Finding skills in transition economies: the case of local auto parts producers in Mexico and Turkey

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GDN Global Development Network

The Global Research Capacity Building Program™

Outline

1. Introduction
2. Research design
3. Theory
4. Methodology
5. Findings
6. Policy implications
7. Additional research and dissemination

Skills, economic growth and development

- Research on which skill systems, development and growth
  - ➔Developed countries- Yes
    - US and UK as liberal market economies
    - Germany and Japan as coordinated market economies
  - ➔Developing countries- None!

- Skills for continuous and inclusive development
  - ➔Technological change, rising skill needs and adaptability
  - ➔High-road vs. low-road in development

“Most similar case” comparison

- To understand the context of skill systems
- Skills for middle-income countries (MICs)
  - ➔ Labour-intensive production for transition from low to middle income
  - ➔ Middle-income trap because of skill scarcity

MÉXICO

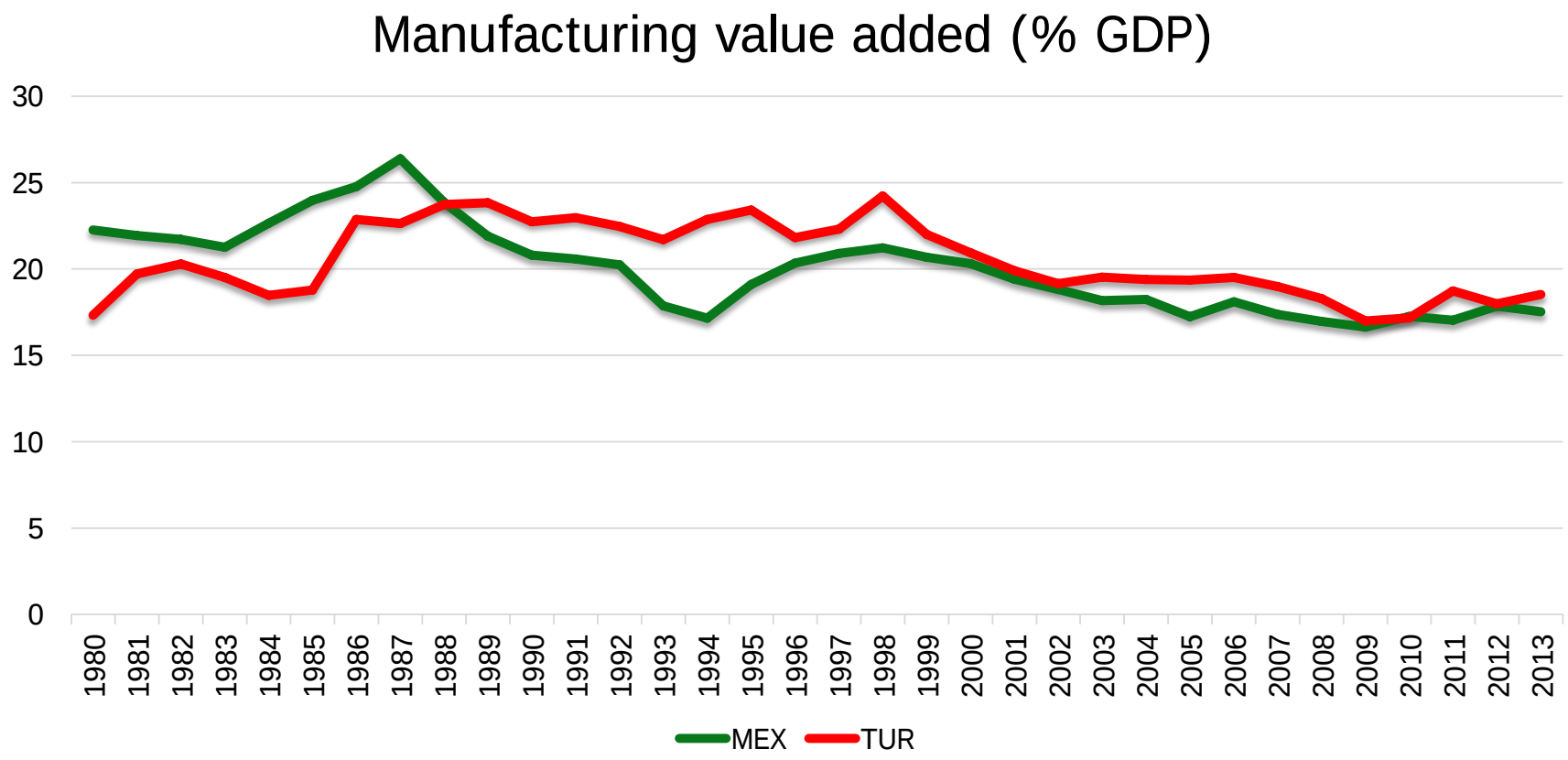
“Most similar cases”

