

# Labour market structures and trends, the future of work and the implications for initial E&T

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Does the veracity of trends matter? Are there not circumstances where the analysis is wrong, the trend a meaningless fake, but which is nevertheless a useful catalyst for change? In this sense, does the real future matter?  
Future Foundation conference flier, 2006

## **Introduction**

The future is a great unknown and attempts to predict it are both fraught with difficulty and also contain a risk of producing prophecies that mislead. The future is also surrounded by an industry of gurus, consultancies and futurologists, all of whom have wares to sell to the general public, businesses and policy makers. On the whole, this industry delivers more confusion than anything else.

At the same time, it is worth observing that the future is what is driving current skills policy, in particular fears about our falling (further) behind the rest of the OECD in future (see the Leitch Review, 2005 and 2006), and beliefs about the future shape of work that often paint a very simple, uniform picture of high skilled, knowledge intensive work. In other words, the future is being utilised to validate current orthodoxies.

**Keywords:** knowledge, economics, employment, occupations, business, work, technology

## **Coming to terms with the labour market**

One of the most significant general failings of English skills policy over the last quarter of a century has been a refusal by those in charge to acknowledge and confront the realities of the labour market as it currently exists and as it is liable to continue to exist in the short to medium term. The tendency has instead been to view employment through rose-tinted spectacles, to concentrate attention and comment on growth at the upper end of the occupational spectrum, ignore the persistence of a large body of low paid employment at the bottom of the labour market, and to allude to universal increases in the demand for skills and qualifications being generated by an all-encompassing knowledge-driven economy which has either already arrived or whose achievement lies just around the corner. Policy makers' belief in this tale of a smooth progression to the sunny uplands of high skill, presumably high wage employment has been supported by a narrative produced by various commentators (for instance Leadbeater, 2000; Giddens, 1998) whereby the forces of globalisation and technological change are inevitably driving all developed economies in this direction.

One of the biggest problems with this approach to conceptualising the future is that it very often falls into the trap of creating a universal narrative, that offers little nuance and which suggests convergence round a single trend or set of conditions. This makes for a neat and simple story, but arguably does so at the cost of doing significant damage to the inherent complexities of the labour market and employment. Many of the papers prepared for the work strand of BCH have tried to grapple with what multiple, different and divergent futures may look like. At any given moment, very different conditions may pertain across the occupational spectrum.

The approach taken here is somewhat different from the guru literature. Rather than predicate predictions on the arrival of an episode of universal, discontinuous change, the author of this paper has chosen to extrapolate from past and current trends, and to use these as a guide to what the future may look like. This approach may provide a picture that is at once complex and diverse, but also more familiar (ie looks more like the present), and less entertaining and novel than many others. It does at least have the virtue of being founded on a somewhat more robust empirical base.

## **The value of pessimism**

The assumptions upon which what follows are centred are pitched somewhere between mild pessimism and reasonable caution. As suggested above, much of the 'future industry' relies upon the sale of 'happy ever after endings' whereby a knowledge driven economy will make all jobs satisfying and well-paid. Given the trend of developments over the last quarter of a century, this seems an unwise basis for developing policy. The benefit of a slightly more pessimistic view of likely developments is that, if it should prove incorrect, policy can easily be adjusted to accommodate a faster and wider pace of change towards better and more knowledge intensive work. If, on the other hand, policy scenarios are founded on expectations that there will be a uniform and widespread demand for a more skilled and certified polyvalent workforce and this assumption proves unfounded, adjustment to policies and programmes may be much harder to achieve. In other words, it might be best to plan policy on a failsafe basis, not least as one of the central messages of what follows is that the differentiated incentive structures that the labour market may be producing will often tend to militate against, and undermine policies based around, assumptions of universal participation and achievement.

A key focus for such concerns is the distribution of rewards for those in employment. The last two decades have seen a widening disparity between the rewards of those at the bottom of the labour market and those accruing to employees at the very top of the

occupational hierarchy. What assumptions are we to make about trends in the future? For instance, the Cabinet Office Strategy Unit's recent paper on social mobility (2008) chooses mildly optimistic assumptions that suggest a narrowing in the distribution of income as a result of the government's educational policies and moves up the value chain by UK employers in the face of the challenges of globalisation. Other scenarios are less optimistic (see Brown et al, 2008). These issues matter because there is relatively strong evidence (Green, Preston and Janmaat, 2006) that lower levels of income inequality (plus other measures of social equity) tend to be associated with higher levels of educational participation and achievement, whereas high levels of income inequality are often found in countries that have fairly polarised patterns of educational achievement (for example, the USA). At the very least, a highly polarised earnings distribution may produce weak incentives to engage in learning for those who expect to be heading towards jobs at the bottom end of the income distribution (see below).

