13. There are various models generating the same shape for experience–earnings profiles. They include one concentrating on reducing labour turnover (Salop and Salop 1976) and another relating to job-matching (Jovanovic 1979).
14. Other writers who made notable contributions to the subject include J.E. Cairnes, F.Y. Edgeworth, Millicent Fawcett (whose pioneering discussion of women as a non-competing group has recently been disinterred by Pujol 1992) and the American institutional writers W.C. Mitchell and Henry Commons.
15. "Learning-by-doing in the secondary sector is thus equivalent to negative general training where individuals are 'scarred' by working" (Taubman and Wachter 1986: 1185).
16. The social rate of return reflects the discounted present value of the costs and benefits to *society* rather than to the private individual or firm financing training. There can be a difference between social and private rates of return for a variety of reasons. For instance, there may be direct or indirect cost subsidies, or some of the benefits may be taxed away. Another possibility touched on in the previous chapter is that there may be externalities involved. For a further discussion of the social rate of return, see Chapter 10.
17. In a recent study, 40% of a sample of American male workers reported themselves as "over-educated" for the jobs they performed (Sicherman 1991). This question is discussed further in subsequent chapters.
18. For further discussion in the context of women's role in the labour market, see Chapter 12.
19. See Chapter 11.
20. However, this deficiency has been attacked from a number of directions in recent years. For a useful introduction, see Ricketts (1987) or Williamson (1985).
21. The ILM is seen by labour market segmentation theorists as involving the substitution of arbitrary rules (formal and informal) concerning the allocation, training and remuneration of employees for those of the market. Human capital theorists tend to retort that, however superficially important these rules seem to be, the ILM largely behaves "as if" market forces predominate. To the extent that ILMs do cause the economy to diverge from optimal outcomes in relation to training and employment, this may be blamed on the influence of unions (which tend to be stronger in ILMs than in the external labour market), or on government regulations which fall more heavily on such firms (Taubman and Wachter 1986: 1188–95).

4. The Political Economy of Training

INTRODUCTION

In this chapter we review the arguments used to justify state intervention in the provision of training, and the types of policies which are advocated. We point out some of the unintended consequences of government intervention, showing how the provision of state support for training programmes may sometimes produce perverse results.

We then go on, drawing on public choice theory, to discuss the way in which policies are likely to be determined in practice, recognizing the influence which interest groups may exercise in the shaping of government intervention.

These general observations serve as a background from which we discuss the experience of a number of particular countries in Part II.

WHY INTERVENE?

In the two preceding chapters we have discussed the ways in which training has been theorized by economists of different persuasions. Very broadly speaking, human capital theorists (who tend to adhere to mainstream neoclassical views of the generally benign influences of competition and the market) have stressed the ways in which the free choices of individuals and firms generate acceptable levels of training. Their analysis tends to discount the commonly expressed fear of "poaching", the belief (as we saw in Chapter 2) that firms are likely to underprovide general training because they are worried about trainees being enticed away by other employers when their training is complete.[1] In the human capital framework such fear seems exaggerated because general training is largely self-funded. Specific training, on the other hand, is rarely seen as a problem because it is assumed that firms can capture the returns on such training to compensate for its costs.

However, human capital theorists concede, as we have seen, that there may be circumstances when the market fails. These may arise for example

as the result of inadequacies in financial markets which prevent individuals borrowing enough to finance their own general training, distortions arising from imperfect competition, the existence of externalities, information problems or the lack of sufficient aggregate demand in the economy. If the existence of problems of this sort can be demonstrated, human capital theorists can justify some government intervention to promote higher levels of training, or to change the content of training, or to alter the distribution of training between individuals.

Critics of the human capital approach vary in their conclusions. Some fear that "credentalism" may lead to resources being wasted as individuals strive to obtain qualifications which add little to productivity although they improve their standing in a queue for career jobs: such qualifications are simply a positional good. Others argue with the inferences drawn from phenomena such as experience–earnings profiles, claiming that they do not reflect productivity enhancement but rather responses to problems such as shirking at work. The optimality or otherwise of such arrangements then have to be discussed on different grounds, such as the general desirability of interfirm mobility.