Turkey

Research Design

Case selection: Mexico and Turkey

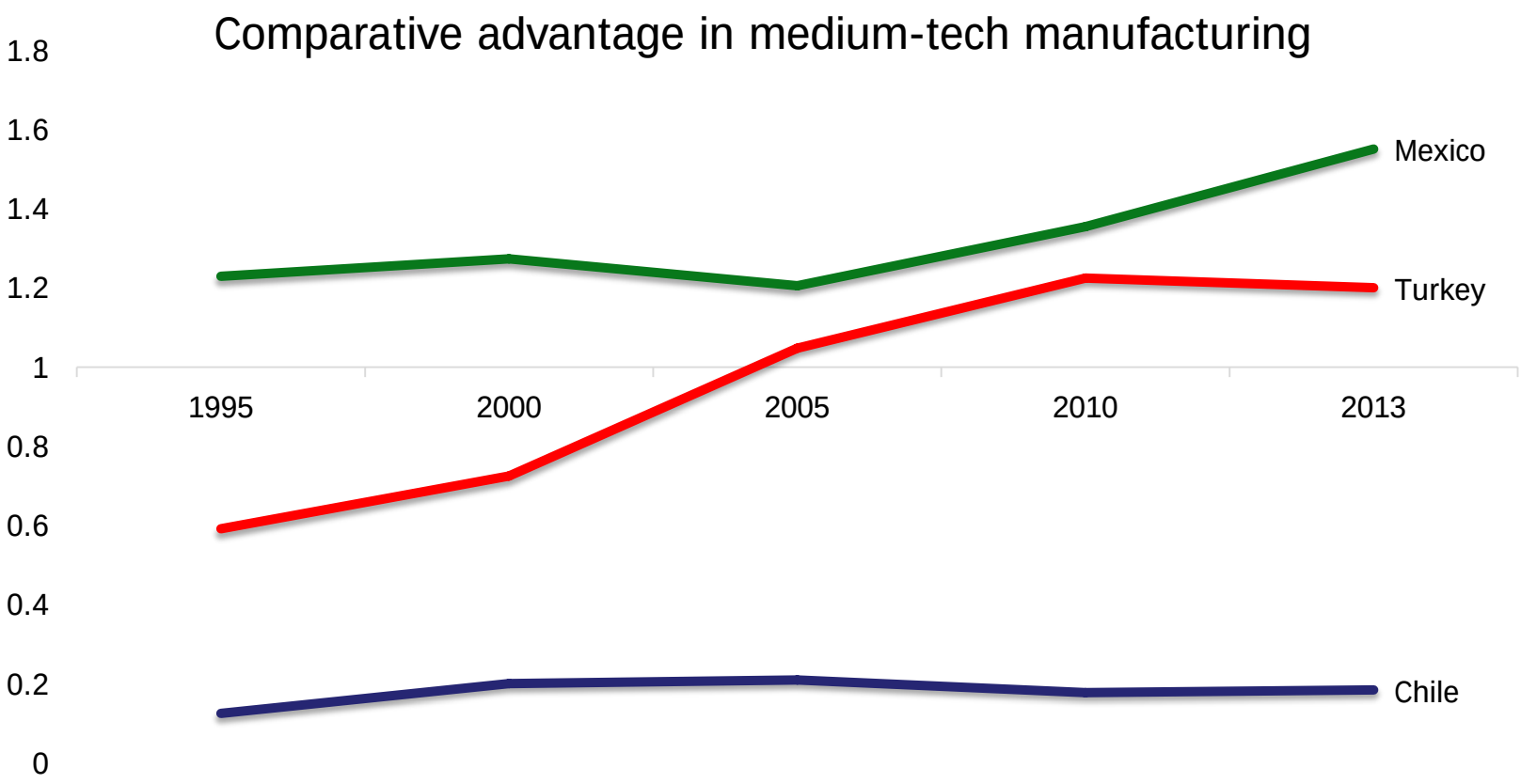
- Similarities



Source: World Bank Development Indicators

Case selection: Mexico and Turkey

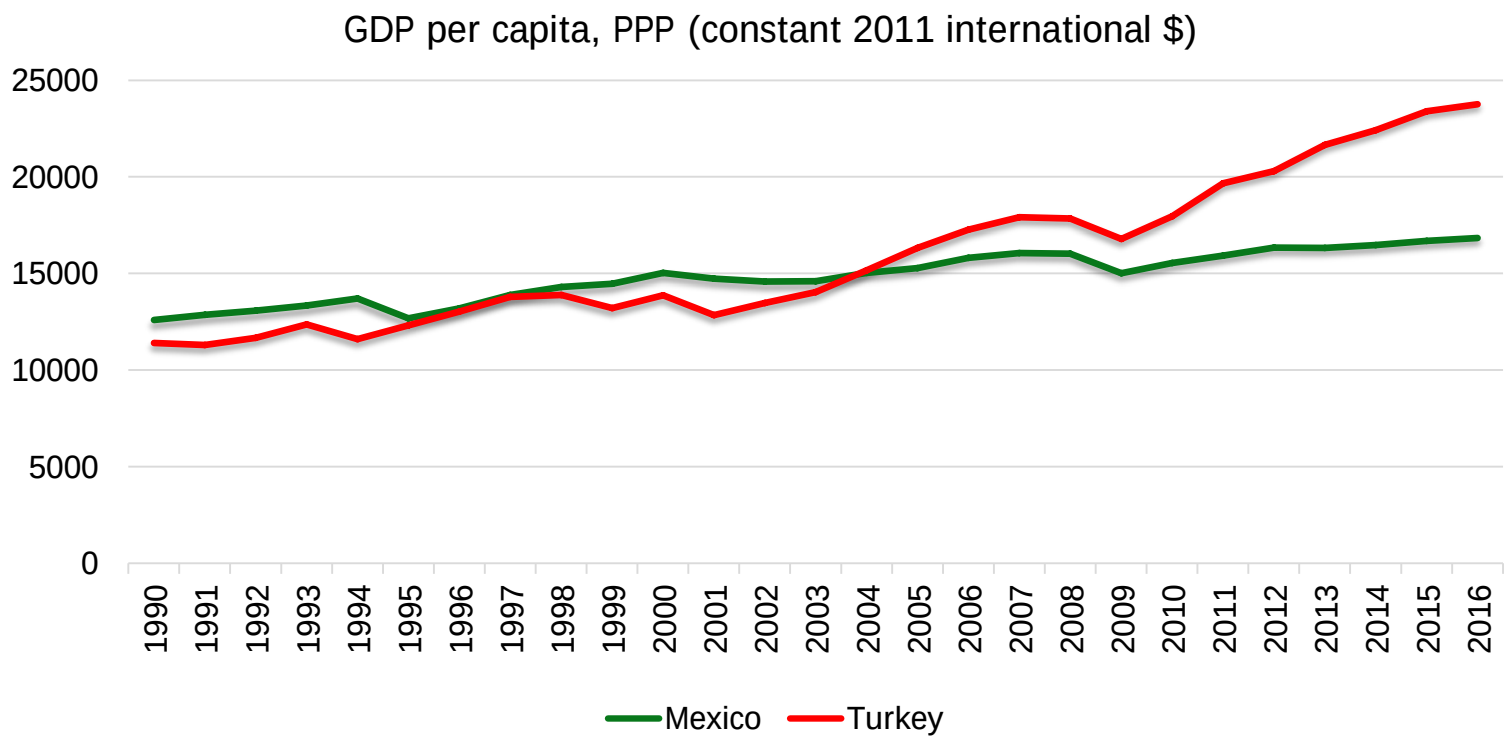
- Similarities



Source: Author, RCA scores based on UN Comtrade Export Data and UNIDO technological classification

