

Implications of Labour Markets for Training and Skills

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Abstract: During the last twenty five years for the globalisation, changes in technology and management policies in the world there has been a great demand of training and skills in the workplace of organisation that reshaped the labour market at the internal, external, social and occupational level, either in individual or organisational level. Even the traditional labour market has shifted its trend from price and cost system to training and skills. This is for the prerequisite of time to meet challenges, to exist in the competitive global market economy. Realizing this truth technologically developed countries like the UK, the USA, France are emphasizing on training and skills of working people.

1.0 Introduction

In the modern life change is being increasingly happened especially in response to knowledge, technology, learning environment, training and skill level either in the individual level, or organisational level. (Burrell, 1994: 51; Greenwood, 2006:1). And this is being done for the increased significance of economic success. This change impacts on labour markets and has an impact on the various social, economical factors of labour markets that influence the market strategy, supply and demand, workplace condition, wage structure, organisational rules and regulation and employee relations. Even labour markets have a great significance on the training and skill on the basis of need of the market.

The study aims to discuss the implications of labour markets for the training and skills emphasizing internal labour market as it has a particularly important role in this area.

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2.0 Labour Markets

Labour markets are the source of skilled and unskilled labour from where company can fulfil their employment need recruiting them to meet organization's goals and objectives. This recruitment may be by internal or external arrangements. Every organisation wants to recruit skilled workers to meet the changes and challenges of time. Evidence suggests that there is an extensive restructuring of labour market on levels of skills going on over the quarter century (Osterman and Burton, 2004:431; Greenwood, 2006:1).

In the workplace labour markets impact on the internal, external, social and occupational labour markets. And these four types of labour market are being reshaped on the basis of skills and training especially in Internal Labour Market.

3.0 Training and Skills

Training is to instruct and discipline in or for some particular art, profession, occupation or practice; to make proficient by such instruction and practice (Oxford, 1978 and Harrison, 1990). It is such kind of formalised or informal learning (Keep, 2005) on a specific discipline or job to be done effectively and efficiently. It is time specific, short and intensive and organisational goal oriented and brings great value for the employees as well as for the organisation to meet internal and external changes and challenges.

Skills are more specific than training exist within the employee as an inseparable capacity that assist a person to do the job more effectively and efficiently minimizing cost and make qualitative outputs. It does as an inbuilt capacity and capability of an employee attained from experience over the years or intensive training. Skills are sellable and resalable commodity but not diminishing, even shinning and outrivaling for the time. So skilled and trained personnel are having great demand at the all level of markets as skills and training are the key to national economic success in period of heightened global economic competition. (Blankett, 2000 & Gratton, 2000)

4.0 Implications of Labour Markets for Training and Skills

Labour markets as the source of labour have great implications in the markets, occupational level, working area in recruitment and

training. Commentators remark that every labour market has impact for training but internal labour market plays a critical role in recruitment and training of the labour force (Doeringer and Piore, 1985:7; Osterman and Burton, 2005). Implications of labour markets for training and skills are discussed below.

4.1 Internal Labour Market (ILM)

Internal labour market is an administrative unit run by rules and regulations where rules regarding jobs are influenced by tradition and skills are firm specific with a significant role played in firm operations (Osterman and Burton, 2005:426). ILM is defined 'by an enterprise, or a part of an enterprise, or by a craft or professional, community. Entry into such markets is limited to particular jobs or ports of entry' (Doeringer and Piore, 1985). All level of skilled and semi-skilled and unskilled workers joined in the service at the bottom of the service using as a port of entry and then they move to the upper position in the service of the company that is also called the ladder of career of path. Even they start the job with wage that also increases gradually.

4.1.1 Characteristics of ILM

Doeringer and Piore (1985), Osterman and Burton (2005) identify some characteristics of Internal Labour market that has implications for training and skill, these are-

➤ Recruitment into a permanent job

Employees are recruited as permanent on the basis of a relatively low wage in the initial period of employment in return for the ladder of career path to promotion in future. Employers hire staffs permanently for an efficient strategy that ensures benefit from the increased productivity of the trained and skilled employees (Doeringer and Piore, 1985)

➤ Steady career progression from low skilled to high skilled positions : Within the classical model of ILM model job ladders are highly regulated where the system of steady career progression is an effective means of capturing the benefits of on-the-job Training (OJT) as acquired skill are applied to higher level tasks. Employers retrain employees promoting them from low skilled positions to highly skilled positions.

