

# Globalisation: The Impact on National Systems of Education and Training

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# Global Corporate Strategy and the Future of Skills – UK ESRC Project

**Seven Countries:** Britain, China, Germany, India, Singapore, South Korea, and the United States

**Four Core Sectors:** Automotive, Financial Services, Electronics and Telecommunications

**Company Interviews:**

- 125 company interviews - 105 outside of UK.

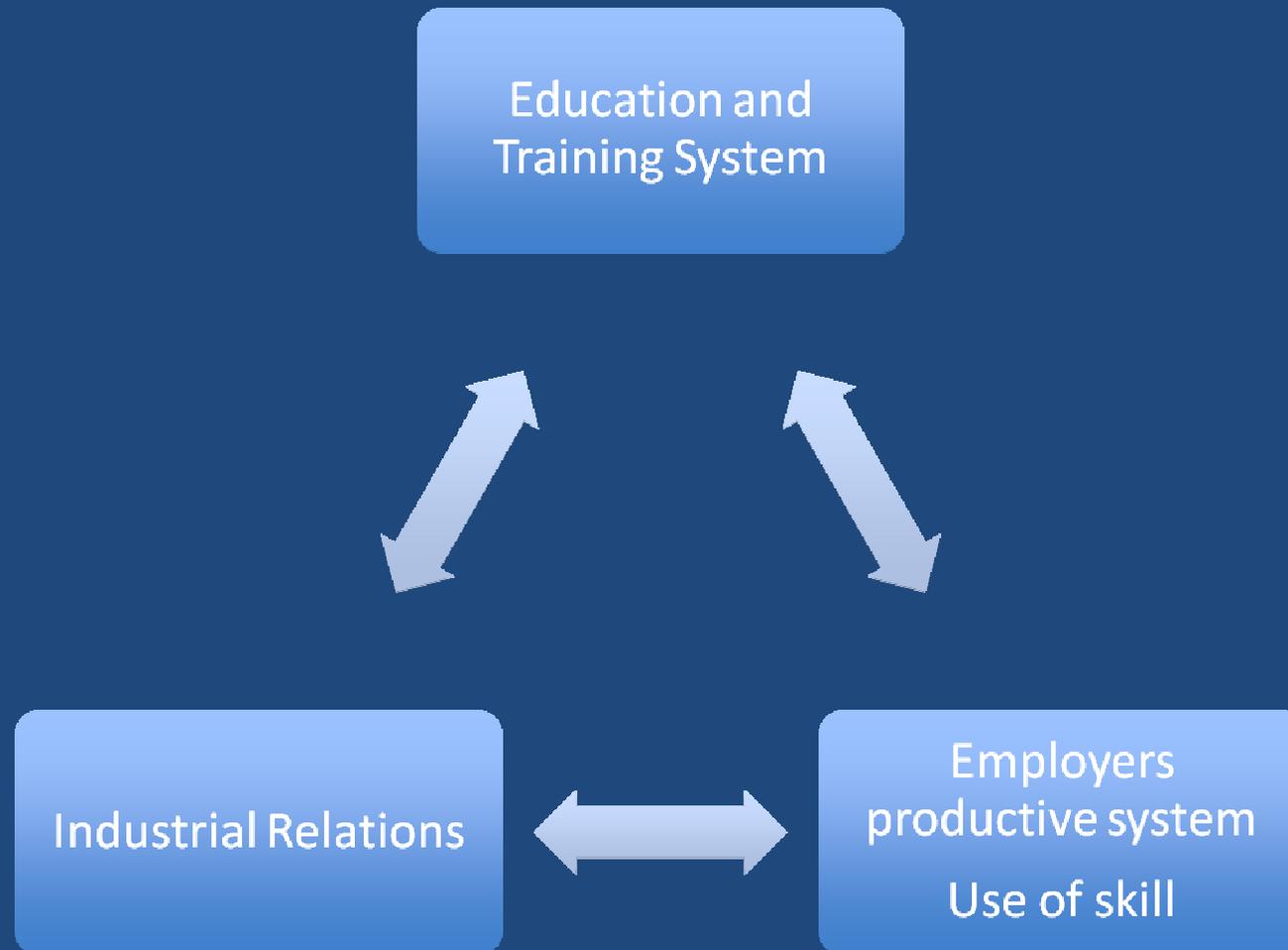
**Policy Interviews:**

- 65 policy interviews - 43 outside UK.