Case selection: Mexico and Turkey

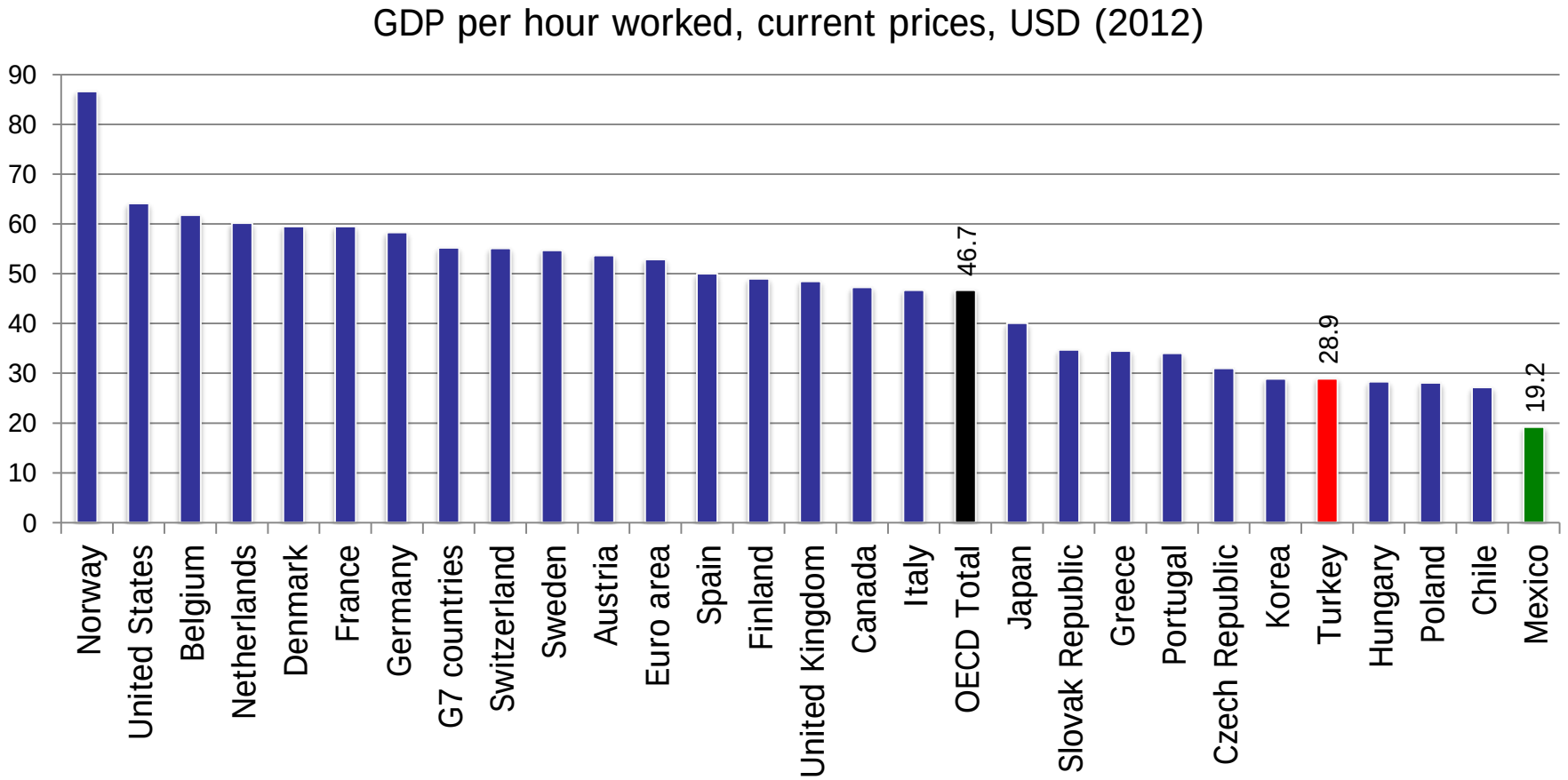
- Variations: income level



Source: World Bank Development Indicators

Case selection: Mexico and Turkey

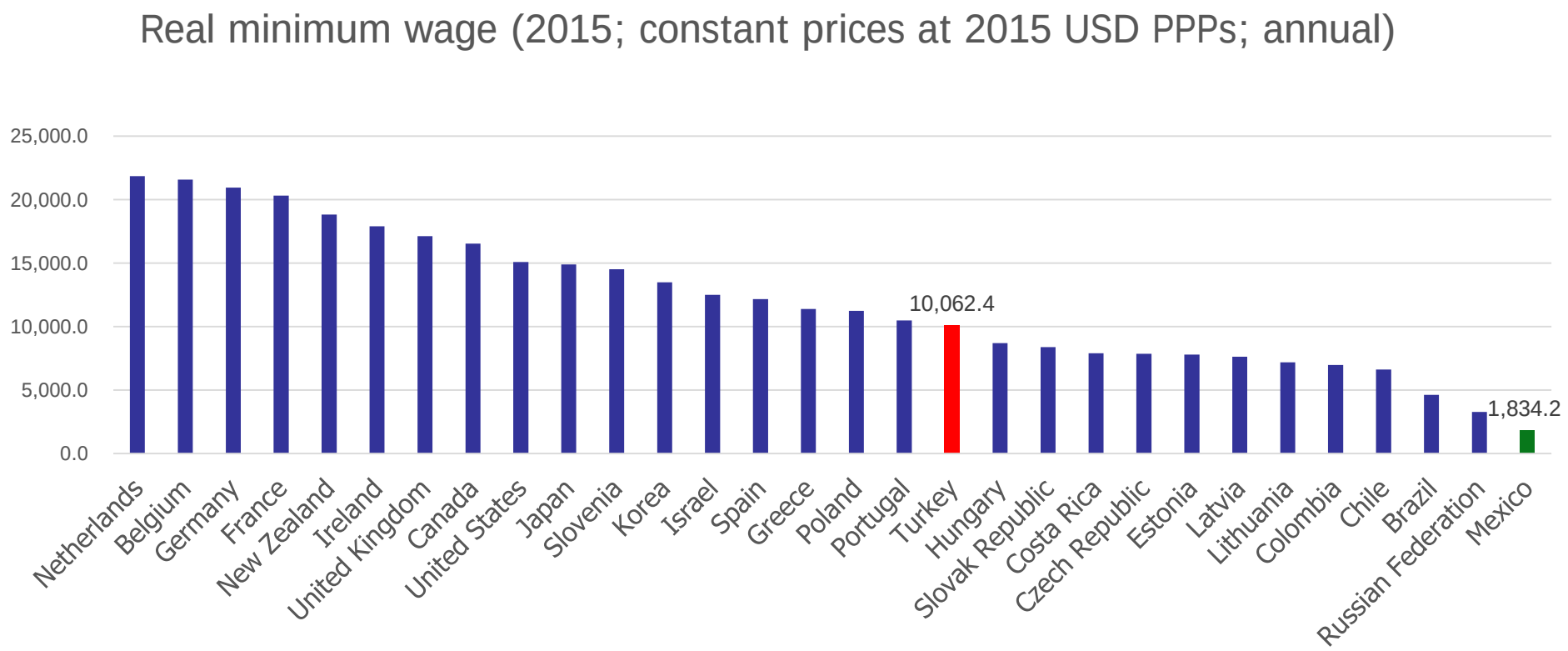
