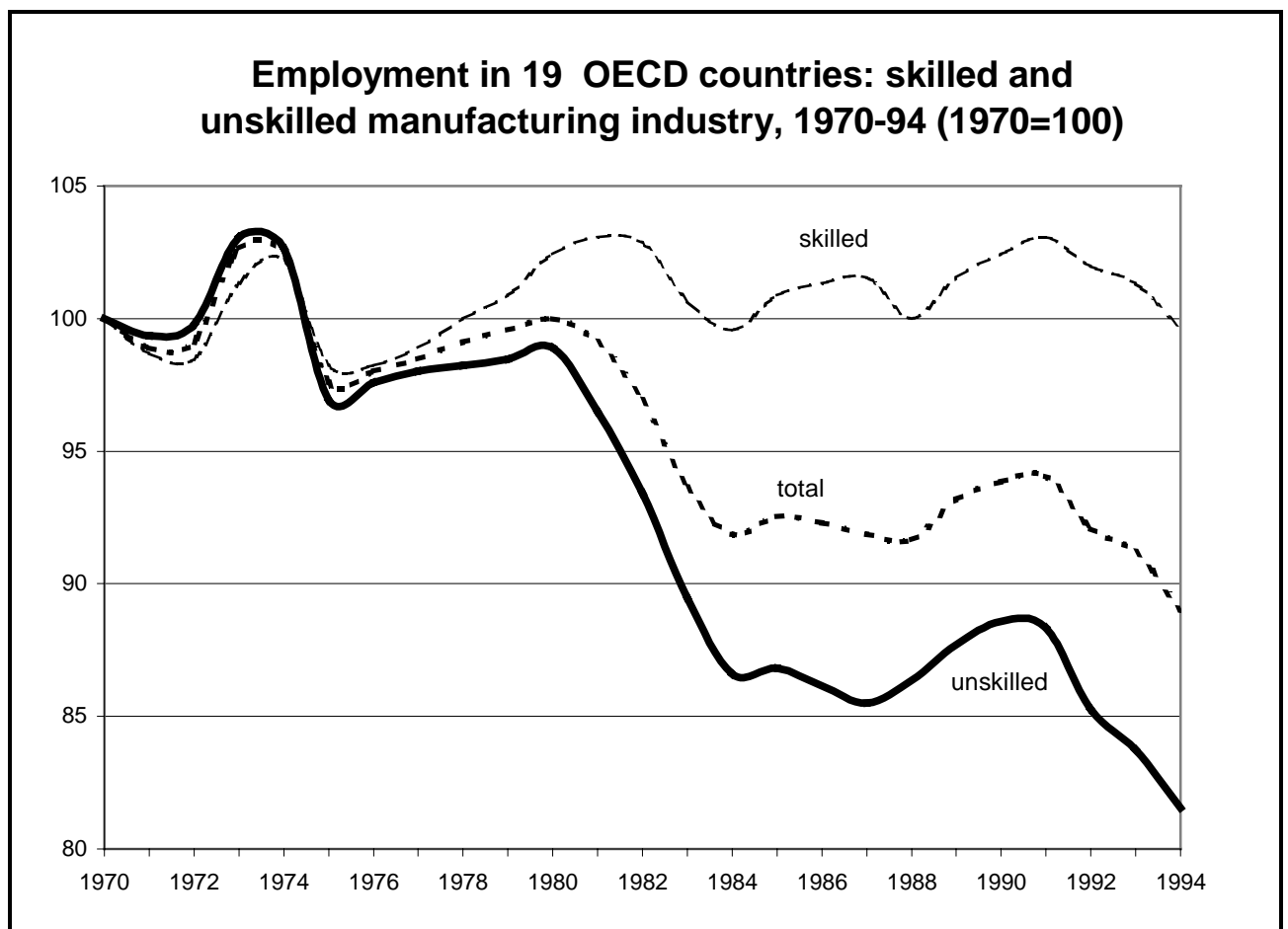


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Training Unskilled Employees – Chances and Prospects

