Intelligence Investment Impact

The impact of the 2008-09 recession on training at work

(Second interim report from October 2010 to October 2011)

Briefing Paper

May 2012

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UK COMMISSION FOR EMPLOYMENT AND SKILLS

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Views expressed by the authors of this Briefing Paper are not necessarily those of the UK Commission for Employment and Skills.

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1 Introduction

This project focuses on how training activity in the UK has fared in the 2008-09 recession. Using a combination of statistical analysis of large-scale surveys and in-depth telephone interviews with 105 employers, we are examining, *inter alia*: How the 2008-09 recession has affected training activity in the UK – in terms of its incidence, intensity and quality? What explains the diversity of employers' training responses? How the nature of training activity has changed? How the pattern of these responses compares with responses given during the last recession in the UK in 1991-92?

Our initial answers to these questions were contained in our First Interim Report written in September 2010. These answers were subsequently presented to the ESRC and UKCES for discussion in October 2010. In this Second Interim Report, we provide an update to the activities we reported last year. It therefore comprises updates to our analysis of: the Quarterly Labour Force Survey (QLFS); the National Employer Skills Survey (NESS) 2009; and our qualitative telephone interviews with employers. These form the substantive parts of the Report, but each is work in progress and accordingly, the updates vary in length. The section which extends data already presented in detail is relatively short (QLFS) compared to longer sections which provide more in-depth analysis of data only briefly presented previously (NESS) or on qualitative material relating to the public sector which has not previously presented at all.

The Report ends with a conclusion which contains the headline findings and therefore provides a quick summary of the research to date.

2 What do the Quarterly Labour Force Surveys tell us?

2.1 Introduction

In our First Interim Report we presented data from the Quarterly Labour Force Survey (QLFS) in order to examine what the impact of the 2008-09 recession has had on training activity in the UK. The QLFS asks respondents whether they have had 'any education or any training connected with your job, or a job that you might be able to do in the future' in the four weeks before interview. When the responses to this question are placed in an historical context, we showed that from the mid-1990s the training rate for those in employment rose steadily, peaking in 2001 and 2002 at around 15 per cent, then falling slowly. By the start of the 2008-09 recession, the participation rate had fallen close to where it had been in the mid-1990s, at around 13 per cent. On this basis, we concluded that the 2008-09 recession is largely invisible in these data, with the slow downward participation trend continuing throughout the preceding decade. A similar picture of rise and fall also characterizes the participation rate of those not in employment, although in this case the peak was reached in 2005.

However, recessions have lagged effects with their impact coming well after they have technically ended. This may mean that early conclusions are overturned as more up-to-date evidence becomes available. To examine this proposition, we have extended all of the data series first presented in September 2010 in preparing this Report. As a result, we have added four further data points to the series which now ends in the first quarter of 2011. For reasons of data unavailability, however, we have been unable to extend the series beyond this point, but we will do so as soon as the data are released.

In this section of the Report, we provide updates to the data provided in our First Interim Report as well as highlighting three specific on-going trends. These are: changes in the proportion of training carried out off-the-job; how training participation has fared in the public and private sectors; and changes in the average duration of training. We also compare the impact of the 1991-92 recession on training using the same data series. The section is therefore organized around: (a) adding new points to the data series; and (b) comparing the 2008-09 recession with that of 1991-92. The section ends with a summary. The figures referred to in the text can be found at the end of the section.

A final analytical report, drawing together the findings from two interim reports, of which this is the latter. It will also update the trends presented here, provide further analysis of some of these datasets, and examine whether employers' training intentions have

changed over the course of the post 2008-09 recession period. It will be presented to the UK Commission for Employment and Skills and Economic and Social Research Council later in 2012.

2.2 Updating previous report

Have our earlier findings been overturned by more recent data? The short answer is 'no'. Figures 2.1 to 2.8 update those presented in our First Interim Report. They confirm our original conclusions that the effect of the 2008-09 recession on training has not been as dramatic as had been feared when the crisis broke in late 2008. The same trends have continued for another four quarters. The headline finding is that the 4-week training participation rate for all those in employment has continued its slow decline, reaching 13 per cent in the first quarter of 2011, the rate that was last seen in 1996 when participation was on the rise (see Figure 2.1).

However, in this Report we highlight three specific ongoing trends, with respect to off-the-job, the differences between sectors and the length of training episodes. First, the QLFS data show that the proportion of training carried out off-the-job has continued to fall. Figure 2.7 shows that the decline was a little accelerated in the course of the recession, but is part of a much longer secular decline. In our previous Report, we suggested that this was because employers were finding it more efficient to bring training in-house – this was confirmed by our qualitative interviews with employers. As a result, they were doing more on-the-job training, which was cheaper as measured by fees paid or production time losses. Our extended data series shows that the accelerated decline in the proportion was only a temporary phenomenon and has not continued. However, the reasons for the long-term switch away from off-the-job training remain to be fully understood. In particular, it is not clear whether this has implications for the quality of the training provided.

Traditionally training levels have been much higher in the public than in the private sector – in some years at nearly twice the rate (see Figure 2.8). Moreover, the long decline in training participation can be seen in both sectors. However, during the recession period training appears to have fallen at a somewhat greater rate in the public sector. Indeed, private sector training held its own between 2009 and 2010, rising marginally from 10.6 per cent to 10.7 per cent, while in the public sector training participation fell from 20.5 per cent to 19.6 per cent over the same period. This finding has led us to concentrate rather more of our qualitative research on establishments in the public sector (see Section 4).

Yet, if there is to be a collapse in public sector training, this is likely to be seen in the coming year and subsequent periods, when fiscal constraints begin to bite ever more

tightly according to the forecasts and plans. As yet, there is nothing dramatic that can be seen in the aggregate statistics. For the first quarter of 2011, public sector training rose to 21.3 per cent. Rises were seen in all three sectors where public sector workers are mainly concentrated: public administration, education and health.

For a number of years the average duration of training, among those in work who participated in training, has been slowly and steadily declining. As can be seen, there was a hint of an accelerated reduction in training hours in the midst of the recession, as judged between the second quarters of 2008 and 2009 (see Figure 2.9). In the subsequent 12 months, however, there was a small rise in training duration, enough to bring it back to approximately the same point it would have approached should the steady decline of earlier years have continued at the same rate. We await with considerable interest the data for the second quarter of 2011, which should reveal whether the medium-term decline in training duration is continuing. However, for the moment there is no evidence of any major blip in training duration as a direct result of the recession; rather, the fall is part of a longer-term trend. This decline in duration comes on top of the medium-term decline in the participation rate referred to above (see Figure 2.1).

2.3 Making comparisons

We said that we would also, in this project, re-examine the dynamics of training participation in the previous recession in Britain that began in 1990. In earlier work (Felstead and Green, 1994), it was found that the numbers receiving training fell between the Spring of 1990 and 1992, but that most of the fall was attributable to a fall in employment. The 4-week training participation rate among employees also fell, but only by just less than a percentage point, from 15.4 per cent to 14.5 per cent. But to what extent was this part of a longer term decline as in the current recession?

We sought to re-analyse the data from the early 1990s recession in order to gain a slightly longer-term perspective than was apparent in that work. Unfortunately, some data problems surrounding the early history of the Quarterly Labour Force Survey (QLFS), and subsequent revisions, prevent a completely new analysis. In 1992, the QLFS began, replacing the Labour Force Survey (LFS) which had been undertaken only every Spring quarter (March to May) for many years previously. In recent years the sequence has been replaced by four consecutive quarters, beginning in January, and the data in the archive reorganized accordingly. The result is that there is no available data for the first quarter of 1992; while subsequent quarters, and all quarters in the following years, refer to different months of the year from the Spring months that had been collected hitherto. The difference between quarters matters substantially for a variable like training, which exhibits considerable seasonal variability. For subsequent years, to

obtain comparable data with the 1980s surveys, one has to splice together the first two quarters of each year, and utilize an identifier of the interview date to pick up those carried out between March and May. This would be possible, if tedious, to carry out. However, a yet further problem is that, in the second quarter of 1994 the four week participation question was altered, by introducing a pre-cursor question about participation in the previous 13 weeks. This introduced a discontinuity in the series, as the 4-week participation rate blipped downwards, something that caused some consternation at the time. The combination of this break in the series, and the lack of an archived edition of the early 1992 data, make the assessment of just how bad was any drop in training quite problematic.

Fortunately, in another study carried out at around the same time, we published consistent figures for the training in the Spring of each year from 1984 through to 1992 (Felstead *et al*., 1999). Figure 2.10 charts the training participation rate for employees. At that time, as at the beginning of the latest recession, there were widespread assumptions that training would collapse in the recession. As is demonstrated, that turned out not to be the case in that recession. Nevertheless, there appears to have been a small effect in that the above-mentioned fall of nearly a percentage point in the training participation rate came on the back of a sharply rising trend in training participation at that time.

2.4 Summary

The addition of four data points to our series which captures the period well after the 2008-09 recession officially ended in the third quarter of 2009 has not altered the picture we presented in our previous Report. Training appears to have held up well in the recession. In fact, training participation has been declining, albeit slowly, over the last decade. Other headlines are listed below:

- The proportion of training carried out off-the-job has continued to fall. Although the pace of change accelerated in the recession, additional data shows that this acceleration was only a temporary phenomenon and has not continued.
- The long decline in training participation can be seen in both the public and private sectors. However, during the 2008-09 recession training appears to have fallen at a somewhat greater rate in the public sector. Nevertheless, training rates are much higher in the public than in the private sector – in some years, the rates in the public sector are almost double of those in the private sector.
- For a number of years the average duration of training, among those in work who participated in training, has been slowly and steadily declining. The pace of change

accelerated in the recession, but it has subsequently returned to its long-run path. Once again, in this respect the recession does not appear to have permanently made things worse.

