

Employability and Local Labour Markets

Edited by

**Ronald W. McQuaid, Anne E. Green
and Mike Danson**



Urban Studies Monographs

Employability and Local Labour Market Policy

The concept of employability has provided a foundation for much current labour market policy. It has also provided a useful framework for analyzing national and urban labour markets and related policies in a variety of different circumstances both for those in and out of work.

The papers in this book help progress the concept of employability, demonstrating the importance of the geographic and spatial context, and showing its flexibility and usefulness as a basis for theory, analysis and policy. The papers are divided into two main sections:

- * understanding the concept of employability
- * lessons for labour market policy in changing labour markets

The chapters also provide general insights into many current labour market policy debates. As employability continues to be the foundation of many labour market policies, this volume considers the economic and geographical dimensions of employability in local labour market analysis and policy.

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Introducing Employability

Ronald W. McQuaid, Anne Green and Mike Danson

1. Introduction

It is over 100 years since 'employability' emerged as a concept in debates surrounding unemployment and labour markets (Gazier, 1998). However, during the past decade the concept has commanded a central place in labour market policies in the European Union, the UK's New Deal and elsewhere at national, regional and local levels (see for instance OECD, 1998; CEC, 1999, 2003; ILO, 2000). At local and regional levels, employability has been the foundation of many labour market policies and this Special Issue gives due prominence to the geographical dimensions, especially as they relate to urban areas. The papers are mostly drawn from a joint working group established by the Regional Studies Association and the Regional Science Association (British and Irish Section) and explore the conceptual and spatial elements of employability. The papers were delivered at seminars held at Napier University and the University of Warwick in 2002–03 and were informed not only by the individual researchers but also by the extensive feedback from academics, policy-makers and practitioners participating from across the two Associations and elsewhere.

2. Understanding the Concept of Employability

Employability relates to both unemployed people seeking work and those in employment

seeking better jobs with their current or a different employer. However, employability remains a contested concept in terms of its use in both theory and policy, and throughout the past century has been used as both a predominantly labour supply and a labour demand concept.

Some researchers and policy-makers adopt a narrowly defined supply-side focus, while others adopt a broader perspective on employability. The broader view focuses upon individuals' employability in terms of their capability to move into new employment within the labour market (such as moving from unemployment into a sustainable job or moving from one job into another). Hence the broad approach incorporates factors such as job search and labour demand conditions, which affect whether a person can actually find or change employment, as well as the set of employability skills and attributes that are the focus of the narrow supply-side concepts of employability.

The paper by Ronald McQuaid and Colin Lindsay in this Special Issue discusses such concepts of, and policy approaches to, employability. They set out a broad framework for analysing employability incorporating a range of individual factors, personal circumstances and external factors. They argue that the 'narrow' and 'broad' perspectives—or rather the spectrum of perspectives—are not mutually exclusive; rather 'narrow' concepts of employability are a subset of a 'broad'

approach. The differences between the two perspectives lie mainly in their differing implicit definitions of employability—i.e. whether employability relates primarily to an individual's readiness for work or whether it relates more broadly to the factors influencing whether an individual can get relevant work. Both concepts of employability should result in similar policy directions, although arguably different emphases, as an effective 'narrow' supply-side based policy approach will need to take fully into account wider factors such as local labour demand, while a 'broad' approach will need to disaggregate the various policy implications of the many supply-side and demand-side issues identified.

Focusing on people outside employment, the skills mismatch and spatial mismatch perspectives are often presented as competing explanations of the spatial distribution of unemployment within metropolitan areas. Here, Donald Houston argues that the spatial mismatch hypothesis addresses some of the shortcomings of the skills mismatch perspective and he develops a framework in which to conceptualise and reconcile skills mismatch and spatial mismatch within metropolitan areas, which incorporates the operation of local housing and labour markets as well as the role of commuting. He concludes that skills and spatial mismatches reinforce each other and that the concept of employability offers some potential to help understand how job searchers and employers make decisions in situations of skills and/or spatial mismatch.