# 1980s/1990s VET

- **National education and training system provides skilled workers**
- **Employers use those skills to delivery goods and services**
- **Industrial relations systems determines the rewards of workers**

# 20<sup>th</sup> Century model of VET. Self-Contained National System



# Globalisation threatening these links

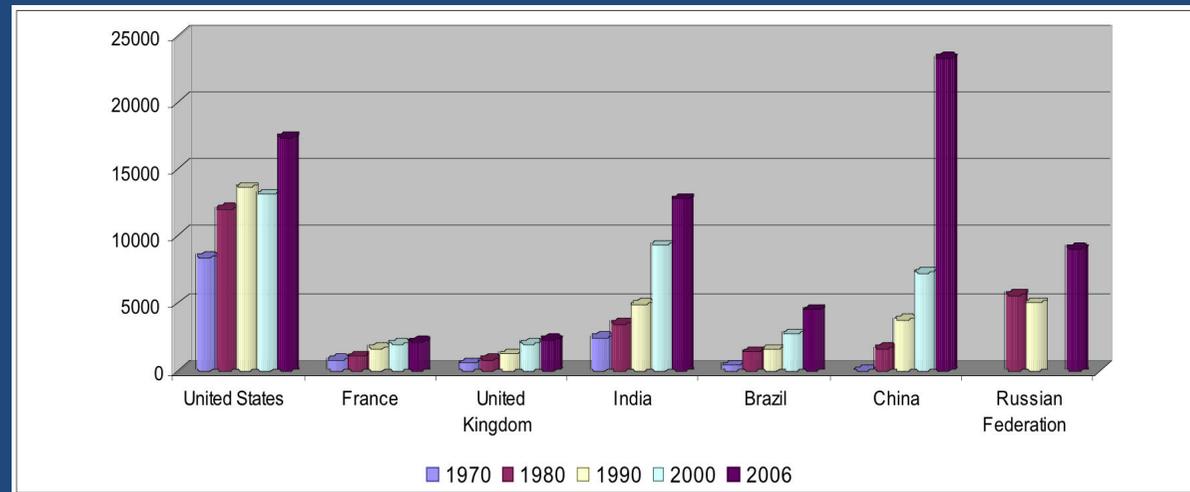
## 1. Emergence of global pool of graduate labour

- Global 'doubling' of tertiary level enrolments:

33.4 Million (1995)

62.9 Million (2005)

## The expansion of tertiary education in selected emerging and developed economies (enrolments), in thousands



Brazil 2005 instead of 2006

Source: Compiled by the authors from the Worldbank website;

<http://devdata.worldbank.org/edstats/cd5.asp>

# Global pool of graduate labour

On the availability of engineers:

“It’s not a problem to get enough highly educated people in these markets. The education level usually is very good. This applies, just to take these two examples to Russia, it also applies to China. [The] educational level is pretty high in particular in Russia where people are very well educated. Although they have to get accustomed to the, let’s say to the way business is done from a more Western perspective, that’s quite normal. The consequence for a country like Germany is, or for the Western countries, is that they have really to work hard to catch up.”

HR Vice-President of German engineering and IT company

## 2. Internationalising the organisation of production

- Modularisation - Extension of the supply chain
- Information technology and the internet-facilitates greater control over production process
- Allows companies to locate across the globe

# Consequences for manufacturing

“If you had asked me five years ago I would have said that the skill sets probably are still in the advanced economies but I think that is changing very, very quickly ... The advantage from our perspective is that you paying those guys (in Asia) anywhere from sort of 12-15 thousand dollars a year versus say a European or a US engineer at anywhere from 75-95 thousand dollars a year with a whole bunch of benefits as well.”