## **The short term policy goals**

Before looking at what may happen, it is worth reminding the reader of the scale of short term 14-19 policy objectives for which the labour market is expected to act as the motor and with which employers are expected to actively engage. These include:

- Far higher levels of achievement of Level 2 (GCSEs and/or Diplomas) at age 16
- Far higher levels of post compulsory participation, with the aim of reaching 90% in the near future.
- Far higher levels of achievement at Levels 2 and 3 (A Levels, Diplomas and NVQs) at age 18/19
- Diplomas (at both Levels 2 and 3) to have achieved parity of esteem with GCSEs and A Levels, both in terms of entry into HE, and also in terms of the esteem with which they are held by employers and the size of the wage premia they are willing to offer to those who hold them.
- The provision of high quality work experience to all youngsters, and the embedding of such provision within the Diplomas.
- An expanded, vibrant and high quality apprenticeship system as the sole means of acquiring vocational qualifications for 16-19 year olds.
- An end to jobs without formalised, certified training for young people under the age of 18 as part of the move to a raising of the compulsory learning leaving age to 18.

Taken individually, each of these objectives might be deemed ambitious when judged against our performance over the last 25 years – this despite the fact that this period as a whole witnessed levels of growth in higher end occupations (and hence a labour market 'pull' for more qualified young people) that current projections suggest will not be matched in the short to medium term. Taken together these policies represent the expectation that reforms will deliver nothing less than a step change in participation and achievement that will enable England to match the kind of performance found in other developed countries and to move us from the lower end to the upper quartile of the OECD league tables on secondary education.

## **Labour market structures and the incentives they create**

### **The changing labour market**

As noted in the Introduction, current English 14-19 policy assumes that the trajectory of structural changes in the labour market is creating demands for skill that render it imperative that participation and achievement undergo a step change (Leitch, 2005 and 2006; DfES, 2007). From this follows an associated belief that the labour market and employers' patterns of recruitment are creating material incentives (in the shape of positive wage returns to qualifications) that will drive young people to make choices that will enable the desired change in 14-19 achievement to be brought about. Unfortunately, both of these policy 'givens' may be partially mistaken.

In reality, the much-vaunted knowledge-driven economy is, and is liable to remain, in part a mirage (Nolan and Wood, 2003; Brown and Hesketh, 2004; Thompson, 2004). There are knowledge driven sectors, occupations and firms, but the effect has not been uniform or general across the entire labour market and while there has been, and will continue to be, growth at the top end of the labour market in the professions and managerial work, large swathes of low paid employment remain (and are set to remain) in areas such as personal services, cleaning, retail and wholesaling (which now employ about 15% of the workforce), and hotels and restaurants. At present, about 22% of the entire UK labour force are low paid on EU definitions (ie it earns less than 60% of the median hourly wage), with a third of all female workers being low paid (Lloyd et al, 2008). Compared to countries such as France and Denmark, the percentage of our labour force who are low paid is relatively high (Lloyd et al, 2008).

Calculations by the IPPR (see Cooke and Lawton, forthcoming) suggest that between now and 2020 occupational change will not produce any significant reduction in the overall proportion of the workforce that is liable to be low paid – in other words almost a quarter of the entire workforce and about a third of all female workers will remain low paid. They also note that occupational projections for the UK tend to point towards a continuing polarisation in the occupational structure, with growth in many top and bottom end occupational groups and a relative 'hollowing out' of the overall proportion of middle tier occupations, which suggests that demand for vocational Level 3 qualifications may remain limited (Dickerson and Vignoles, 2007). It also means that progression out of bottom end jobs may be hard to contrive as the occupational ladders needed to make this happen are largely absent. This problem is already acute, as analysis by Cooke and Lawton (forthcoming) also demonstrates that, at present, those who find themselves in low paid employment are often unable to progress out of such work, and for those that do manage to move up the job ladder, the amount of progression (in terms of any improvement in earnings) is often small and the longevity of any upward mobility uncertain.