Whilst there has been extensive research into the supply-side causal factors of spatial mismatch there is comparatively little commentary or analysis of the demand side. David Devins and Terence Hogarth contribute to this area of research by considering the human resources practices of employers. A three-stage model of recruitment is used to identify employer practices that, it is argued, can (unwittingly) contribute to labour market mismatch. They conclude that, if recruitment from among the unemployed is to play a part in filling skills shortages, attention needs to be placed not only on the recruitment

processes of employers but also on their retention and internal employee development practices.

In dealing with different facets of employability, policies have ranged from those seeking to improve employability skills and attributes (including personal interaction skills, formal qualifications, attitudes and timekeeping), to helping the job search process, influencing personal circumstances (such as the availability of childcare) or dealing with aspects of labour demand. The second group of papers continues the application of different aspects of the concept of employability to policy in a variety of particular labour market circumstances.

3. Employability: Lessons for Labour Market Policy in Changing Labour Markets

The concept of employability has useful applications within sectoral and labour market inclusion policies, particularly through focusing on changing skills and employer requirements such as the rise of 'soft' employability skills increasingly demanded by employers. Vicki Belt and Ranald Richardson consider social exclusion and training for call centre work within the context of the shift in the nature of work and the implications for employers' skill requirements in call centres. Generic skills, and especially communication skills, have taken on central importance for many jobs. This means that interpersonal skills, personality and appearance take on crucial significance in terms of the ability initially to access, and then to maintain, employment—i.e. to improve their employability in both highly skilled and routine, low-paid areas of interactive service work.

In call centres, even those with good IT skills but poor social or other skills failed to get jobs—so communication and social skills were more important to their employability. The result of changing employer requirements concerning people's employability may hence result in the inconsistency between training providers and call centre employers on the matter of skill requirements. There is a need

for improved communication between training providers and employers to ensure that the training being provided is relevant to both employers and employees, but also to challenge some of the attitudes and practices of employers. They argue that a 'quick fix' or short-term approach to (often publicly funded) training is insufficient, either from the perspective of the employer *or* the trainee. In particular, a key task is to address the problems created by employers' continued emphasis on the possession of previous relevant work experience and their attitudes towards employing long-term unemployed people. If they do not do so, they are at risk of maintaining, rather than challenging, existing patterns of social exclusion.

Christina Hartshorn and Leigh Sear further consider the new employability skill-sets required in the changing labour market. They analyse owner-managers of small businesses and staff of the five universities in the North East of England in order to characterise a new employability skills-set as enterprising skills. The predominant focus of many skills surveys undertaken by development agencies, such as the local Learning and Skills Councils, relates to employability as a set of skills and competencies which enable an individual to gain employment within a private organisation or a small or large business. However, there is evidence that other types of organisation, such as those in the voluntary sector or those competing in the social economy, may possess different notions of what constitutes employability, especially for more excluded groups within the labour market, such as the long-term unemployed and women returners. For such individuals and organisations, unpaid, short-term and often voluntary employment may be an important part of the process of developing individual employability skills. Their paper concludes by outlining an employability framework that could be used by agencies such as regional development agencies to ensure that individuals are equipped with the skills to cope with, and flourish in, the changing conditions of the labour market.

An individual's 'lack of employability' may be manifested through unemployment or increasingly, especially among older workers, through inactivity. Inactivity has been growing across the developed world and is especially high in old industrial areas. A general move towards more flexible labour markets and the restructuring in such regions over the past quarter of a century have together led to a change in the supply and demand conditions for employment. There is an increasing dependence on school and higher education qualifications and associated transferable skills and competencies, while the decline of traditional occupations has left many without jobs and facing multiple barriers to regaining employment. Often lacking demonstrable and accredited human capital and work experience, individuals with such employability problems have often been concentrated in particular households and communities. However, Mike Danson argues that central government appears reluctant to address the full direct costs of implementing policy interventions to address these obstacles and social exclusion, with more radical innovative solutions now being proposed at the metropolitan level.