Chief Executive US automobile company

# Consequences for services

“We just have to move knowledge around, .....we can overnight change everything. We had I would say 10 years ago nobody with global responsibility but now we have 2,000 managers who have their teams sitting in all time zones and I have my directors reporting into me sitting in New York, London, Sydney, Singapore or Frankfurt and their teams are also spread all over the world.”

Senior manager major global bank

# 3. Globalisation of management

Global competences established:

- for higher and intermediate level jobs
- speeds up and focuses learning

# Global competences

Increases importance of workplace learning

Virtual teams speed up process of knowledge production

“Stuttgart, Mumbai and Los Angeles are in a 24 hour cycle, so we have round the clock. So there is a studio at Los Angeles the main part is at Stuttgart, in India we have some electronic design and other design parts, Italy we have some internal design, but they are connected and they are working 24 hours a day. In India people are working when it is night in Germany and German employees pick up the direction in the morning and continue.”

A leading German motor vehicle manufacturer

# Global systems of managerial control

## Widespread use of performance management tools

### Categorise management

‘...you first of all have to globally identify your talent base...we were not sending what we call our A players overseas, we would send B and C players and guess what? You send a B and C player, they don't actually help you at all in fact if anything they make things worse because the local nationals that get receipt of this hairy arsed American, people look at him and say “this is the best they have got, you know”.’

Director of HR, US Automotive

## Global systems of performance measurement

# Global War for Talent

- Differentiation of management into:
  - A's those with permission to think (talented)
  - B's those required to conform to competences (middle managers)End of traditional bureaucratic career
- Global competition for talent used to legitimate exponential increase in earnings

# Global Skill Formation

- Skill formation under the control of TNCs and “freed” from national control
- Can locate high level skilled work anywhere in the globe – “inside out” production
  - ‘We have an “inside out” model which is very clever. It gives us more flexibility over what to do where’
  - Senior Indian Manager, EU Electronics, Mumbai

# Where to think – location of R&D

Emerging societies rapidly building capabilities

‘What is really different here is research, we generate ideas for the frontline to use...These are the areas that we find that talent is delivering to an even higher standard than expected. We’re not doing those menial call centre type jobs. It’s global work and that’s where we think we’ve been able to add a lot more value than what was initially expected and that will continue.’

Senior Indian manager, US Bank, Mumbai

# Compete on Quality and Cost

- Use control of skill formation to reduce cost of highly skilled labour

‘We have to drive innovation, we have to be at the leading edge at reasonable cost...That’s it. And this can be transferred to the labour market. We have...to try to get higher skills at reasonable cost and high flexibility.’

Germany, Telecommunications TNC.

## High skills low wages

‘There is so much pressure on management to show greater profitability they are now reducing the number of people in the USA and opening campus here and hiring people in India because they are cheaper. Accenture started out in 2001 with 200 people it’s now got 40,000 employees in India...and they are rapidly scaling up.’

