

# Discussion on Creating Highly Skilled, Highly Paid Jobs Within a Global Context after COVID-19 Pandemic

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## ABSTRACT

The COVID-19 pandemic in 2020 has led to massive global unemployment. Creating highly skilled, highly paid jobs within a global context would be an effective way to address unemployment problem after the pandemic. This paper compares characteristics of liberal market economies and coordinated market economies and explores problems of education and training (E&T) systems in those economies, which are used as clues to explore the possible ways to create highly skilled, highly paid jobs worldwide by the joint efforts of governments, extra-organization institutions, organizations and individuals.

**Keywords:** *COVID-19 pandemic, unemployment rate, education and training (E&T), liberal market economies (LMEs), coordinated market economies (CMEs), highly skilled and highly paid jobs*

## 1. INTRODUCTION

In 2020, COVID-19 pandemic sweeps the whole world. One of the most serious consequences is the steep drop in employment worldwide. Millions of people lost their jobs or got reduction in their incomes. The International Labour Organization (ILO) indicates that the majority of job losses and declining working hours will occur in sectors including retail trade, accommodation and food services, and manufacturing. It also estimates that 1.25 billion workers, representing almost 38 percent of the global workforce, are employed in those sectors that are now facing a severe decline in output and a high risk of workforce displacement [1]. The people worked in those hardest-hit sectors are always low-skilled and comparatively low-paid. Most of them cannot work at home and can be easily replaced. they are vulnerable to income loss and layoffs.

High unemployment definitely is a Gordian knot to most countries. How to solve this problem is one of the biggest challenges facing most countries. Some countries may loose monetary policy or expand infrastructure to stimulate economic development in order to enlarge employment. Although these policies could have some effect on solving the unemployment problem, they may also trigger inflation. Are there any solutions that could help improve employment and public revenue without the side effect such as inflation? Increasing investment in human capital could be a good choice. Creating highly skilled, highly paid jobs would be an effective way to address the high unemployment rate and the reduction of the public revenue. This paper will explore problems existing in education and training (E&T) systems in main countries of both liberal market economies (LMEs) and coordinated market economies (CMEs), and discuss how to create highly skilled and highly paid jobs from the perspectives of governments, extra-organizational institutions,

organizations and individuals, so as to increase employment and support the sustainable development of the world economy on a global scale.

## 2. PROBLEMS OF E&T SYSTEMS IN LMEs AND CMEs

Liberal market economy (LME) and coordinated market economy (CME) are two main different types of capitalist economy, identified by the political scientist, Peter A. Hall, and the economist, David Soskice. The distinguishing feature of each type is that it solves problems of 'coordination' between the firm and its financiers, employees, suppliers, and customers in different ways. In LME, coordination occurs primarily through market mechanisms, whilst in CME, formal institutions play a much more central role in governing economy and regulating firm relations with stakeholders.

The LME is exemplified by the case of the USA, and Britain, Ireland, Canada, Australia and New Zealand have also been described as liberal market economies. Germany is the paradigm case of the CME, and this label has also been applied to Japan and the countries in northern Europe. China, now as the world's second biggest economy, who aims at building a socialist market economy, in fact shares more similar characteristics with those countries of LMEs rather than those of CMEs.

### 2.1. The characteristics of LMEs and CMEs

The characteristics of these two types of economics could be summarized in more details from five spheres

by analyzing the cases of USA and Germany (Table 1).

