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# Review of Employer Collective Measures: Empirical Review

## Executive Summary 7
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Analysis › Understanding › Insight › Advice

## Purpose of the study

The aim of the Review of Employer Collective Measures (Collective Measures) study is to identify evidence on how the level, nature and quality of employer provided training may be improved.

There is a series of outputs of the study. This report provides evidence of: (i) the extent of employers' investments in training; (ii) the factors which persuade employers to train; and (iii) the barriers to training faced by employers.



## The Incidence of Employer Training Activity

There is a large statistical resource – comprised of various employer surveys – stretching back to the early 1990s which measures the extent of employer provided training in each of the four nations, the UK as a whole, and internationally. This resource provides a rich stock of evidence about training volumes and expenditure, and the reasons why employers do not train.

Over time in the UK the volume of training has been rising with an increasing percentage of employers engaging in some form of training. The most recent survey evidence for 2007 suggests that 65 per cent of employers had provided training to employees over the last 12 months. Comparative international surveys indicate that UK employers engage in training more than their European counterparts though the training they provide is often of shorter duration.

The definition of training used in surveys has become increasingly sophisticated with the inclusion of informal training which, for many organisations especially small and medium sized organisations (SMEs), is an important means of delivering learning.

Where the statistical resource is less strong is in relation to: (a) the lack of longitudinal data which will allow measurement of the extent to which employers are recurrent trainers. Cross-sectional data gives no clue as to whether training is a one-off or regular activity in the workplace; and (b) measures of training quality. Training quality is a nebulous concept but international comparisons seem to point towards qualitative differences between national training systems.

## The Facilitators of Training

Employers will engage in training because it satisfies a need within the business. That need may arise because of factors internal to the firm (i.e. where the employer's decision is largely determined by factors over which they have direct control) and those which are external (i.e. largely imposed by the external environment over which the employer has limited or no influence).



The evidence suggests that the following internal factors facilitate training:

- the **strategic choices** made by employers about their product market strategies and the mix of technology, organisation, and skill they choose to adopt. In general, higher specification, higher value product market strategies result in a higher demand for skills and training;
- bundling together appropriate **mixes of product market and human resource strategies**. The ability to realise a product market strategy is dependent upon employers investing in training their workforce, but this needs to go hand-in-hand with a range of other human resource practices which motivates employees and values their contribution;
- a perception that there are **benefits to the business** from training. There is a wide body of evidence which suggests that employer provided training benefits the business, but the extent to which this information influences employer decisions is not generally available in the evidence;
- the **normative values about training** held by employers influences their training decisions;

- **workforce planning** where employers need to engage in succession planning and manage labour turnover. The evidence suggests, for instance, that training tends to reduce labour turnover;
- where employers choose to report their investment in workforce development through, for example, **human capital accounting**, this may have an impact on training levels. For now there is no information available about the extent to which this occurs in practice.

The evidence suggests that the following external factors facilitate training:

- conditions in the **external labour markets** affect the decision to train. Where there is excess demand in the external labour market, employers are pushed towards training, but excess supply in the external labour market does not necessarily negate the need for training because some employers prefer to train their own employees;
- **social partnership and other institutional factors** act to facilitate training through engendering a joint commitment to skills and training by both



sides of industry. The impact of other institutions which have a role in providing information, advice, and guidance in relation to training on the employer's propensity to train is much more difficult to gauge;

- **funding, subsidies and other incentives** have the capacity to increase engagement in training by employers, sometimes amongst harder-to-reach employers, but there are often high levels of deadweight attached to such initiatives;
- **inter-firm collaboration**, where employers group together to engage in training, has scope to increase training levels by employers;
- **regulation and standards**, such as a statutory requirement to be qualified in a given occupation creates a demand for training. Similarly the adoption of standards – where the employer regards these as beneficial – also creates a demand for training to ensure that standards are obtained and maintained. There is, however, not much evidence about the extent to which standards, other than Investors in People (IiP), drive up training levels.

## Barriers to Training

Employers cite a lack of demand for training because all of their staff are fully trained or proficient as the principal reason why they do not provide training. The Conceptual Review[1] challenges this view on two grounds: (i) there are a number of barriers which might deter employers otherwise amenable to providing training to their employees from actually doing so; and (ii) the product market strategies employers choose leads to a level of skill demand which has the potential to be raised should a more appropriate product market strategy be selected.

The Conceptual Review identified a number of barriers to training taking place. The Empirical Review examined the evidence about the extent to which each barrier existed in practice and found the following:

- the more highly **skilled and qualified managers** are the more likely they are to develop higher value-added strategies and this in turn supports the further development of staff through training;
- there is evidence that many employers fail to recognise the need to develop a skill or human resource strategy to support their current and future **product market position**, this is especially so amongst firms with lower-value added strategies;
- some **managers have limited time** to devote to anything other than the immediate demands placed on them, hence a more strategic approach to training may be squeezed out;
- **management's social skills** and social capital can limit the development of business opportunities, but there is no evidence which has looked specifically at the social capital of managers in relation to the level of training in the establishments where they work;
- the **influence of staff** on training is often cited as a reason for not training by employers, but this finding needs to be treated with some caution. Often the context in which training is introduced and the means to introduce it explains much about employee reactions to it;

[1] Bosworth, D. (2009). Review of Employer Collective Measures: A Conceptual Review from a Public Policy Perspective

- there appears to be considerable uncertainty about the nature and quality of training available, and the value of training to the employer which may indicate that **imperfect information** acts as a barrier to training;
- it is difficult to be sure about the extent to which **capital market imperfections** inhibits training by employers. Cost is clearly signalled as a constraint on training, but there is no data which highlights the role of capital markets limiting provision;
- evidence from abroad suggests that the **complexity of the vocational education and training (VET) system** can inhibit employers' propensity to engage in training;
- there is strong evidence in all survey data and persistent over time that small firms train less. The factors underlying the reasons why small firms train less, other than the fact they have fewer people to train, are often to do with their preference for informal methods of learning which are not always captured by surveys of employers.



## Concluding Remarks

The evidence indicates that employer provided training brings about improvements in organisational performance.

Levels of training vary across the economy by size of workplace and industrial sector, and to a lesser extent by region and nation.

For training to have an impact on business performance it needs to be part of a wider set of human resource practices.

There is evidence that employers would like to invest more in training but face barriers in doing so. The characteristics of these employers vary according to their size, location, and industrial sector.

There is also evidence that should employers seek to improve their level of performance they will be faced with a skill requirement and, thereby, a training need.