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RESEARCH SUMMARY

Workplace Training in Europe

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Training and development as a part of organizational strategy is assuming paramount importance. Lisbon strategy stirred the hornet's nest and made the European Union countries initiate the steps towards inculcating the culture of learning and training on a war footing. The paper gives a brief analysis of the employee-training scenario across the European Union.

The paper refers to the Lisbon Summit, wherein the European Union countries collectively felt the necessity to take immediate measures to keep the Union on the path of development. The Union countries recognized education and training as the two inalienable ingredients of the Union's development and realized that the two sectors need to be transformed. However the dream translating into reality is not an easy job. The paper focuses on various such factors that have an effect on the activity of education and training to the employees.

The report draws a comparative analysis among the European countries, with respect to the workplace training practices.

This is a summary of the research paper "Workplace Training in Europe". The paper is written by Andrea Bassamini, Alison Booth, Giorgio Brunnello, Marva De Parola and Edwin Lenven and presented at 7th Conference of the Fondazioni Rodolfo De Benedetto, Venice, 11th June 2005. The Icfai University Press holds the copyright for the summary. All rights reserved.

As far as the provision of training in general is concerned, the paper observes that there are many countries in the Union, which register better record of workplace training when compared to the US companies, which apparently has been chosen as a benchmark against the European Union countries. The countries that have a better training track record than US include UK, France and Scandinavian countries. However, there are countries that lag behind US too, which include the countries like Greece, Portugal, Spain, Italy etc. The incidence of training has been measured on the basis of the average training participation as well as the number of hours of training per employee. Surprisingly, only three countries among the European Union registered as places in terms of better labor productivity than US, viz., Ireland, Greece and Finland.

The European workplaces are stereotyped by a few practices like 'more education; more training' etc. Such stereotype thoughts have their effect on the incidence of training. The study shows that most of the workplace training is done by employers, irrespective of the transferability of the skills to other employees. The statistics suggest that 3/4th of the total training costs are borne by the employers, with hardly any information about employees paying for their training. As an addendum to this fact, women have been observed to be taking more training than men, as the fact holds good that they (women) pay for their own training. This leads to an inference that women tend to receive less employer training than men. The observation is attributed to various reasons like marriage, child rearing etc.

The incidence of training has also been found to be effected by the size and innovativeness of the firm. The report says that the large and the innovative firms have more of training activity than the small and less or non-innovative firms. However, UK stands as a glaring exception against the rest of European Union. A similar correlation also holds to the EU at large in terms of the investment towards Research and Development (R&D). The statistics suggest that there exists a positive correlation between expenditure in R&D and incidence of training. The more is the R&D expenditure, the more is the training activity. For instance, training participation is low in Southern European countries whereas the activity is high in the countries like Sweden and France. The former spend less on R&D and the latter, more. The report also reflects a correlation between the regulations

monitoring in a country and its influence on the training activity. The observation suggests that the more regulated is the environment, the less is the training offered to the employees.

Further, the report also suggests that the incidence of training is also to a large extent determined by the equity considerations. In other words, the training preferences depend on parental background, and the family background. Hence, the individuals who come from disadvantaged European households are less likely to be preferred for the training.

Stylized Facts about Training

It has also been observed that the cross-country variations among the European countries are large. For instance, the incidence and intensity of training in Scandinavian countries are more nearly by six times when compared to the Eastern countries. Scandinavian countries are the most training-intensive countries including France and New Zealand with participation rates above 45% and more than 30 hours per employee.

The cross-country variations are also large in terms of the sponsorship for training. The numbers suggest that 80% of the vocational training courses are sponsored by employers. However in all the countries, at least 50% of the training programs are employer-sponsored. Though there is not much of variation in the incidence of training due to size or innovativeness of the firms, exception still proves the rule. The observation is that the large firms train more than the smaller ones. A further analysis reveals that the small firm employees receive around an average of seven hours of training lesser than their large firm counterparts. The participation rate of the smaller firms is also lower by 20 percentage points when compared to the large firms. However, the distribution in the UK stands as an exception. UK stands as the only country in the Union, which pays more attention to the small and non-innovative companies against the large and innovative firms.

Training and Labor Market Institutions

Apart from the demographics, another factor that influences the incidence of training is the training and labor market institutions. The report suggests that the institutional actors impacting the labor and the product market vary largely

among the European countries. The competition among the product markets is, for instance, found to be more in case of Anglo Saxon countries, whereas the protection for employment is highest among all the Southern European countries.