- Both the recessions of 1991-92 and of 2008-09 appear to have done little to change training activity for those in work. However, the small drop in training participation in the recession of the 1990s occurred after a period of sharply rising participation rates. This is in contrast to the situation today where similar falls have come on the back of a slow decline in participation rates.

Figure 2.1 Training rate, by employment status

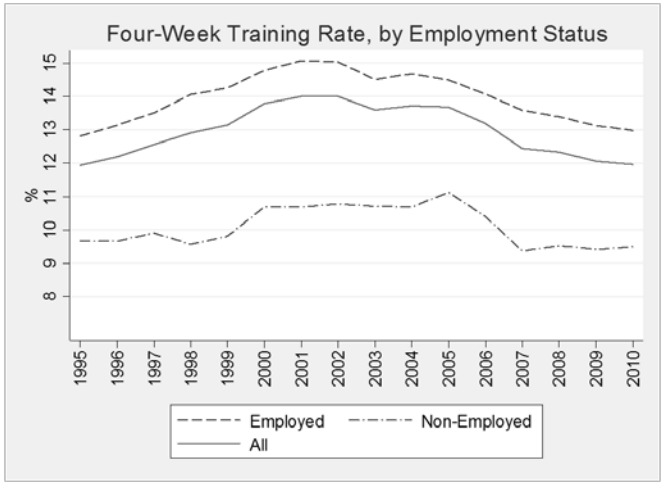


Figure 2.2 Training rate: all persons

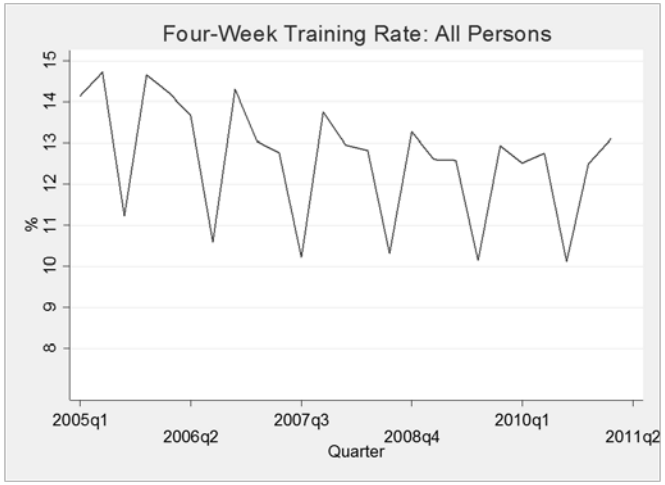


Figure 2.3 Training rate, by age group

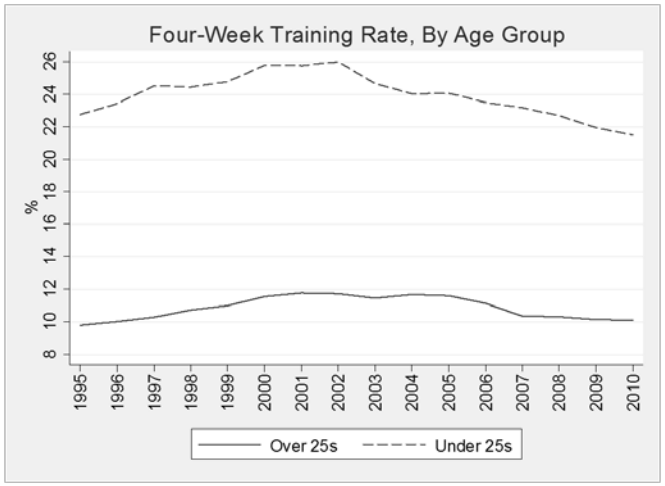
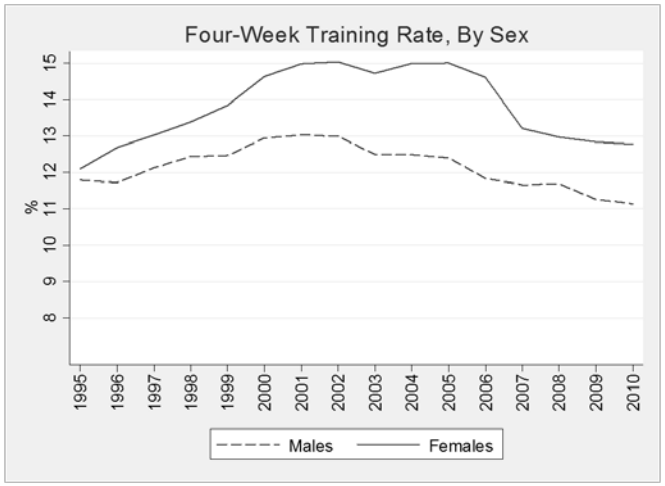


Figure 2.4 Training rate, by sex



Notes: All persons aged 16 to 65. 'Training' is indicated by 'any education or any training connected with your job, or a job that you might be able to do in the future'; the period covered is the previous 4 weeks. Source: QLFS; authors' analysis

Figure 2.5 Employment rate of young people

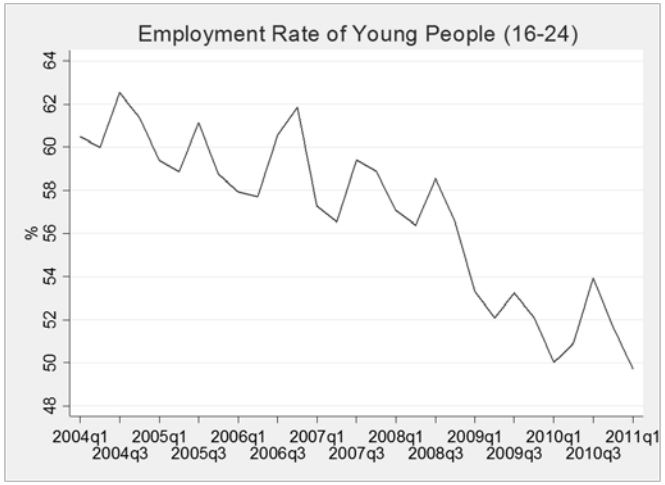


Figure 2.6 Apprenticeship participation rate

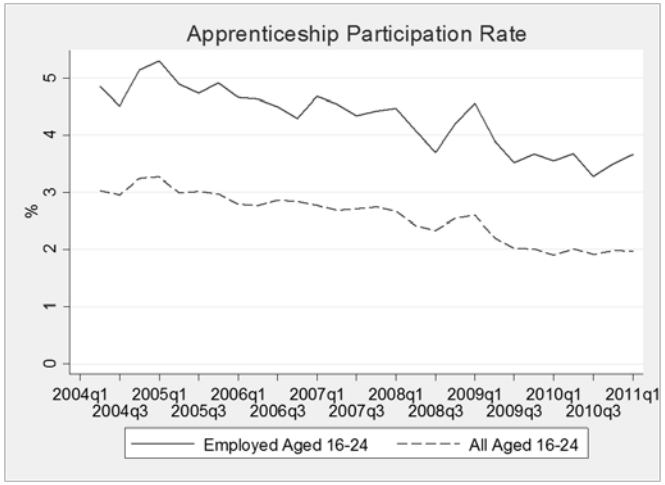


Figure 2.7 Proportion of off the job training

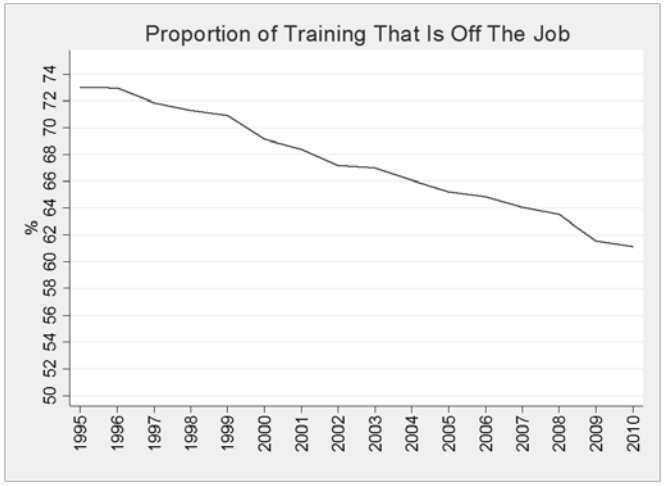
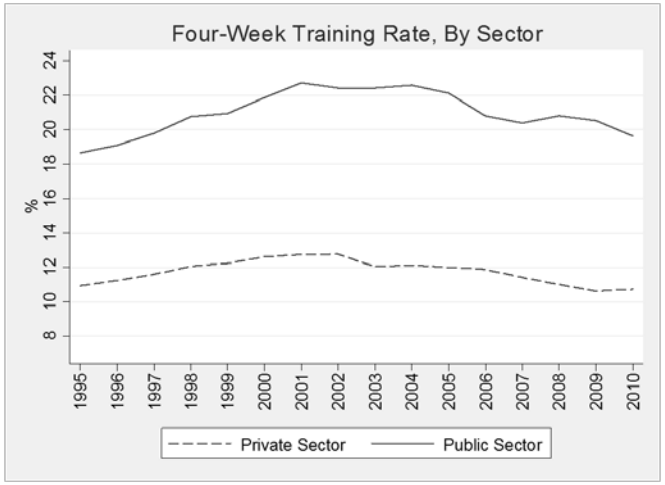


Figure 2.8 Training rate, by sector



Notes: All persons aged 16 to 65. 'Training' is indicated by 'any education or any training connected with your job, or a job that you might be able to do in the future'; the period covered is the previous 4 weeks. Source: QLFS; authors' analysis.