An important aspect of employability relates to the job search process. Anne Green, Ian Shuttleworth and Stuart Lavery focus on the neglected role of the perceptions of the area in which an individual might look for work. They improve our understanding of what relatively disadvantaged young people in Belfast know about the geography of labour market opportunities in the city and the locations where they are prepared to work. They show that most young people have a highly localised outlook. Factors of limited mobility, lack of confidence and religion intertwine in complex ways to limit perceived opportunities for people. The results of their quantitative and qualitative analyses show that geography plays an important role in shaping access to employment and training opportunities. While locating labour market opportunities in or near socially disadvantaged areas may help to facilitate access, it may not be sufficient.

The research has lessons for elsewhere in the UK where there is a characteristic porosity of local labour markets and it emphasises that co-location of workplaces and residences does not necessarily lead to local people filling jobs available nearby. Moreover, a policy of provision of suitable training opportunities and jobs close to where socially disadvantaged people live does not encourage residents to extend their travel horizons or raise their aspirations. In practice, trainees tend to place spatial restrictions on their choice of providers and an associated unwillingness to take placements in unfamiliar areas means that they may leave their course with comparatively localised spatial horizons. Hence, while recognising the barriers faced by some people, there is a role for policies to enhance the mobility of disadvantaged people in the labour market in order to expand their spatial horizons, such that they become more experienced and confident in using available public transport and in venturing into new areas.

A further aspect of job search is the provision of accurate and accessible labour market information. This is a priority for policies targeted at improving the employability of unemployed people. In this respect, policy-makers are increasingly turning to information and communication technologies (ICTs) and particularly the Internet. However, there are concerns that the expansion of services delivered though ICT risks leaving behind the most disadvantaged. Colin Lindsay deploys the concept of the 'digital divide' as an analytical framework to examine differences between job seekers' access to, and use of, the Internet in the city of Glasgow. He finds an association between higher levels of economic capital (income) and cultural capital (skills) and Internet access and job seeking, and argues that a commitment to the development of community-based technology centres and ICT training for the unemployed is required if disadvantaged job seekers are to reap the potential employability gains associated with the expansion of on-line services.

Many policies seek to link local labour demand to training and other policies through incorporating employers' views and

including them in local partnerships. Such policies have a long history (for instance, from the UK government's Manpower Commission with many local initiatives seeking to identify employer requirements and recruitment difficulties in the 1980s through to the current, commonplace inclusion of employers in local initiatives). Tony Gore argues that there is widening acceptance that policies for employability can provide a link between the supply and demand sides of the labour market. This implies the involvement of employers in the design of skills training and work experience programmes, and for these to be related to employment sustainability and career progression. He investigates the role played by labour market intermediaries in engaging both job seekers and employers, and considers the difficulties of successfully implementing this approach in different circumstances. However, he concludes that in most cases demand-led schemes in the UK have been less about improving employability than meeting employers' short-term labour needs.

4. Conclusion

In summary, the concept of employability provides a useful framework for analysing national and urban labour markets and related policies in a variety of different circumstances and for both those in and out of work. A narrow supply-side view of employability skills and attributes can help to identify relevant sets of skills and policies for certain people in particular circumstances. However, a broader concept of employability also allows the additional consideration of vital demand, personal circumstances and other factors that influence the employability of people in a particular labour market, or at a particular time, and so are fundamental to those people gaining or changing employment. The papers in this Special Issue of *Urban Studies* help to progress the concept of employability, demonstrate the importance of the geographical and spatial context, and show its flexibility and usefulness as a basis

for theory, analysis and policy. They also provide more general insights into many current labour market policy debates.

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The Concept of Employability

Ronald W. McQuaid and Colin Lindsay

1. Introduction

'Employability' plays a crucial role in informing labour market policy in the UK, the EU and beyond. The concept of employability has been deployed to describe the objectives of the economic strategies promoted by important supranational institutions and labour market policies at national, regional and local levels (see for example OECD, 1998; CEC, 1999; ILO, 2000; UN, 2001). In the UK, employability has emerged as a central tenet of so-called 'Third Way' policies: 'a cornerstone of the New Labour approach to economic and social policy' (Houghton *et al.*, 2000, p. 671). Despite, or perhaps because of, its ubiquity, the concept of employability continues to be used in a number of contexts and with reference to a

range of meanings (Hillage and Pollard, 1998; McQuaid and Lindsay, 2002). Indeed, for some, employability is little more than a 'buzzword' that is more often used than properly understood (Philpott, 1999); or "a fuzzy notion, often ill-defined and sometimes not defined at all" (Gazier, 1998a, p. 298).