Economists adopting the labour market segmentation framework, although normally accepting that (in some rather loose sense) training is a "good thing", tend to see it as a feature of a "good job". Enhanced productivity from those receiving training is seen as being associated with investment in newer technology, or as part of a management philosophy favouring improved quality throughout the organization. The context is the need to secure a competitive edge in a world where product differentiation is far more important than neoclassical theorists normally suggest. Here training is only one aspect of a wider emphasis on human resource management (which includes, for example, restructuring of payments systems, appraisal schemes, job enhancement, quality circles, promotion, grievance procedures, pension arrangements, collective bargaining (or its absence) and so on). Méhaut (1993) is one of many who speak of the movement from "Fordist" management principles towards the "learning organization".

Rather than freely chosen, and substantially self-financed, training of individuals being seen as the key simultaneously to personal advancement and productivity growth, as in the human capital framework, the emphasis here is on the need to encourage industry to increase the provision of "good jobs" which – almost as a byproduct – produce good training. The neoclassical emphasis on equilibrium is rejected. Instead, the need continually to improve economic performance and promote "virtuous circles" of skill acquisition, productivity gains and quality improvements is stressed.[2] This is to be achieved through maintenance of a high level of capacity utilization, training subsidies and labour market regulation.

Some radical critics of the human capital approach, however, see training in a more sinister light: as a deliberate means by which labour market segmentation is reinforced as part of a "divide and rule" strategy for lowering wage costs. The untrained are seen in the modern context as a permanently excluded group, a sort of "reserve army" which is used to act as a threat to more favoured groups of workers, to keep down inflationary wage demands and other forms of worker self-assertiveness. In such a framework training may be seen as artificially underprovided, and the demand is for greater training provision as part of an across-the-board assault on economic and social inequality. It is seen as an entitlement, almost a feature of welfare provision, rather than as an investment which should be justified on narrow rate of return analysis.

In all these approaches, then, there is room for significant intervention by government. Even after more than a decade of privatization and deregulation in other spheres, it is rare to find a commentator who advocates leaving training completely to market forces.

FORMS OF INTERVENTION

Intervention can take three forms: direct production of training by government agencies, funding, and regulation. We shall see in Part II of this book some of the variations which can occur under these headings in different countries; here we simply sketch some common features.

There is a long history of *direct provision* of training by the state. In a sense, the free-at-the-point-of-use compulsory education (typically ten or eleven years) which all developed countries now provide for their children is part of the "training system" of a country.[3] It provides a substitute for the voluntary private provision by the Church, charitable trusts and firms which was used in the past (and indeed is still available today). State schools aim to provide the basic general skills of literacy and numeracy, together with some introduction to a range of academic disciplines and work-relevant studies. In many countries, secondary education provides explicit vocationally orientated curricula for at least a section of the school population (more "academic" children are often educated separately). Beyond the minimum school-leaving age, which varies from 14 to 17 amongst developed countries, voluntary further and higher education facilities are often provided by governments at low or zero direct cost to the individual. In many cases grants or loans subsidize some of the maintenance costs of students in higher education; there may also be some financial support for those in further education.

In addition to the formal education system, governments have for a long

time also directly provided training for particular groups such as demobilized servicemen and women, the unemployed, the disabled and others who may otherwise find it hard to obtain training. Such provision has increased substantially in the postwar period, and in the 1970s and 1980s in particular.

A feature of recent years in some countries has been the replacement of direct provision (government-owned colleges and training centres) by *funding* of training provided by outside agencies. This can be direct funding, where the government contracts with employers, colleges or other training providers to train individuals. There is also increased interest (for example, in the UK, Germany, France and the USA) in providing vouchers or credits to individuals who can then shop around amongst competing providers. This type of "arm's-length" provision is increasingly favoured because of the perceived problems of motivating trainers who are permanent employees of the government.