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Source: ILO 1998 (from OECD 1996)

1 The declining demand for low-skilled labour in a macro perspective

1.1 Demand factors: Changing production regimes, globalisation, and the trend towards service economies

The decline of employment in manufacturing is actually a decline of unskilled work while the level of skilled manufacturing work is roughly maintained (see graph). The work of the unskilled becomes integrated into the technical process while the tasks of the skilled workers shift towards maintaining, co-ordinating and controlling this process. Even where direct production work remains new forms of work organisation tend to "enrich" production tasks with quality management and resource planning, resulting in higher skills requirements. Production processes which can still be managed with high proportions of unskilled work tend to be relocated from the most advanced countries to developing ones where labour costs are lower.¹ Unskilled "indirect" work – transport, cleaning, security, catering – becomes subject to outsourcing, resulting in its statistical relocation from manufacturing to services. These factors make the unskilled factory worker of both genders – characteristic of the "Fordist" factory in Western Europe from WW II well into the seventies – gradually disappear from the payrolls of manufacturing companies.

The skills demand effects of employment growth in the disparate sector of "services" are mixed. Some categories of services invariably mark the high (e.g. education) as well as the low ends (e.g. cleaning, restaurants) of the skills hierarchy respectively, while other categories – namely, the financial sector – follow a pattern similar to mass production: They once expanded on the basis of low-skilled clerical labour needed to act as the eyes and ears of computers; with increasing diffusion and integration of information technology (even into private homes) parts of this work is eliminated, while other parts are shifted to the customer (e.g. home banking) or integrated into the tasks of more skilled workers. With digital telecommunication, remaining routine data processing can be relocated to developing countries or to the fringe of the European Union where labour is cheaper.

1.2 Supply factors: higher educational attainment of younger age cohorts

An upward trend of the skills structure – declining percentages of unskilled employees and growing percentages of academics – has been observed in all of 58 branches of the West German economy, although to very different degrees. In a statistical analysis, the change of the skills structure cannot be explained by the sectoral changes of employment. The sectoral effect even works in the opposite direction: If the individual sectors would have maintained their skills structure of 1980, the sectoral shift towards services would have resulted in a slightly **higher** percentage of unskilled workers in 1996, as compared to 1980. In reality, however, according to the data set used in this analysis, the percentage of unskilled workers in West Germany has **declined** from 35.7% (1980) to 22.5% (1996) (Lichtblau 1998).

¹ In construction, this "relocation" takes the form of subcontracting to firms from the fringes of Europe whose workers come "only for work" and continue to "live" in countries where wages and living costs are considerably lower (Bosch/Zühlke-Robinet 1998).

If the sectoral change does not explain upskilling, there are two other possible explanations:

- (1) The nature of work itself has changed dramatically in all sectors within only 16 years – a period which, indeed, is characterised by the arrival of the computer at the individual workplace.
- (2) Firms today employ more skilled personnel simply because more highly qualified candidates are available.

There is ample evidence for both explanations. In almost all OECD countries for which such data are available, the percentage of adults not completing upper-secondary education has become smaller in each of four succeeding age cohorts (McKenzie/Wurzburg 1997: 15). In West Germany (1995), the percentage of unskilled workers² is smaller in each younger age cohort except the youngest³, coming down to 21% of those aged 25 to 39 (Beer 1997).

Substitution of unskilled workers by more skilled personnel for jobs whose demands have not substantially changed does not go unlimited because status inconsistencies and boredom may cause dissatisfaction of "overqualified" workers - who would then turn out to be much less productive than expected. But hiring entrants for jobs just one level below their educational status and giving the best of them a perspective of promotion appears to be a relatively safe human resource strategy. This strategy is closely linked to the growing importance of social and cognitive skills which are difficult to produce in a targeted crash-course but which are seen as by-products of longer training, schooling or academic endeavours. Such "over-qualified" candidates are not primarily hired for what they have learned but because the credentials they have obtained signal that they have learned to learn. This is how even university drop-outs find their niches especially in new and developing categories of services where job requirements are not clearly defined and rapidly changing.