This paper seeks to contribute to the debate surrounding employability, by analysing current and previous applications of the term and discussing its potential value as an exploratory concept and a framework for policy analysis. The aims of the paper are therefore: to trace the development of the concept; to discuss its role in informing current labour market and training policies (with particular reference to the UK); and to identify an approach to defining the concept that can better inform labour market policy, by transcending explanations

of unemployment that focus solely on *either* supply- or demand-side factors.

Following this introduction, section 2 of the paper discusses the importance of the concept of employability to local, national and international labour market policy. Section 3 considers working definitions of employability and traces the historical development of the concept. Section 4 examines in detail the manner in which the concept is currently applied in discussions of labour market policy in the UK. In section 5 of the paper, we argue that the manner in which the term 'employability' is currently used by many policy-makers, as shorthand for 'the individual's employability skills', represents a 'narrow' usage of the concept and contrast this with attempts to arrive at a more broadly defined concept of employability. In section 6, an holistic framework for understanding employability is set out, acknowledging the importance of both supply-side and demand-side factors affecting the labour market outcomes experienced by individuals. Finally, some conclusions are presented. The concept of employability relates to those: in work and seeking to improve or sustain their position in the labour market; in education; and out of work. However, the focus of this paper is largely, but not exclusively, on employability as it relates to unemployed job seekers and labour market policy.

2. Employability and Labour Market Policy

Employability, a relatively obscure concept a decade ago, now commands a central place in labour market policies in the UK, many other European states and beyond. At the supranational level, employability formed one of the four original pillars of the European Employment Strategy, having emerged as a defining theme of the Extraordinary European Council on Employment (the so-called Jobs Summit), which took place in Luxembourg in November 1997 (CEC, 1999). The promotion of employability in the workplace and among young people, the unemployed and other potentially disadvantaged groups in the labour market remains an important

goal for the revised European Employment Strategy, formulated in 2003, which emphasises three overarching objectives: full employment; quality and productivity at work; and cohesion and an inclusive labour market (CEC, 2003a).

Whereas the original EU strategy included employability as a pillar of its approach, the more flexible, longer-term strategy now advocated by the European Commission speaks of promoting more and better 'investment in human capital and strategies for lifelong learning'. However, this and many of the Commission's other guidelines for implementing the strategy (or so-called ten commandments) reflect the pre-existing focus on employability, including: the promotion of active and preventative measures for the (especially long-term) unemployed and inactive; improving financial incentives to make work pay; and promoting active ageing (CEC, 2003b).

Other cross-national institutions concerned with labour market policy have similarly emphasised the importance of employability. The United Nations (UN) has made employability one of its four priorities for national policy action on youth employment (along with entrepreneurship, equal opportunities between young men and women and employment creation). To this end, the UN's Youth Employment Network has suggested that

All countries need to review, re-think and re-orient their education, vocational training and labour market policies to facilitate the school to work transition and to give young people ... a head start in working life (UN, 2001, p. 4).

Finally, the OECD's influence in promoting employability-focused labour market policies arguably pre-dates both of these initiatives. Although less inclined to deploy the concept of 'employability', by the mid 1990s the OECD (1994a, 1994b) had begun to advocate strongly more active labour market policies in order to break the 'dysfunctional division' between the working population and the unemployed. The need for strategies targeting 'low-paid and unskilled job seekers [and]

enhancing the effectiveness of active labour market policies and lifelong learning to maintain *employability*” continued to form the central focus of the Organisation’s labour market policy agenda throughout the 1990s (OECD, 1998, p. 4). Indeed, it has been argued that by the end of the decade the OECD (particularly through its 1994 ‘Jobs Study’) had played a crucial role in promoting active policies to improve the employability of the unemployed across international boundaries (Sinfield, 2001).