Funding can also be provided indirectly through subsidies such as tax concessions to firms who provide training, or to individuals who undergo training. And governments are also, of course, major employers in their own right. As such they naturally provide training of all descriptions. Evidence from a variety of countries indicates that government employees typically receive more training than their counterparts in the private sector. Indeed, in many areas government training arguably distorts or reduces the provision of private-sector training by making much of it redundant. For example, the air forces of countries like the USA, the UK, France and Germany provide a large proportion of the trained pilots working in the civil aviation sectors of these and other countries. Government-run hospitals typically provide internships for junior doctors who then practise in the private medical sector. Government legal departments often provide a major source of corporate lawyers, and so on.

Governments also influence the provision of training through *regulation* of the economy. They can do this deliberately by requiring that only appropriately qualified and registered personnel practise a trade or profession. Such requirements are almost universal for higher professions such as law and medicine. In some countries, such as Germany, a much wider range of occupations are regulated in this way. The justification often offered is that of protecting the public against malpractice.

Legislation may also require employers to give training or day-release education facilities for young people, or to spend a given percentage of turnover, wage bill or some other appropriate quantity on training. It may require or permit levies on employers for industry-based training. Less obviously, governments may create a "need" for training as a result of regulations intended for some other purpose, for example health and safety

or tax law. On the other hand, it has been argued that regulations may sometimes have the reverse effect of reducing the provision of training. One example, as we have seen, may be labour market legislation – minimum wage or equal opportunity laws – which means that wages cannot fall to the level where individuals can finance their training through reduced pay (Polachek and Siebert 1993: 89–91).

The term "government" is often used rather loosely when discussing policy. The way in which actual rather than theoretical governments operate varies from context to context. In some countries, power is concentrated in the hands of central government. Here provision, funding and regulation of training are, in principle at least, capable of being considered as a coherent whole. In other cases, however, there is a separation of powers between federal, state and local or regional governments. Here the picture becomes more complicated. Within the European Union, this complexity is increased by the growth of interest of the Commission in education and training matters. A number of initiatives such as FORCE (*Formation Continue en Europe*, an action programme to promote continuing vocational training), have been developed. The Social Charter of Fundamental Workers' Rights, the forerunner to the Maastricht Treaty's Social Chapter, proposed vocational training facilities for individuals during working time. Although the proposals were modified, and the UK is anyway exempt from the Social Chapter, it is likely in the medium term that some EU-wide developments in training policy will emerge via a different route. For instance, a proposed directive on "atypical" workers, requiring improved access to vocational training for temporary and part-time employees, has been justified in terms of the Single European Act's competition provisions (Addison and Siebert 1993).[4]

Much also depends on political cultures. In some countries, "winner-takes-all" is the rule and training policy can have a strong party flavour. In others, the electoral system is such as to favour collaboration or coalition between parties, and policy may have a more consensual flavour. It is clear, for example, that the postwar German political system has placed a much higher value on neocorporatist compromise and accommodation of special interests than has, say, Britain or the United States. As Streeck and his collaborators put it, there is in Germany a "well-established tradition of consensus politics based . . . on centrist coalition governments, a strong role of the Lander at the Federal level, and an elaborate body of constitutional law" (Streeck *et al.* 1987: 2). Similarly, the role of interest groups may be accorded greater or lesser legitimacy. In a number of European countries, emphasis is placed on the role of the social partners (organized employers[5] and organized employees) who may be given a privileged position in influencing training policy (Henley and Tsakalotos 1992; CEDEFOP

Table 4.1 Calmfors and Driffill's ranking of centralization

Country	*Ranking*
Austria	1
Norway	2
Sweden	3
Denmark	4
Finland	5
Germany	6
Netherlands	7
Belgium	8
New Zealand	9
Australia	10
France	11
UK	12
Italy	13
Japan	14
Switzerland	15
USA	16
Canada	17

Source: Calmfors and Driffill (1988).

1990b). They may even be granted the power to organize and administer training levies in particular industries. In other countries – notably the USA and the UK – governments are very much less sympathetic to neocorporatism of this kind.