The other point to make about the labour market is that it is not a uniform phenomenon across the UK. Different parts of the UK have labour markets that vary across a range of dimensions, not least the range of occupational openings that they offer and the proportion of jobs in different sectors and at different wage levels that they support. There is some evidence (Local Futures, 2006; Green and Owen, 2006) that good, high paying, high skill jobs and low paid, low skilled work are both becoming more concentrated in certain localities, leading to a polarisation of the employment options facing some communities. This has two implications for educational provision. First, the range and quality of opportunities available to young people via the work-based route in areas with a concentration of poor jobs may be attenuated, and that similar problems may attend the provision of an adequate number and quality of work placements for those pursuing education-based vocational offerings. Second, in certain localities the incentives on offer to youngsters to remain in post-compulsory E&T from many of the

openings in the local labour market will be weak – a point expanded on below (see also Keep, 2009).

## **The experience of work and the workplace**

Just as low paid work is not set to vanish, there will remain significant, perhaps widening, variations in many other aspects of how employees experience work and how they are managed. Just as the idea of the universal knowledge worker, with high levels of autonomy and ‘authorship’ (to use Leadbeater’s ghastly phrase) over their job tasks is liable to remain a distant vision for many workers, so too is the prospect of everyone being employed in workplaces that value creativity, and manage their employees using sophisticated human resource management techniques that aim to develop and sustain high levels of commitment and innovation (Kersley et al, 2006).

Put bluntly, the experience of work will depend in future, as it does today, on occupational labour markets and even more importantly on the identity of the individual employer and their product market strategy and models of work organisation, job design and employee relations policies (Ashton and Sung, 2006). Rather than universal convergence around a high norm, the most likely outcome is a large, possibly growing range of variance between different workplaces. Being employed by Deloitte Coopers is and will remain very different from working for a budget hotel chain (at whatever level in the organisation), in terms of:

- What one is paid
- How one is managed and motivated
- What training and development opportunities are on offer
- What career pathways can be accessed

In other words, the gap between work in ‘leading edge’ employers and work in ‘trailing edge employers’ may be liable to widen rather than diminish, which poses major challenges for policies that seek to meet the needs of both categories through raising skills and aspirations.

Many employers will continue to view the vast bulk of their workforces as an easily substitutable factor of production, or as a cost to be minimised, rather than as assets or sources of competitive advantage in their own right. This is particularly liable to be true for those working in organisations that cater to cost-conscious customers via price leadership strategies (Lloyd, Mason and Mayhew, 2008). It is hard to see what will change this situation.

## **Recruitment, selection and qualifications**

The clash between official expectations of the labour market and what are, and will continue to be, sometimes less glossy realities is made manifest via the recruitment and selection process. Insofar as official policy has a view of the processes whereby young people gain entry into paid employment, there is a strong presumption that formalised, ‘best practice’ personnel management textbook methods are an almost universal norm and that these revolve around a meritocratic model based on the possession of formal qualifications (Keep, 2005). Unfortunately, what evidence we have available (and it is patchy and poorly synthesised – see James and Keep, forthcoming) tends to paint a somewhat different picture.

The textbook model does apply in some cases, but tends to do so more for jobs at the upper end of the occupational spectrum, and operates alongside other, less formalised

approaches to the process. Data from the large-scale Workplace Employment Relations Survey (WERS) shows that these informal processes include the use of word of mouth advertisement of vacancies (used by 44 per cent of workplaces) and the recommendation of candidates by existing employees (used by 45% of workplaces) (Kersley et al, 2006, pp72-73). At present, what evidence we have (Kersley et al, 2006) suggests that use of these informal approaches may be increasing. Moreover there is often a strong logic to the use of such methods, not least in using social networks to secure information on candidates' generic and social skills and work ethic that are weakly assessed by formal qualifications (Lockyer and Scholarios, 2007; Iles and Salaman, 1995).

This in turn underlines the fact that employers are aiming and liable to continue to aim to acquire a range of skills, attributes, and attitudes through the recruitment process, many of which bear a weak relationship with formal certification and which often lie outside the spectrum of skill that qualifications (as currently configured) assess (Payne, 1999; Keep and Payne, 2004; Warhurst and Nickson, 2001; Bowles and Gintis, 2002). These include creativity, physical strength and resilience, manual dexterity, social and communication skills, appearance, voice and accent, effort (eg willingness to 'put in the hours'), and a positive attitude towards authority.