Figure 2.9 Training hours for trainees at work

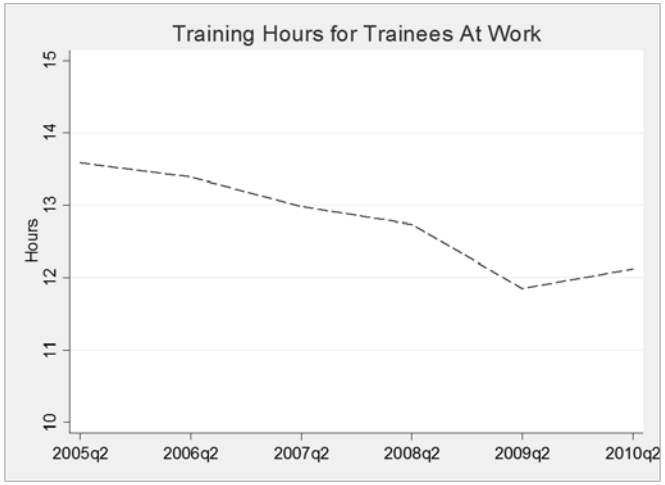
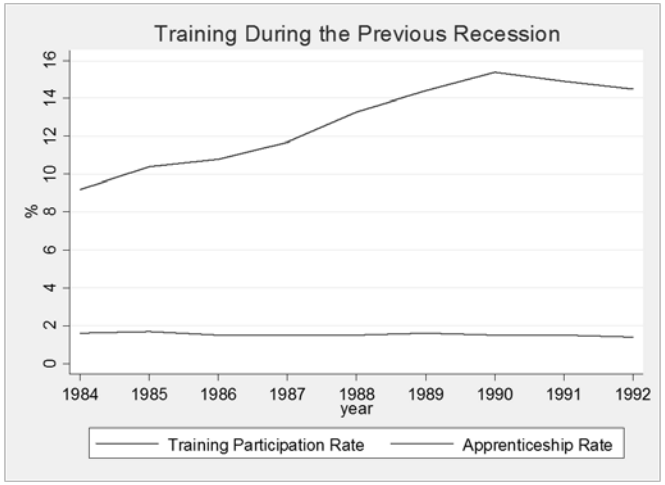


Figure 2.10 Training during the previous recession



Notes: All persons aged 16 to 65. 'Training' is indicated by 'any education or any training connected with your job, or a job that you might be able to do in the future'; the period covered is the previous 4 weeks. Source: QLFS; authors' analysis.

3 What does the National Employer Skills Survey tell us?

3.1 Introduction

In a stark warning to UK employers in the early part of the 2008-09 recession, the UKCES pointed out that 'firms that don't train are 2.5 times more likely to fail than those who do!' (UKCES Open Letter to UK employers, 23 October 2008). This was based on research which showed that while 15 per cent of establishments closed down between 1998 and 2004, the figure rose to 27 per cent of establishments which offered no training to their employees compared to 11 per cent of those which did ceteris paribus (Collier et al., 2007). This was put down to poor judgement by managers who had given insufficient thought to the benefits of training and paid the ultimate price by going out of business. The aim of this part of the project is to examine whether the recession has dented employers belief in the benefits of training as evidenced by their reported behaviour and, in particular, to provide insights into the distinctive characteristics of those employers who were cutting back on training in order to make short-term savings (cf. Hutton, 1996; Pendleton and Gospel, 2005).

The analysis presented here also sheds light on a number of important questions of particular relevance for the UKCES which is charged with remaking and refreshing the business case for investment in training (UKCES, 2011). This section of the Report addresses a number of research questions which have relevance to both the academic and policy-making communities. What impact has the recession had on the extent and nature of employers' training activity? Is their reaction related to their anticipated future skill needs and their recent recruitment patterns? To what extent have their training activities been constrained by tightening budgets and difficulties in releasing staff, and have these constraints tightened in the recession? Do outside pressures such as the nature of the product markets they face serve to heighten or reduce the importance of placed on training and hence protect or expose training to short-term economic change? How important are formal management practices to the resilience or otherwise of training in the recession? Does the sector, governance or main purpose of the establishment modify the impact that the recession has on training activity?

3.2 Methods

In our First Interim Report we presented UK-wide employer data from the Confederation of British Industry (CBI) and the British Chambers of Commerce (BCC) alongside data from the 2009 National Employer Skills Survey (NESS), which focused on employers in

England. In this Second Interim Report, we update that analysis by focusing in detail on the 2009 NESS since it provides the most robust basis on which to examine the distinctive characteristics of employers who report that they increased, decreased or maintained their training activity (training expenditure per employee and training coverage) as a result of the recession. Initially, bivariate comparisons between the three groups are presented, followed by multivariate analysis which identifies the main correlates of employers' different responses to the recession. Both sets of findings are presented in a series of tables with an accompanying textual commentary.

3.3 Bivariate findings

The 2009 National Employer Skill Survey was carried out during the period March to July of that year with over 79,000 employers taking part (Shury *et al*., 2010) throughout England. Respondents were asked to reflect on the effect of the recession on various aspects of training. In line with the CBI and BCC series they were asked whether the recession was positive (i.e., it had 'increased' the issue under discussion), negative ('decreased') or if had made no difference ('stayed the same'). The issues covered included:

- training expenditure per head;
- the distribution of training among the workforce;
- the use of external providers;
- the use of informal learning;
- certified training;
- the recruitment of apprentices and new trainees;
- the recruitment of young people;
- the number of staff employed.

Our main focus here is on the first two questions which relate directly to training activity funding or arranged by the employer (only those reporting carrying out such training in the last 12 months are asked about the impact of the recession on training, see later discussion).

According to this evidence, around a third of establishments reported that no training was undertaken in the last 12 months and a further half reported that the recession had not changed training expenditure per head or its coverage ('stickers'). However, one in twelve (8.2 per cent) establishments reported they had narrowed the coverage of training as a result of the recession and around one in eight (12.8 per cent) reported reducing

training expenditure per capita ('cutters'). On the other hand, around one in twenty reported increasing their training activity ('boosters'). In this Report, we categorize training employers according to their reported responses to the recession as well as presenting data on the characteristics of employers who did not fund or organize any training in the 12 months prior to interview ('non-trainers').

Not surprisingly, the other recession-focused questions are strongly correlated with our training typology. So, among expenditure cutters, 57.5 per cent reported reducing their use of external providers and 43.0 per cent reported reducing training which led to a qualification (see Table 3.1). These figures are even more pronounced for coverage cutters – with the proportion rising to 64.9 per cent and 53.1 per cent respectively (see Table 3.2). This suggests that changes to the nature of training as measured by the mode of delivery and its outcomes are strongly related to changes in the amount of training activity.

However, with regard to future skill requirements and recent recruitment patterns, the greatest contrasts are between non-trainers and trainers. Whereas only around a quarter of the former reported that employees would need to acquire new skills or knowledge over the next 12 months, around half or more of training employers reported that new skills or knowledge would be required by workers. Among employers who trained the differences between those who cut back, maintained or increased training as a result of the recession were modest by comparison. For example, one of the largest contrasts was between two-thirds (67.4 per cent) of training expenditure boosters who reported that employees would need to acquire new skills over the next year because of the development of new products and services compared to over half (56.2 per cent) of those who reported cutting training as a result of the recession. A similar pattern of a sharp non-trainer versus trainer contrast applies to the recruitment of young people and apprentices with more muted variation between cutters, stickers and boosters.

Both the recession-related questions and those on training activity are backward looking – one eliciting recall of the impact of the recession, the other recall of training activity over the last year. Both sets of questions therefore map onto one another as expected, and therefore provide construct validity for the three-fold classification used here. For example, around two-thirds of employees (67-68 per cent) who worked for boosters were in receipt of training the year immediately before interview compared to three out of five (61-62 per cent) of those employed by training cutters, with training propensity among stickers in between (64-65 per cent). The average number of days per trainee follows a similar pattern (see Tables 3.3 and 3.4). The propensity to use training providers – colleges, universities or others – also varies as one would expect, with boosters more

likely than cutters to report usage in the last 12 months. Similarly, satisfaction levels of users are lower among cutters than either stickers or boosters.

Expenditure and coverage cutters are also distinctive in that around two-thirds of them reported that their training efforts over the previous 12 months had been constrained compared to a half of those who had boosted training as a result of the recession. Furthermore, lack of funds rather than an inability to allow staff time off was the most frequently cited cause of restraint among cutters whereas for stickers and boosters neither restraint was predominant.

Although the proportion of establishments offering training changed little either side of the recession, there was a sharp rise in the proportion of employers reporting that they wanted to do more – rising from 41.0 per cent in 2007 to 46.5 per cent in 2009 (see Table 3.5) – suggesting that more were facing limitations on their training activities. Furthermore, within this two year period, those citing a lack of funding rose substantially from just under a half (48.7 per cent) to around three-fifths (60.2 per cent) (see Table 3.5).

The foregoing suggests that our four-fold categorization of employers according to whether they provide training or not and if so whether this activity has been cut, sustained or increased as a result of the recession has construct validity. The more substantive research question is: how can we explain why employers take one of these approaches or, more realistically in cross-sectional data, what are the most significant correlates. The first step in the process is to cross-tabulate some of the data.

While recessions are technically defined as a period when the economy shrinks for at least two consecutive quarters, recession dating is open to some debate. For example, the National Bureau for Economic Research (Hall *et al*., 2003) uses a definition which dispenses with the two-quarter rule, takes into account the depth as well as the duration of the decline in economic activity and uses a broader array of indicators than just real gross domestic product (GDP). One of these indicators is the level of unemployment which has also been used to date when recessions start and finish in different parts of the UK (e.g., Artis and Sensier, 2010). The NESS survey carried out in 2009 asked employers a direct question about the effect the recession had had on employment levels. Around a quarter (24.8 per cent) reported that it had caused them to reduce staffing levels, two-thirds (65.6 per cent) reported making no change to their staffing numbers and one in twelve (8.7 per cent) reported that they had increased staffing because of the recession.