➤ Internally integrated and transparent pay structures

Integrated job & pay ladder towards a clear pay promotion paths for matching upward skills are expected in ILM where the pay structures are highly codified based on skills and training (Grimshaw et al, 2001).

➤ Protection against lay-off

In the ILM model life-time security is expectation done by institutionally within the organisation through formal and informal arrangements where new entry from the external market is limited.

➤ On the job training (OJT)

In the ILM career progression from low to high skilled positions is contingent not only from the transparent job ladder with incremental advancement but also for opportunities to learn through the practice of OJT organised by the employers.

This study aims to see the importance and the notion of ILM and the training and skills formation at the workplace. Doeringer and Piore (1985) and Greenwood (2006) identify segmentation theory, which has two major compartments of labour market; primary and secondary labour market; a dual labour market. In the primary market everything is well organised, jobs are well-paid, secured protecting them from a variety of reasons, well-trained, promotion procedures based on tenure and length of service. (Burchill, 1997 and Greenwood, 2006) But in secondary market jobs are low paid, competitive and poor security and individual are exposed to the uncertainty of the external labour market. The causes are found out that firms tend to be small, labour intensive and technologically backward where training and skills are less significant. So workers can not get benefit more from this second sector whereas for the benefit of primary sectors employees get more benefit and want to stay in the company that makes the stable workforce.

4.1.2 Intra-firm Segmentation: Core and peripheral workers

Thirty years ago Doeringer and Piore (1972) cited by Atkinson and Williams (2003:8) rise dual labour market model in inter-employer to describe 'bad jobs' and good jobs. In the primary labour market some employers were good as they have strong internal labour

markets with the scope of promotion and training. Another one was based on hiring and firing system with no progression (Rubery, 2005:34). Critics show that this distinction fails to explain the complexity in the real labour market and to take sufficiently into account that all private sector employers operated under similar economic realities, which negated any good/bad distinctions. In this view, observed differences simply reflected differences in the capacity of employers to impose convenient (and progressive) practices in the face of an implacably competitive external labour market. Ten years later, the emphasis had shifted to intra-firm differences, with divergence between 'core and periphery' within 'flexible firms' (Atkinson, 1984) explaining the coexistence of primary and secondary jobs within the fabric of individual organisations. This model too was criticised because it failed to explain the emergence of jobs that were simultaneously peripheral and high quality. Employer Perspectives on the Recruitment, Retention and Advancement of Low-Pay, Low-Status Employees (Atkinson and Williams, 2003:8).

In the Atkinson's 'flexible firm' model cited in Rubery (2005:34) he discussed about skill and quality of these two types of workers. In the ILM job location or position of workers is the factor to get training facility. This type of advantage is differentiated between workers. Core workers get more benefit as they are well skilled and with good job security, they receive training (Greenwood, 2006) and they are not insecure to the external competitive market. Whereas peripheral workers face this problem as they are less skilled, they receive less training. This differentiation is seen between lower and upper level workers, central and peripheral workers. Core workers get training as they are closer to management and central position of the company whereas peripheral workers normally can not get these type advantages as they live outside of the central position as well as not close to the decision making teams.

4.1.3 Promotion and Seniority

ILM reflects employers desire for stable and experienced workforce so that organisation can be run smoothly. So they make internal arrangement of recruitment of which promotion is the process of retraining them. It is done on the basis of productiveness

of workers e.g. skills and length of services that is called seniority. Seniority is measured in the scale of length of services in the company and working experiences. In the ILM in most cases seniority is a factor like other factors (Doeringer and Piore, 1985:54). This is also the scope to be upgraded from the lower skilled position to upskilled position. This high skilled position brings high salary also. This system encourages people working in the company to the way of moving upward position within the organisation because it is one kind of upgrading their skills. Even this scope of upskilling brings mental satisfaction to the worker that leads them to work more and makes them more competent in the external market. They are more competent as they have the capacity of skills and can do more effectively and efficiently than unskilled and untrained workers.