There is also a wealth of evidence that suggests that the part played by qualifications in the recruitment and selection process for many jobs at the lower end of the occupational spectrum is patchy (Evaluation and Development Agency, 1997; IFF Research, 2000; Jackson, 2001; Jackson et al, 2002; Johnson and Burden, 2003; Miller et al, 2002; Spilsbury and Lane, 2000; Newton et al, 2005; Bunt et al, 2005). The CBI claim that their members are often operating a 80/20 rule in recruitment, whereby employers afford an 80% weighting to uncertified generic and soft skills, and 20% to hard skills (CBI, 2007, p13). These preferences and patterns of behaviour on the part of employers do not seem likely to undergo radical change in the foreseeable future, unless interventions such as a widespread use of licence-to-practice are introduced by government or some other agency.

None of this is to suggest that qualifications are or will be unimportant, merely that they represent one factor among a number within decision making in the recruitment and selection process, and for many jobs at the lower end of the labour market that process itself may be relatively informal and may rely upon social networks and forms of skill and job-readiness indicators that lie outside the ambit of formal certification (for a fuller discussion, see James and Keep, forthcoming). What it does mean, is that lower level qualifications, particularly vocational qualifications, produce weak and uncertain returns in the labour market and that the average wage premia they attract is often limited (Jenkins et al, 2007; Dickerson and Vignoles, 2007). Again, it is hard to see how this is liable to change dramatically in the near future. Policy makers appear to be pinning their hopes on the idea that if employers are allowed to re-design vocational certification to suit their needs, they will be more willing to offer a wage premium to those who hold such qualifications. The problem with this scenario is that what we know about such jobs suggests that the skill requirements (in least in terms of certifiable skills) are often so limited in scope and nature, and the supply of labour that holds such skills so relatively abundant, that employers may see no need to pay more for them however well they are covered by a qualification (Lloyd, Mason and Mayhew, 2008).

This somewhat depressing picture concerning low paid work, the heterogeneity of what work will be like, and the nature of the recruitment and selection process has a number of serious but frequently unappreciated implications for policy on initial education (and Education and Training policy more widely). These implications stem from the way in which the structure of labour market opportunities, the pay levels they generate, and hence the returns they offer on the acquisition of various types and levels of qualification produce an incentive structure that may not be particularly conducive to the kind of high

participation, high achievement future to which policy makers aspire (Keep, 2005 and 2009).

## Thinking about incentives

In trying to think about the many different forms of incentives that face individuals when they contemplate engaging in Education and Training (E&T), the following typology may be of use (for a fuller exposition, see Keep, 2009):

*Type 1 Incentives* are generated inside the E&T system and are designed to create positive attitudes towards the act of learning through intrinsic interest. Type 1 incentives are bound up with things such as the curriculum, pedagogies, assessment regimes and opportunities for progression.

*Type 2 Incentives* are generated in wider society and the economy and the rewards they confer are external to the learning process itself. They include wage returns to particular types and levels of qualification, access to higher status employment associated with higher educational achievement, cultural expectations (including those of parents) about the value of learning, and forms of labour market regulation (such as licence to practice) that make the acquisition of particular qualifications a prerequisite for access to particular forms of employment.

Increasingly, government has noted that neither of these incentive categories has produced signals that are sufficiently widespread or strong to engender the desired step change in participation. It has therefore increasingly come to rely on *Type 1b Incentives*, which provide government subsidy to act in lieu of Type 2 Incentives from the labour market – Educational Maintenance Allowances (EMAs) would be a prime example here (Keep, 2005, 2009).

## Incentive patterns and their impact on initial education

As hinted at above, what we know about both the evolving structure of the labour market and the recruitment and selection behaviours of many employers suggests that the incentives on offer to those youngsters not following the 'Royal Route' through post-compulsory education of A Levels and HE entry, may be facing Type 2 incentives that are both weak and uncertain.

This suspicion is confirmed by the mass of data generated by many studies of the rates of return (in terms of higher average lifetime earnings) that accrue to different levels and types of qualification.

Overall, the message from this research is fairly simple and fairly stark – at every level academic qualifications appear to generate higher average returns than their vocational counterparts. In addition, for lower level vocational qualifications the pattern of wage returns is extremely complex and confusing and often depends on the form of E&T through which the qualification was achieved, but in many instances the returns (especially to NVQs) are either somewhere between very low and nil, or in some cases actually negative (having an NVQ Level 2 sometimes appears to be associated with earning less than someone with no qualifications) (see Dearden et al, 2000; Dearden et al, 2004; Jenkins et al, 2007; and Dickerson and Vignoles, 2007).