2 Favourable conditions for training unskilled employees in a micro perspective

As we have seen, the decline of employment in manufacturing at macro level is a decline of unskilled employment. Even though the developments in individual establishments may differ widely the majority of them must have followed this pattern in order to produce this macro result. In other words, if companies are reducing employment they are likely to concentrate dismissals on their unskilled employees.

In an establishment which is cutting down its payrolls by reducing unskilled employment the chances for training the unskilled will be very bleak. Firms are not likely to invest in human resources which they will not be able to employ in the medium term. The very best one could expect in such a situation is that they might offer their redundant workers some training as part of an outplacement programme which begins when a workforce reduction is imminent.⁴

² Workers who have not at least successfully completed an apprenticeship or equivalent type of certified vocational training.

³ The cohort "up to 24" with 22% of unskilled includes those still in training.

⁴ By virtue of legislative changes which took effect in the beginning of 1998, German firms can now receive a subsidy for training and other costs if they offer their redundant workers measures of re-orientation, training and placement as part of a social plan. As an alternative which is in effect since 1988, they can introduce short-time "working" at zero hours in order to delay the layoffs. Wages for

By contrast, the first precondition which will give the unskilled a chance to receive a training offer while employed is that an establishment is not considerably reducing its manpower. Given the current pace of productivity increases this will usually imply that a company is responding to growing markets. The crucial question then is: What will make a firm face the market challenge by training the unskilled workers it already employs - rather than (1) continue to "muddle through" without training this group or (2) replacing the unskilled workforce by more skilled workers?

Bosch (1998) identifies four factors which favour investments in the human capital of the workforce:

2.1 Quality competition and the need for flexibility

It was the "Taylorist" model of production which made it possible to have sophisticated goods produced by unskilled workers. This model can be characterised as a majority of simple jobs held together by a complex organisation of specialists. It is only when the market changes and demands more rapid innovation, a greater diversity of products and quicker responses to customer demands that this type of organisation will lose against a contrasting model which can be characterised as a simplified organisation with more complex jobs.

A firm which has to make the gradual transition from the former model to the latter is in a position in which training unskilled workers does make sense. This implies that the firm comes to operate in a market in which the quality of the product or service is more important than its price. Quality here includes non-physical properties like design, customisation, quick and reliable deliveries etc. By contrast, in a market still dominated by standardised mass production and cost competition the firm would have to continue to rely on unskilled and, therefore, cheaper labour – if it could survive in the high-wage core of Western Europe at all.

2.2 High costs of hiring and firing

The second condition which favours the training of the unskilled is that regulations of the labour market and the societal value system make it a costly strategy to replace an unskilled workforce by a more skilled one. Relevant factors of these costs are:

- Severance payments which tend to be much higher⁵ if a firm is separating from workers even though it is still viable.
- Direct legal restrictions of dismissals or juridical risks which the firm incurs as a consequence – in Germany, for example, a dismissal from an establishment which is not reducing its workforce but redesigning its jobs might be ruled invalid if the dismissed worker claims that she or he could do the new job after suitable training.

workdays are replaced by short-time allowances which are financed by the unemployment insurance system, while the firm stills has to pay holidays and social security contributions. As a result of the latest legislative changes, such an arrangement can only be extended beyond 6 months (up to a maximum of 24) if training or placement measures are offered to the workers who are on short-time.

⁵ This applies to a situation with negotiated severance payments like in Germany. It may be different where such payments are legally fixed.

- Discouragement and loss of trust of the remaining workforce – a factor which is increasingly discussed in the American literature on downsizing.
- Damages to the firm's image – customers might see layoffs as socially unacceptable or misinterpret them as a sign of decline and the imminent disappearance of the product from the market.

