

Developing human capital: Is a comprehensive approach possible?

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NO

- Easiest talk ever

BUT: Keith and Naomi say my talk is too short, so ...

Is a comprehensive approach desirable?

Depends upon what you mean by
“comprehensive”, but: probably not

- What might a comprehensive approach entail?
 - Provinces, territories and the federal government developing detailed plans together
 - (Please stop laughing)

- Interdepartmental coordination between
 - Provincial ministries responsible for
 - Immigration, Education, Higher Education, Health, Training, etc.
 - Federal departments such as
 - CIC and HRSDC (now Employment and Social Development Canada)
- Cooperation / collaboration (& especially coordination) would also be required of
 - Schools, colleges, universities
 - Unions, professional colleges
- (Really, stop laughing!)

Also: Any Fed/Prov/Terr planning can be (& has been) swamped by:

- Changes in retirement patterns
 - U-pattern with trough in early- to mid-1990s
- Changes in international trade flows
 - Previous manufactured goods; now shifting digital
- Domestic geographic mobility
 - More so for the highly educated
- Technology shocks
 - IT bust of early- to mid-2000s
- Etc.

Uncoordinated actions can work at cross purposes

- E.g., CIC's actions on IT & engineering swamped provincial higher education planning before, during, and (sadly) after the IT bust
- Aside: Sometimes coordination even if not acknowledged

BUT,

What if comprehensive means something different?

- Thus far implicitly using a “planning” definition
- What if comprehensive means
“Robust to unexpected shocks”?
- With a recognition of “non-coordination” and that others out there taking (sometimes silly) actions

Unexpected shocks?

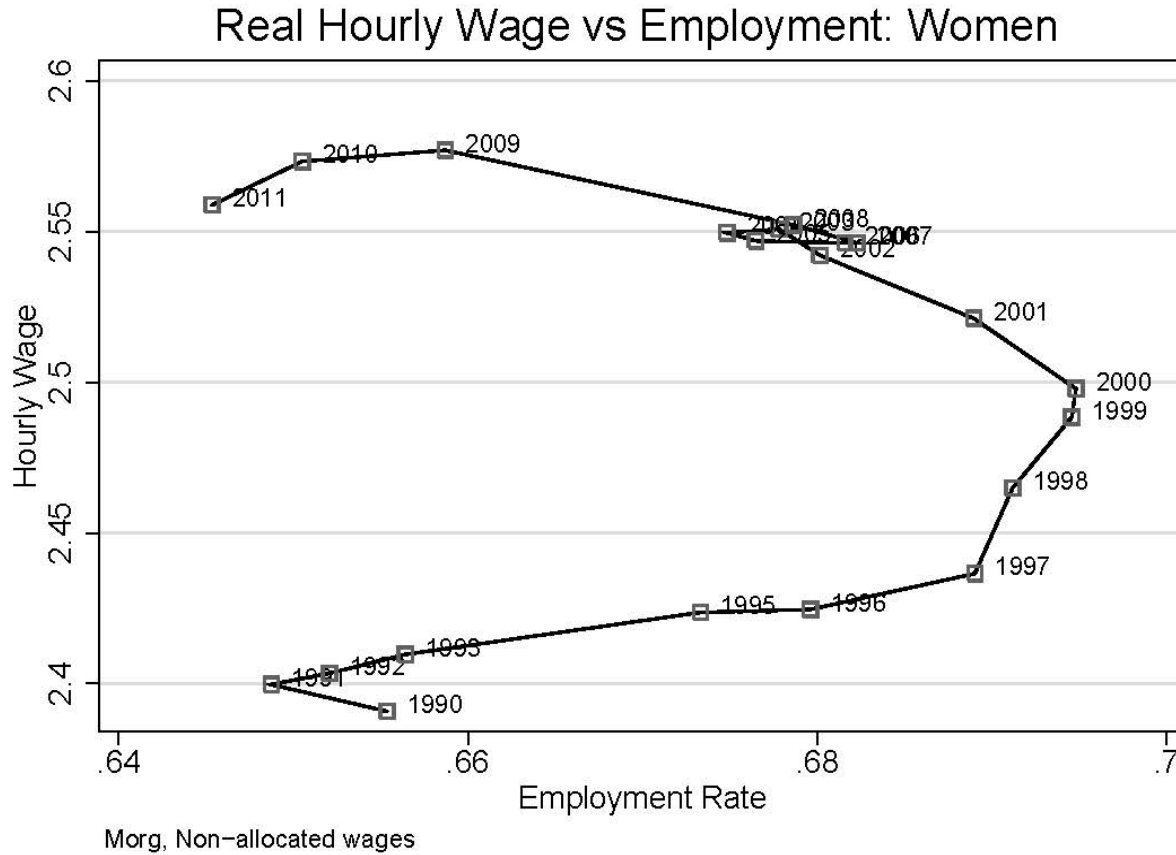
(Some 10 years old and still unexpected today!!)