One indicator of corporatism[6] – the degree of centralization of collective bargaining – has been put forward by Calmfors and Driffill (1988). Their ranking of leading industrial countries is shown in Table 4.1. Calmfors and Driffill, and also Freeman (1988), have claimed to find a significant relation between similar indicators and macroeconomic performance, with those at the extremes of the ranking tending to perform better than those in the middle. Their ranking may also serve as an acceptable rough guide to the degree of involvement of the social partners in training policy, for centralization of collective bargaining tends to be associated with a wider role for unions and employers associations. With this in mind, we examined the relation between Calmfors and Driffill's centralization ranking and a country's ranking in terms of public expenditure on active labour market policies (mainly training), using data from the Organization for Economic

Cooperation and Development (1993b). We found a rank correlation coefficient of 0.57, significant at the 95 per cent level of confidence. This broadly supports the hypothesis that a country where economic interest groups are well-organized will be one where governments play a relatively important role in funding training.

GOVERNMENT FAILURE?

We outlined earlier the way in which government intervention was often felt to be an appropriate response to the perceived deficiencies of the market. It is important to bear in mind, however, that there are potential "government failures" to set alongside "market failures". Governments usually only have at their disposal a selection of rather blunt instruments, and attempting to use them may itself create considerable inefficiencies. In this section we indicate some of the problems which can arise with two popular forms of intervention: levy systems to finance training, and government-funded retraining schemes for the unemployed.

Levy schemes for financing industry training are frequently advocated. Such a system used to operate widely in the UK,[7] and its revival has been advocated by the Labour Party amongst others. Something similar operates in France,[8] and was advocated for the USA by Bill Clinton when on the Presidential trail. The idea is that some level of spending – say 1 per cent of the wage bill – should be spent on training. Those who spend less have to pay a net levy. One obvious problem is the difficulty of defining training expenditure, given the wide range of activities which can improve productivity and earnings prospects (Commission on Workforce Quality and Labor Market Efficiency 1989: 17). But there are more fundamental problems when trying to determine an appropriate level at which to set the levy.

Economically rational firms will, even with the strongest commitment to the promotion of training, want to spend differing proportions of their revenue on training.[9] The appropriate level of spending for a firm will depend on a variety of factors relating to its business. Such factors will include the stage of the product or process cycle (when new products or processes are introduced, the need for training will be greater than at later stages of the cycle), the technology employed, the sector (employers in service industries, with more employees dealing directly with the public, are likely to require continual training inputs), the scale of the enterprise (there are economies of scale in training) and the degree of competition (both foreign and domestic). Spending requirements will also depend on the nature of the workforce: its age structure, its previous levels of education and training and the nature of the occupation in which

Table 4.2 Standard occupational classifications and training requirements, UK – continued

Major group	*General nature of qualifications, training and experience for occupations in group*	*% of working men, 1989*	*% of working women, 1989*
9. Other occupations	The knowledge and experience necessary to perform mostly simple and routine tasks involving the use of hand-held tools and in some cases requiring a degree of physical effort. Most occupations in the major group require no formal educational qualifications but will usually have an associated short period of formal experience-related training. All non-managerial agricultural occupations are also included in this group, primarily because of the difficulty of distinguishing between those occupations which require only a limited knowledge of agricultural techniques, animal husbandry, etc., and those which require specific training and experience in these areas.	11.1[a]	16.0[a]

Note: [a]Includes unknown.
Sources: Office of Population Censuses and Surveys; *Employment Gazette*.

Table 4.2 Standard occupational classifications and training requirements, UK

Major group	*General nature of qualifications, training and experience for occupations in group*	*% of working men, 1989*	*% of working women, 1989*
1. Managers and administrators	A significant amount of knowledge and experience of the production processes, administrative procedures or service requirements associated with the efficient functioning of organizations and businesses	16.5	8.0
2. Professional occupations	A degree or equivalent qualification, with some occupations requiring post-graduate qualifications and/or a formal period of experience-related training	9.3	7.1
3. Associate professional and technical	An associated high-level vocational qualification, often involving a substantial period of full-time training or further study. Some additional task-related training is usually provided through a formal period of induction	8.1	11.3
4. Clerical and secretarial occupations	A good standard of general education. Certain occupations will require further additional vocational training to a well-defined standard (e.g. typing or shorthand)	7.2	28.6
5. Craft and related occupations	A substantial period of training, often provided by means of a work-based training programme	25.1	4.0
6. Personal and protective service occupations	A good standard of general education. Certain occupations will require further additional vocational training, often provided by means of a work-based training programme	4.6	8.3
7. Sales occupations	A general education and a programme of work-based training related to sales procedures. Some occupations require additional specific technical knowledge but are included in this major group because the primary task involves selling	5.2	11.4
8. Plant and machine operatives	The knowledge and experience necessary to operate vehicles and other mobile and stationary machinery, to operate and monitor industrial plant and equipment, to assemble products from component parts according to strict rules and procedures and subject assembled parts to routine tests. Most occupations in this major group will specify a minimum standard of competence that must be attained for satisfactory performance of the associated tasks and will have an associated period of formal experience-related training	12.9	5.3