There are several reasons one might expect training to fall in recession. First, employers are likely to begin to reduce their workforces by laying off workers, freezing recruitment or reducing numbers of new entrants who require initial training. Firms' training requirements will, therefore, be lowered (Majumdar, 2007), hence reducing training spent per employee and/or narrowing the proportion of employees in receipt of training. Secondly, short-term economic pressures may heighten the need for short-term, quick-fix, financial solutions, resulting in cuts to 'soft targets' such as training budgets leading to reductions in per capita expenditure and a narrowing of its focus. Furthermore, in a deep and prolonged downturn – such as the 2008-09 recession – these reasons are likely to grow in importance. In these circumstances, for example, labour hoarding becomes less and less viable as employers' expectations of future production are scaled back and the future costs of hiring ready-trained workers fall (Brunello, 2009).

The survey evidence bears this out. Among those reporting cuts to their training expenditure per capita almost three-fifths (57.9 per cent) also say that they reduced staffing levels compared to less than fifth (17.4 per cent) of those who boosted expenditure (see Table 5). In terms of training coverage, the pattern is even stronger with over two-thirds (69.2 per cent) of cutters also reducing staffing compared to around a fifth (20.5 per cent) of boosters (see Table 6). The reverse also applies with increases in staff numbers being closely correlated with boosts to training expenditure and coverage (0.32, $p<0.01$). However, non-trainers and stickers reported that the recession had had a similar impact on staffing levels – around three out of ten such employers and a third to a quarter of training cutters (depending on the training measure) said the economic downturn had had no effect on staffing levels compared to around half of training boosters. Nevertheless, the non-trainers differed slightly from the stickers in that the former were more likely to report that the recession had prompted cuts to the number of staff employed and vice versa.

A strong theme in the literature is the link between product market pressures and skills use and their development. The argument is that in order to operate in some product markets, investment in training is a prerequisite for success and even survival (Collier *et al*., 2007), whereas if the product is simple and barriers to entry are low more emphasis is placed on the cost per unit. The expectation is that training may be more (or less) at risk from the impact of the recession according to the type of market faced. Data on the nature of the product market was collected in the 2009 NESS which allows us to this hypothesis (similar but not wholly comparable data was also collected in the 2001 Employers Skills Survey, see Mason, 2011).

We therefore examine the extent to which the nature of the product market – measured here by the emphasis placed on volume production, price competitiveness and market leadership – mediates the impact of the recession on training activity. Subjective questions which ask respondents to compare the establishment they represent with the others in the industry tend to produce results skewed towards socially desirable responses. In this case, it is more socially desirable to indicate that the establishment is nearer to the statement that the establishment 'often lead[s] the way' in product, service or technique development than it 'very rarely lead[s] the way'. There is therefore a positive skew in the responses given. Nevertheless, overlaid over this general pattern is a relationship between the 'quality' of the product market and the training outlook of employers. So, for example, establishments which operate in 'very high quality' or 'high quality' product markets make up a growing proportion of establishments as we move from non-trainer and then through cutters, stickers and boosters. Similarly, while a quarter (24.7 per cent) of establishments which did not undertake any training in the last 12 months were operating in low and very low quality product markets, only about one-tenth (11.4 per cent or 10.3 per cent depending on training measure) of boosters were operating in product markets of this type.

There is also a well established literature which links training to management practices (Felstead *et al*., 2010; Whitfield, 2000). While data on many of the features of high involvement or high performance working were not collected in the 2009 NESS (UKCES, 2010), some data on practices of relevance were collected and these may serve to protect training from cuts. For example, respondents were asked about the presence or otherwise of a training budget and/or a training plan. Similarly, they were asked about the prevalence of written job descriptions and performance reviews, and whether there were formal assessments of employee skill gaps. The greatest difference on these measures was between trainers and non-trainers. For example, whereas a third (35.0 per cent) of non-trainers did not provide a formal job description to any of their employees, this applied to only around one-tenth of trainers. Variation among trainers according to the impact of the recession on their activity was more modest, but still evident. So, four-fifths (78.3 per cent) of those who offered no training in the year before interview possessed neither a training budget nor a training plan, among expenditure cutters this proportion fell to a third (36.8 per cent) and among those who had boosted per capita training expenditure as a result of the recession it was a fifth (19.9 per cent).

Of course, training may not be required if the existing workforce is considered fully proficient. Employers were asked to provide details on the number of staff they regarded as fully proficient; that is, 'someone who is able to do the job to the required level'. Around a fifth of employers reported that they employed at least one person who they

identified as not meeting the mark. However, non-trainers were far less likely to report such a situation – 8.6 per cent identified such skill gaps. This suggests that lack of proficiency may be one of the factors driving training activity. Moreover, it may also protect training in recession – boosters, for example, were more likely to report skill gaps than either stickers or cutters. However, employers in our training typology were not characterized by workforces that had distinctive educational profiles.

Recent research has begun to examine the connection between corporate governance and nature of employment relations (Konzelmann *et al*., 2006; Edwards and Walsh, 2009). This literature also discusses, in part, the possible connections that corporate governance may have with training. The argument here is that 'in organisations with a dominant external stakeholder, such as shareholders or the state, the requirement that management prioritizes such interests may reduce their ability to give necessary weight to the interests of internal stakeholders' (Konzelmann *et al*., 2006: 543-544). The suggestion is that for the public sector these priorities are the delivery of high quality products and services at as low fiscal cost as possible, while in companies where shareholdings can be bought and sold by the public (public limited companies or PLCs) the shareholder's continued loyalty to the firm is dependent on the delivery of shareholder value, usually over the short-term. On the other hand, where there are dominant internal stakeholders (the private company) more emphasis will be placed on long-term performance and institutional viability.

However, data sets typically do not collect information on whether a public limited company is listed on the stock market (2009 NESS is no different in this respect). Instead, the PLC is used as a proxy for firm exposure to equity markets, but it is a noisy measure since many PLCs are not listed on the stock market. This is a major drawback since the corporate governance literature suggests that stock market listing disperses ownership widely with institutional investors playing a significant role in the UK context. As a result, short-termism is encouraged which, then, translates into lower levels of firm-provided training (Pendleton and Deakin, 2007). While the theory on the connections is clear, the empirical evidence is mixed. Based on the 1998 Workplace Employee Relations Survey (WERS), Konzelmann *et al*. (2006) found that training varied according to governance structure with public sector employers the most pro-training but with PLCs next followed by owner-managed firms and absentee privately owned firms the least likely to provide employee training. Even with appropriate survey questions to identify PLCs listed on the stock market (as asked in the 2004 WERS) and controlling for size and industrial sector, the evidence does 'not support the argument that stock market listed workplaces are less likely to provide training than other private sector workplaces' (Pendleton and Deakin, 2007: 348-349).

The size of the establishment is an important mediator in the corporate governance debate. Its importance can also be seen in the cross-tabulations presented in Tables 3.6 and 3.7. Around three-quarters (74.4 per cent) of non-trainers had less than five employees compared to half that proportion of training boosters. Another indicator scale is the number of establishments in the enterprise. Once again, non-trainers are more likely of all the groups to be single establishment enterprises – three-quarters (77.4 per cent) of them fall into this category compared to around half of those who responded to the recession by boosting training expenditure (53.1 per cent) or its coverage (47.2 per cent).

Around a third (35.2 per cent) of establishments whose organisation's main goal is profit maximization did not undertake training in the 12 months leading up to interview. This compares to smaller proportions of charities (18.6 per cent) and much smaller proportion of those working in local government-supported bodies (7.2 per cent) or central government-supported bodies (9.4 per cent) such as the NHS. Furthermore, among those who undertook training a greater proportion of private profit-making employers reported that they had cut training as a result of the recession. For example, cuts to training coverage as a result of the recession were made by 13.2 per cent of privately run establishments compared to 5-6 per cent of those operating on a not-for-profit basis.

Looked at by industrial sector, the sharpest (reportable) cutbacks in training activity were in: 'manufacturing', 'construction' and 'real estate and business services'. Those Sector Skills Councils associated with these three industrial sectors fared relatively badly – Proskills (manufacturing), Semta (engineering), Summitskills (building supplies), Constructionskills (built environment), Asset (property, housing), Cogent (chemicals), Skills for Logistics (freight), and Skillfast-UK (textiles). On the other hand, those associated with the public sector were less adversely affected: Lifelong Learning UK (learning and development), Skills for Care and Development (social services), and Skills for Health (NHS).

These cross-tabulations have raised a further issue worthy of consideration. Our typology uses an initial filter based on whether employers report that they have arranged or organized training for any of their employees in the 12 months before interview. These employers (around two-thirds of respondents) are then asked questions about the impact of the recession on training expenditure per head and its coverage across the workforce. From this information, we derive our non-trainer, cutter, sticker and booster categories. However, there is the possibility that among the non-trainers there are cutters i.e. those who were previously trainers but because of the recession cut it back to nil over the 12 months before interview. After all, over a fifth of non-trainers reported having a training

budget and/or a training plan, but they apparently did no training (cf. Table 3.6). We therefore re-categorize non-trainers into those who are 'definite non-trainers', 'possible cutters', 'definite expenditure cutters' and 'definite training coverage cutters'. Definite non-trainers are those who did no training in the last 12 months and they had neither a training budget nor a training plan. Possible training cutters are those are those who did no training in the last 12 months but they had either a training budget and/or a training plan. Definite expenditure (coverage) cutters are those who undertook training in the 12 months before interview and reported cuts to training expenditure per head (coverage) as a result of the recession.