2.3 Support by external training infrastructures targeted at SME's

Especially small and medium-sized enterprises will not have the necessary internal training capacities to deliver training programmes. Even if they want to they cannot train their workforces if they do not find appropriate external training services. This implies that such services are offered on the regional market and that the firm actually gets information about this offer. Networks are important: Information networks as well as networks of co-operation between training agencies which may pool their resources in order to be able to offer appropriate services.

In the German context, but perhaps not only the German, there are two more arguments for making SME's the primary target of training strategies for the unskilled:

- (1) In the big establishments (more than 2,000), the percentage of unskilled employees is already below average. This is because these establishments have done more than SME's in terms of training, and because they had the financial power to hire "overqualified" workers.
- (2) In the West German recession which lasted from 1993 to 1997, it was primarily the larger establishments which reduced their manning levels. By and large, the "big" organisations are not in a position now where they need to train the small proportion of unskilled workers they still retained. On the contrary, they will continue to seek ways of getting rid of these unskilled workers (and maybe others). Insofar as the unskilled workers tend to be older ones, they are not a target group for training but for early retirement schemes (see 3.2).

Therefore, it seems that it is primarily the smaller establishments in which the conditions favourable for training the unskilled may be found: The need for fundamental restructuring without the need for dramatic manpower reductions.

2.4 High level of influence of workers' representatives and high trust industrial relations

Despite deep structural changes of production and service organisations, strong attempts to curb the rights of employees by deregulation, and declining trade union density, the influence of German works councils at plant level has actually increased over the past 15 years (Kotthoff 1995).⁶ An American observer (Wever 1995) described the German way to manage restructuring and adaptation to global competitive standards as "negotiated change". If change is not imposed on workers but managed with the active involvement of workers' representatives, a climate of trust may result which is favourable for the willingness of workers to learn new skills.

⁶ The same has been reported about the Scandinavian countries (Gooderham/Kvitastein/Nordhaug 1996).

3 Limitations of training strategies for the unskilled

3.1 The limited scope of skills upgrading for the unskilled

The positive examples of company administered training programmes for the unskilled which we found in our case studies (Beer 1997) will enable the participants to make a more valuable contribution to the production of the firm employing them. They do not, however, change their labour market status as unskilled workers.

An apprenticeship for young school-leavers will normally take three years. An adult with sufficient work experience will be allowed to achieve the same status within two years of full-time training. This means that it is practically impossible for an unskilled adult to attain a full vocational qualification while still working. Adult participants of such programmes are usually unemployed or preparing to return to work after family-related interruptions of their career. There are only few examples of unskilled adult workers who undergo full vocational training while still maintaining their relationship with the employer on a part-time basis or by virtue of a guaranteed return option.

Against this backdrop, the German debate on further training hinges heavily on the question how qualifications below a full vocational degree can be made recognisable on the labour market by standardisation and certification. Ironically enough, the high standard of regulation of the apprenticeship system (cf. Streeck et al. 1987) tends to impede rather than foster progress in the standardisation of further training. Deeply entrenched in the traditions of the apprenticeship system, unions as well as employers tend to view the regulation of standards and certificates for further training as a question of power and control – which unions would like to gain and which employers will not share with anyone, neither with unions nor the state. This ideological deadlock, together with German thoroughness, makes a loosely defined modular system like it is described as the New Zealand National Qualifications Framework (McKenzie/Wurzburg 1997) appear as a utopia. An approach of this kind, however, seems to be the only feasible one in the area of further training.

3.2 Early retirement – an easy but costly alternative to human capital investment

In almost all countries of the European Union, participation rates of workers beyond the age of 55 have declined over the past 20 years (Auer 1997). This development is closely linked to human resource policies of firms. In many countries, the social security system as well as special programs support early retirement schemes of employers (Naschold/Vroom/Casey 1994). As a result, active workforces have not aged as much as populations of inhabitants. Firms are successfully striving to escape the demographic change and to put its burden on the public. The shortening of working lives is contributing more to the overburdening of social security systems than the demographic change (European Commission 1996).