4.1.4 On-the-Job Training (OJT)

Organisation arranges internally on the job training for the workers working in it for the more benefit to be received. Other reason workers are given training to face the challenges in both internal and external market. These challenges are technological changes, management policies, pressure of competitive market. Evidences say that for some jobs there is no alternative to training on the job (Doeringer and Piore, 1985:21). It is more economical than the formal education. But firm specific training sometimes may not bring benefit for the workers if these type jobs are not available in the market. Rubery (1996:110) explains the situation briefly saying that on-the-job training provided by the organisation is calculated on the basis on cost benefit analysis. This is based on firm specific that may not give benefit to the individuals to utilise the training in the external labour market. So the workers may become unwilling to take this type of training. When they can get opportunity from the organisation workers want to take it. Grimshaw et al (2001:48) remarks that on the job training is fully based on job that the workers can get help from the training to do the job in a better way. In the classical model of ILM as career have progression from low skilled to high skilled posts they can get formal and informal training.

4.1.5 Integrated Approach to ILM

In the ILM to be coped with the changes in technological advancement, management policies, global market. Rubery cited in Greenwood (2006) emphasises to take into account the external conditions related to training skills. She develops integrated approach to the analysis of labour market showing some reasons for training and skills attained by the workers.

- ❖ Firms might be able to offer employment stability to disadvantaged group but with good pay conditions.
- ❖ The nature of organisational change and impact of external factors on the internal employment practices are necessary to understand the changes of system.
- ❖ The different approaches to analysis of external market, supply and demand the internal organisation need to be resolved for better understanding of the relationships between the organisation and the nature of labour market.

4.2 External Labour Market (ELM)

Labour market supplies all type of workers to the organizations according to their need. ELM is one of the important sources of labours. Organizations fulfil employment system sometimes internally. If it is not possible to meet in the company to be posted in the skilled position they search skilled workers in the external market. In the external market skilled workers sell their skill as they have skill and training what the organisation needs. Evidence says that ELM is totally controlled directly by the economic variables such as pricing, allocating, training decisions (Deoringer and Piore, 1985:2 and Torrington et al, 2005). Companies also demand skilled and trained workers so that they need not pay cost for training. For the globalization the external market is very much competitive and skilled where the workers are free of choosing their positions and demanding higher wages. ELM deals with the general, specific and transferable skills where general skill is for the all workers that related to general information of the company, specific skill is very much job and task specific in order to do the job efficiently and transferable skill is to be transferred among the workers within the organisation.

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4.3 Social Labour Market

This labour market is the clearest example of an institutionally and socially constructed market (Rubery and Grimshaw, 2003:37). Here social factors impact on wages, demand and supply of labour. Social market is sometimes controlled by the social matrix such as education, society, culture, values customs etc. Labour market specialists remark that labour market exchange takes place through social constitutions. Even relevant decisions are taken for the workers on the basis of some criteria relating to social constitutions, not on the basis of price and cost. Here employers can not hire and fire on the basis of price and cost. Because skills are inseparable from the labour and even exist within social factors (Jones, 1996:109). It is not always money; some fringe benefits do as the social variables of the social market that promises of promotion or further training (Jones, B 1996:118). Here labour market is affected by the non-wage rewards in certain professional grades. On the basis of social needs, factors workers receive training and skill to get better job to meet social needs where the social arrangements shape education and training (Rubery and Grimshaw, 2003:37). Even unskilled workers also try to receive training to meet social needs.

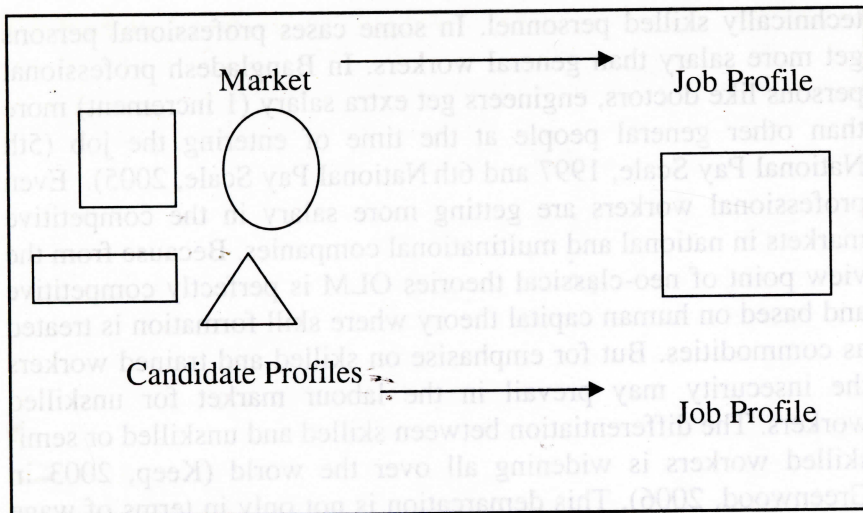
4.4 Occupation Labour Market (OLM)

