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Globalisation, knowledge and the myth of the magnet economy

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Abstract

This article examines the dominant view of the changing relationship between education, jobs and rewards in the global knowledge economy. This asserts that the developed economies can resolve issues of individual aspirations, economic efficiency and social justice through the creation of a high-skills, high-wage 'magnet' economy. Here the authors examine four of the key dimensions of this account and argue that while there has been a fundamental change in the relationship between education, economy and society, their conclusions are far removed from the assumptions that currently inform public and policy debates.

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Notes

1. See, for example, http://www.dti.gov.uk/ministers/speeches/hewitt200904.html

2. Economists used to treat national economies as hermetically sealed units which limited international comparisons to rates of economic growth. Educational investment was important only in so far that it appeared to correlate to such differences in growth rates. There was little sense of an international labour market within which differences in the quality of education could have a decisive impact on the livelihoods of workers within different countries.

3. Within human capital theory it is permissible for the incomes of highly qualified graduates to fall but within the policy discourse this is largely ignored because it is assumed that new technologies will lead to a rise in the demand for graduates. Hence what is called the 'skills bias' theory is conflated with human capital arguments leading to the assumption that the more educated will be more productive because they are more able to exploit the potential of technologies (Lauder et al., 2005).

4. Government White Paper, China's employment situation and policies, section VI. Employment prospects for the early part of the 21st century, People's Republic of China, Beijing, April 2004. Available online at: http://www.china.org.cn/e-white/20040426/6.htm (accessed July 2005)

5. See Chinese university students to top 16 million, available online at: http://www.edu.cn/20010903/200991.shtml (accessed July 2005)

6. The figures on China and India were compiled with the assistance of Gerbrand Tholen. For a broader statistical analysis of these issues see Brown et al. (2005).

7. See also Saxenian (1994, 2000a, b, 2002).

8. See also Alarcon (1999).

9. This magnet effect is not restricted to the IT industry. There are examples of qualified teachers, doctors and nurses being attracted to countries like the UK at the same time that indigenous workers are unemployed or in low-skilled employment. However, the causes for increased recruitment in these cases do not lie in the rise of the knowledge-based industries in the first instance but in the electoral politics related to increased education and health expenditure. However, under GATS state workers may be subject to increased overseas competition.

10. Preliminary evidence is from our current project on the global strategies of multinational organisations and the future of skills, funded by the Economic and Social Research Council (Phillip Brown, David Ashton and Hugh Lauder).

11. The process by which exclusion occurs will not be random; explanations will require theories of hegemony, imperialism and post-colonialism in the context of globalisation.

12. The rates of return to tertiary education are calculated by comparing the benefits and costs with those of upper-secondary education. In Italy, reliable data on earnings for women were not available. The data for Italy are from 1997, the data for the Netherlands are from 1998.

13. For an earlier analysis of this kind that draws the key distinction between cross-sectional and longitudinal data see Levin and Kelly (1997).

14. Time has highlighted two problems with the 'white collar' scenario. Firstly, although the proportion of white-collar workers has increased dramatically, the numbers entering white-collar work are now stable (Mishel et al., 2003). Secondly, there was an expectation that white-collar work would be equated with skills upgrading but in fact, as Esping-Andersen (1999) has shown, after the first wave of increase in white-collar workers subsequent waves have experienced low-skill, low-income work.

15. Graduate as opposed to non-graduate work can be defined in at least three ways. Workers can be asked whether their jobs use the kinds of skills that qualified them to become graduates; employers can be asked the same type of question or a system of job classification that defines jobs in relation to educational levels can be used to assess the demand and supply of graduates relative to it. See Felstead et al. (2002), Mason (2002), and Battu and Sloan (2001) respectively for research using these strategies.

16. The within-group inequality in earnings for college graduates is not only far greater than that of the lower skilled, it has also been growing more rapidly whereas non-graduates experienced a slow or no growth in within-group variance in earnings. See Lemieux (2003).

17. Median annual earnings (US$) by educational attainment, race, and sex, 1999, US Census Bureau, current population survey, March 2000. Limited to year-ground, full-time workers aged 25 year and older.

18. This highlights the inherent conflict between ‘knowing’ as part of the work experience and ‘knowledge’ as an economic commodity (Scarbrough, 1999, p. 5). In other words, the advent of the knowledge-based economy has not resolved the enduring problem of how to convert the employment potential of knowledgeable and creative individuals into productive activities that contribute to bottom-line profits (Marx, 1976).

19. The utility of Bernstein’s distinction is that classification and framing enable us to chart the change in the nature of knowledge work. The distinction between complexity and autonomy is to be found in de Witte and Steijn (2000) while Evetts (2002) emphasises the accuracy of ‘discretion’ over that of ‘autonomy’.