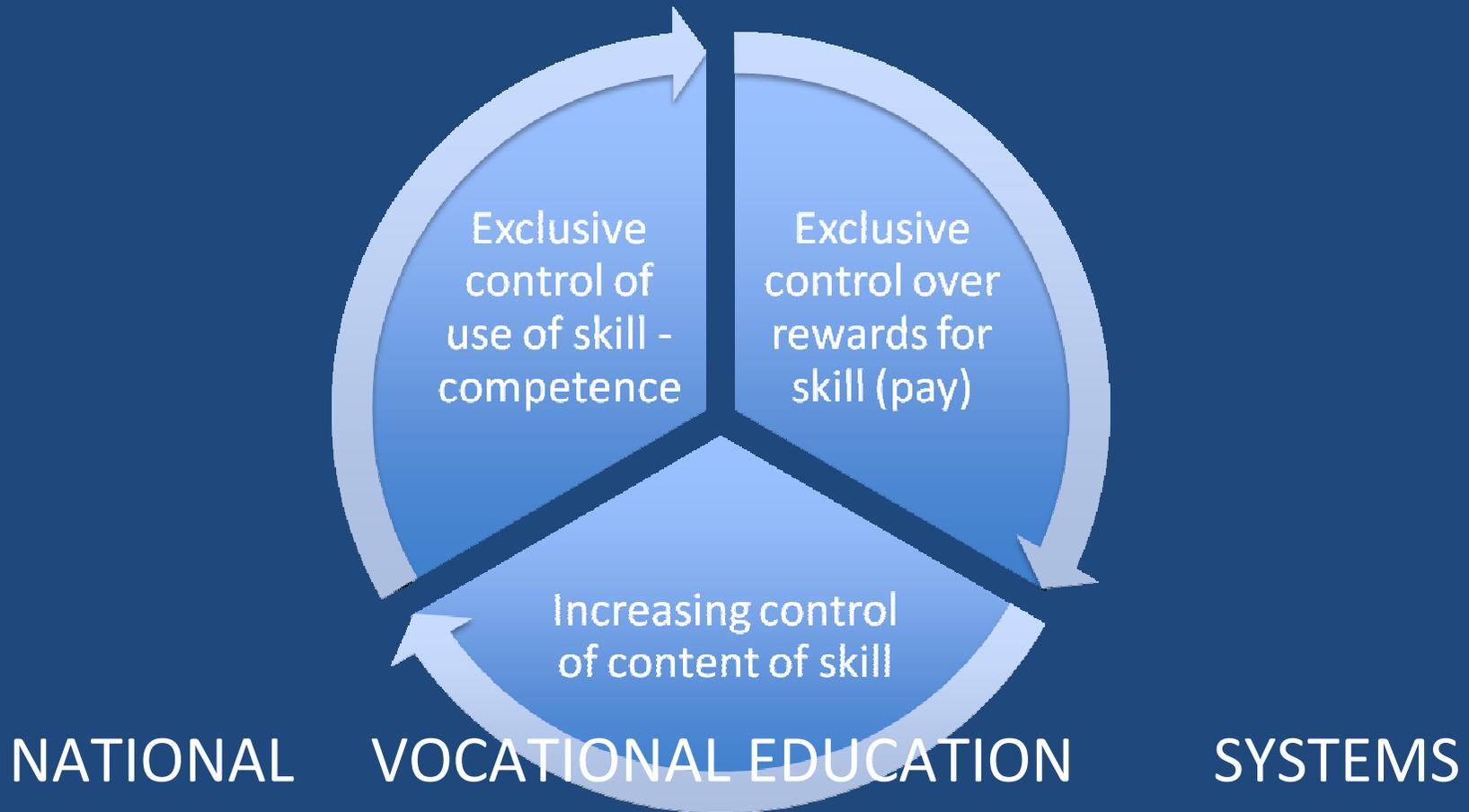
CIO, US Company, Bangalore.

‘IBM workers in India earn an average \$5,000 a year compared with between \$50,000 and \$80,000 for a similar job in the US.’

Alliance@IBM Observer, 12/04/09

## Skills move up the business agenda

# TNCs internationalisation of skills



# Consequences for national systems of VET - Graduates

- Differentiation of global graduate pool through emergence of global elite universities e.g. Oxbridge UK, Ivy League USA.
- These form the source of next generation of “talented” senior managers

# Consequences for national systems of VET - Intermediate level skills

Skill from national VET system no longer basis of company's competitive advantage:

- Recruit on basis of behavioural skills to develop company specific competences as basis of competitive advantage

Qualifications and training. TNCs demand:

- Shorter training periods
- Training geared to company competences
- Modularised training

# Consequences for national systems of VET - Intermediate level skills

Detaching skill formation from the national VET system: threat to apprenticeship system

*“..we know that of course a dual system was a fine thing a couple of years ago but now we have to learn that we have to speed up and that we have to bring vocational training to the next level.”*

Head of Knowledge and Learning leading German motor vehicle manufacturer

Undermining state control of skill formation

# Consequences for national systems of VET

Education and income: breaking the (human capital) link

- TNCs threaten tradition link in West between high skills and higher earnings
- Threat to unions re earnings of skilled workers
- Returns to some graduates already declining

# Consequences for national systems of VET

VET system facing in two directions:

- Global requirements of TNCs in internationally traded markets
- National requirements of employers in domestic markets

# References

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