- Variations: Productivity



Source: OECD Dataset of labour productivity levels in the total economy

Case selection: Mexico and Turkey

- Variations: Wages

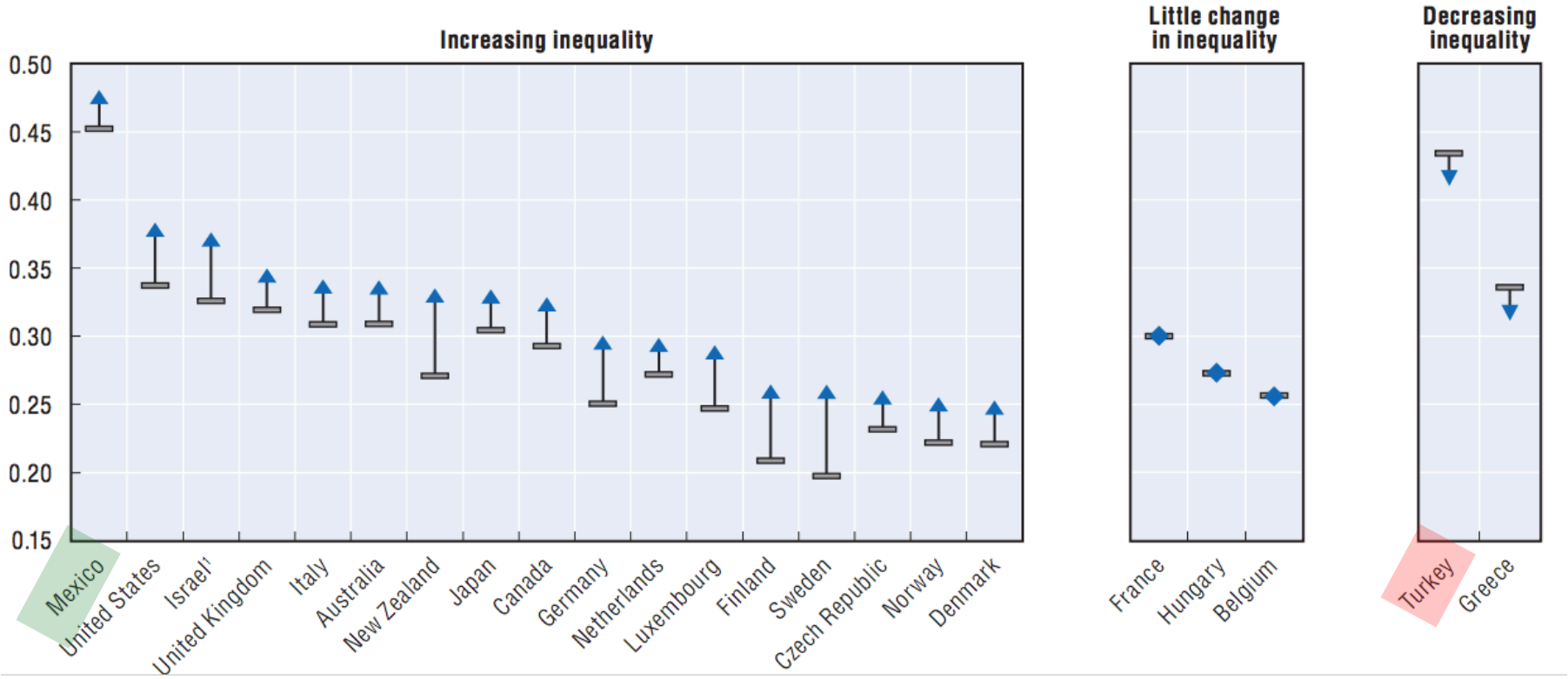