individual workers are engaged. Some indication of the training requirements of broad occupational groupings is given in Table 4.2; the descriptions are those of the UK's Office of Population Censuses and Surveys. It also gives an indication of the proportions of the British workforce in these categories.

The way in which a given amount of spending on training is deployed will vary, too. Thus while firms, industries and sectors display different training *density* (average numbers of days of training per employee), there are also different ways in which these figures can be arrived at. Short spells of training can be provided for a large proportion of the workforce (high *incidence*) or longer spells for a smaller proportion of employees (high

Table 4.3 Measuring training levels in an industry: Great Britain, 1986–7

Density		*Incidence*		*Intensity*	
Industry	*Days/ Employee*	*Industry*	*%*	*Industry*	*Days/ Trainee*
Health	17.6	Health	78	Construction	23.8
Education	9.6	Retail	68	Health	22.5
Central govt	8.5	Extract/ energy	64	Elect. eng.	18.2
Retail	8.3	Education	64	Mech. eng.	17.7
Finance/ bus. serv.	8.0	Central govt	59	Metal goods	15.9
Elect. eng.	7.3	Finance/ bus. serv.	52	Finance/ bus. serv.	15.5
Extract./ energy	7.0	Mfr min./ chem.	48	Education	15.0
Mech. eng.	6.3	Catering	45	Text./clothg	14.5
Catering	6.3	Local govt	45	Central govt	14.3
Metal goods	6.2	Transpt/ commn	40	Catering	13.9
Construction	5.8	Elect. eng.	40	Retail	12.3
Mfr min./ chem.	5.1	Metal gds	39	Wholesale	12.2
Local govt	4.9	Mfr min./chem.	39	Other process	11.8
Wholesale	4.1	Mech. eng.	36	Local govt	10.9
Other process	4.0	Other process	34	Extract/energy	10.9
Transpt/commn	3.9	Wholesale	34	Mfr min./chem.	10.7
Text./clothg	3.8	Txt./clothg	26	Transpt/commn	9.8
		Constructn	24		

Source: Department of Employment (1989)

intensity). It is clear that there will be differences in the pattern depending on the nature of the job.

Table 4.3 neatly illustrates this point, as it shows that industries are ranked differently on the three indicators. In retailing, for example, 68 per cent of the workforce receives some training, on average 12.3 days. By contrast, in construction only 24 per cent undergo training, but they are trained for 23.8 days. Clearly there is a rationale for this in the type of work employees perform. In retailing, employees deal constantly with the public and need to be updated on rapidly changing product lines, customer care and company policy; there is also a relatively high turnover of staff, meaning that a sizeable proportion of staff in any period are new to the job and undergoing induction training. In construction change is less rapid, but there are craft skills which take considerable time to acquire.

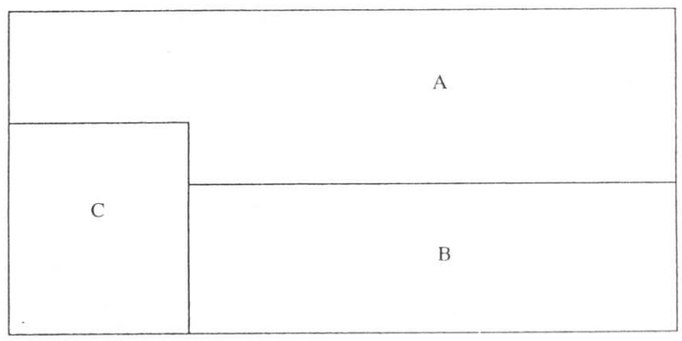
Because of the different requirements of different industries and occupational fields, there is no one level of training provision which is appropriate for all firms. Critics of levy systems argue that the requirement to spend an arbitrary amount on training encourages wasteful spending (up to the required percentage, firms' expenditures are in a sense "free" and thus may not always be put to the most sensible use). They claim that in practice it amounts to a tax on small firms (larger firms would normally spend more than the required amount on training anyway) and thus tends to reduce competition.