**Table1 A comparison between LMEs and CMEs**

<b>Five Major Spheres</b>	<b>LMEs (The USA Case)</b>	<b>CMEs (The Germany Case)</b>
1. Financial systems or markets for corporate governance	Equity-finance makes managers of firms in LMEs quite attentive to publicly assessable dimensions of their performance, such as return on equity (ROE), which would affect share price of their companies, so as to ensure access to finance or deter hostile take over.	The most prominent feature of financial system in CMEs is bank-based finance and extensive cross-shareholding between banks and firms. By having seats in the board of directors in firms, banks can get more inside information, understand and monitor business better and make a long-term oriented investment, which would discourage hostile mergers and acquisition.
2. Internal Structures	Top management normally has unilateral control over the firm, including substantial freedom to hire and fire.	Top managers rarely have a capacity for unilateral action. They must secure agreement for major decisions from supervisory boards, which include employee representatives and major shareholders, and from other managers with entrenched positions and major suppliers and customers.
3. Industrial relations	Firms rely heavily on market relationship. They are under no obligation to establish representative bodies for employees. Trade unions are generally less powerful.	Wages are set through industry-level bargains between trade unions and employer associations. Work councils at the company level, composed of elected employee representatives, have considerable authority over layoffs and working conditions.
4. Vocational education and training (VET)	Without powerful employer associations and trade unions supervising VET, companies in LMEs are loath to invest in apprenticeship schemes imparting industry-specific skills. VET is normally provided by institutions offering formal education that focuses on general skills.	The dual system, consisting of vocational school lessons and apprenticeship, equips young people with general skills, trade-specific skills and firm-specific skills. Industry-wide employers associations and trade unions possess an informal sanctioning capacity to dissuade would-be poaching companies, so to limit free-riding on the training efforts of others.
5. Technology transfer across companies	Fluid labor markets facilitate technology transfer through the movement of scientists and engineers across companies.	The presence of strong industry associations, as well as a system of contract law, encourages relational contracting among companies to promote technology transfer.

Source: Allen (2009)[2], Crouch (1997)[3], Culpepper (1999)[4], Hall and Soskice (2001)[5].

## **2.2. Problems of E&T systems in LMEs**

As showed in Table 1, without cohesive and powerful trade unions and employer associations, the labor market is more volatile and the relationships between employers and employees are relatively weaker in LMEs. Companies rely on share markets for capitalization, so they have to focus on share price or current profitability in order to ensure access to finance. When facing pressure from financial market, top management who have unilateral control over the firm would more easily choose to lay off labor or cut working conditions to reach cost efficiency. On the other hand, without supervision and regulation from industrial relations institutions, skilled workers can more easily walk away with the employer's training investments or they can

easily be poached by other firms [6]. Workers in LMEs are not as loyal to the companies they serve as those in CMEs. Therefore, employers are also reluctant to invest in company-specific skills in LMEs.

The education and training systems of liberal market economies are generally complementary to these highly fluid labor markets. Vocational training is normally provided by institutions offering formal education that focuses on general skills because companies are loath to invest in apprenticeship schemes imparting industry-specific skills where they have no guarantees that other firms will not simply poach their apprentices without investing in training themselves. From the perspective of workers, facing short job tenures and fluid labor markets, career success also depends on acquiring general skills that can be used in many different firms. Thus, most educational programs, from secondary through university

levels, even in majors of business and engineering, stress ‘certification’ in general skills rather than the acquisition of more specialized competencies [5].

Public enthusiasm in pursuit of certification of general skills also causes another problem in LMEs, which is the mismatch between the skills inherent in the jobs and the knowledge owned by the workers. A large amount of skill is being seriously under-used. Warhurst and Thompson demonstrated that a substantial number of workers and managers are over-qualified for their jobs in US, and the situation have not changed yet. Most tertiary sector growth has occurred not in knowledge work but in the low-paid ‘donkey work’ of serving, guarding, cleaning, waiting and helping in the private health and care services, as well as hospitality industries [7].

According to Keep, under traditional E&T schemes in LMEs, education is about stockpiling qualifications, maximizing throughput and volume of students [8]. However, the problem is frequently on the demand side rather than the supply side. Lack of effective demand, skills will be in excess of supply and their price may fall [4] and more people would be over-qualified for their jobs. Keep suggests that policy makers should balance the supply, demand and usage of skills [9]. Both push factors (such as educational institutions, teachers, and courses) and pull factors (such as supply of highly skilled and highly paid jobs) should be considered to develop skilled workforce.