Source: OECD dataset on minimum wage

Case selection: Mexico and Turkey

- Variations: Inequality

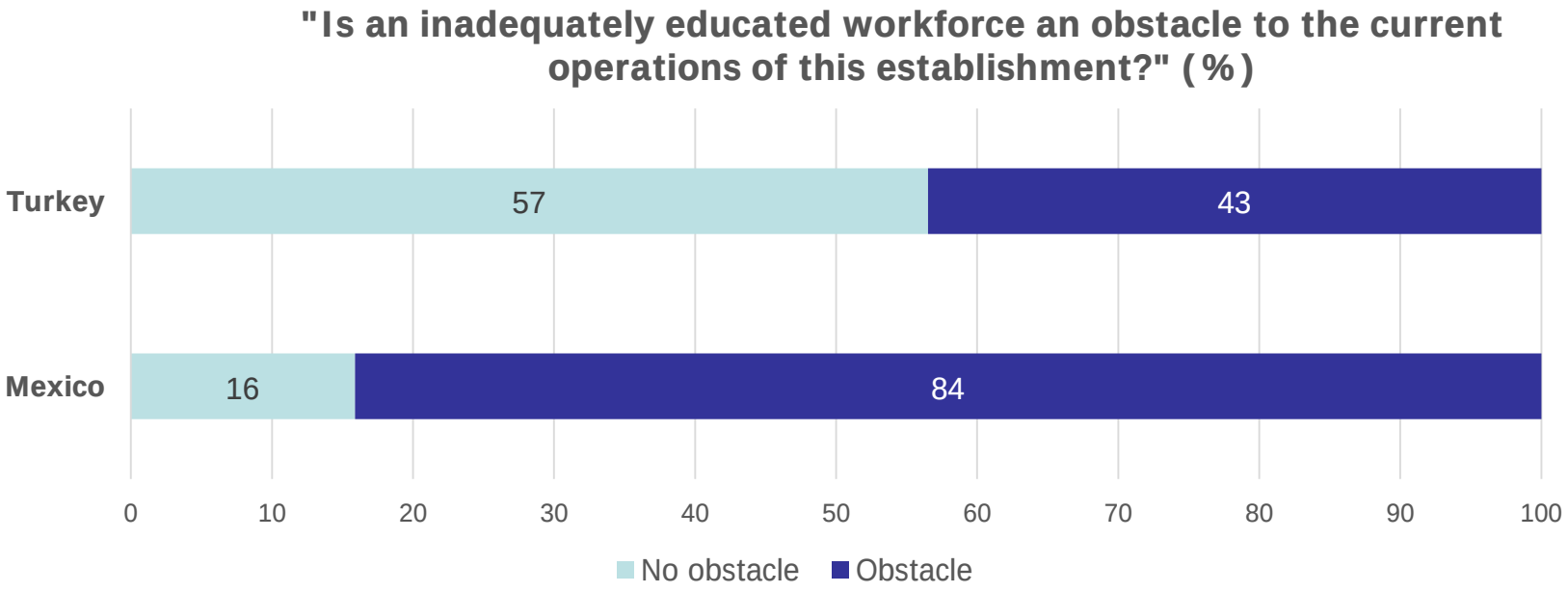
Gini coefficients of income inequality, mid-1980s and 2013, or latest available year