At the national level in the UK, as in many other EU states, the European Employment Strategy’s focus on employability (and especially on providing a ‘fresh start’ to the young unemployed who have been out of work for at least six months) has been particularly influential. Employability was a key theme of UK’s EU presidency in 1998 (Verhaar and Smulders, 1999). The concept has found expression within the UK’s national Employment Action Plans and the current government’s welfare to work agenda, with the New Deal programmes at its centre (DfEE, 1997a, 1997b, 1998; DWP, 2002). Improving the employability of young people, the long-term unemployed, lone parents, the disabled and other disadvantaged job seekers is the primary objective for the New Deal, which seeks to provide interventions designed to address the skills of participants while also ‘re-attaching’ them to the labour market. Indeed, ministers have described the New Deal as being defined by the principles of ‘quality, continuity and *employability*’ (DfEE, 1997a). At regional and local levels, many of these, or similar, policies to tackle employability issues have been implemented or devised by area-based development agencies, local authorities and other bodies such as careers services.

This discussion illustrates that employability is not merely a subject of theoretical debate. The concept has become a cornerstone of labour market policies and employment strategies in the UK and elsewhere. Yet it is perhaps only the relatively recent emergence of employability as an all-embracing objective for national and supranational policies

to address unemployment that has led to attempts to arrive at a thoroughgoing definition. Prior to discussing a broad concept of employability, however, we will review some established definitions and current and historical uses of the term.

3. What Is Employability?

3.1 Working Definitions

As noted above, the concept of employability continues to be applied within a range of different contexts and to both those in work and those seeking work. Accordingly, while it is simple enough to assign ‘employability’ a straightforward dictionary definition, such as ‘the character or quality of being employable’, arriving at a working definition is a far more complex process. Perhaps understandably, employers have tended to view employability as primarily a characteristic of the individual. The Confederation of British Industry (CBI) has defined employability thus

Employability is the possession by an individual of the qualities and competencies required to meet the changing needs of employers and customers and thereby help to realise his or her aspirations and potential in work (CBI, 1999, p. 1).

The UK government has similarly arrived at a definition that, while implying that employability-development is a priority for government, again places individuals’ skills at the centre of the concept

Employability means the development of skills and adaptable workforces in which all those capable of work are encouraged to develop the skills, knowledge, technology and adaptability to enable them to enter and remain in employment throughout their working lives (HM Treasury, 1997, p. 1).

Other attempts to define the concept have hinted at a more holistic approach, emphasising the impact of both individual characteristics and labour market conditions—i.e. both labour demand and supply factors. The Canadian government’s Labour Force

Development Board offered the following definition

Employability is the relative capacity of an individual to achieve meaningful employment given the interaction of personal circumstances and the labour market (Canadian Labour Force Development Board, 1994, p. viii).

Similarly, research for the Northern Ireland Executive has explicitly suggested a wide working definition of employability

Employability is the capability to move into and within labour markets and to realise potential through sustainable and accessible employment. For the individual, employability depends on: the knowledge and skills they possess, and their attitudes; the way personal attributes are presented in the labour market; the environmental and social context within which work is sought; and the economic context within which work is sought (DHFETE, 2002, p. 7).

The Northern Irish approach appears to follow on from approaches such as that suggested by Hillage and Pollard (1998) who developed a broad-ranging definition of the concept, seeing employability as an individual's ability to gain initial employment, maintain employment, move between roles within the same organisation, obtain new employment if required and (ideally) secure suitable and sufficiently fulfilling work. Hence this covers both unemployed people looking for work and employed people seeking alternative jobs or promotion. Employability thus involves

The capability to move self-sufficiently within the labour market to realise potential through sustainable employment. For the individual, employability depends on the knowledge, skills and attitudes they possess, the way they use those assets and present them to employers and the context (e.g. personal circumstances and labour market environment) within which they seek work (Hillage and Pollard, 1998, p. 12).

In general, the differences in perspectives appear to revolve fundamentally around whether the focus is upon the individual's characteristics and 'readiness' for work, or upon the factors influencing a person getting into a job (or job 'match' in job search theory), moving jobs or improving their job.

