



Encouraging continuing training by enterprises – time for a rethink?

Despite the pre-crisis economic boom and the move to more skill-intensive jobs, levels of continuing training by Europe's enterprises are not improving overall

Everyone regards continuing training, especially that provided by employers as good, if not essential. Studies show that it can raise productivity and encourage innovation and so help improve competitiveness, market share and profitability.

Latest forecasts ⁽¹⁾ indicate that by 2020, there will be around 7 million new jobs in Europe, most of which will be in knowledge- and skill-intensive occupations. However, despite this trend, the performance of Europe's enterprises in providing continuing training for their employees stood still between 1999 and 2005, according to the latest figures from the third continuing vocational training survey (CVTS) (see box).

A point of concern is that although the data are five years old, they are the latest figures and the survey was carried out at the height of an economic boom. If enterprises are not investing heavily in their workforce when things are going well, the signs are not good for when things are going badly – like now.

European enterprises in 2005 spent less on continuing training than in 1999, particularly in Italy, the Netherlands, Finland and Sweden (however, in the case of these last three spending in 1999 was quite high). Overall, spending on continuing training per employee by European enterprises fell by more than a quarter. In Greece, spending fell by 45 % and in Latvia by 57 %. Spending increases in almost all newer Member States were unable to stop the downward trend in investment in training as overall spending remains very low compared to older European Union (EU) members.

Lower spending may not necessarily indicate worsening continuing training provision. More efficient

and effective training markets could have reduced prices and lowered expenditure. However, the trend of less spending combined with falls in other key continuing training indicators implies a lack of progress in Europe's performance.

European continuing vocational training survey

The European continuing vocational training survey (CVTS) is the only source of internationally comparable data on the volume, content, cost and management of training in enterprises.

A new Cedefop study ⁽²⁾ analyses data from the third survey from 2005 which covers all EU Member States and Norway. The survey covered enterprises with 10 or more employees in all economic sectors (excluding agriculture, fishing, mining, public administration, health, education and household services).

Comparisons with the results of the previous survey from 1999 are made where possible, but are limited by methodological changes.

Ups and downs

European countries are converging in terms of continuing training provided by enterprises. However, improvements among newer Member States have failed to offset the decline among older ones.

Figure 1 shows enterprise performance in continuing training in those Member States for which data from 1999 and 2005 can be compared. It divides Member States into three performance groups – high (above

⁽¹⁾ Cedefop: *Skills supply and demand in Europe*.
http://www.cedefop.europa.eu/EN/Files/3052_en.pdf

⁽²⁾ Cedefop. *Employer-provided vocational training in Europe*.
http://www.cedefop.europa.eu/EN/Files/5502_en.pdf

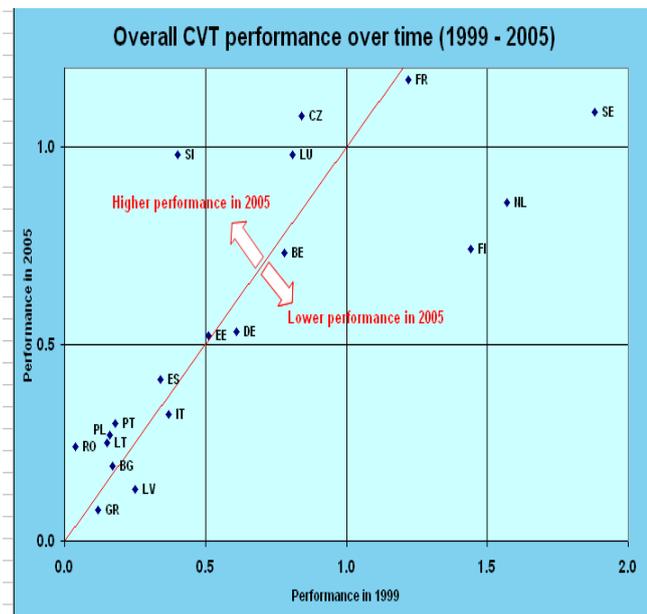
1.0 on the scale), medium (between 0.5 and 1.0) and low (below 0.5).

Performance is measured by the 'surface measure of overall performance' or 'SMOP', an index combining the following four dimensions of continuing training:

- (a) incidence: numbers of enterprises providing any type of continuing training;
- (b) participation: numbers of employees in enterprises participating in continuing training courses;
- (c) intensity: total number of hours of continuing training courses for every 1 000 hours of work;
- (d) expenditure: total costs of continuing training courses as a proportion of total labour costs. (Total costs include the direct costs of arranging and attending courses plus contributions to minus money received from various training funds.)

