An EDUCATED Guess

The federal government has targeted education and training as the engine of industrial recovery. Yet we already have more skilled workers than we use. Simon Marginson argues that it’s time the Left got out of the educational trenches to meet the challenge.

With award restructuring in motion, Labor’s full policy for education and training is revealed. It is an ambitious policy - nothing less than the integration of education and training with the labour process in all industries regulated by awards. This is something both governments and markets have failed to achieve in the past.

Employment, Education and Training Minister John Dawkins is driven by economic objectives which are external to the education sector, primarily the production of “a more highly educated, competent and flexible workforce”. The assumption is that, as the OECD puts it, “human capital has become even more important in recent years”, meaning that improving the quality of labour - rather than, say, capital investment, long term planning, or product development - is seen as the key to export growth and international competitiveness. Hence the importance of education. It’s assumed that a more educated labour force would be a more productive labour force.

The government is trying to create a more productive labour force in two, sometimes contradictory, ways. First, it wants a general lift in skills, assuming that a more educated labour force will be more ‘flexible’ and more ‘responsive’ - particularly in relation to technological change. Hence the idea of multiskilling, to create workers who can take different roles in production, and more easily adapt to changes in the process of production. The government’s thinking here is conditioned by neoclassical economic theory which draws on studies of the behaviour of farmers to indicate that educated people adapt faster to new technologies.

But the government also wants to create new high-skill export industries, to better integrate science and the work process in order to facilitate a shift from primary industry to sophisticated manufacturing and services. This is where the ‘sunrise industry’ rhetoric comes in.

So where does award restructuring fit in? It is essential to the strategy. It aims to construct a grid linking education and training, work classification, rates of pay and productivity, and incorporate individual incentives for improvements in education and training.

The changes to industrial awards are designed to rearrange work functions (classifications) in a hierarchy of skills. The higher the education, the higher the classification and the higher the level of pay. Workers covered by awards are thus being offered identifiable career paths (many for the first time), provided that opportunities exist for training and retraining in order to increase the level of skills and move up the hierarchy - and provided that the
boss is interested in using higher skills. Under such a system, individual workers would have a strong incentive to seek education in order to better their position in life.

Meanwhile, work classifications are also being rearranged horizontally through broadbanding and multiskill training - broader classifications of skills that synthesise the separated, highly specialised trade classifications of the past. For example, the pace-setting metal award now recognises eight broad skill categories - though it remains to be seen how far the reform will extend elsewhere. Industrially, it is argued that employers should support award restructuring because education and training will increase the value of work. In time, it is argued, this will justify a higher level of wages because it will translate into higher quality, more productive labour.

Thus there are now enormous expectations placed on education. Since the 1950s education has been sold as a source of higher wages and better careers for those students (mainly from middle class backgrounds) who have finished secondary school, gone on to higher education and entered the professions. Now it is to be sold as a source of higher wages and better careers for everyone, though in the form of industrial training as much as higher education.

For employers, it is now being described as the key to competitiveness. For the nation as a whole, it seems to be responsible for transforming a fading agribusiness-based economy into a model competitor. (Sweden? Germany? Hong Kong? Japan? Korea?) It is a tall order.

The revival of interest in the economic relationship between education and productivity has led to renewed attention to the human capital arguments of the early 1960s, despite the dubious nature of many of the claims made by human capital theory. For example, appearing in the Victorian teachers’ award restructuring case last November, ACTU secretary Bill Kelty cited US human capital economist Edward Denison’s 1962 argument that “advances in knowledge were the biggest single source of economic growth”. Few economists still regard Denison as gospel. But the point is that Kelty, like the government, recognises eight broad skill categories - though it remains to be seen how far the reform will extend elsewhere. In time, it is argued, this will justify a higher level of wages because it will translate into higher quality, more productive labour.

The instrumentalist view can be contrasted with the cultural view which takes education - especially higher education - to be an end in itself. Most of the criticism of Dawkins’ policies by university academics has been conducted in terms of the cultural view of education, so that the Minister and his critics have been talking almost entirely at cross purposes.

The debate between the instrumental view and the cultural view is a long-standing one: it goes back at least forty years in Australia. From the cultural viewpoint, the education system understood by Dawkins and Kelty is unacceptably narrow.