It might be noted in passing that we have no very reliable means of knowing how effective or otherwise the sequence of attempts at creating a set of general vocational qualifications (of the type represented by GNVQs, AVCEs, vocational A Levels) has been, since no iteration of this project has lasted long enough for a significant cohort of its

'graduates' to be absorbed into the labour market and to therefore generate robust data on the rates of return to the qualification. Obviously from the perspective of current reforms, a key issue is the wage returns that will accrue to the Diplomas at all levels. If the mantra of 'parity of esteem' with the academic route (ie GCSEs and A levels) is taken seriously, this means that Diplomas will need to generate broadly similar labour market returns to their academic counterparts – something that the vast bulk of non-academic qualifications have never achieved. At the very least, the Diplomas need to appear worth studying, and to offer positive enhancements to lifetime earnings. Even this test may prove a demanding one where Diplomas are leading candidates towards families of occupations in lower paying sectors of the economy (eg retail, health and beauty).

Moreover, the law of unintended consequences comes into play when we consider the unfortunate juxtaposition of developments in the labour market (growing polarisation in job growth at the top and bottom end, hollowing out of middle level jobs, poor progression opportunities from low paid work, and rising geographical concentrations of bad jobs), with policy developments which have placed a heavy emphasis on the massification of HE. This is because as graduates cascade down through the labour market the range of relatively highly paid job opportunities available to those without degrees is gradually being reduced. This means that the incentives to going down the Royal Route are if anything strengthening (not because the returns to degrees are necessarily improving, but because a whole range of career routes are otherwise closed off), while at the same time the incentives confronting those who cannot or do not wish to enter HE are becoming less powerful in terms of what labour market opportunities non-HE learning routes and qualifications will lead to (Keep and Mayhew, 2004). It should be noted that these opportunities will not only generally offer lower lifetime earnings, but also reflect weaker levels of other Type 2 Incentives, such as opportunities for career progression and development, social status, and intrinsic job interest (see Keep, 2009).

In summary, what we appear to be faced by is a situation where the strength and reliability of Type 2 Incentives tends to fade as we progress down both the occupational ladder and the levels of qualification. As the incentives weaken, so does the logic for post-compulsory participation, so that for young people who live in communities where the range of local job openings is narrow and often leads to lower end occupations, and for whom escape via HE entry appears an unrealistic or unappealing prospect, the reasons to stay on and try to achieve a qualification may not appear particularly compelling.

In many other developed countries, including the USA, Canada, and Australia, as well as North European countries such as Germany, Austria and Switzerland, a very different Type 2 Incentive structure pertains, because of the extensive use of licence to practice labour market regulation. In these countries, youngsters wanting to enter particular occupations (car mechanic, builder, plumber, retail assistant, bank clerk) know that in order to stand any chance whatsoever of pursuing this goal, they must obtain the required Level 2 or 3 vocational qualification. Such expectations are often reinforced by other, wider societal and cultural expectations and norms, and in the case of some countries, by wage systems that mean that even lower occupational category employment secures relatively generous rewards. All this delivers a strong, absolute form of incentive to both participate and achieve. Much of the difference in the levels of post-compulsory participation and achievement that the UK tends to register vis-à-vis other OECD countries can arguably be put down to this absence of labour market regulation rather than to other countries necessarily having more sophisticated and engaging curricula, assessment system and pedagogies that are delivering relatively more powerful Type 1 Incentives than are found here (Keep, 2005). If this is the case, then it suggests that much of the effort expended on English 14-19 reform over the last quarter of a century may have been, at least in part, misdirected.

The consequences of all this are that for far too many youngsters, the Type 2 Incentives that they face, particularly in terms of pay and career prospects, are fairly weak, especially for those following many Level 2 vocational courses. As a result, the following quote, from a study sponsored by BP some 16 years ago remains depressingly apposite:

“Much has been made of the need to place greater emphasis on post-compulsory vocational studies. The business community has been particularly vocal. The message is clear: in order to compete, we must improve the skill level of the British workforce. However, financial incentives to pursue these courses contradict the message ... the expected lifetime earnings associated with lower level vocational qualifications ... generally fall below those of school leavers with only GCSEs. Employers do not seem to place a high value on low level vocational skills and, as a result, young people are acting rationally in not participating in training to the same extent as on the Continent. Quite simply, as long as some employers contradict the message through their pay and recruitment policies young people will continue to spurn such training.” (Bennett et al, 1992, p12)

Despite a whirlwind of activity and reform within the field of 14-19 policy, the problem neatly outlined above remains every bit as important now as it was then.