Occupational Labour is defined by Marsden in Jones (1996:125) as the non-commercial provision of skill, as a 'public good' that may be traded between buyers and sellers. It deals with the provision of training in both general and specific skills. Here workers are generally skilled and trained on the specific knowledge achieved before entering the job. They are qualified workers and experienced. As they are skilled and have demand in the market they can bargain with the company for their wages. This demand is for general and specific skills that they gained from reputed professional bodies (Greenwood, 2006). It is seen that company prefers this type of skilled workers because they need not pay for the training that saves cost. Workers can get high salary in the external and internal labour markets. As the workers have the adequate knowledge on the specific skill and they can do better in workplace. So wage structure is always defined for the benefit of

technically skilled personnel. In some cases professional persons get more salary than general workers. In Bangladesh professional persons like doctors, engineers get extra salary (1 increment) more than other general people at the time of entering the job (5th National Pay Scale, 1997 and 6th National Pay Scale, 2005). Even professional workers are getting more salary in the competitive markets in national and multinational companies. Because from the view point of neo-classical theories OLM is perfectly competitive and based on human capital theory where skill formation is treated as commodities. But for emphasise on skilled and trained workers the insecurity may prevail in the labour market for unskilled workers. The differentiation between skilled and unskilled or semi-skilled workers is widening all over the world (Keep, 2003 in Greenwood, 2006). This demarcation is not only in terms of wage and salary, but also in terms of other advantages like economic factors relating to social status. This type of differentiation is a great implication of OLM in the workplace, society as well as in the markets.

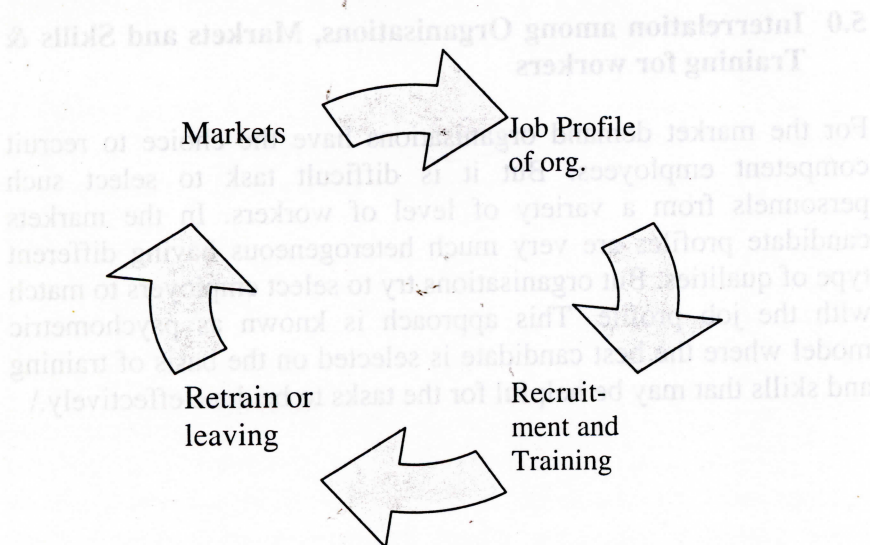
5.0 Interrelation among Organisations, Markets and Skills & Training for workers

For the market demand organisations have the choice to recruit competent employees. But it is difficult task to select such personnels from a variety of level of workers. In the markets candidate profiles are very much heterogeneous having different type of qualities. But organisations try to select employers to match with the job profile. This approach is known as psychometric model where the best candidate is selected on the basis of training and skills that may be helpful for the tasks to be done effectively.\



Source: Adopted from Nowell (2005)

Here the successful candidates are always those are having training and skills whatever low or high.



Source: Greenwood (2006)

Labour markets have the impact on organisation for training and skills as the all kind of skilled, semi-skilled or unskilled employers are supplied from the markets according to the need or the job profile of organisations. After that recruited personnel are retrained

them imparting OJT. At this level some experienced and skilled employees leave the organisation for better opportunities as the external market has the demand of such trained persons. This is cyclical process working in this environment. But here skilled and expert workers are always enjoying the benefit.