3.2 *The Historical Evolution of the Concept of Employability*

The historical antecedents of the current employability debate can be traced back at least a century. Gazier's (1998a, 1998b, 2001) work on employability provides a useful overview of the concept's development towards currently accepted definitions. He distinguishes between seven operational versions of the concept of employability—namely

- *Dichotomic employability*—emerging at the beginning of the 20th century in the UK and the US. Gazier describes this formulation of the concept of employability as 'dichotomic' due to its focus on the opposite poles of 'employable' and 'unemployable', initially with little or no gradation: employable referring to those who were able and willing to work; unemployable referring to those unable to work and in need of 'relief'.
- *Socio-medical employability*—emerging before the 1950s in the US, the UK, Germany and elsewhere, referring to the distance between the existing work abilities of socially, physically or mentally disadvantaged people and the work requirements of employment.
- *Manpower policy employability*—developed mainly in the US since the 1960s, and extending underlying discussions of socio-medical employability to other socially disadvantaged groups, with the emphasis again on the distance between the existing work abilities of the disadvantaged and the work requirements of employment.
- *Flow employability*—emerging in the French sociology literature of the 1960s, and focusing on the demand side and the accessibility of employment within local and national economies, with employability defined as

“the objective expectation, or more or less high probability, that a person looking for a job can have of finding one” (Ledrut, 1966; quoted in Gazier, 1998b, p. 44).

- *Labour market performance employability*—used internationally since the end of the 1970s. This understanding of the concept focuses on the labour market outcomes achieved by policy interventions, measurable in terms of days employed, hours worked and payment rates, and other labour market outcomes for individuals participating in employability-related programmes.
- *Initiative employability*—emerging in the North American and European human resource development (HRD) literature of the late 1980s, reflecting an acceptance amongst individuals and organisations that successful career development requires the development of skills that are transferable and the flexibility to move between job roles. Again, the focus is on the individual, with the onus on workers to develop their skills and networks in the workplace, so strengthening their position when they wish, or are required, to move.
- *Interactive employability*—emerging first in North America and then internationally since the end of the 1980s, and maintaining the emphasis on individual initiative, while also acknowledging that the employability of the individual is relative to the employability of others and the opportunities, institutions and rules that govern the labour market. This can be seen as implying the importance of the role of employers and labour demand in determining a person’s employability. Gazier identifies two main operational implications arising from this approach to employability: the targeting of long-term unemployed people and other disadvantaged groups by policy-makers; and the resulting focus of many Western governments on activation policies which seek to intervene to prevent long-term unemployment and labour market disadvantage.

Gazier suggests that these seven versions of the concept of employability can be identified

as emerging in three waves. The first wave, and the first use of the concept, centring on ‘dichotomic employability’, emerged in the early decades of the 20th century. Although useful for distinguishing the ‘employable’ from the ‘unemployable’ (i.e. those eligible for welfare benefits), this rather simplistic version of the concept was more an ‘emergency distinction’ than a labour market policy tool. However, a version of this concept has been raised more recently in labour market models concerning whether unemployed people may be ‘unemployable’, partly due to technological change (Saint-Paul, 1996). The second wave began around the 1960s, as three very different versions of the concept were used by statisticians, social workers and labour market policy-makers. ‘Socio-medical employability’ and the related ‘manpower policy employability’ focused on identifying and measuring the distance between individual characteristics and the demands of work in the labour market. ‘Flow employability’, limited almost entirely to the French policy literature, offered a radical alternative, focusing on the demand side of the labour market, macro-level economic change and (crucially) the absorption rate of the economy.

Gazier acknowledges that these versions of employability have now largely given way to a third wave incorporating three new formulations of the concept, originating in the 1980s and developed in the 1990s: the outcome-based ‘labour market performance employability’; ‘initiative employability’, with its focus on individual responsibility; and ‘interactive employability’, which “maintains the focus on individual adaptation, but introduces a collective/interactive priority” (Gazier 1998a, p. 300). Gazier concludes that while earlier versions of the concept of employability have fallen away, having been exposed as too static and one-sided, ‘labour market performance employability’ remains a basic component of policy evaluation (although, notably, it is not explicitly attached to any more general view of employability), while ‘initiative employability’ has retained a limited role in HRD thinking.