Indeed, it could be argued that the government’s decision to compel young people to remain in learning until 17 (and within a few years 18) simply reflects an implicit admission of failure on this point, and, rather than regulate the labour market, they have chosen instead to regulate young people, who are deemed easier to coerce than employers. The most likely outcome of this policy, besides a considerable level of non-cooperation on the part of some young people, is that participation may rise, but achievement may not. In other words, young people will be more or less grudgingly warehoused in some form of ‘learning’ experience until 18, but without necessarily experiencing any very compelling incentive to achieve anything during their post-compulsory phase.

## **Employer expectations**

Much of the policy rhetoric has surrounded education policy, and skills policies more generally, has placed great stress on the centrality of education, training and skills to business success (at the level of the national economy, sector and individual enterprise). The corollary, it is believed, is that business leaders will inevitably be extremely concerned about skills, and will be willing to devote large amounts of time, energy and company resources to co-operating with government to redesign the education and training (E&T) system, to participating in the governance of the publicly-funded E&T system (eg Sector Skills Councils, the LSC, Regional Development Agencies, etc), and in helping to deliver the myriad of (often somewhat short-lived) government schemes and programmes that this system revolves around. Given official assumptions about the centrality of skill to future competitive success (Leitch Review, 2005, 2006) it seems reasonable to suppose that the official belief must be that employers’ interest in skills and initial education and training will intensify further.

There are a number of points that can be made in relation to these beliefs about the present and future. First, when it comes to young entrants to the labour market, particularly those aiming to enter occupations where high levels of qualification are not a prime requirement, we need to remember that employers have, and will continue to have, access to many alternative sources of labour, such as HE students working part-time, women returners, older workers, and migrant labour, all of which may offer a more socially-skilled and flexible labour force. In other words, rather than expend time and energy trying to help reform and support 14-19 provision, or target the outputs of that

phase of education for recruitment purposes, employers will be able to look elsewhere. Moreover, for many occupations, the development of mass HE will enable employers to recruit for a broad range of jobs at age 21-plus, rather than from 16-19 year olds, and earlier phases of education will matter to them only insofar as it helps equip enough young people to enter the degree courses from which they recruit.

Second, and more fundamentally, there is much evidence that skills are often, for businesses, a third or fourth order issue (Ashton and Sung, 2006; Keep and Mayhew, 1999; Keep et al, 2006; Grugulis, 2008). If this is and remains the case then initial education is but one, often minor, sub-section of what for many employers will be a relatively marginal set of issues. Acceptance of this reality has tended to be strongly resisted by policy makers, And this raises a range of issues about what can or should be expected of and from employers in future.

## **Meeting the needs of employers**

Unless policy trajectories change dramatically in the future, one of the key goals of government activity is liable to be 'meeting the needs of employers'. As has been suggested on a number of previous occasions, the policy maker's notion of 'employers' as a meaningful and homogeneous collective category is open to serious question (Huddleston and Keep, 1999; Gleeson and Keep, 2004). The skill needs of employers will continue to vary across sector, sub-sector, occupational grouping, firm size, and product market strategy. As noted above, divergence, rather than convergence may be the story of labour market developments over the next twenty years.

As a result, different employers will want varied outcomes and outputs from the education system, and insofar as the volume and/or quality of the supply of those requirements are finite at any given moment, they may well find themselves in competition with one another for a limited supply of suitable young people. As a result, the idea of 'meeting employers' needs' (often specified as a simple and unproblematic goal for policy), is in reality liable to be extremely problematic, since different employers want divergent outcomes and to satisfy one set of demands may well be to dissatisfy another (Huddleston and Keep, 1999).