Source: OECD (2015). *In It Together: Why Less Inequality Benefits All*

Case selection: Mexico and Turkey

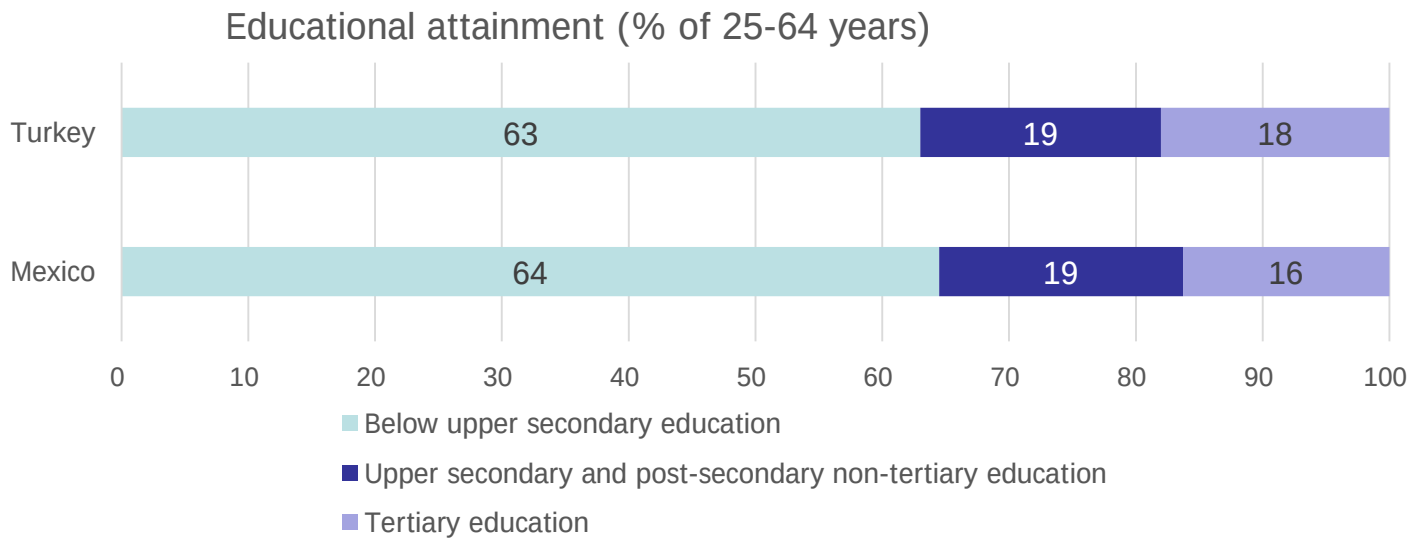
- Skills' influence on the variation?
  - ➔Different employer opinion regarding skills



Source: World Bank Enterprise Surveys

Case selection: Mexico and Turkey

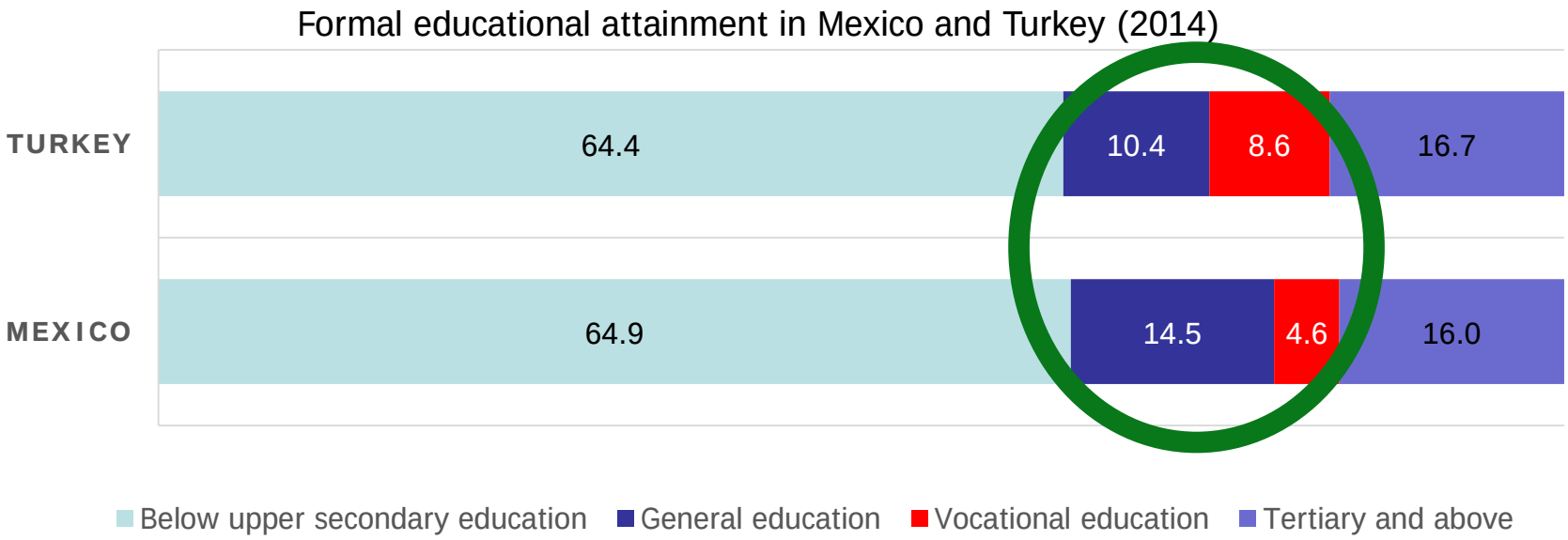
- Skills' influence on the variation?
  - ➔ Similar education statistics
    - Educational attainment
    - PISA scores