It is hard not to agree, even if some of the criticism of Labor’s policy is characterised by elitism and refusal of social responsibility (as I discussed in ALR 106). To focus only on what the government’s policies ignore is, in large part, to miss the point and to fail to connect with what is happening educationally and industrially. Those policies produce as well as deny. A polarity between ‘economics’ and ‘education’ is not very helpful as a guide to interpretation or as a guide to action.

The government’s policies are unpopular with many academics and teachers who have little trouble getting their colleagues to agree with them. But the Minister, variously described by his critics as a barbarian and a Luddite, has to a considerable extent won the argument with the general public. To opt out of the education-economy relationship is to leave control of this relationship in the hands of the government, the economists in the federal public service and the large private companies.

This is not simply because Dawkins, Keating, Walsh and others are able to connect with anti-intellectual themes in Australian culture. The economic argument for the role of education simply has much broader appeal than any other - it talks about benefits to all. It speaks to the interests of the ‘whole nation’ and not just to those who are now being educated, or to those who are educating them. If only because we should have qualms about the government’s economic policies (driven by growth economics and the new ‘threat from the north’, fear of Japan and Asia) it is necessary to enter this education/economy debate.

The issue being posed by many educators is: ‘What is wrong with the government’s policies? What damage will they do to education?’. But, from the viewpoint of other people, the relevant question is: ‘Will these policies deliver what the government has promised? Will education produce more exports and greater prosperity?’.

That is the mainstream of debate about education. The government argues that, suitably reformed - through higher participation, award restructuring, performance-driven management, quality incentives, the selective installation of market exchange - education can be an economic bonanza. The New Right argues that all of that is only possible (and will follow automatically) if a free market in education and training is created. What is the Left saying?

Two issues that are not being raised, issues that provide an opening for the Left, are whether and under what circumstances education and training can deliver the economic objectives and what other economic (and cultural) changes are necessary in order to maximise and modify the economic contribution of education and training. A left intervention in the education sector should attempt to recast the education/economy and education/society relationships. But to intervene in this manner, Left activists need to accept that education can have economic effects, and that it is not necessarily reactionary to focus on those effects.
It is relatively straightforward to establish an award-based relationship between education and wage levels (although harder to fix the relative position of wages in particular occupations in the longer term). The real economic weakness in the government's strategy, even within its own terms, lies in the next stage of the human capital logic - the alleged link between education and training on one hand, and improved productivity on the other, and the associated link between productivity and wage levels.

As we have seen, government and ACTU thinking is shaped by human capital theory which has enjoyed something of a revival in recent years. Human capital theory was formulated by the Chicago school of economists, including Milton Friedman, in the early 1960s, and was then central to arguments in favour of the expansion of education.

Human capital theory argues that education directly and specifically contributes to economic growth, and that this contribution can be measured. It sees education as investment by individuals in their own future earnings. This investment has a specific and calculable rate of return, and is interchangeable with other investments. In the human capital universe, investment in education produces a quantity of human capital which becomes intrinsic to the individual, automatically increasing his/her productivity. In turn, it is argued, this productivity leads to higher wages which pay for the private costs of investment in education.

There are philosophical reasons for disagreeing with the idea that individual human beings should be treated as units of capital. It is significant that human capital theory has been most useful in analysing the economics of slavery: the one example of an explicit market that trades and prices human capital stocks rather than simply the services yielded by these stocks" as Becker put it in Human Capital.

There are also economic reasons. Fundamentally, education cannot itself create productivity because productivity depends not on the intrinsic human capital embedded in individuals, but on the concrete use to which their skills are put. Productivity is collective more than individual. It is determined by physical capital as well as labour. Most importantly, it is a function of work organisation and therefore of management and also industrial democracy.

The potential of skill and knowledge is no more than that. Education and training may contribute to productivity improvement, but only if the educated labour is effectively deployed in the workplace.

There is plenty of evidence to suggest that the existing skills of the workforce are not being effectively utilised. In the last twenty years the proportion of the workforce holding post-school qualifications has risen from 24.6% (1969) to 49.6% (1989). The proportion holding degrees has risen from 3.2% to 11.2%. But the number of jobs in the middle and upper professions has not expanded at the same rate. More fundamentally, in most workplaces work has not changed to match the more educated labour force, to utilise the greater labour potential that has been created.

The government's policy is based on the assumption that Australia is experiencing a shortage of skills. In most areas of work the opposite appears to be the case. With the exception of certain identifiable areas where demand for skilled labour is rapidly expanding (computers, accountancy, electrical engineering, for example), the main education/economy problem is not an insufficient supply of labour. It is inadequate demand for skilled labour.