Unions have a significant influence on the training and development programs. The report says that a few early studies by researchers like Duncan, Stafford and Mincer found a negative correlation between the presence of unions and training activity. Similarly the other aspects like collective bargaining etc. bear a negative effect on training. However, there are evidences that support a possibility of positive influence of the Union activities on training programs. As per the report, the study carried out by Lynch, 1992, observed a positive effect of union on training in US NLSY (US National Longitudinal Survey of Youth). Similarly a few other contemporary researchers observed a positive correlation between the presence of union and the training activity among a few Australian firms where union activities are relatively stronger. Hence, it is difficult to establish a firm correlation between the union activities and the training activity.

Similar is the strength of evidence with respect to the correlation between the minimum wages and its impact on training. The report says that it actually depends on the kind of industry the employees belong to. If the market is perfectly competitive, the introduction of minimum wages will bear a negative effect on training, whereas in case of a monopolistic market it will bear a positive effect on the employer who has provided training. In other words, from this observation, one can infer that increase in wages would reduce the training. However, there have been research-based observations which spell complete contrast to this observation. The duo of Lazear and Miller, in their research found no significant correlation between the wages being paid and its effect on training.

The incidence of training is also, to an extent, determined by the nature of the employment contract. Those employees with a temporary contract with the organization are less likely to receive the work-related training when compared to those on a permanent contract. Hence the report infers that the contract-based jobs may in the long run be detrimental to the development of economy.

As has been discussed above, the quantity of education and the preference for training are positively correlated. However, the authors of the report indicate the

absence of any such report that focused on the quality of education of the employees and its impact on training.

Pensions stand as one more factor among the institutional factors that bear some influence on training. One view of assessing the effect of the pension scheme is: pensions scheme reduces employee turnover thereby increase incentives resulting in allowing the firm to recoup its investments in training from the employees. This view indicates towards a positive correlation between the pension scheme and the training activity. However, there could arise another viewpoint as well when the employees approach the retirement age. As the workers are nearing retirement, they may have two choices: Retire or continue and get trained for further contribution. The incidence on training, in case the employee chooses to continue, is determined by the tax structure of the country. The report states that the incentive for the employer to retain and train the employee is high if the implicit tax on continuing the work is low. However in general the report infers that the training incidence declines with the age and is lower than average for workers who have reached the age fifty. The decline is higher in the countries with more generous pension payments because of the higher implicit tax structure.

As far as the firm's expenditure in research and development is concerned, the incidence of training and development is higher when the spending on R&D is high. However, the degree of proportionality is lower for college graduates keeping in view, their freshly obtained knowledge from the school they attended last.

So far as the costs and benefits of training and its impact on training are concerned, the report suggests that the estimated returns to training provided are high, especially in the counties with low training incidence.

Referring to the impact of policy issues on training, the report recommends that the policies should affect the marginal benefits and costs favorably in order to reduce deadweight losses. One more crucial recommendation is that the policies should be individual-oriented rather than the firm-oriented. The equality opportunity clause should affect the individuals so that the disadvantaged employees, returns from whom are less likely, are affected with a complementary policy, like accessing good education, etc., which promise a favorable result to the employers in the long run.

Referring to the external environment, the report indicates that product and labor market reforms and regulations affect the incidence of training. In other words, though there is less evidence of incidence of regulation on training, the report suggests that less regulation enhances and encourages the human capital improvement at work, and hence has a positive influence on training. Hence, the report, in the light of Copenhagen declaration, emphasizes the role of Government in recognizing the role importance of skill improvement and thus prepares the legal framework congenial to the employee training and development.

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Salient Features of Copenhagen Declaration
<ol style="list-style-type: none"> 1. Implementation of the enhanced cooperation in vocational education and training shall be a gradually integrated part of the follow-up of the objectives report. The Commission will reflect this integrated approach in its reporting to the Council of the European Union (Education, Youth and Culture) within the timetable already decided for the work of the objectives report. The ambition is to fully integrate the follow-up work of the enhanced co-operation in vocational education and training in the follow-up of the objectives report. 2. The existing Commission working group, which will be given a similar status to that of the working groups within the follow-up of the objectives report, in future including Member States, EFTA-EEA countries, candidate countries and the European social partners, will continue to work in order to ensure effective implementation and coordination of the enhanced cooperation in vocational education and training. The informal meetings of the Directors General for Vocational Training, which contributed to launching this initiative in Bruges 2001, will play an important role in focusing and animating the follow-up work. 3. Within this framework the initial focus between now and 2004 will be on concrete areas where work is already in progress, i.e., development of a single transparency framework, credit transfer in vocational education and training and development of quality tools. Other areas, which will be immediately included as a fully integrated part of the work of the follow-up of the objectives report organized in eight working groups and an indicator group, will be lifelong guidance, non-formal learning and training of teachers and trainers in vocational education and training. The Commission will include progress on these actions in its report.
<p><i>Source: ec.europa.eu</i></p>