In some respects, the possible cutters are like the definite cutters – for example, as regards performance appraisals, written job descriptions, skills assessments and new skill requirements. However, in other respects, the possible cutters have more in common with the definite non-trainers – for example, the effect of the recession on staffing levels. Yet against other measures, these new categories are quite distinctive (see Table 3.8).

If we assume that all the possible cutters are, in fact, cutters what would happen to our story? First, our assessment of the impact of the recession on training changes – on this evidence, one fifth (as opposed to one eighth) of employers responded to the recession by cutting training expenditure per capita. More dramatically, the definitional change doubles the proportion who reported cutting training by narrowing its coverage. As a result, the balance of evidence is a little more pessimistic. However, set against this around a half of all employers reported no change to their training activity which equates to around three-quarters of all those who train (see Table 3.9). Secondly, we use this definitional change in the multivariate analysis which follows to test of the robustness of our main results to changes in the cutter category.

3.4 Multivariate findings

This section of the Second Interim Report is relatively short since it is still work in progress. However, it serves to confirm the importance of some of the factors considered above in helping us to understand better the impact that the 2008-09 recession has had on employers' training activity and why some employers have reacted differently.

The analysis focuses on those employers who undertake or arrange training for their employees and their reaction to the recession. By using an ordered probit, we aim to highlight why employers chose to cut, maintain or boost training activity as a result of the recession (the dependent variable is ordered accordingly). We enter variables which might provide such an explanation as well as a number of controls which are often

associated with training activity such as size of establishment. This helps us identify statistically significant covariates of different employer behaviour holding other things constant.

It is possible, of course, that changes in staffing levels may prompt changes in training activity which cancel out the impact that other factors may have on employers' training responses to the recession. We therefore run models with and without changes in staffing levels as a covariate in order to examine what difference this makes to our findings. Their inclusion (see models 2 and 3, Tables 3.10 and 3.11) shows that employers who cut staffing were more likely to report cutting training expenditure and coverage as well, while those increasing staffing were more likely to be among the training boosters (statistically negative and positive coefficients respectively). However, inclusion or exclusion of the staffing variables, while weakening the strength of association attributed to other covariates, does not overturn many of the findings reported below. As a further check on the findings, we run models which define training cutters more broadly in order to test whether our results are sensitive to definitional change.

All three models produce statistically associations which suggest that the nature of the product market faced by employers played an important role in determining their reaction to the recession. So, employers operating in very low quality product markets were significantly less likely to boost training compared to those in medium quality markets, while they were significantly more likely to cut training as a response to the recession (hence the statistically significant negative coefficients in models 1, 2 and 3, see Tables 3.10 and 3.11). On the other hand, employers operating in high quality product markets were more likely to be boosters and less likely to be cutters compared to the base case of employers trading in medium quality product markets (note the statistically significant positive coefficients in models 1, 2 and 3).

Previous research has suggested that training levels are higher in the public sector (e.g., Murphy *et al*., 2008). This is also backed up by our analysis of the QLFS which shows that by the end of the 2008-09 recession training participation rates in the public sector were around 19 per cent compared to 11 per cent in the private sector. Our qualitative findings also suggest that the effect of the 2008-09 recession has a longer lag in the public sector and may be less dramatic. Results from the 2009 NESS give some support to this suggestion. In all three models, public sector employers were more likely to report that they responded to the recession by increasing training activity as measured by training expenditure per head or training coverage than those in manufacturing (the base case) and less likely to find themselves among the cutters. However, in general, the reverse was the case for those operating in the service sector; employers here were less

likely to be among the boosters and more likely to be among the cutters (all coefficients are negative and four out of six are statistically significant).

Previous research also suggests that training incidence and intensity varies according to the size of the establishment. However, how employers of different sizes responded to the recession is less clear-cut. In terms of training expenditure per head, larger establishments were less likely to cut training and hence were more likely to be among the boosters, but this effect weakens with establishment size and this finding only applies to two out of the three models presented in Table 3.10. Furthermore, the picture for training coverage is more complicated still with the relationship between establishment size and the nature of training coverage response varying according to the model chosen. We conclude from this that establishment size had little effect on the impact that the recession had on training activity – one cannot say with any certainty that small employers were more (less) likely to cut training than otherwise identical larger employers.

While it is also a well established fact that the higher educated get more training (Green, 1999; Machin and Wilkinson, 1995), the evidence presented here suggests that establishments with higher qualified staff were less likely to be among those boosting training as a result of the recession. This applies to the stock qualified to degree and above as well as those qualified at level 3. By implication, employers with less qualified workers were least likely to cut training in recession. Similarly, there was a statistically significant positive relationship between employers who reported a skills gap in their workforce and their decision to cut, maintain or boost training activity in response to the recession (both expenditure per head and coverage). This suggests that for employers who had an identifiable skills gap cutting training in recessions was not an option.

The presence of a training budget and/or a training plan gave some protection to training activity in the 2008-09 recession. There was a significantly positive relationship between these management devices and whether employers responded to the recession by cutting, maintaining or boosting training activity as measured by training spend per head or employee coverage. However, and not unsurprisingly, when we widened the training cutter category to include non-trainers who also reported the existence of a training budget and/or a training plan, this relationship became insignificant (see model 3, Tables 3.10 and 3.11).

3.5 Summary

Much of what has been reported in this Second Interim Report updates the findings presented earlier. It also represents work in progress and is certainly not the final word on these results. Nevertheless, the 2009 NESS data allows us to provide initial answers to the questions we posed in the introduction. It is around these questions that we summarize the results so far.

What impact has the recession had on the extent and nature of employers' training activity? Around half of establishments reported that training had not changed as a result of the recession and further third reported that they had not trained anyone in the 12 months before they were interviewed. However, one in twelve (8.2 per cent) establishments reported they had narrowed the coverage of training and around one in eight (12.8 per cent) reported reducing training expenditure per capita ('cutters'). On the other hand, around one in twenty reported increasing their training activity ('boosters') as a result of the recession. This suggests that the impact of the recession on training was not as severe as many had feared. Even using a broader definition of training cutters this picture remains broadly intact. This suggests that one fifth (as opposed to one eighth) of employers responded to the recession by cutting training expenditure per capita. More dramatically, the definitional change doubles the proportion who reported cutting training by narrowing its coverage. On these definitions, the balance of evidence is a little more pessimistic.

Is their reaction related to their anticipated future skill needs and their recent recruitment patterns? In this respect, the greatest contrasts are between non-trainers and trainers. Whereas only around a quarter of the former reported that employees would need to acquire new skills or knowledge over the next 12 months, around half or more of training employers reported that new skills or knowledge would be required by workers. Among employers who trained the differences between those who cut back, maintained or increased training as a result of the recession were modest by comparison.

To what extent have their training activities been constrained by tightening budgets and difficulties in releasing staff, and have these constraints tightened in the recession? There is clear evidence of these pressures. Around two-thirds of training cutters reported that their training efforts over the previous 12 months had been constrained compared to a half of those who had boosted their training effort. Furthermore, lack of funds rather than an inability to allow staff time off was the most frequently cited cause of restraint among cutters whereas for stickers and boosters neither restraint was predominant. A comparison of NESS in 2007 with NESS in 2009 suggests a rise in the proportion of employers, in England, reporting that they wanted to do more with a

substantial rise in the proportion reporting lack of funding as a constraint – rising from just under a half (48.7 per cent) to around three-fifths (60.2 per cent).

Do outside pressures such as the nature of the product markets they face serve to heighten or reduce the importance of placed on training and hence protect or expose training to short-term economic change? The crosstabulations show that establishments which operate in 'very high quality' or 'high quality' product markets make up a growing proportion of establishments as we move from non-trainer and then through cutters, stickers and boosters. Similarly, while a quarter (24.7 per cent) of establishments which did not undertake any training in the last 12 months were operating in low and very low quality product markets, only about one-tenth (11.4 per cent or 10.3 per cent depending on training measure) of boosters were operating in product markets of this type. Furthermore, these results are statistically significant and are robust to different multivariate models.

How important are formal management practices to the resilience or otherwise of training in the recession? Unfortunately, the data collected by the 2009 NESS are relatively light in this regard. Nevertheless, respondents were asked about the presence or otherwise of a training budget and/or a training plan. Similarly, they were asked about the prevalence of written job descriptions and performance reviews, and whether there were formal assessments of employee skill gaps. According to the bivariate analysis, the greatest difference on these measures was between trainers and non-trainers. Variation among trainers according to the impact of the recession on their activity was more modest, but still evident. So, four-fifths (78.3 per cent) of those who offered no training in the year before interview possessed neither a training budget nor a training plan, among expenditure cutters this proportion fell to a third (36.8 per cent) and among those who had boosted per capita training expenditure as a result of the recession it was a fifth (19.9 per cent). This is further reinforced by the multivariate analysis which shows that the presence of a training budget and/or a training plan gave some protection to training activity in the 2008-09 recession.

Does the sector, governance or main purpose of the establishment modify the impact that the recession has on training activity? The impact of these issues on employment regimes has occasioned considerable theoretical debate. However, current empirical evidence is limited and the results are rather mixed. Around a third (35.2 per cent) of establishments whose organisation's main goal is profit maximization did not undertake training in the 12 months leading up to interview. This compares to smaller proportions of charities (18.6 per cent) and much smaller proportion of those working in local government-supported bodies (7.2 per cent) or central government-supported bodies (9.4

per cent) such as the NHS. Furthermore, among those who undertook training a greater proportion of private profit-making employers reported that they had cut training. For example, cuts to training coverage as a result of the recession were made by 13.2 per cent of privately run establishments compared to 5-6 per cent of those operating on a not-for-profit basis. The multivariate analysis also suggests that corporate governance is related to employers' responses to the recession. It shows that public sector employers were more likely to report that they responded to the recession by increasing training activity as measured by training expenditure per head or training coverage than those in manufacturing (the base case) and less likely to find themselves among those cutting training.

