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**The impact of expanded higher education on rules for upward mobility in service firms**  

**Abstract**  

Systems of education and training still differ across countries. An outcome of these differences are different forms of employment systems. A distinction can be made between occupational labour markets (OLM) and internal labour markets (ILM). For Germany a hybrid model can be identified: In service industries like retailing most employees have a certificate from the dual system of vocational training. Most of lower and middle management positions are traditionally held by employees who entered the company by an apprenticeship. In many companies a precondition for upward mobility within the internal labour market is a degree from the industry-specific and industry-wide recognized further training system (service sector equivalents for the "German Meister"). In the paper, which is based on case studies in 16 retail firms, it is discussed whether the trend towards "mass higher education" will affect both the dynamics in the skill structure and on internal labour markets in companies: Although enrolment rates in tertiary education are relatively low in Germany compared to other OECD countries the number of graduates from tertiary education entering the labour market increases steadily. We observed that the trend towards higher education has an impact on in-firm mobility of skilled workers since new “ports of entry” for graduates with higher school certificates downgrade options for upward mobility for skilled and experienced workers.  

**Introduction**  

Like in other developed nations a trend towards higher education is noticed in Germany. Younger cohorts on average have higher degrees of education than older cohorts. The share of school leavers with “Abitur” –a degree from school (“Gymnasium”) required to enter university - steadily increases. In absolute terms the number of school graduates that fulfil requirements to enter university doubled from 1980 to 2008 (Autorengruppe Bildungsberichterstattung 2010: 118). At the same time the overall size of younger cohorts in Germany is shrinking due to demographic changes. The share of people younger than 20 years old is expected to decrease from 21% of the whole German population in 2000 to 16% in 2040 (Destatis 2010). Both trends – more young people ready to enter university and an overall decrease of the amount of youngsters –increase inter-firm competition for those young people who traditionally fill entry jobs in companies via an apprenticeship after leaving school. Compared with other countries integration into the labour market by an apprenticeships is the most dominant way for school graduates in Germany: Almost two thirds of a cohort enters the dual system of vocational training after finishing school (BMBF 2010: 20). In the past the oversupply of young people was a political issue in Germany since many graduates from school were not able to find a company based apprenticeship training position. In the near future in Germany the opposite situation will be the case since companies will – in quantitative and/or qualitative terms – face problems to fill vacancies of apprenticeship places. It can be assumed that industries with comparatively bad working conditions will be more affected by this change than others: Taking the retail trade – a sector which offers a high amount of apprenticeship places – as an example, wages are at the lower end of the national wage scale, so called unsocial hours are very common and in subsectors
like food retailing physical work is hard (Voss-Dahm 2009). With this comparative disadvantage in terms of working conditions retail companies reckon that with changing conditions on the labour market they have to cut back expectations to succeed in recruiting graduates with better school reports. In particular this may diminish companies’ opportunities to recruit apprentices able to take management positions in the corporate hierarchy after a time of working as skilled workers and after being trained in the internal labour market.

We are conducting a project on behalf of the Ministry of Education and Research on the question of changing pathways for upward mobility in retailing and white collar jobs in the industrial sector. By calculations of data sets and case studies we analyse how pathways for upward mobility alter in view of changing conditions on the labour market and a changing role of middle management in companies. Our results are based on 16 case studies in 8 large German retail firms, there under 3 food retailers, a warehouse and retailers with furniture, electronic equipment, sports goods and a wholesale firm. In the last year we conducted 140 interviews plus 15 interviews with representatives of unions, employer association, educational institutions and associations for vocational training.

**Theoretical approach – rules on occupational and internal labour markets**

Form a broad perspective on the labour market in Germany one can state with Rubery/Grimshaw (1998: 111) that the German employment model is a hybrid model “since it combines strong OLM\(^1\)-type principles with strong ILM\(^2\)-type principles of job ladders and in-firm mobility for skilled workers”. With regard to OLM principles many activities in industrial and service sectors which are performed by semi-skilled workers in other countries are performed in Germany by workers with a certificate from the vocational training system (Bosch 2011). As a rule young people enter the labour market as apprentices within the dual (i.e. workplace learning and school-based learning) system of vocational training. An apprenticeship in one of the 352 occupations typically takes two or three years and ends with an examination in the trade of commerce. Curricula of an occupation and subjects of exam are fixed by law on national level. Social partners and the state continuously monitor if curricula of occupations prepare for the actual requirements in the job and adapt contents of the training accordingly. With this quite standardised occupations a certificate from vocational training in a particular occupational field has a signal function on the labour market and allows for horizontal (= inter firm) mobility on the respective occupational labour market (OLM).

OLM principle is combined with ILM principles with regard to vertical mobility on the labour market: Traditionally the job ladder into lower and middle management positions starts from workplaces of skilled workers. Internal promotions are traditionally accompanied by attending courses in the further vocational training system. The “German Meister” is the most well-known form of a higher degree from the further training system. Skilled workers with some years of work experience follow courses in this “upper floor” of the vocational training system and - like apprentices - take exams in the trade of commerce in subjects which are fixed on national level for the respective field of occupation. The “German Meister” is the traditional certificate on advanced level for the industrial sector. It has a counterpart in the service sector called “Fachwirt” and can be translated as “Meister in commerce”.