Take the case of the present massive under-utilisation of Australian scientists. At 50.4 per 100,000, Australia has one of the highest rates of science graduates to total population in the world; and the proportion of people who are either scientists or engineers (73.0) is only just below that of Japan (79.7). But it is an understatement to say that these scientists are not fully utilised in manufacturing industry. Most trained science graduates are not working as scientists at all. In this context, the Dawkins vision of sunrise industry driven by brain-based exports seems rather foolish. And as the demand for skills presently stands, we cannot even assume that the new broad-banded trade skills will be adequately used in manufacturing industry.

There are two problems here. The first is the profile of Australian industry. There simply are not enough firms requiring highly skilled labour. It is not a matter of convincing employers that they need more scientists and engineers. As industry is presently constituted, they don't. This requires different policies on industry and investment, and a much more interventionist public sector than the current policy status quo accepts.

The problem of Australia's industry profile cannot be solved by education. To assume that the production of more skilled labour will create use of that skilled labour, as the government sometimes appears to do, is to commit the fallacy of Say's Law - 'supply creates its own demand'. This approach is entirely one-sided, focussing on production and ignoring problems on the demand side of the equation.

The second problem is the under-utilisation of labour within industry due to inadequate work arrangements and poor management policies. This is a problem we can do something about within the longer time span required to reconstruct the industry profile. The one person who appears to have recognised this second point is ACTU assistant secretary Laurie Carmichael, who occupies a unique position in the debate. He is determined to upgrade the economic performance of education, and his unashamed instrumentalism is one-sided and worries many educationists.

But Carmichael is more realistic than are the human capital theorists about expectations of education, and a more active reformist than his critics on either the Right or the Left. The ACTU assistant secretary situates the economic role of education and training in a much broader social policy context. To him, the essence of the economic role of training is what happens in the workplace itself. What is required, he argues, is:

- a shift from Tayloristic patterns of organisation, with their fragmentation of work tasks and layers of supervisory management, towards multi-skilling and the devolution of responsibility. Such change will require
the retraining both of management and of workers ...In a nutshell, it is the organisation of work which must change.

It is an egalitarian proposition. Multiskilling does not abolish the contradictions between capital and labour. What it can do, under some circumstances, is create the potential for work that is more complex, collective and satisfying, as well as being (again, potentially) more productive in economic terms. The challenge for Left activists is to raise the related issues about work process, work design and management that will put the pressure on employers and open up their practices to public and union scrutiny. We should have no illusions that award restructuring in itself is going to deliver more than a small fraction of this agenda.

There are also some other issues, somewhat harder to tackle. They relate to our longer term concerns about equality, distribution and justice - and, hence, power and privilege.

The restructuring of all awards would still leave unchanged the self-employed professional occupations. Moreover, following restructuring, the skills of higher education trained workers (including the majority who are under award regulation as public servants) would not be regulated as closely as those of the traditional blue collar workers and the lower-paid white collar workers. The higher the level of status and pay, the higher the level of autonomy and the more ambiguous the classification of skill and function. Unfortunately, management is to be less regulated than shop floor work - but what's new?

Therefore it is essential to strive to integrate, to link the two separate professional and 'non-professional' domains. Otherwise award restructuring could actually increase the degree of separation between the two types of work.

Clearly, there are limits to the possible changes to individual economic positions that can take place without major social changes which would lift the economic position of the whole working class. The danger here is that people will channel all of their efforts into succeeding in a competitive and individualistic way, at the expense of each other.

There is also a danger that, if accreditation is not as open as possible, then new work classifications and skill levels could act to close off areas of work and levels of pay, rather than increase opportunities and create greater flexibility. This problem will increase if the present commercialisation of training gathers pace. Fees act as a barrier to those who cannot afford to pay them, and high fee courses can therefore be monopolised by small, relatively privileged, groups - whether self-financing (as in medicine) or employer-financed (as in the upper echelons of management training). Commercialisation of training could create quasi-craft barriers all the way down the skills hierarchy.

At present, management training is the classic form of this type of development. One consequence is that it will be harder for a democratic approach to skill deployment, work design and industrial organisation to develop - certainly, it won't be management driven! With management being prepared in exclusive training programs, the management/worker division will remain a social division as well as an occupational division of labour.

The halting of privatisation is therefore integral to the success of the award restructuring strategy. Public sector training has the potential to be more economically, industrially and culturally advanced than does private sector training. But does the government realise this?

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