Performance is benchmarked with the best performing country for each dimension in 1999.

Figure 1: Overall continuing training performance 1999-2005



The three groups have remained fairly stable between 1999 and 2005, but with some ups and downs as some Member States have changed groups.

Of the four high performers in 1999, only France and Sweden remain at the top. Even so, Sweden's overall performance dropped significantly. In France a fall in the number of hours of training caused its overall performance to slide. In the Netherlands and Finland, although participation in continuing training remains relatively high, in both countries the number of hours

of and expenditure on continuing training fell. Among the medium performers, Belgium and Germany both slipped a little.

More positively, the Czech Republic, mainly due to an increase of 17 percentage points in participation in continuing training in 2005, compared to 1999, joined the high performers. Participation in Luxembourg also showed a big increase of 13 percentage points. Slovenia showed the biggest overall improvement, moving from a low to borderline high performer. Although still in the same group, most low performers improved between 1999 and 2005. Romania, the lowest performer in 1999, has improved in all dimensions. The lowest performer in 2005 is Greece. Almost bottom in 1999, its performance weakened further.

In 2005, 39 % of enterprises in the EU did not provide continuing training for their employees, the same figure as in 1999. In 2005, these 'non-trainers' ranged from 15 % in Denmark to 79 % in Greece. Overall, the number of enterprises providing training fell in Member States from northern and western Europe, but rose in those from the south and east.

Sticking with courses

Different types of non-formal and informal learning are seen as being increasingly important for the future. However, between 1999 and 2005 in most European countries, enterprises do not appear to have provided more 'other forms' of continuing training, for example, work-based learning. Continuing training courses remain the preferred way of upgrading employee knowledge, skills and competences.

The balance between continuing training courses and other forms of training has not changed between 1999 and 2005. In all Member States, except Denmark, participation in courses is notably higher than in on-the-job training, the most popular type of training after training courses. Even in countries where the proportion of enterprises that provide other forms of training is relatively high, participation rates are well below those for training courses.

The survey does not support the view that small enterprises provide other forms of training more frequently than courses. This suggests that other forms of training do not replace courses but complement them.

Why don't enterprises provide more continuing training?

Given the possible benefits of training, the trend towards more knowledge- and skill-intensive jobs and the influence of technology on job content and work processes, why do enterprises not provide more continuing training for their employees?

The most common reason enterprises give for not providing training is that they see no need. This reason is more common than lack of time or cost (except in Bulgaria, Latvia, Lithuania and Romania where cost remains a significant obstacle). The 2005 survey confirms the findings in 1999 that a large proportion of enterprises do not believe it necessary to invest in the skills of their workforce.

This is rather worrying as with fewer young people entering the labour market the focus is on the existing workforce to update and broaden its skills.

With continuing training, size does matter. In all countries, small enterprises are less likely to train than large ones. However, in countries such as Denmark and Austria this gap is small compared with some southern and eastern Member States. At European level, small enterprises spend 0.7 % of total labour costs on continuing training courses, compared to 0.8 % in medium-sized enterprises and 1.0 % in large ones. Estonia is the only country where small enterprises spend slightly more than large ones.

Enterprise size, rather than economic sector, also strongly affects the extent to which enterprises put structures in place to manage continuing training. Not surprisingly, enterprises that have structures in place provide more continuing training for their employees. Around 73 % of large, but only 36 % of small enterprises that provide continuing training have a person or unit in charge to manage it.

Although their involvement in training management is limited to general issues like objective setting, there is evidence that employee representatives and agreements between social partners have a positive effect on participation in and the number of hours spent on continuing training. However, in the EU, only around 12 % of enterprises providing continuing training reported about collective agreements between social partners that cover continuing training. This figure ranges from 2 % in Poland to 27 % in Denmark. In most of the selected countries, the proportion of enterprises providing continuing training where

employee representatives play a role in managing continuing training is below 10 %. Italy has the highest rate at just above 20 %.

Do incentives for continuing training work?

All Member States provide incentives for continuing training provision. The survey looked at financial subsidies for the costs of training, tax relief on training expenditure, publicly-funded advisory services, procedures to ensure the training standards and the provision of recognised frameworks and standards for qualification and certification.

In terms of encouraging enterprises that do not provide continuing training to change their ways, the incentives appear to have little effect.