Another very common form of intervention – almost universal in the 1980s and 1990s – is the government training or retraining scheme for unemployed workers. Other chapters discuss such schemes in more detail: here we just make two general points.

The first point concerns the incentive problems involved in running schemes. Awareness of the need to motivate trainers usually means that governments judge the effectiveness of schemes by reference to performance indicators such as the cost per trainee, number of qualifications achieved, and numbers of trainees who achieve jobs at the end of courses. Such indicators can lead administrators to go for the cheapest rather than the most appropriate forms of training (training for retailing, say, rather than engineering), and the lowest rather than the highest qualifications (as these will almost certainly have higher success rates). Where trainers can select their trainees, this also encourages "creaming" – choosing those individuals most likely to become employed because of their age, gender, ethnicity, education, previous experience or motivation (Anderson *et al.* 1993). Since many of these people would, given time, probably find jobs anyway, the "value added" by training may be rather limited – and the hard core of difficult-to-place unemployed will find their position in any job queue worsened.

It is worth noting, too, that there are known to be very substantial *displacement effects* from government-sponsored training schemes. These involve reductions in employment of one group of workers when employment is made available to others. It has been suggested, for example, that retraining schemes for the long-term unemployed in East Germany are simply fitting some of the long-term unemployed for jobs that would have gone to the short-term unemployed, who will now become long-term

(a) *Short run*



(b) *Long run*

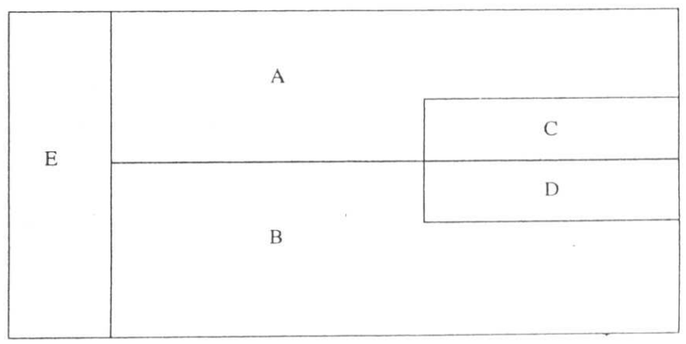


Figure 4.1 Displacement effects of training schemes

unemployed in turn; and there is little net employment gain (Lange 1993a). Studies of the UK's Youth Training Scheme (now renamed Youth Training) have also shown high displacement rates (Deakin and Pratten 1987; Chapman and Tooze 1987; Begg *et al.* 1991).[10] The principles involved can be illustrated by reference to Figure 4.1. The argument shows, incidentally, how the true success rates of such schemes are likely to be overstated.

Suppose a scheme is instituted to give 100,000 otherwise unemployed workers a twelve-month training course with employers. It has two functions: in the short run to reduce official unemployment figures, and in the longer term to improve workers' chances of permanent employment by making them more attractive to employers. The short-term consequences of the scheme can be illustrated by part (a) of the diagram. Of the 100,000 trainees (areas A + B + C), a proportion (C) would have been recruited anyway; firms now simply get their costs subsidized. This is known in the literature as *deadweight loss*. Another proportion (B) will take the place of other people who would have been recruited by employers in the absence of the scheme; this is known as the *substitution effect*.[11] The net reduction in unemployment is therefore only A. Indeed, it may be even less than this if the prospect of getting on to the scheme increases the number of those looking for jobs ("economically active").