### **2.3. Problems of E&T systems in CMEs**

Compared to LMEs, CMEs provide a much more stable employment environment. In CMEs, effective interactions and joint efforts of the major institutions promote the stability of the labor market which nourishes education and training. On one hand, the industry-level bargains between employer associations and trade unions equalize wages at equivalent skill levels across an industry, which dissuade would-be poaching firms from using wage premiums to attract newly trained apprentices from other firms. What is more, the employer associations and trade unions also limit free-riding on the training effort by pressuring major firms to take on apprentices and monitoring and sanctioning companies that fail to meet minimal training standards [4] [5]. And for those managers of firms in CMEs, with the support of those institutions, having access to long-term finance and not being threatened that a bad quarter may have resulted in a turnover in management, they are also more willing to invest in training [4]. On the other hand, employees are secured against arbitrary layoffs or changes to their working conditions; therefore, they are more willing to invest in company-specific skills and extra effort, which would remunerate them with high wages.

However, the E&T systems in CMEs are not without problems. As Crouch identified, apprenticeship systems are heavily weighted towards the initial training of young people, the collective cooperation of the initial vocational education and training system is not carried over into further training and it has difficulty adapting to fast

changing skills and technologies and to a more service-rather manufacturing –oriented economy, because a large number of interests have to be consulted before a major adjustment can be undertaken [3].

Despite those problems in the E&T systems in CMEs, generally speaking, it is more likely to create highly skilled, highly paid jobs in CMEs than in LMEs. We can reference to their successful experiences for creating highly skilled, highly paid jobs within a global context.

## **3. POSSIBLE WAYS TO CREATE HIGHLY SKILLED, HIGHLY PAID JOBS WITHIN A GLOBLE CONTEXT**

Creating highly skilled, highly paid jobs is a complicated task which requires joint efforts from multiple stakeholders, including governments, extra-organizational institutions, organizations and individuals.

### **3.1. Governments’ effort**

The pandemic could be an opportunity for governments to promote technological upgrading and industrial restructuring, so to play a crucial role in promoting the creation of highly skilled and highly paid jobs.

First, governments could optimize the allocation of resources to develop high-tech industries which would offer more highly skilled jobs and expend demands for skilled labor force. The OECD’s classification of high-tech includes aerospace, automotive, artificial intelligence, biotechnology, information technology, electrical engineering, information systems, photonics, nanotechnology, nuclear physics, robotics and telecommunications. Other organizations, such as the Australian Council of Trade Unions (ACTU) and the Australian Conservation Foundation (ACF), also identify green industries, such as renewable energy, energy efficiency, sustainable water systems, biomaterials, green buildings and waste and recycling, as the priority for highly paid and highly skilled job creation. Governments from different countries could cooperate with each other to speed up the elimination of backward production capacity and promote the upgrading of industrial structure by, for example, giving financing convenience and preferential tax policy to high-tech industries. Governments could lift the level of public funding for research and development, education and training in those high-tech industries. Governments could also improve research and development in high technologies by investing in strong public research programs and encouraging private R&D through increased targeted tax incentives. What is more, governments should speed up removing barriers from uptake due to novel goods not fitting with existing regulation, or existing regulation preventing innovation. Meanwhile, government could give more support to those educational institutions and companies who commits to cooperation in training highly skilled talents.

Second, governments should enhance legislation to cultivate fair and stable industrial relations. For example, governments in LMEs should empower employer associations and trade unions from the legislative level, so they can strengthen the supervision on business activities and limit opportunistic behaviors from those companies who do not invest in training, so to provide a stable labor market which is a prerequisite for creating highly skilled and highly paid jobs with clear career paths. The case of Germany already provides us a good example, where balanced industrial relations have led to the development of investment in E&T, which in turn offer more highly skilled and highly paid jobs.

Third, as parts of the global village, governments all over the world should enhance cooperation with a global perspective to build up a multiple win-win situation in developing high technologies and balancing industrial relations between employers and employees. Governments should strive to work together to expand the economic pie under the WTO framework rather than resort to trade protectionism and malicious competition. For only in a relatively stable world environment, creating highly skilled and highly paid jobs with clear career paths in the entire world could become a reality.

### ***3.2. Extra-organizational institutions' effort***

The extra-organizational institutions such as educational institutions, trade unions and employer associations should work far closer with firms.