6.0 Training & Skills in the UK

Training and skills are having impact in the labour markets of the UK and always have done. It is now being increased to recruit young graduates of higher educations and having training in the specific field (Jones, 1996:124). A trend is noticed in the UK labour market. This trend is towards the temporary and self employed job. The UK labour market has clearly changed over the last twenty five years with the trend of moving into part time and self-employed (Barrell, 1994: 3 and White et al, 2004:168). Even part-time work has expanded at the expense of full-time employment, and female participation rates have increased significantly, such that women presently constitute half of the paid labour force. Temporary workers rose to little growth in the 1980s but rose rapidly in the 1990s (Nolan and Slater, 2003).

The most research findings show that temporary workers in the UK market have lower level of job satisfaction, receive less work-related training and are less well-paid than their counterparts in permanent employment. For the pressures of international restructuring and government rationalization and privatization full-time workers decreased in the UK. The most potent challenge to internalization is the government policies that directly or indirectly serve to promote fragmentation casualization in the privatized industries, especially the life-time security of employment in civil service (Nolan and Slater, 2003:61-68).

Labour market researchers remark that the UK market is based on price system competition where the investment in training and development or diversity into new markets strategy was less important (Wilkinson and White, 1994 in Greenwood, 2006). But for the security of the market UK labour market adapts new technology and become multi-skilled and flexible through training and development. This needs to compete with the technological changes in the market. They are emphasizing now on training and

skills as recent survey report shows the weak point. The report of British employers, 1 in 5 do not have the skills to do their job. Their productivity levels are lower than those in France, Germany and USA. Even Those employees have the gaps between basic and intermediate level and lack of leadership and management skills (Learning and Skills Council, 2004 ; DfES Skills Strategy, 2003 and Forde, 2006). This scenery leads the UK to give priority to the training and skills at the individual and organisational level.

7.0 Future Trends of Labour Markets

For the diversification of the nature of job labour markets are being reshaping and this diversification moves towards professional workforce in the market for multiple job skills and individual adaptation (White et al). Workers have the scope to move to anywhere of the world where they are fit that is possible only for globalization. But for the global market economy traditional system has been changed. Every organization want skilled and knowledge based workers to compete with the external markets. Commentators suggest that medium and small scale industries do better for the low skill workers in the working area that lead to economic success. In the competitive markets companies are expanding to make profit more, to capture the existing market to fulfil the demand of people for which companies need highly skilled workers. For the economic success of the large scale industries they prefer high skill rather than low skill. Low skill can be benefited for the small and medium scale companies to utilise in the best way. So they are expanding parts of the service sectors that are generating a large store of low wage or low skills jobs. But some organizations demand highly skilled labour for technical competencies and rapid adaptation (Hayes, 2000:151). Because knowledge and innovation are the power (Keep, 2005:215). For the development of global economy there is a trend to move to other country to control the markets where knowledge based and innovative products have good demand and can compete with other products. To be winner in this competitive market company needs skilled and innovative manpower. For this reason internal market management is trying to cope with the changing conditions. Management experts (Williamson,1975; Nolan and Slater,2003) remark that the key issue for management is to organise jobs in the

way that best promotes cooperative adaptations to changing market and technological conditions. Market researchers also think that the future labour market will be reshaped more on the basis of the technological and knowledge based changes (Nolan and Slater, 2003:78). So it is seen that for the demand of the competitive market and global changes labour markets are being changed and reshaped and significance on training and skill is being emphasized. And for this changes commentators see some aspects that income inequality is widening, firms continuing to make success of product market strategies based on competing on low price, generating large store of low wage or no skills jobs and over qualification or under utilisation of skills is a problem at a regional level (Keep and Rainbird, 2003) and Greenwood, 2006).

8.0 Conclusion

Labour markets have great significance for the market, employment system, company as well as for the skilled and unskilled workers. These are interrelated and impacts are vice versa. Labour markets are not controlled only the price and cost but also by the social factors where the exchanges take place through the constitutions. These social factors influence the employer to take decision. But these all are interconnected and trained & skilled workers change the shape of the market. For the demand and need of Labour markets there has been impact on the employers, workers, training and skills. Organisations sometime are changing their rules and regulations, policies, management strategies and techniques for the pressure of competitiveness of productive and trained workers (Doeringer and piore, 1985). Because these skilled employees lead the organisation as sustainable one in the changing world. So the organisation wants to retain them anyway.

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