The next step in this analysis is to examine whether it is feasible to add additional data to the 2009 NESS via data linkage such as information on recent employment change in the sector, corporate governance and economic performance. This would provide more detail on the characteristics of employers who cut, maintain or increase training in recession.

Table 3.1 Effects of the recession, short-term skill requirements and recruitment by types of training expenditure employer

	Types of Training Employer[1] (column percentage)			
	Non-trainers	Expenditure 'Cutters'	Expenditure 'Stickers'	Expenditure 'Boosters'
Overall (row per cent)	32.8	12.8	48.9	5.5
Effect of recession on use of external training providers[2]:				
Increased	na	3.5	5.1	41.1
Stayed the same	na	39.0	87.8	51.9
Decreased	na	57.5	7.1	7.1
Effect of recession on qualification-related training[3]:				
Increased	na	4.5	5.4	36.5
Stayed the same	na	52.5	91.1	59.2
Decreased	na	43.0	3.5	4.4
Effect of recession on informal learning[4]:				
Increased	na	19.7	11.7	40.5
Stayed the same	na	51.5	85.3	56.1
Decreased	na	28.8	3.0	3.4
New skills required over the next 12 months because of[5]:				
New products and services	24.5	56.2	50.8	67.4
New working practices	23.6	53.3	47.6	63.2
New technology	26.9	51.5	47.5	60.0
New regulations	29.0	58.3	53.1	64.4
Increased competition	23.9	50.4	36.8	50.3
Recruitment of under 24 year olds to first job in last 12 months[6]:				
School leavers (16 year olds)	2.7	7.2	6.9	9.0
College leavers (17 or 18 year olds)	4.9	13.2	13.3	16.8
University leavers	3.7	12.8	12.4	16.0
Recruitment of apprentices in the next 12 months (very or quite likely)[7]:				
16 to 18 year olds	7.7	14.3	11.5	19.5
19 to 24 year olds	9.2	19.5	14.6	24.2
Over 25 year olds	9.3	15.6	12.7	21.4

Notes:

1. *Non-trainers are defined by those who answered that they had not 'funded or arranged any off-the-job training or development for employees at this site' nor had they 'funded or arranged any on-the-job or informal training and development over the last 12 months'. The remainder were asked: 'As a result of the recession have the following increased, stayed about the same or decreased at this establishment'. The list of statements included: 'expenditure on training per employee' and 'the proportion of employees provided with training'. Those reporting decreases are defined as cutters, those reporting no change are denoted as stickers and those reporting increases are defined as boosters. With the pre-fix indicating whether the designation refers to their training expenditure per head or the proportion of the workforce being trained.*
2. *As part of the 'as a result of the recession' question battery (note 1), respondents were asked about: 'The proportion of your total training delivered by external providers'.*
3. *As part of the 'as a result of the recession' question battery (note 1), respondents were asked about: 'The amount of training that leads to recognised qualifications'.*

4. *As part of the 'as a result of the recession' question battery (note 1), respondents were asked about: 'The emphasis placed on informal learning'.*
5. *Respondents were asked: 'Over the next 12 months do you expect that any of your employees will need to acquire new skills or knowledge as a result of [abbreviations of statements given in column 1]'? Here, we report those who asked in the affirmative.*
6. *Respondents were asked whether, in the last 12 months, they had 'taken on anyone aged under 24 to their first job on leaving school, college or university'. If so, they were asked what type of education these young people had completed. The proportions reported here are of the total numbers of employers in each category.*
7. *Respondents were asked: 'Thinking about the next 12 months, how likely is it that this establishment will have someone undertaking an apprenticeship who is aged …?' Here, we report the proportion of employers saying that it was 'very likely' or 'quite likely'.*

Table 3.2 Effects of the recession, short-term skill requirements and recruitment by types of training coverage employer

	Types of Training Employer[1] (column percentage)			
	Non-trainers	Coverage 'Cutters'	Coverage 'Stickers'	Coverage 'Boosters'
Overall (row per cent)	32.6	8.2	53.4	5.8
Effect of recession on use of external training providers[2]:				
Increased	na	3.4	4.9	40.1
Stayed the same	na	31.7	85.2	49.7
Decreased	na	64.9	9.9	10.3
Effect of recession on qualification-related training[3]:				
Increased	na	3.2	5.0	39.9
Stayed the same	na	43.7	90.0	54.4
Decreased	na	53.1	5.1	5.7
Effect of recession on informal learning[4]:				
Increased	na	17.6	12.1	45.2
Stayed the same	na	45.5	84.1	51.3
Decreased	na	36.9	3.9	3.5
New skills required over the next 12 months because of[5]:				
New products and services	24.5	53.9	51.8	66.2
New working practices	23.6	51.1	48.6	62.6
New technology	26.9	50.1	48.3	58.4
New regulations	29.0	56.8	54.0	64.5
Increased competition	23.9	50.3	37.9	50.6
Recruitment of under 24 year olds to first job in last 12 months[6]:				
School leavers (16 year olds)	2.7	7.0	6.8	10.7
College leavers (17 or 18 year olds)	4.9	12.1	13.2	19.0
University leavers	3.7	11.7	12.4	18.0
Recruitment of apprentices in the next 12 months (very or quite likely)[7]:				
16 to 18 year olds	7.6	15.1	11.6	17.5
19 to 24 year olds	9.2	19.9	14.9	24.1
Over 25 year olds	9.3	16.4	12.6	21.8

Notes:

All the notes in Table 3.1 apply.

Table 3.3 Volumes, modes and training satisfaction levels in the recession by types of training expenditure employer

	Types of Training Employer (column percentages/averages)		
	Expenditure 'Cutters'	Expenditure 'Stickers'	Expenditure 'Boosters'
Training participation rate in establishment[1]	62.1	64.4	68.3
Training intensity (average number of days per trainee) [2]	9.2	9.7	11.6
FE college use over last 12 months[3]	29.5	26.7	36.0
'Very satisfied'	43.1	49.6	49.8
University use over last 12 months[4]	11.8	10.7	12.9
'Very satisfied'	49.9	57.0	57.7
Other training provider use over last 12 months[5]	64.5	60.0	69.9
'Very satisfied'	57.5	63.1	64.4
Would have liked to provide more training but constrained by:	65.6	41.2	51.2
Lack of funds	78.4	54.0	53.4
Lack of time[6]	41.8	52.2	52.8

Notes:

1. *This is calculated by dividing the total number of employees on the payroll by the number of staff who received training and development funded or arranged by the employer in the last 12 months.*
2. *Respondents were asked: 'And, over the last 12 months, on average, how many days training and development, whether on- or off-the-job, have you arranged for each member of staff receiving training?'. This is the training intensity figure reported here.*
3. *Those funding or arranging training are asked: 'In the past 12 months has your establishment used further education colleges to provide teaching or training?'. Of those answering in the affirmative, respondents are ask to rate the quality of the teaching and training. Here, we report the proportion who responded that they were 'very satisfied' with the quality of the experience.*
4. *The same questions as above (see note 3) are asked regarding university use and satisfaction levels.*
5. *The same questions as above (see note 3) are asked regarding the use of other providers (defined as by the examples of external consultant or private training provider) and satisfaction levels.*
6. *Trainers are asked: 'If you could have done, would you have provided MORE training for your staff than you were able to cover over the last 12 months?' If yes, they were then asked: 'What barriers, if any, have been preventing your organisation providing more training over the last 12 months for staff at this location? Here, we report the proportions reporting 'lack of funds for training/training expensive' and 'can't spare more staff time (having them away on training'.*

Table 3.4 Volumes, modes and training satisfaction levels in the recession by types of training coverage employer

	Types of Training Employer (column percentages/averages)		
	Coverage 'Cutters'	Coverage 'Stickers'	Coverage 'Boosters'
Training participation rate in establishment[1]	60.5	64.6	67.4
Training intensity (average number of days per trainee) [2]	9.3	9.9	11.9
FE college use over last 12 months[3]	29.2	27.1	34.7
'Very satisfied'	43.1	43.2	48.2
University use over last 12 months[4]	10.5	11.0	12.6
'Very satisfied'	50.4	56.6	54.6
Other training provider use over last 12 months[5]	63.4	60.8	66.3
'Very satisfied'	57.4	62.4	64.9
Would have liked to provide more training	66.2	42.9	52.6
but constrained by:			
Lack of funds	77.8	56.8	55.2
Lack of time[6]	40.3	51.5	51.5

Notes:

All the notes in Table 3.3 apply.