According to the survey, in nearly all Member States, most enterprises do not change their behaviour over time. Enterprises will either continue to provide continuing training or they will not. However, results for selected countries show that about 20 % of enterprises are 'incidental trainers' who do change their attitude towards continuing over two years. Incidental continuing training is more frequent in small and medium-sized enterprises than in large ones (who are more likely to provide training anyway).

In looking at enterprises that already provide training, the survey indicates that they see the effects of incentives as rather patchy.

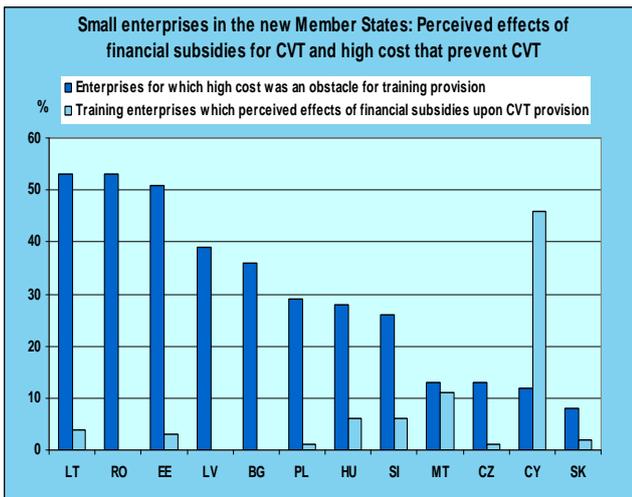
Only 36 % of EU enterprises that provide continuing training stated that their training planning, policy and practice were influenced by at least one of the measures. Incentives were seen as more helpful in Belgium, Greece, France, Cyprus, the Netherlands and Portugal where the figure was 50 %. However, incentives were seen as less influential in Germany, Estonia, Lithuania and Romania, where the figure was 20 % or less.

Incentives appear to have more effect on large and medium-sized enterprises than small ones. This is the case in all Member States, but the disparities between large and medium-sized enterprises that take up incentives and small enterprises that do not is particularly high in some Member States from the south and east of Europe.

Few enterprises, particularly those in newer Member States (except Cyprus) and small enterprises

throughout Europe, feel that financial subsidies have an effect on the continuing training they provide for their employees. This is despite many enterprises in newer Member States citing the high cost of continuing training as a reason for not providing it. In fact the more that cost is a barrier, the less effective subsidies appear to be (see Figure 2).

Figure 2: Perceived effects of financial subsidies and high continuing training cost



This is rather disappointing as many financial incentives aim to encourage small enterprises to carry out more continuing training.

Policy changes?

From a policy perspective, the survey argues that it may be time to rethink strategies to encourage continuing training and lifelong learning in enterprises.

A key issue is the high proportion of enterprises that do not train despite the very clear trend towards more knowledge- and skill-intensive jobs and an ageing workforce. Enterprises, of all sizes and in all sectors, need to be much more aware of their skill requirements. Even among those enterprises that provide training, only 26 % assess their future skill needs. Enterprises need cost-effective tools to forecast skill needs more regularly and accurately.

Despite costs being a clear problem in newer Member States, the problems of cost and time appear secondary to that of assessing skill needs. Costs of continuing training are cited as an obstacle more often by large than small enterprises.

The bigger use made of incentives for continuing training by large rather than smaller enterprises is a sign that the problems that small enterprises face in providing training for their employees are not being addressed adequately. As small enterprises are less likely to provide training for their employees, it seems that incentives are not sufficiently well targeted.

The 2005 survey also indicated that public advisory services need to improve as they do not have much influence on the amount of continuing training an enterprise provides. To benefit from incentives, enterprises need comprehensive information about them, including eligibility criteria and application procedures. Lack of information and bureaucracy may be particular hurdles for small enterprises.

Policy measures should also consider differences between enterprises that, as a rule, do not provide continuing training and are unlikely to change their behaviour and 'incidental trainers', who just might be encouraged either to provide, or invest more in continuing training. In comparison, incidental trainers emphasise more often obstacles such as time, difficulties with assessing training needs and the lack of courses as reasons for not providing training. Perhaps, more targeted incentives for incidental trainers would be more effective in getting them to provide training more regularly.

A bigger role for the social dialogue and involvement of more employee representatives may also encourage more continuing training.

The 2005 survey is a clear signal that, although the case for providing continuing training and the benefits it can bring is strong, it needs to be clearer and more compelling. Enabling enterprises to see their own skill needs more clearly could help to do that. Incentives to encourage training also need to be more sophisticated to overcome the obstacles that hold back investment in training, particularly by small enterprises.