The upshot of this will be (as now) positional competition between sectors and occupations for particular segments of the ability range. History tells us that some forms of employment tend to be much less attractive to bright youngsters than others, and sectors at the losing end of the spectrum have a tendency to blame the education system (in the shape of poor or inappropriate careers guidance and teacher bias) for their woes. There is a strong likelihood that these issues will impact on the Diplomas, in that some of the lines of study will attract those of higher levels of ability and others will not. Lines that are linked to employment opportunities in sectors and occupations that are associated with relatively low pay, weak career and progression opportunities, and poor working conditions (eg unsocial hours) are liable to struggle to recruit students in sufficient numbers and of a quality to satisfy the expectations of some employers. The CBI has called for the numbers of young people opting to go down each Diploma line to 'match' the size of demand from employers (CBI, 2007). The danger is that, as has often been the case in the past, when employers' expectations are not met, the temptation (on the part of both employers but also government) will be to blame the education system and its staff for failing to meet the needs of the labour market (Huddleston and Keep, 1999; Gleeson and Keep, 2004).

## Conclusions

The foregoing poses some major challenges for policy development. In essence what it suggests is that a future labour market that offers divergent opportunities and rewards is liable to create an incentive structure that is similarly polarised. Those who know they are heading for A Levels (or their future equivalent), an elite university and employment in a well-paying occupation with a sophisticated employer will have very strong incentives to participate, to develop a wide range of skills and attributes, and to achieve. Those who live in localities with a concentration of low paid employment, who do not see themselves going on into higher education and entering what is in effect a national (or even international) labour market, and whose pathway is therefore down a vocational route (broadly defined) will often be facing much weaker and more uncertain incentives. When issues such as parental class are added in (see Keep, 2009) the outcomes may create major challenges for policy.

In formulating scenarios of the future and using these to plan E&T policies, there is an urgent need to come to terms with the deficiencies that exist and will continue to exist in the demand for skills from employers. At the lower end of the occupational spectrum demand will be weak, patchy and limited, and there will remain a large number of jobs that will be low paid and essentially low skilled.

A polarised and highly differentiated labour market poses major challenges for the construction of a common educational experience within state education, not least given that the compulsory phase of this is now going to be expected to last from 3 to 18. Constructing a unified, common platform of learning that can meaningfully occupy this 13 year period, and fit people for a very varied set of labour market destinations and trajectories, as well as prepare them to be responsible citizens and parents, and provide a foundation for lifelong learning (which may be nothing to do with their jobs), will plainly be a challenging exercise.

There are, in essence, two ways that policy could address these issues. The first is to assume that the answer will lie in further reform of pedagogy, curricula and assessment regimes, and that these can produce internal (Type 1) incentives within the learning process that will be sufficient to motivate more young people to participate and to achieve.

The second way of viewing the problem (ie the one adopted in this paper) would suggest that the heart of the problem lies outside the classroom, and that a polarised labour market will produce strong incentives at the top, and weak incentives at the bottom, and the E&T system cannot necessarily entirely compensate for this state of affairs. While further tinkering with qualification design might help to ease problems at the margin, the real obstacles to progress lie in the structure of occupations, their associated wage premia, and limited ladders for progression. In other words, it is reform of the labour market rather than of education that will be needed.

In taking this line, the author is not suggesting that a better curriculum offering and improved forms of pedagogy, coupled with a more nimble assessment system are not worthwhile and valuable goals in their own right, but on their own there is a strong likelihood that they will prove insufficient to power us towards the kind of policy goals currently being espoused. Only in combination with a reformed labour market and more uniform demand for skills across all occupations can they do that. We have changed curricula, qualifications and pedagogic regimes for this age group many times since the middle of the last century, and yet world-class levels of participation and attainment have continued to elude us. In a sense an analogy can be drawn with an attempt to design the perfect car, wherein ceaseless efforts are made to perfect the bodywork, upholstery and instrumentation, but with little if any attention paid to the design of the engine – which is small and low powered. The result is something that looks quite nice

parked on the drive, but which is unable to travel any great distance at a reasonable speed.

The key issue for the construction of the scenarios is that they engage with a labour market and workplaces that encompass extremely diverse experiences and outcomes. These, in turn, will tend to create incentive structures that for upper level occupations and good employers will support policy, and in the case of lower end employment and bad employers will tend to undermine the rationale for participation, achievement or a rich and inclusive curriculum. If we are thinking in terms of universal educational norms or minimum entitlements, this raises some very big questions about at what level these should be pitched in the face of a spectrum of labour market opportunities and needs. Some employers will want creative, polyvalent knowledge workers. Others will want people who don't expect too much, have limited ambition to progress (since opportunities to do so may be low), and who do what they are told. One response might be a highly differentiated set of educational experiences and streams of provision. The future is not going to be simple!

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