Table 3.5 Training activity and constraints, 2007 and 2009

	2007	2009
Establishments providing training over the last 12 months[1]	67.3	67.8
Establishments wanting to provide more training over last 12 months	41.0	46.5
but constrained by:		
Lack of funds	48.7	60.2
Lack of time[2]	42.0	49.4

Notes:

1. *Trainers are defined by those who answered that they had 'funded or arranged any off-the-job training or development for employees at this site' and/or they had 'funded or arranged any on-the-job or informal training and development over the last 12 months'.*
2. *Note 6 in Table 3.3 applies.*

Table 3.6 Training expenditure in the recession: A training typology of employers and their characteristics

	Types of Training Employer (column percentages, unless otherwise stated)			
	Non-trainers	Expenditure 'Cutters'	Expenditure 'Stickers'	Expenditure 'Boosters'
Effect of recession on staffing[1]:				
Increased	4.6	4.2	10.3	28.8
Stayed the same	72.6	37.9	71.4	53.8
Decreased	22.8	57.9	18.4	17.4
Nature of product market[2]:				
Very high quality	14.9	14.9	20.6	25.5
High quality	23.1	28.3	29.0	30.7
Medium quality	37.3	38.9	36.3	32.4
Low quality	16.3	12.4	10.3	8.5
Very low quality	8.4	5.7	3.8	(2.9)
Training infrastructure[3]:				
Both a training budget and plan	7.7	34.7	36.1	52.3
A training budget or plan	13.9	28.5	27.4	27.9
Neither a training budget nor plan	78.3	36.8	36.4	19.9
Proportion of staff with formal written job description[4]:				
All	52.3	75.4	76.8	80.8
None	35.0	11.0	12.2	8.9
Proportion of staff subject to annual performance review[5]:				
All	32.2	65.6	65.0	73.4
None	60.2	22.3	25.0	16.9
Skills gap assessment[6]:				
Assessments made	33.4	70.3	68.6	79.0
No assessments made	66.6	29.7	31.4	21.0
Workforce skills[7]:				
Fully proficient	91.4	74.2	77.2	68.1
Skills gaps	8.6	25.8	22.8	31.9
Qualification level[8]:				
Proportion qualified to degree level or above	26.3	30.3	28.7	27.1
Proportion qualified to level 3 but below degree	29.4	31.1	30.7	31.7
Workplace Size:				
2-4 employees	74.4	45.6	42.5	36.5
5 to 24 employees	23.5	39.2	43.4	45.2
25 to 99 employees	1.8	11.0	11.3	14.5
100 to 199 employees	(0.2)	2.4	1.6	(2.2)
200 employees and over	(0.1)	(1.8)	1.1	(1.6)
Organisational governance:				
One or two private owners	71.0	54.6	49.8	48.0
Multiple private owners	14.1	21.5	20.8	24.9
Public limited liability	9.6	12.1	11.5	10.8
Charity	3.8	6.4	9.4	8.9
Government	1.2	5.3	8.3	7.0
Multi-establishment enterprise:				
Only establishment	77.4	59.1	57.7	53.1
One of number of	22.6	40.9	42.2	46.9

establishments				
Sector (defined by SIC)				
Manufacturing	23.4	20.1	16.3	16.5
Services	68.0	65.2	60.9	61.1
Public sector	8.6	14.7	22.8	22.4
Organisational goal (row percentages):				
Seeking a profit	35.2	12.9	46.6	5.3
Charity/voluntary sector	18.6	11.4	63.4	6.6
Local government financed body (such as a school, or a body delivering leisure, transport, social care, waste or environmental health services)	(7.2)	13.5	72.5	6.9
Central government financed body (such as the civil service, any part of the NHS, a college or university, the Armed Services, an Executive Agency or other non-governmental public bodies)	(9.4)	(9.9)	74.3	(6.5)
Industry (row percentages):				
Agriculture	46.6	6.0	43.6	(3.7)
Mining & Quarrying	20.3	(22.4)	(49.5)	7.8
Manufacturing	39.6	13.3	42.5	4.5
Electricity, Gas & Water Supply	(22.7)	(11.4)	(57.4)	(8.5)
Construction	37.4	17.7	39.5	5.4
Personal Household Goods	40.2	9.7	45.3	4.9
Hotels & Restaurants	33.8	13.1	47.6	5.5
Transport & Storage	36.9	11.7	47.6	6.1
Financial	20.6	12.9	45.4	(7.4)
Real Estate & Business Services	31.3	16.7	46.8	5.1
Public Administration	(14.5)	(12.6)	66.2	6.7
Education	6.6	13.7	71.7	5.5
Health & Social Work	13.1	9.4	68.6	8.9
Personal Services	33.5	11.3	51.0	4.2
Sector Skills Council (row percentages):				
Lantra	42.2	6.6	47.2	(4.1)
Cogent	33.7	(12.6)	48.7	(5.1)
Proskills	42.1	(14.9)	39.3	(3.7)
Improve	(38.3)	(9.6)	(45.7)	(6.4)
Skillfast-UK	55.2	(7.8)	33.6	(3.5)
Semta	33.3	14.5	47.2	(5.1)
Energy & Utility Skills	(27.2)	(13.2)	(52.6)	(23.6)
Constructionskills	36.0	18.1	41.4	4.5
Summitskills	28.1	17.3	48.1	(6.5)
Institute of Motor Industry	38.9	11.2	44.2	(5.8)
Skillsmart Retail	40.4	8.2	46.4	5.1
People 1st	33.6	13.0	49.0	5.5
Goskills	48.7	(8.1)	(37.1)	(6.1)
Skills for Logistics	38.4	12.3	45.0	4.4
Financial Services	20.6	12.9	59.1	(7.4)

Asset Skills	34.3	18.1	42.5	5.1
e-skills UK	30.1	15.2	43.4	(6.4)
Government Skills	(9.6)	(14.6)	(65.8)	(10.0)
Skills for Justice	(14.4)	(15.7)	(64.7)	(5.1)
Lifelong Learning UK	(11.3)	(14.4)	66.2	(8.2)
Skills for Health	15.3	(8.8)	68.1	(7.9)
Skills for Care and Development	10.8	10.5	68.6	10.1
Skillset	38.5	(14.1)	41.8	(5.7)
Creative and Cultural Skills	41.5	(12.6)	42.4	(3.6)
Skllsactive	28.6	(11.7)	54.4	(5.3)
Non-SSC employers	27.7	13.9	53.1	5.3

Notes:

( ) = less than 200 observations, data are reported here but are subject to wide variance.

1. *As part of the 'as a result of the recession' question battery (note 1, Table 3.1), respondents were asked about: 'The number of staff employed at your establishment in total'.*
2. *The nature of the product market is captured by three questions which asks employers how they compare with others in their industry in terms of: the range/volume of their offer; the extent to which it is price dependent; and whether they lead the way in their sector developing new products, services or techniques. The precise questions are as follows. 'First of all on a scale of 1 to 5, where would you place this establishment if one indicates that, compared to others in your industry, this establishment offers one-off or very low volume products/ limited range of services and five that you are a high volume producer/provide a very wide range of services'. Price dependency is taken from the response to the following: 'one indicates that, compared to others in your industry, the competitive success of your establishment's products or services is wholly dependent on price and five that success does not depend at all on price'. Market leadership is derived from the question: 'one indicates that, compared to others in your industry, this establishment very rarely leads the way in terms of developing new products, services or techniques, and five that you often lead the way'. The values given for each response are calibrated so that a higher score indicates a higher quality of product market faced. The values for each of the three questions range from 1 to 5. 'Very low' quality product markets are denoted as those scoring 3-5; 'low' by 6 or 7; 'medium' by 8-10; 'high' by 11 or 12; and 'very high' by 13-15. All three questions are only asked for those seeking a profit (85 per cent of the 79,152 establishments surveyed).*
3. *All respondents are asked: 'Does your establishment have any of the following: a business plan that specifies the objectives for the coming year; a training plan that specifies in advance the level and type of training your employees will need in the coming year; and a budget for training expenditure?'*
4. *All respondents are asked: 'Approximately what proportion of your staff have a formal written job description?' Here, we report the proportion saying 'none' and the proportion saying 'all' (excluding those who said 'don't know').*
5. *All respondents were asked: 'Approximately what proportion of your staff have an annual performance review?' Here, we report the proportion saying 'none' and the proportion saying 'all' (excluding those who said 'don't know').*
6. *All respondents were asked: 'Does this establishment formally assess whether individual employees have gaps in their skills?' The data presented here excludes the 'don't knows'.*

Table 3.7 Training coverage in the recession: a training typology of employers and their characteristics

	Types of Training Employer (column percentages, unless otherwise stated)			
	Non-trainers	Coverage 'Cutters'	Coverage 'Stickers'	Coverage 'Boosters'
Effect of recession on staffing[1]:				
Increased	4.6	3.5	9.2	33.3
Stayed the same	72.6	27.3	71.2	46.2
Decreased	22.8	69.2	19.6	20.5
Nature of product market[2]:				
Very high quality	14.9	15.9	19.8	26.7
High quality	23.1	26.0	29.2	32.1
Medium quality	37.3	38.3	36.7	31.0
Low quality	16.3	12.6	10.6	7.8
Very low quality	8.4	7.3	3.8	(2.5)
Training infrastructure[3]:				
Both a training budget and plan	7.7	31.0	36.9	20.9
A training budget or plan	13.9	27.6	27.5	29.6
Neither a training budget nor plan	78.3	41.4	36.9	49.6
Proportion of staff with formal written job description[4]:				
All	52.3	73.5	77.0	81.6
None	35.0	11.7	12.0	7.5
Proportion of staff subject to annual performance review[5]:				
All	32.2	62.7	65.6	74.3
None	60.2	24.6	24.5	15.3
Skills gap assessment[6]:				
Assessments made	33.4	68.6	69.0	80.0
No assessments made	66.6	31.4	31.0	20.0
Workforce skills[7]:				
Fully proficient	91.4	74.8	77.2	66.3
Skills gaps	8.6	25.2	22.8	33.7
Qualification level[8]:				
Proportion qualified to degree level or above	26.3	29.5	29.0	26.2
Proportion qualified to level 3 but below degree	29.4	31.1	30.9	29.7
Workplace Size:				
2-4 employees	74.4	47.8	42.7	33.1
5 to 24 employees	23.5	38.3	43.1	47.0
25 to 99 employees	1.8	10.1	11.4	15.3
100 to 199 employees	(0.2)	(2.2)	1.6	(2.6)
200 employees and over	(0.1)	(1.6)	1.2	(2.0)
Organisational governance:				
One to two private owners	71.0	58.0	49.6	44.7
Multiple private ownership	14.1	21.2	20.7	28.3
Public limited liability	9.6	12.7	11.3	10.9
Charity	3.8	4.6	9.5	9.2
Government	1.2	3.3	8.7	6.6
Multi-establishment enterprise:				