Namely large establishments which are gradually reducing their workforces attempt to concentrate these reductions on the older age groups and to find voluntary and consensual ways to terminate the employment relationships. Since the share of unskilled workers is usually higher in the older age groups, this human resource policy not only reduces the average age of the workforce but also the percentage of the

unskilled.⁷ It also has an adverse effect on the training policy of the firm as well as on the interest of workers in training:

- If restructuring of a firm leads to workforce reductions which are managed by sending unskilled workers into early retirement at, for example, 55, there is no need to train them.
- If a firm has developed a custom of early retirement at 55, training becomes a bad investment for both the firm and the workers beginning at ages of 40 or 45.

This pattern enables the unskilled to go through their shortened working lives unscarred as long as restructuring and downsizing continue to progress gradually. But if the firm runs into a crisis resulting in mass layoffs or even in a closure, also unskilled workers of 40 or 45 will face redundancy. They are too young for early retirement, but without vocational skills, they may find it very hard to get a new job.

4 The lack of skills both as a cause and a consequence of social exclusion

4.1 The changing nature of skills

The changes in skills demand are insufficiently captured in a one-dimensional concept of "higher" and "lower". Many of the new demands are not necessarily for "higher" skills which take longer schooling or training to produce - but for "different" skills which may not be easy to intentionally produce at all: different attitudes and orientations, social and cognitive skills, resulting in a different behaviour and performance on the job. The modern productive organisation, no matter whether its product is a service or its service is a product, needs self-confident people who know what to do without being told in detail and who will do the economically right thing sometimes even in conflict with organisational constraints.

4.2 The lack of skills as a signal of lacking employability

"A combination of an increasing premium on education and an increasing premium on experience suggests that the employment situation of those with low educational qualifications and no experience in the labour market has worsened the most" (ILO 1998: 50). In the German context, with an elaborated system of apprenticeships and with highly regulated criteria of achievement and certification, the risks of discrimination and exclusion become even higher for the minority of the unskilled. As the percentage of unskilled workers becomes smaller within each succeeding age cohort, the employment risk associated with the lack of certified skills is accentuated.

Among the older unemployed between 50 and 59 who managed to leave the status of unemployment in 1997 the percentage of those who could do this only after long-term unemployment of 1 year or more is high - but the skills level

⁷ In Germany this has another side effect. Early retirement in Germany usually entails a period of "calculated" unemployment cushioned by severance payments from the employer. This is because, for men without handicaps, unemployment of at least one year (long-term unemployment) is the only pathway to a pension at 60. Because of the higher percentage of unskilled workers in the older age cohorts, stock data of unemployment by skills category must be taken very carefully if they are not simultaneously controlled for age - otherwise the employment risks of the unskilled will be exaggerated. Long-term unemployment as part of an early retirement scheme should not be mistaken as "social exclusion."

makes little difference. By contrast, in the age groups 25 to 39, the percentage of long-term unemployed is much lower, but skills make much more difference. The percentages of long-term unemployed among the outflows from unemployment are equally high for the unskilled in their thirties and for the skilled aged 45 to 49. In other words, in terms of the risk to remain in unemployment for more than one year, the possession of certified vocational skills makes up for 10 to 15 years of age for those under 50. Beyond 50, however, age becomes the dominating risk (Rudolph 1998).

In a general situation of prevailing underemployment, joblessness concentrates on those without skills. Furthermore, for the younger age cohorts who grew up under conditions when vocational training or higher schooling were more easily accessible, the lack of certified skills will be taken as a signal of deficiencies in intelligence or personality which disqualify them even for simple jobs. Whereas standardised mass production with its hierarchy, routine and discipline allowed to integrate even personalities with low resources, organisations of a more modern type have no use for merely muscular work or for persons who need continuous supervision. Not accidentally, the discussion about "employability", the new catchword of active labour market policy which is rapidly invading EUROSPEAK, originated in the U.S. in the context of school-to-work transition problems of youngsters (Cotton 1993). And indeed, OECD figures show declining attainment in the younger age cohorts of the U.S. (McKenzie/Wurzberg 1998). However, functional illiteracy of school leavers and lacking trainability of applicants for an apprenticeship have become a growing concern in Germany, too (cf. Dostal/Parmentier/Schober 1998). There seems to be a widening gap between (a) the growing demands of the employment system not only on the skills but on the entire personality of employees and (b) the ability of families (or whatever alliances have come to replace the family) and schools to produce these personalities.

