argued that, 'we need to change the culture in this country around skills, so that when someone complains that they are in a low-paid, dead-end job, people ask them what they are doing to improve their skills' (DfES 2007: 1).

There are several problems with this kind of approach. First, it suggests that being low paid is somehow the fault of the individual concerned and simply reflects their lack of aspiration or ambition (as witnessed by their lack of skills). Unfortunately, leaving aside the fact that many of the low paid are not necessarily all that low skilled or qualified (Lloyd *et al.* 2008), the culture that officials wish to change is rooted not in self-defeatism on the part of the low paid, but rather within the structural features of the labour market and material and motivational incentives that these generate. As Green *et al.* (2006) explore, in unequal societies and labour markets strong positive incentives – particularly of Type 2, but also of Type 1 – will not be distributed equitably and that those on the lower rungs of the occupational ladder will tend to face weak or non-existent incentives to learn. Successful culture change is therefore not likely to be primarily about people 'bucking up' their ideas and being positive about learning, it will be about efforts to change the incentive structure that individual workers face and that is through labour market reform.

Then there is the question of whether improved skills can get everyone out of the large number of low paid jobs that exist (as noted above, 22 per cent of the entire workforce, nearly one in three of all jobs occupied by female workers – Lloyd *et al.* 2008). The policy implicitly assumes that the supply of better-paid jobs will automatically expand if the supply of better-qualified workers rises. The presumption appears to be that either low paid, dead-end work would vanish if all workers were more skilled, or that it would simply become a short-term way-station on the path to better things for those workers who passed through such employment. The realism of these beliefs is open to very serious doubt.

In particular, this individualised perspective on employability ignores the barriers thrown up by the employment context within the organisation / sector / occupation, which is often determined by product market strategies, production regimes and the prevailing deployment of labour: factors primarily driven by forces other than the skills held by lower level employees. Thus the individualised model discounts the location of learning and progression within specific styles or models of production and people management that can either provide a very varied range of experiences, ranging from rich and expansive to narrow and impoverished (Fuller and Unwin 2003: 8, Felstead *et al.* 2009). The individual's capacity to influence their own organisational environment is often very limited indeed and the leverage that publicly funded adult up-skilling interventions have on such matters is also open to question (see Ofsted 2008, Wolf *et al.* forthcoming). In other words, you can train away low skilled (or more often lowly qualified) stocks of labour, but you cannot train away the often low-paid, dead end work environments that such workers often inhabit.

If Skills are not the Answer ...

Rather than being centrally located in and around the issue of skills, the causes of the social and economic problems outlined at the start of this piece appear to be deeply embedded in the fabric and structure of our labour market and the pay and reward systems, models of occupational identity and certification and progression systems that exist within it. Although the chief focus has been on the UK, many of the issues explored have echoes across the English-speaking world and, increasingly, within those European countries that have experienced labour market de-regulation and rapid growth in low-end service sector employment (see Eichhorst and Marx 2009).

At its most fundamental, the problem that UK policymakers are confronted with, but are loath to face head on, is that the evidence of experience (found also in countries such as the USA) suggests that neo-liberalism produces losers as well as winners in the de-regulated labour market it creates. Indeed, some might go further and argue that a labour market configured along the lines recommended by neo-liberal doctrine needs a large tier of low end, low paid work in order to function.

If the creation of a situation where quite large numbers of individuals lose out (relatively and sometimes absolutely) is not deemed a problem, then this state of affairs need not be a major cause of concern. If, however, policymakers aspire to

happy endings for all, then plainly it is. The New Labour experiment was very clearly configured around an explanatory narrative that allocated a key role to skills which aimed to produce a Cinderella fairytale for the vast majority of workers (see Blair 2007, Brown 2010). However, a broader analysis of this approach argues that its main achievement is to set education and training delivery agencies, teachers and trainers up to fail, in that the goals ascribed to education and training policy are not attainable through education and training interventions alone (Keep 2006, Keep *et al.* 2006, Keep 2009b, Keep and Mayhew 2010, Lloyd and Mayhew 2010).

The search for alternative avenues of policy development is too large a topic to tackle here. All that can be said is that for new policy directions to stand any chance of significant success, they have to embrace the following elements. First, they have to come to terms with the structural causation of many of the policy problems that are giving rise to concern. Thus, simple exhortation by politicians (of all parties in the UK) around the need to transform the aspirations of those in lower socio-economic groups is mildly disingenuous in that even if everyone aspired to be middle-class and well-paid, the reality – for the foreseeable future – is that about a quarter of all jobs in the UK labour market will remain low paid and difficult to progress out of (UKCES 2010: 6). The result is that the matrix of factors outlined above will only serve to reinforce the issue. Thus, simply trying to change aspiration will be difficult and will not necessarily achieve much in the longer term, unless it is coupled with wider changes to the structure of opportunity (Goldthorpe and Jackson 2007, Hickman 2009, Harris 2010) and embraces wider regulation and structuring of the labour market and the employment relations that take place within it (see Bosch *et al.* 2010). This includes the creation of new forms of wage setting that can help reduce the incidence of low paid jobs.

Second, there is a need to create a stream of policy and activity that aims to help change the working and hence learning, environment in many workplaces, not least by shifting the central focus of policy from up-skilling individual workers to trying to create decent work and more productive and innovative organisations (Buchanan 2006, Buchanan *et al.* 2009). According to the UKCES (2010: 11) in their latest report one in five employers are affected by skills gaps. Encouraging employers to develop their organisations and workforce through tailored training programmes is one solution to overcoming skills gaps and improving workers' skills. Some other countries already have such programmes (Ramstad 2009a) and in some instances they

appear able to impact on both productivity and the quality of working life (Ramstad 2009b).

Third, within this approach, a more realistic and better-designed set of skills interventions is needed. These would revolve around a more limited reliance on state subsidy (Type 1b incentives), which may in future simply prove to be no longer affordable and a greater emphasis upon building up the capacity of workplaces to impart learning through both formal and informal means (see Keep 2010), coupled with much more realism about what education and training initiatives and programmes can be expected to achieve.

Brown and Tannock (2009: 389) suggest we [the UK] might do 'well to turn away from our fervent embrace of 'education only politics' and rediscover other strategies, both old and new, of securing a good standard of living and quality of life for all, while taking seriously the limitations of existing models of educational and social justice.' At present within the UK, the immediate prospects for such developments do not appear good. However, the shock effects of impending public spending cuts on education and training, the prospect of up to 40,000 unemployed new graduates (Curtis and Lipsett 2009), coupled with pilot initiatives on workforce development and skills utilisation by the Scottish government, may just be the catalyst to follow these authors suggestion and begin some constructive re-imagining of what policy might do to help those in low paid, dead end jobs.

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