In sum we can state that certificates from the vocational system in Germany still have an important function for inter-firm mobility and therefore matching processes on the labour market. For upward mobility too certificates from the (further) vocational training system play

\(^1\) OLM = occupational labour market

\(^2\) ILM = Internal labour market
a role since in practice in many firms it facilitates to move vertically in the corporate hierarchy into management positions.

**Empirical results**

Empirical results show that pathways for upward mobility are in flux (see also Carré/Tilly/van Klaveren/Voss-Dahm 2010, Franz/Voss-Dahm 2011). Companies create new ports of entry at a higher level in the corporate hierarchy. Job ladders not longer only (more or less) exclusively start from workplaces of skilled workers and offer quite good opportunities for internal promotion for those who entered the firm by apprenticeship. Nowadays pathways into higher positions are more porous for graduates from high school or from advanced technical colleges/ university of applied science and graduates from university.

There are two reasons for the layering of pathways for upward mobility. The first reason is already mentioned above: With the trend of higher education more young people than in the past leave school as graduates from high school and fulfil requirements to enter university. Companies are interested to attract these high school graduates but have to offer them a better training position than an “ordinary” apprenticeship place. In one of the companies studied high school graduates are offered a 3,5 year apprenticeship with a certificate of the occupation “Sales person” plus a certificate from the further system of vocational training - the “Meister of commerce”. After completion of training they take the position team leader. Companies also offer training positions in the firm in combination with studying at universities of applied science. After a three year program with alternating phases of theoretical learning at university and practical learning in the company they attain a Bachelor degree and take the position of department manager afterwards. What is important to mention is that obviously dual learning is essential from the companies perspective. In the interviews most HR managers said they clearly prefer graduates with practical background since they expect more appropriate skills and competencies to fulfil the requirements of shop-floor management than of those without practical experience. Thus in view of the higher proportion of young people with higher certificates from school companies “haul up” the principle of dual learning in apprenticeships on a higher level. In other words what we observe is a layering (Streeck/Thelen 2005) of pathways for upward mobility within firms connected with new ports of entry for higher educated graduates in the corporate hierarchy.

A second reason for a layering of pathways for upward mobility by differentiation of entry positions is due to the reorganisation of retail firms and changing tasks for management. Processes in retail companies are standardised with regard to supply chains and products leaving only minor room for discretion for store managers. Furthermore the handling of temporal flexibility of staff is an important and time consuming task of shop-floor management. Therefore the job profile of shop-floor management does not necessarily require a profound basis of technical skills with regard to goods or logistic. The main task of shop-floor managers (in most but not all! of our cases) is to manage the every day chaos and to meet cost and performance targets (see also Grugulis/Bozkurt/Clegg 2011). In consequence skills and competencies gained from work experience are not per se a precondition to perform

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3 We use a definition of skills and competencies in line with the European Framework of Qualification (European Parliament 2008: C111/05): “In the context of EQF, skills are described as cognitive (involving the use of logical, intuitive and creative thinking) and practical (involving manual dexterity and the use of methods, materials, tools and instruments)” resp. „in the context of EQF, competence is described in terms of responsibility and autonomy."

4 Grugulis/Bozkurt/Clegg (2011) provided a very informative insight in realities of leadership in UK supermarkets. An analysis of similarities and differences to the German situation would be very fruitful but deserves a closer look which will be done later in the full paper.
management tasks in retailing. In some cases work experience resp. customer or goods related skills and competencies may even hinder to follow instructions from central levels of the company. Therefore it pays out for retail companies to site younger managers via new ports of entry on lower and middle management positions.

What are the consequences of a layering of pathways for upward mobility? Our interviews point out for four aspects: Firstly, skilled employees with some years of experience recognise that internal promotion is less likely than in the past since positions on the next higher level of corporate hierarchy is blocked by those external youngsters with higher degrees. Secondly, young managers on training positions or in their first position often feel overstrained when they have to instruct experienced workers in order to meet targets. Thirdly, HR managers at central level of large chain store companies appreciate the juvenesence of management since it is easier to fill vacancies in a widespread net of branches with younger manager not as much geographically bounded than older managers. Fourthly, HR manager are aware of a high probability that higher educated young manager leave the company and the sector after a while. Wages are low in retailing, working as a shop floor manager requires working on evenings and weekends and cost and profit targets are tight. In sum it is in question whether retail companies at the end succeed with a layering of pathways for upward mobility in view of shifts at the labour market and job requirements for shop-floor managers.

Conclusion

The trend towards higher education impacts rules for upward mobility within firms in Germany. Traditionally the job ladder into lower and middle management positions starts from workplaces of skilled workers. With the trend towards higher education we observe a change of pathways for upward mobility with new ports of entries into the job ladder for the better educated. Firms try to attract the growing group of school leavers with high school certificate by offering apprenticeships that combine studying at universities of applied sciences and on-the-job training. Those “advanced” apprenticeships lead directly into management positions. As a consequence management positions formerly attainable by skilled and experienced workers are blocked by a new group of managers trained in “advanced apprenticeships” combining learning at the workplace and at university. In sum we conclude a “layering” (Streeck/Thelen 2005) of pathways for upward mobility that corresponds with a layering in the educational system since higher vocational education located between the traditional dual system of vocational training (with learning at the workplace and at school) and higher education at university (theoretical learning) is increasing.

Bibliography

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