The longer-term results are illustrated in part (b). Over the duration of the course a proportion (E) will drop out: we assume that they return to unemployed status.[12] The area A + C indicates those who obtain jobs, the area B + D representing those who remain unemployed after completing the course. However, it is likely that, if the course had not existed, a proportion of the 100,000 would have found jobs anyway within the space of a year. Some of those are among the successful trainees (C); some are among the unsuccessful (D). This latter group would have been better off not attending the course. Overall the real "success rate", on these assumptions, is given by A – D, not, as might superficially be supposed, by A + C. As A + C can be obtained fairly easily, while C and D are not separately observable,[13] it is not surprising that the real success of measures of this sort is often exaggerated.

PUBLIC CHOICE

It is certainly not intended to suggest that all policy interventions in this area are doomed to failure, but these examples show how policies may have unintended outcomes which detract from their effectiveness, and in some cases may produce "successes" which are illusory.[14] This approach sees the

danger of government failure lying in the inability of policy-makers fully to grasp the complexities of the problems with which they are grappling. Policy-makers are acting in good faith, attempting to promote the public interest, but are incompetent.

A rather different view of the role of policy-makers is taken by economists associated with the "public choice" school.[15] Public choice theory assumes that individuals maximize utility within the political sphere as well as within the economy. It hypothesizes a "political market" in which policies are the outcome of demand and supply forces. On the one hand, policies are "demanded" by groups of voters, producers and interest groups which will benefit from their enactment. On the other, policies are "supplied" by politicians and bureaucrats, in exchange for votes, campaign contributions or, in the case of bureaucrats, budget appropriations.

Power in the political market place is unevenly spread. On the demand side, consumers have little power because it is costly to organize and express their diffuse interests. The demand for policy intervention thus tends to be concentrated among producer groups with particular interests in common – for example, farmers, trade unions, professional organizations, firms in the same industry – who are individually prepared to contribute to the cost of lobbying in expectation of increased profits or other income. On the supply side, politicians will tend to concede those policies which appear to offer the greatest political advantage in terms of securing or retaining power.

Public choice analysis, though not universally accepted, has been applied to an increasing range of policy issues. It can offer a plausible explanation of the pattern of government intervention and economic regulation in parliamentary democracies. The ostensible rationale for government policies is increasingly seen, in this framework, as only part of the picture – and it is looked on with some suspicion. It has been argued by some that there is a systematic tendency for oversupply of intervention – a real "government failure" (Stigler 1971). Is this scepticism justified in relation to training policy?

Certainly, many interest groups stand to gain from government regulation and/or funding of training. Unions, for example, are typically strongly in favour of increased formal training provision. Regulation and insistence on formal qualifications can be used, as we have suggested, to reduce competition in the labour market. Historically European and American unions have defended trained labour against "dilution" by the unskilled. Wherever possible they tend to press for higher entry qualifications to jobs, a policy enhancing "rents" (returns in excess of the earnings which they could obtain elsewhere) to existing workers.[16] However, the ability of unions to secure influence over training policy varies from country to

country. For example, British unions have in the past been riven by demarcation and interunion rivalry. Postwar German unions, to take a very different example, were organized exclusively on industrial lines and have faced less of a problem: their influence has been correspondingly greater.

Employers also hope to gain from government intervention in training. Public funding, as we have seen, often substitutes for training which firms would otherwise finance themselves. And employers who provide general training may often support industry levies or compulsion in order to equalize the burden of training costs which other firms would otherwise avoid. In this light, the support of the UK's Confederation of British Industry (the main employers' association) for compulsory training for young workers is explicable (Confederation of British Industry 1993). The CBI's pressure group activity has been successful in a number of directions; for example, the National Advisory Council for Education and Training Targets was set up in March 1993 as a result of its initiative. The Council monitors progress towards meeting the CBI's targets for the year 2000. These targets are now government policy too.

Then there is the growing body of professional "trainers" – a term which embraces private- and public-sector organizations and individuals drawing their incomes from providing training and preaching the "need" for investment in human capital. Academics, in both their roles as educators and as researchers, have generally welcomed with open arms enhanced public investment in training. And we have already seen evidence of classic interest group activity in bodies such as the new British Training and Enterprise Councils (see Chapter 6). First set up as a more efficient means of delivering training policies determined by central government, they have now established themselves as a strong political interest in their own right, calling for increased government spending in a way which goes far beyond what civil servants would have been permitted to do when they were running training schemes. In Germany, unions and employers' associations, much more powerful than in the UK, are themselves significant providers of training services, and this helps feed the demand for further training. In France Chambers of Commerce are similarly important training providers.