Source: OECD Education at a Glance

Case selection: Mexico and Turkey

- Skills' influence on the variation?
  - ➔ Different content of skills



Source: OECD Education at a Glance

Literature on the economic models and skill systems

- Institutionalist literature on advanced industrialised countries
  - ➔ Who controls?
  - ➔ Who provides?
  - ➔ Who pays?
  - ➔ Vocational education and training (VET) as a viable alternative to general education?

State's Commitment	Firms' involvement	
	low	**high**
high	*collectivist, state based* Finland, Norway, Sweden, France	*collectivist, firm-sponsored* Germany, Austria, Switzerland, Netherlands, Denmark
low	*liberal* United States, UK	*segmentalist* Japan

Literature on the economic models and skills in developing countries

- “mixed market economies” with “fluid” and “less mature” institutional structures and lack of economic growth

???

- But no! examples of BRICS, and others
- No research on skill systems!

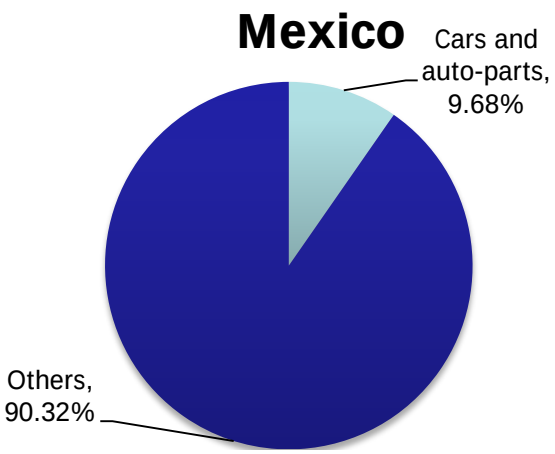
Multi-level analysis

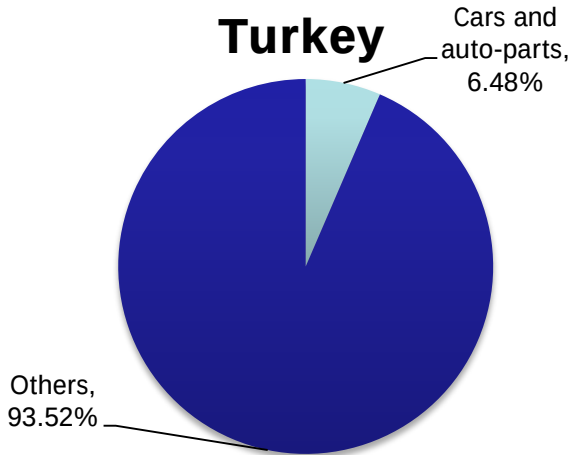
- Macro analysis of institutions and global pressures
  - ➔ National institutions and governance of global value chains

- Micro analysis of firm practices and outcomes
  - ➔ Patterns of training and recruitment
  - ➔ Application of “high performance work practices” (HPWPs)
  - ➔ Workers’ employment prospects
  - ➔ Firms’ access to skilled workers

Case: the local automotive industry

- A “laboratory” to understand the local and global dynamics on skills
- Similar importance for countries’ economies
  - ➔ Share in exports





  - ➔ Share in manufacturing workers
- Skill types needed

Data and analysis

- In-depth, face-to-face interviews
  - ➔ Policymakers, representatives of business associations, labour unions, skill experts → 36 interviews
  - ➔ Representatives of 40 firms → 83 interviews
- Qualitative content analysis using Atlas.ti

Patterns of convergence

- Similar worker types with similar skill needs
  - ➔ Operators with low skills
  - ➔ Operators with medium skills
- Organisation of shop-floor workers
  - ➔ Mainly hierarchical, supervised by more experienced workers
- Still very different methods to develop the skills!

Vocational education and training systems

- State's commitment and firms' involvement

State's Commitment	Firms' involvement	
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Turkey

Mexico

Mexican and Turkish firms' skill development strategies

- Firm-level in Mexico
- Via public VET institute in Turkey

Implications for firms and workers

Source: BUTGEM, a training centre in Turkey

"We employ workers with secondary education, and we train them ourselves. We make contracts with some training institutions…and we generate technicians. But they become [X-firm]-technicians. We certify them. They cannot use that certificate elsewhere and work at [Y-firm], for instance. It won't work that way."

A Mexican supplier

"We want our shift supervisors to be someone coming from below. So, when our operators ask 'what are we going to be in the future', we can show the shift supervisors. It is a motivating factor for them."