Highly skilled and highly paid jobs need highly skilled personnel. Educational institutions should keep eyes on the changing training needs of firms and adjust their courses accordingly to cultivate practical and highly skilled talents. The integration of production - study - research should become basic mode and developing trend for modern higher education. Both higher vocational education and tertiary education institutions should strengthen the school-enterprise cooperation. They should work with industry associations and firms to develop customized talents by inviting industry associations and companies participating in the whole teaching process including the establishment of teaching objectives, the development of curriculum systems, the selection and preparation of teaching materials, and the implementation of teaching programs and training programs. The educational institutions in the worldwide could make reference to Germany's successful experience of dual education system which combines apprenticeships in companies and vocational education at vocational schools. They could try to apply the dual education system more in the higher education to cultivate highly skilled talents. On the other hand, the trainers or teachers in those educational institutions should be able to update their knowledge in time to provide more specialized trainings instead of general skill trainings. Moreover, teachers should no longer shut themselves up in ivory towers to do so-called researches, they should have the ability to give advices and

help firms solve practical problems based on their researches, which would contribute to the improvement of the quality of teaching in return. In addition to training professional and technical personnel, higher education should also cultivate more high-quality management personnel. For high quality managers are more likely to run businesses successfully and offer more highly skilled and highly paid jobs.

Trade unions and employer associations in LMEs should learn the successful experiences from those institutions in CMEs, they should be well resourced and well staffed with professional experts to win the respect of firms, so to promote a stable labor market [3]. Only after full game between the different interests of industrial relations that could reach dynamic balance which would promote a relatively stable labor market, in which both employers and employees are more willing to invest in training and education. In contrast, employer associations and trade unions in CMEs should leave some more space for company autonomy, especially in the aspect of training contents, so companies can adapt to rapid changes in skills and technologies.

### ***3.3. Organizations' effort***

Large companies, especially those multinational companies, are more capable than the ordinary enterprises to invest in research and development of high-tech. They are more likely to create highly skilled and highly paid jobs across the world. Multinational companies should take on corporate social responsibilities. They should contribute more in funding R&D of high technology to accelerate the development of high-tech products. They should also provide a more comprehensive training system to improve staff skills and income.

For those medium and small firms, they face a chicken and egg situation. Employers may be reluctant to invest in training, for the impact of training on profit growth is not immediate and certain. However, if they do not invest in training to stimulate technical progresses, they could not stand fierce competition and sustainable development in the long run. Nevertheless, viewing the issue from a different perspective, this chicken and egg situation also reflects that investment in training and the company's long-term profitability are not contradict with each other, in fact they complement each other. Therefore, for those medium and small companies, their budgets in training could grow gradually or at least they should build up a learning culture in company. In addition, for the company's long-term benefits, employers or managers should provide secure employment environment in their companies. They should not lay off labor or cut working conditions at ease. In that condition, employees would be more willing to learn company or industry specific skills.

### 3.4. Individuals' effort

Human beings are the creators and carriers of knowledge and skills. Highly skilled and highly paid jobs need to be done by people who excel in related fields with high skills. Therefore, without highly skilled talents, creating highly skilled and highly paid jobs with clear career paths cannot happen. Individuals, especially young people, should try to understand their own learning needs, learning orientations and learning styles and expose themselves to large amounts of information, which would enable them to appraise the variety of courses knowledgeable and choose courses they really need. They should make a good plan for education and training to equip themselves with necessary professional skills which would help them get access to highly skilled and highly paid jobs. Besides those professional skills, individuals should also develop their social skills, such as adaptability, learning how to learn, and relationship formation and maintenance, which would help them managing their career effectively.

## 4. CONCLUSION

COVID-19 pandemic has led to massive global unemployment. Governments of different countries have been committed to take various measures to reduce unemployment rate. This paper argues that creating highly skilled, highly paid jobs would be an effective way to address the high unemployment rate and the reduction of the public revenue. It explores the existing problems concerning employment and E&T systems in both liberal market economies and coordinated market economies, which are used as clues to explore the possible ways to create highly skilled, highly paid jobs within a global context. However, the creation of highly skilled and highly paid jobs is not an easy job. It requires continuing endeavor from multiple stakeholders including governments, extra-organizational institutions, organizations and individuals.

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