20. However, we need to distinguish carefully between issues concerning the utilisation of skill from those of demand and supply of credentials (Livingstone, 1998). There is a debate about the levels of demand and supply of intermediately skilled workers that has produced conflicting results. While surveys of employers suggest that there are skill shortages for intermediately skilled workers (Mason & Wilson, 2003), surveys of workers (Felstead et al., 2003) suggest that there is an oversupply of the intermediately skilled relative to demand. Mason (2002) has argued that the problem is not one of oversupply but the supply of appropriately skilled workers at this level. Hence the need for two-year Foundation rather than three-year degrees. However, surveys of employers are likely to be inaccurate for two reasons. Firstly, they focus on what employers would ideally like but even this ideal may reflect current ideologies about best practice rather than what actually occurs. For example, Mehralizadeh (1999) has shown that, for a leading car manufacturer in the UK, while senior management emphasised the importance of process or key skills, workers on the shop floor did not believe they were of significance in practice. Middle managers acknowledged that there had been a major debate about the significance of key skills. There is an additional problem confronting researchers of the knowledge-based economy in that there is often a hiatus between macro-level studies that seek to take into account national level data on, say, the relationship between new technology, work practices and pay on the one hand, and case studies which may often lead to contrary findings on the other (Brown & Campbell, 2002). The problem is that there are not sufficient case studies employing the same methodology and theories to aggregate up to the macro-level. This means, as we have done in this article, that we have to rely on quantitative studies of skills to identify the macro-trends with qualitative studies illuminating particular choices and strategies.

21. In looking at graduate jobs, Elias and Purcell (2003) identify new and niche graduate jobs: these include entertainment and sports, hospitality and occupational hygienist professions. They report that on average these types of ‘graduate’ jobs earn less than what they term modern graduate occupations, e.g. management, IT and the like. The former are an example of what Meyer (1977) described as the creation of professions through education. This leads to a more complex analysis of how occupations are structured than suggested by assuming that demand elicits supply; it is an example of ‘demand’ being constructed.

22. It could be argued that as the pace of innovation increases so the demand for knowledge workers will not decline because new innovations require loosely classified and framed jobs that give workers a high degree of discretion over problem solving. In other words, our more pessimistic prognosis is unjustified; however, the trends identified here suggest the opposite. A further consideration beyond the remit of this article would be to examine the specific factors that have driven many corporations down the road of routinisation and cost-cutting. Clearly, economic globalisation has a part in this account. One of the major economic forces unleashed by globalisation has been an intensification of competition due to the advent of improved information flows through the Internet and the speed in which production facilities can be established or closed down. This has intensified competition on price. Buyers can trawl the Internet for products, large companies can set up auctions amongst their suppliers and the ease with which factories and offices can be established and closed down around the globe has meant that multinational companies can determine where they will direct their investment based on, amongst other things, the quality and price of labour, as we have seen in the discussion of the magnet economy.

23. Economists seek to explain selection for elite graduate jobs in rational terms, albeit acknowledging that some of these ‘intangible’ qualities are hard to measure (see Pryor & Schaffer, 2000; Acemoglu, 2002). In contrast, we are suggesting that recruitment to these elite jobs is based on group conflict presupposed by positional competition (see below).

24. The notion of a winner-takes-all labour market suggests that globalisation can lead to distortions in the rational workings of the labour market, as musicians, authors, consultants, etc. increasingly gain global exposure. Equally, as the labour market for employees, including managers, consultants, accountants and lawyers, extends beyond

national borders, those who are able to develop international reputations can leverage greater market power when it comes to negotiating their salaries and benefit packages.

25. The knock-on effect of a congested graduate market may be downward occupational mobility. In the United States this appears to have had a significant impact on joblessness among poorly educated men of prime working age (Pryor & Schaffer, 1999), although such an effect is not apparent in the UK (Battu & Sloane, 2001).

26. It is important not to overemphasise the shift to a winner-takes-all market for higher education. Room (2000) has, for example, noted that the market for overseas students is segmented: 'International flows of students follow well-defined routes which in many cases are underpinned by traditional linguistic and cultural links between the former imperial powers and their colonial territories' (p. 111). However, we are suggesting that the conditions for the creation of such a market now exist.

27. These differences in the rules of competition reflect contrasting social priorities. Meritocratic rules, for instance, involve restrictions on the middle classes in the use of their superior market power in the interest of social cohesion or state legitimation.

28. Korea is an interesting example of a country which until recently prevented its indigenous students from attending international schools in that country which offer qualifications like the International Baccalaureate, enabling students to attend elite universities in the UK and the USA.

29. Capitalism, however, has always offered scope for progressive reform just as it has the potential to widen inequalities and undermine social justice. There remain important differences in the way nation states seek to develop 'high-skilled' strategies and differences in the way employers utilise the skills and capabilities of their workforce. These are crucial issues because, while the aspiration to high-skills economies (Brown et al., 2001) is unlikely to solve the distributional question, high-skilled work is necessary to generate a 'social dividend' that can advantage all in society.

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