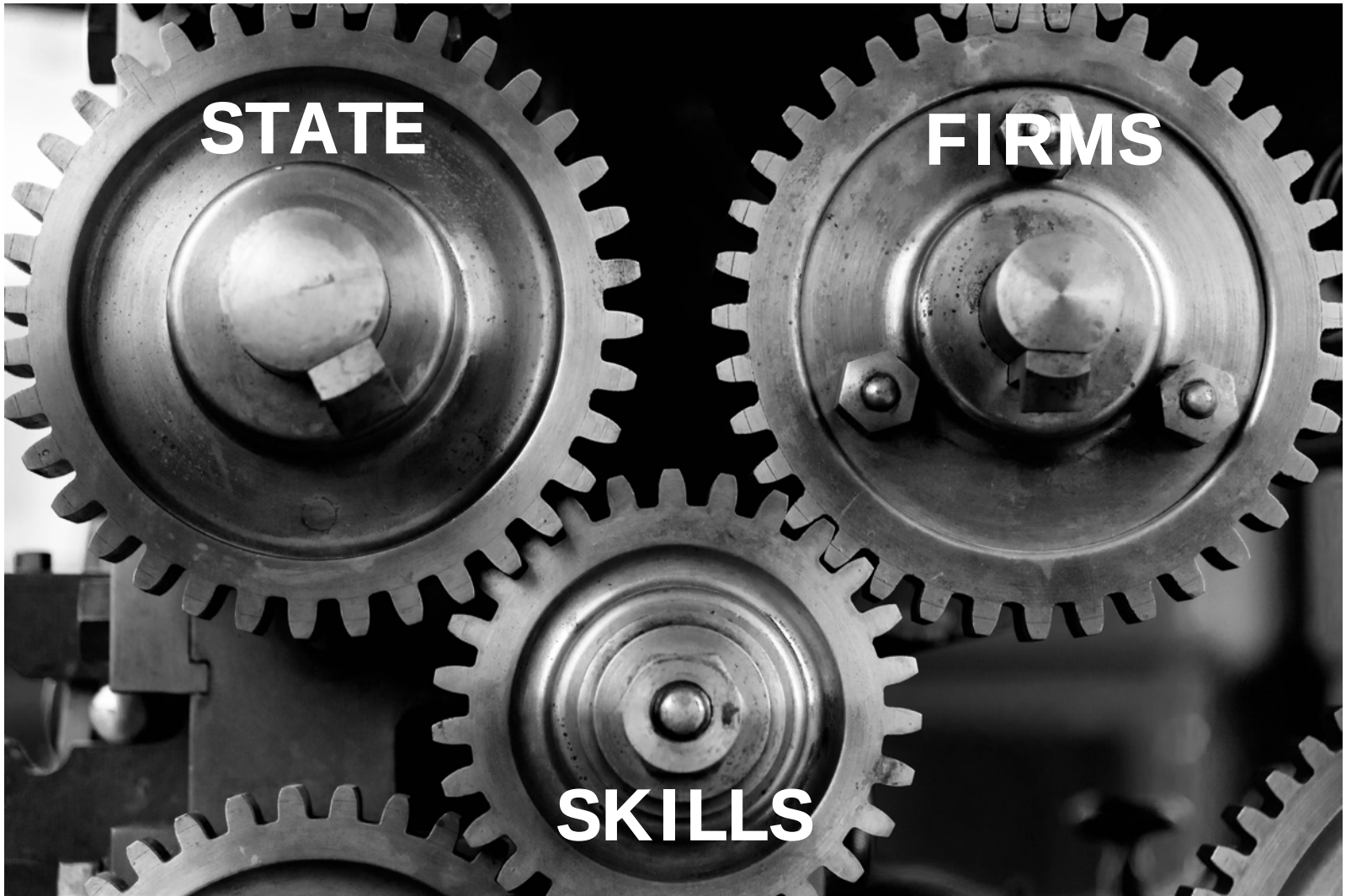
A Turkish supplier

Implications for firms and workers

	Mexico		Turkey	
Workers	• Hierarchical organisation • Limited career development	→ "Segmented labour markets"	• Less hierarchy • Important career development	→ More equal labour markets
Firms	• Only large firms with access to trained workers	→ Segmented businesses	• Accessible to also smaller firms	→ More equal firms
	• Less flexibility; no employee involvement in improvement	→ Lower upgrading opportunities	• More flexibility to adapt to automation; more motivated workers	→ Higher upgrading opportunities

Generalisability and policy implications

State commitment and firm involvement for inclusive and long-term skill development



Progress until now

- Drafts of 6 Chapters (except conclusion)
- Two academic articles in prominent peer-reviewed journals
- Papers and presentations in international academic conferences
  - ➔Early Career Researcher Award by the Society of the Advancement of Socio-Economics (SASE) in 2017

To be completed

- In-depth Micro analysis of outcomes in ”almost identical” firms
  - ➔ Systematic economic analysis of outcomes
    - For workers
    - For firms based on the methodology of the German Federal Institute of Vocational Training (BIBB)
- Writing of the conclusion and policy implications
- Book contract to disseminate the results, with Open Access
- Revision of all chapters for non-academic audience
- Copy-editing
- Re-editing and preparation of the final monograph
- Publication

What is next?

Budget

Item	Details	Cost (US $)	Total (US $)
Personnel			
Primary Researcher	Monthly living expenses	2000 (*12)	
Support Staff	Proofreading and copyediting	500	
Total Personnel			**$24500**
Data Collection			
Primary			
Field Staff	Transcribing interviews	100	
Travel	Travels for interviews	400	
Accommodation	4 nights	200	
Total Data Collection			**$700**
Other Costs (overheads, dissemination)	E-book with Open Access	4600	
	Miscellaneous	200	
Total Other Costs			**$4800**
Total Project Cost			**$30000**

THANK YOU!