4.3 Social exclusion as a cause of being unskilled

The unskilled workers of the older age cohorts missed a vocational training because of conditions which could be interpreted as collective ones, e.g.

- the need to contribute to the income of the family of origin at an early age
- a working class culture in which it was normal to go to the factory after completing school
- role patterns which foresaw that girls only went to work until they got married and had children
- the lack of possibilities in rural areas
- disruptions of schooling, training and employment careers through the war, through post-war poverty and (in Germany) through displacement from the Eastern territories.

All these circumstances were reasons for the lack of skills for which the individual could not be held responsible and which were shared by large groups. They formed the basis of social stratification but not social exclusion.

Nowadays, by contrast, the reasons for belonging to the minority who miss vocational training appear to be much more individual and personal – even though many of these reasons may have been present in the older generation, too – e.g.:

- unstable family conditions and the lack of adult role models
- neglect by parents overtaxed with the demands of their working lives

- typical for Germany: insufficient child caring facilities and short school hours while support by the wider family network (grandparents etc.) becomes scarce
- mental illness, alcoholism and drug addiction of parents and youngsters
- irregular school attendance
- a general lack of destiny in lone youngsters
- juvenile delinquency.

These are conditions which are no helpful excuses for the lack of vocational training because they signal even more problems than merely the lack of skills.

5 Concluding remarks

- The combat against social exclusion because of insufficient skills begins with family support and in the schools.
- General solicitations to companies to please train their unskilled employees are useless. One has to target those firms which have a rationale for doing so. These are firms with still considerable proportions of unskilled workers in the core of their production, with stable quantitative employment prospects, but on the verge of qualitative change.
- Training the unskilled makes no sense if their jobs don't change. As QUATRO, the ESF Objective 4 programme of North-Rhine-Westfalia has demonstrated, firms are more effectively addressed by a comprehensive support for restructuring and modernisation of which training the unskilled becomes a part.
- The target groups as well as the target firms are more likely to be found among the small and medium sized enterprises. These employ higher percentages of unskilled workers, and among them one finds the nuclei of potential employment growth. SME's need qualitative support rather than financial subsidies in order to unfold their employment potential.
- This type of services can be best delivered by regional innovation networks (cf. Hilbert 1997) in which counselling in both product and process innovation, organisational restructuring and training are available in varying combinations suited to the needs of individual enterprises.
- Firms which – for "objective" or internal reasons – fail to develop their human capital, to modernise their organisation and to move into new markets will continue to reduce their workforces or even go bankrupt. Among the redundant employees there will be many with inadequate skills. Programs of reorientation and retraining could turn the catastrophe of job loss into a chance which the now displaced workers did not get or did not care to take while they were busy working.
- Lifelong learning is a nice catchword but not yet a reality for the majority of the working population. In order to actually realise this concept we need to develop a learning culture in which further training is perceived as a favour rather than as a cure for a deficit. We also need a more "porous" organisation of our working lives ("transitional labour markets" – Schmid 1995) which allows intermittent spells of learning. Public support of continued learning should be more easily available without the precondition to join a target group of active labour market policy by becoming unemployed.

- Contrary to the concept of lifelong learning, the German apprenticeship system and the general importance of legally required certificates in Germany support the idea of "learning (just once) for (a whole) life" inherited from the guild system. For lifelong learning to become equally important, we need more modular training possibilities and a more flexible system of certification. In order to achieve this, the focus must shift from control and power over training services and learning processes towards standardised descriptions of their outcomes.

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