Finally, the attractiveness of intervention in training to politicians is easy to discern – particularly in recent years when higher unemployment has coincided with loss of faith in demand management and where nationally based industrial policies are seen as increasingly irrelevant. The need to be seen to be "doing something" which can be presented as improving long-term competitiveness as well as alleviating short-term problems is a power[illegible]ne.

The gist of this analysis, then, is that in examining the policies adopted towards training, we need to bear in mind the particular interests which policies may serve. Rather than assuming that policy-makers are merely passive interpreters of the public interest (whatever that may be), we should look carefully at the coalition of pressure groups united behind particular initiatives. It may be that some of the undesired results of government intervention are underemphasized by those promoting their own interests.

CONCLUSIONS

In this chapter we have set the scene for the next part of the book. Part II examines vocational education and training policies in a range of countries. We have outlined the rationale for government intervention in terms of various sorts of market failure – the inability of an unregulated labour market to produce an optimal level of training. However, we have also pointed to the dangers of "government failure", in particular the apparently unintended adverse consequences of policies designed to enhance and expand training provision. Finally, we have hinted that some of these adverse consequences may be played down in public debate as a result of coalitions of special interests which stand to gain from increased training provision.

NOTES

1. The poaching issue can be dramatized by setting it up as a one-period, two-firm prisoners' dilemma game where the Nash equilibrium (the position to which each firm is led by assuming that the other will make its best move) involves no firm supplying training (Chapman 1993: ch. 9). Whether this outcome would be chosen with repeated plays over time, however, seems dubious.
2. The much-vaunted Total Quality Management movement places great emphasis on continuing training of this sort.
3. This is not to imply that this is, or should be, the only function of compulsory education. For an interesting analysis of why compulsory education developed, see West (1971).
4. European Union policies on training are discussed further in Chapter 9.
5. Colin Crouch has written that "success in vocational education and training . . . depends on . . . strong collective organisations of employers" (Crouch 1992: 33).
6. Defined as "the extent of inter-union and inter-employer cooperation in wage bargaining with the other side" (Calmfors and Driffill 1988: 17).
7. The UK's Industrial Training Act of 1964 made provision for tripartite Industrial Training Boards (ITBs) to manage the system of grants and levies. By May 1966, 7.5 million workers were in industries covered by them. They were strongly criticized by small firms, which paid the levy and had to deal with a large amount of paperwork, but were often unable to claim back grants as they could not spare workers for the off-the-job training favoured by the ITBs. The levy system survives on a statutory basis in construction in the UK, and on a voluntary basis in engineering construction.

8. Firms are required to spend 1.1% of their wage bill on continuing training, and 0.5% on initial training – or else pay these same percentages into a government-administered training fund. See Chapter 8.
9. Even if we bear in mind that much of the cost of training may ultimately fall on the employee, as suggested earlier.
10. See also Organization for Economic Cooperation and Development (1993b: ch. 2) for estimates of displacement effects from a number of other countries.
11. Displacement effects in some schemes can be substantial. In one study of the UK Youth Training Scheme (Begg *et al.* 1991) the deadweight loss was estimated at 71% and the substitution effect at 9%.
12. Although other possibilities exist. They may get jobs, or they may withdraw from the labour force.
13. They could in principle be estimated, but sophisticated econometric techniques and access to a considerable amount of data about the trainees would be required.
14. Indeed, there has even been a suggestion in some studies that the real effect of some schemes is negative, as they can actually *reduce* individuals' chances of getting jobs as a result of "stigmatizing" job-seekers (Organization for Economic Cooperation and Development 1993b: 64).
15. James Buchanan, Gordon Tullock and Anthony Downs were key early figures in this school. Seminal works include Buchanan and Tullock (1962); Downs (1957); Stigler (1971); and Buchanan *et al.* (1980).
16. For a brief discussion of the attitude of unions towards training, see Chapman (1993: 60–1).

PART II

International Comparisons