WHAT DO WE KNOW ABOUT TRAINING AT WORK?

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There has been renewed interest in recent years in education and training as instruments for economic progress, fuller employment and social integration. This coincides with a new emphasis on the need for 'life long learning', to respond to changes in the organisation and technology of production and service delivery and to counter the socially disruptive effects of increased labour market flexibility. In this context, the role of job-related training is of particular importance. Philip O'Connell and Jean-Marie Jungblut* review the available empirical research on the subject of workplace training and how it affects individual earnings and career development, as well as wider organisational performance.

In-career training is highly stratified:

- the employed receive more training than the unemployed, who in turn receive more training than those not economically active,
- those with higher skills, or educational attainment are more likely to participate in training, including employer-provided training,
- larger firms, and those that pay higher wages are also more likely to train their employees,
- part-time workers, those on temporary contracts and older workers are less likely to receive training.

These patterns of participation suggest that those with the greatest need for training tend to receive less of it, while those with higher education and skills are likely to receive more training.

The dominant theoretical framework informing most research on training has been the human capital approach. This assumes that individual workers undertake training, and employers invest in training, on the basis of their estimates of future returns (including employment prospects, wages and productivity gains). The human capital approach emphasises the distinction between "general" training – of use to both current and future employers – and "specific" training, linked closely to the current job and of use only to the current employer. In this approach it is expected that employers will not pay for general training, because they cannot recoup the cost – other employers would be free to "poach" trained employees and reap the benefits of enhanced productivity. If, as a result of this market failure, employees have to pay the full cost of general training – whether directly or through reduced wages – it is likely that there will be under-investment in training. However, empirical evidence tends not to support

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this hypothesis. The empirical literature has found that the theoretical distinction is difficult to operationalise; and that many employers pay for *both* general and specific training. Research findings from Germany, Ireland, Sweden, the UK and the US show that the vast majority of job-related training appears to be employer paid, at least partially.

What accounts for this? The human capital approach is based on the expectation that workers who receive general training are more mobile. But workers in organisations that invest in general training may tend to stay longer with the firm if they interpret the provision of general training as part of a long-term contract within which skills are likely to be upgraded. This may have particular relevance in the knowledge economy: "training firms" may be more attractive to employees and they may use training as a recruitment or retention strategy.

Most empirical work suggests that there are positive wage returns to training. However, when selection effects are controlled for the returns are frequently found to be small or even non-significant. There is some evidence that the benefits of training are shared more or less equally between employers in terms of productivity and employees in the form of wages. Comparative research on European countries finds that training, both on- and off-the-job, increases current earnings growth, although this earnings growth is likely to be temporary. A further finding is that the wage returns may be higher among those with low propensity to participate in training (such as those with low educational attainment). This could be due to selection effects, but may also be due to higher returns to training among those with poor qualifications who nevertheless work in the primary segment of the labour market or in 'good' firms, where the average stock of human capital is high.

While stratification in access to training participation may be universal, further research is needed on variations in access. Institutional characteristics of national labour markets may be important here. National wage setting arrangements that give rise to compressed wage structures may increase training, particularly general training. Where compressed wage structures coincide with strong employment protection legislation, giving rise to lower labour mobility, then the incidence of training may be higher but with lower returns to training. Such considerations may help to explain why earnings have become more dispersed in some countries than others (e.g. the US versus many European countries).

While there is a wealth of research on the labour market effects of initial education, research into the effects of training of employed workers is a developing field. Crucial questions remain to be addressed, particularly with regard to longer-term effects of training on employment security and career progression.

*Philip O'Connell and Jean-Marie Jungblut "What do we know about training at work?" in K.U. Mayer and H. Solga. (eds), *Skill Formation: Interdisciplinary and Cross-National Perspective*, Cambridge: Cambridge University Press.