- Only becoming aware of “Great Reversal” in demand for “cognitive skills” that started around 2000
 - Best Canadian work by Beaudry, Green and Sand (2013 – see Beaudry’s UBC website)
 - But, most of their data are from US
- Idea: skilled biased technological change is heading in a new direction

- Demand for cognitive skills has flattened out, but supply continues to increase
- A “cascade” follows whereby new entrants on higher levels of the skill hierarchy take jobs on lower levels pushing those below down a notch (& maybe out of the labour market)
 - Education still has a strong private return
 - But, the social return is diminished

US Data

Figure 4:



notes: The figure uses ORG data from 1980 to 2011. The employment rate is calculated by summing the number of respondents employed during the survey week over the total population aged 17-64 with positive potential work experience. Mean hourly log wages calculations exclude allocated wages.

Figure 11:

Occupational Employment Rate and Supply Index:
Management, Professional, Tech.



From Beaudry, Green and Sand (2013); see Beaudry's UBC website for full paper.

Oddly,

- This appears to be happening (on average) in the US
- AND, in Eastern Canada
- BUT, Western Canada's resource extraction economy looks quite different
 - And has looked different for a while
- Now: More complicated human capital world where "content" is the margin that matters

Other new shocks?

- E.g., Globalization meets the internet
- Formerly, globalization was about manufactured goods and low-medium skilled jobs shifting to low cost countries
- But, new frontiers
 - Copyediting and type setting
 - Computer software services
 - Reading X-rays, CT- and MRI-scans
 - Research and development, etc.

Comprehensive response to shocks?

- Can a comprehensive approach be helpful in responding to these shocks?
- Maybe
- Probably want limited response coordination
 - If believe “great reversal”, then it took a decade for evidence to accumulate
 - Decade of excess supply
 - If don't believe, then coordination with those who believe it is impossible

Risk, diversification and decision-making

- Imagine decision-making at two levels
 - Citizen or local institution/school
 - National or provincial
- Citizen/school level is naturally diversified
- National/provincial is naturally monopolistic
- Want lots of risk taking (and rewards!) at diversified level
- Want great caution (risk aversion, not *status quo* maintenance) at monopolistic level

If fact, want to be very careful ...

- Not to have too strong a centralized/unified direction
- Not too much co-ordination
 - (Though Canada need fear too much on this front)
- Tricky tightrope to walk
 - Benefits of coordination
 - Risks/costs of being overly narrow or mis-targeted
 - More of a problem for specialized skills (e.g., end of high school, university and college) than foundational skills (e.g., elementary)

Overshooting and missing the mark

- If undiversified, a comprehensive approach at a monopolistic level is very risky
 - Great if you get it right
 - But, terrible if get it wrong
- Problem: Even when they initially pick winners, governments frequently overshoot
 - Too many eggs in the Nortel basket
 - CIC, “high skill pilot” and the “IT bust”

But, still actions at monopolistic level

- Provide lots of good quality information to help diversified level make good choices
 - LMI is NOT ONLY the generation of information
 - BUT ALSO a good communications strategy
 - Info not only to citizens (esp. learners, parents) but also to institutions (universities, colleges, school boards, etc. – best practices, cost data)
- Support rewards for success AND end policies that subsidize failure/poor service
 - Protect “displaced deciders” from cost shifting (more later)

What if comprehensive means diverse?

- If comprehensive (at the monopolistic level) means a system that supports a range of actors/actions at the diversified level
- Then comprehensive is useful
 - But, it may not look comprehensive to observers

Public Management

- Pushing the notion further
- Balancing the voices of the learner, employer, provider, etc.
- Designing a system that is “self-balancing”?

Comprehensiveness in large scale public system may need active management

- Canada's highly public systems can founder on their "public-ness"
 - Esp., healthcare and education
- In the economists' hypothetical perfectly competitive market, welfare is maximized because the needs of those on both sides are in balance (in equilibrium)
 - Of course, redistribution required since initial endowments are too unequal

- In our large public service delivery systems the government effectively replaces the demand/purchaser side of the market to a large degree
 - E.g., in K-12 students and parents have little say regarding what school they go to or what “product” they get from that school

- This is (mostly) a good thing

- But, the supply side of the market can come to dominate and start to provide a product that suits its tastes
 - Less than optimal recognition of the demand side's (learners') desires/needs
 - E.g., universities that teach professors' research more than meet students' needs

- Requires government follow through
 - i.e., to represent to displaced purchaser

Not sure that government is willing/
able to fully represent those who, by
virtue of the system's structure,
cannot represent themselves

- Civil service may have the ability, but not sure government has the will
- A comprehensive approach can recognize the limits of government and seek ways to give the learner side of the market its own “voice” for balance (tricky)

Conclusion

- Love the idea of innovative strategies to link education/training to labour market needs
 - Esp. strategies with rewards and costs
 - BUT, only at diversified level
- Very wary of centrally planned & large scale focus on specific outcomes
- But, since there is a central (monopoly) player, need to make sure that government does not cede power predominantly to one side of the market