Only establishment	77.4	62.6	57.5	47.2
One of number of establishments	22.6	37.4	42.5	52.8
Sector (defined by SIC):				
Manufacturing	23.4	23.5	16.2	14.0
Services	68.0	65.4	60.8	65.0
Public sector	8.6	11.2	23.0	21.0
Organisational goal (row percentages):				
Seeking a profit	35.0	8.6	50.7	5.7
Charity/voluntary sector	18.4	5.3	69.3	7.1
Local government financed body (such as a school, or a body delivering leisure, transport, social care, waste or environmental health services)	6.9	5.1	81.7	6.2
Central government financed body (such as the civil service, any part of the NHS, a college or university, the Armed Services, an Executive Agency or other non-governmental public bodies)	(9.0)	(4.4)	79.6	(7.0)
Industry (row percentages)				
Agriculture	46.6	(4.5)	45.8	(3.0)
Mining & Quarrying	(19.9)	(15.4)	(30.5)	(8.3)
Manufacturing	39.5	9.1	46.1	5.3
Electricity, Gas & Water Supply	(22.4)	(9.5)	(57.3)	(10.8)
Construction	37.3	14.2	44.5	4.0
Personal Household Goods	39.7	6.2	48.2	5.8
Hotels & Restaurants	33.6	8.1	51.3	7.0
Transport & Storage	36.5	7.9	48.7	6.8
Financial	20.3	(6.8)	63.7	(9.1)
Real Estate & Business Services	31.2	10.8	52.6	5.4
Public Administration	(13.7)	(32.2)	74.8	(6.3)
Education	6.5	6.7	78.7	8.2
Health & Social Work	12.8	4.2	74.3	8.7
Personal Services	33.3	6.6	55.9	4.3
Sector Skills Council (row percentages):				
Lantra	42.1	4.8	49.6	(3.5)
Cogent	33.3	(7.9)	52.2	(6.7)
Proskills	42.0	(9.7)	43.4	(4.9)
Improve	(38.3)	(5.9)	(48.7)	(7.1)
Skillfast-UK	54.6	(5.2)	35.8	(4.4)
Semta	33.2	10.2	50.8	(5.9)
Energy & Utility Skills	(26.9)	(8.1)	(57.7)	(7.3)
Constructionskills	36.0	13.8	46.5	3.7
Summitskills	28.0	14.0	53.0	(5.0)
Institute of Motor Industry	38.7	8.2	48.3	(4.9)
Skillsmart Retail	39.8	4.8	49.1	6.2
People 1st	33.4	8.1	51.5	7.0
Goskills	48.4	(5.2)	39.8	(6.6)

Skills for Logistics	38.1	8.7	47.6	5.6
Financial Services	20.3	(6.8)	63.7	(9.1)
Asset Skills	34.0	12.1	48.4	5.6
e-skills UK	29.9	9.8	54.2	(6.1)
Government Skills	(9.2)	(5.9)	(70.6)	(14.2)
Skills for Justice	(13.1)	(6.9)	(78.3)	(1.8)
Lifelong Learning UK	(11.0)	(8.3)	72.2	(8.5)
Skills for Health	15.1	(4.3)	72.5	(8.1)
Skills for Care and Development	10.5	(4.5)	75.1	9.9
Skillset	38.3	(9.3)	47.7	(4.6)
Creative and Cultural Skills	41.3	(7.0)	47.4	(4.3)
Skllsactive	28.4	(5.4)	60.7	(5.5)
Non-SSC employers	27.6	8.0	58.9	5.5

Note:

All the notes in Table 3.6 apply.

Table 3.8 Definite non-trainers, possible cutters and definite cutters

	Three Categories of Employer			
	Definite non-trainers (no training in the last 12 months and no training budget or training plan)	Possible training cutters (no training in the last 12 months but training budget and/or training plan)	Definite training expenditure cutters (reported cuts to training expenditure as a result of the recession)	Definite training coverage cutters (reported cuts to training coverage as a result of the recession)
New skills required over the next 12 months because of:				
New products and services	20.1	40.3	56.2	53.9
New working practices	19.1	39.7	53.3	51.1
New technology	23.7	38.6	51.5	51.1
New regulations	24.9	43.9	58.3	56.8
Increased competition	20.5	35.9	50.4	50.3
Effect of recession on staffing:				
Increased	3.7	7.7	4.2	3.5
Stayed the same	74.0	67.8	37.9	27.3
Decreased	22.3	24.5	57.9	69.2
Nature of product market:				
Very high quality[1]	13.5	20.5	14.9	15.9
High quality	21.4	29.8	28.3	26.0
Medium quality	38.3	33.7	38.9	38.3
Low quality	17.5	11.5	12.4	12.6
Very low quality	9.4	4.5	5.7	7.3
Proportion of staff with formal written job description:				
All	46.0	74.8	75.4	73.5
None	40.9	13.6	11.0	11.7
Proportion of staff subject to annual performance review:				
All	24.3	61.0	65.6	62.7
None	68.9	28.8	22.3	24.6
Skills gap assessment:				
Assessments made	25.3	62.6	70.3	68.7
No assessments made	74.7	37.5	29.7	24.6
Workforce skills:				
Fully proficient	92.6	87.0	74.2	74.8
Skills gaps	7.4	13.0	25.8	25.2

Table 3.9 Calculating training typologies differently

	Types of Training Employer (row percentage)			
	Non-trainers	'Cutters'	'Stickers'	'Boosters'
Definition 1: Impact of recession on training expenditure per head – respondent reports[1]	32.8	12.8	48.9	5.5
Definition 2: Impact of recession on training expenditure per head – respondents reports + presence or otherwise of training budgets/plans	25.7	19.9	48.9	5.5
Definition 3: Impact of recession on training coverage – respondent reports	32.6	8.2	53.4	5.8
Definition 4: Impact of recession on training coverage – respondents reports + presence or otherwise of training budgets/plans	25.5	15.3	53.4	5.8

Note:

1. *Only those reporting carrying out training in the last 12 months were asked whether the recession had affected training expenditure per head or the proportion of employees provided with training. The answers given to these questions are the basis of Definitions 1 and 3 respectively. However, around a fifth (21.6 per cent) those who carried out no training in the 12 months before interview reported that they had a training budget and/or a training plan. It is therefore conceivable that a proportion of non-trainers had already cut training to zero in an early response to the recession but continued to have nominal training budgets and/or plans in place. To capture this eventuality, we redefine these employers as training cutters i.e. those who reported no training activity in the previous 12 months but did report having a training budget and/or a training plan (Definitions 2 and 4).*

Table 3.10 Determinants of training expenditure cutters, stickers and boosters

	Reported Training Expenditure Cutters, Stickers and Boosters	Reported Training Expenditure Cutters, Sticker and Boosters	Alternative Definition of Training Expenditure Cutters, Stickers and Boosters
	(1)	(2)	(3)
Staffing levels reduced		-0.761	-0.614
		(0.015)**	(0.014)**
Staffing levels increased		0.463	0.455
		(0.021)**	(0.019)**
Very low quality product markets	-0.108	-0.071	-0.104
	(0.034)**	(0.035)*	(0.033)**
Low quality product markets	-0.041	-0.033	-0.053
	(0.022)	(0.023)	(0.022)*
High quality product markets	0.085	0.057	0.049
	(0.016)**	(0.016)**	(0.015)**
Very high quality product markets	0.201	0.134	0.115
	(0.018)**	(0.018)**	(0.017)**
Public sector	0.212	0.068	0.141
	(0.021)**	(0.022)**	(0.021)**
Service sector	-0.044	-0.017	-0.002
	(0.015)**	(0.016)	(0.015)
Size of establishment	-0.001	-0.001	0.000
	(0.000)**	(0.000)**	(0.000)
Size of establishment squared	0.000	0.000	-0.000
	(0.000)**	(0.000)**	(0.000)
Perceived skill gaps in workforce	0.033	0.018	0.111
	(0.014)*	(0.014)	(0.013)**
Training budgets and/training plans	0.090	0.090	-0.000
	(0.008)**	(0.008)**	(0.008)
Proportion qualified at degree level and beyond	-0.251	-0.271	-0.191
	(0.027)**	(0.028)**	(0.026)**
Proportion qualified at level 3 but below degree	-0.092	-0.107	-0.112
	(0.024)**	(0.024)**	(0.023)**
Regional controls	yes	yes	yes
Observations	36015	35528	38572

Note:

Standard errors in parentheses

** significant at 5 per cent level; ** significant at 1 per cent level*

Table 3.11 Determinants of training coverage cutters, stickers and boosters

	Reported Training Coverage Cutters, Stickers and Boosters	Reported Training Coverage Cutters, Sticker and Boosters	Alternative Definition of Training Coverage Cutters, Stickers and Boosters
	(1)	(2)	(3)
Staffing levels reduced		-0.683	-0.501
		(0.016)**	(0.014)**
Staffing levels increased		0.582	0.551
		(0.021)**	(0.020)**
Very low quality product markets	-0.177	-0.139	-0.160
	(0.035)**	(0.036)**	(0.033)**
Low quality product markets	-0.053	-0.049	-0.069
	(0.023)*	(0.024)*	(0.022)**
High quality product markets	0.083	0.055	0.044
	(0.016)**	(0.017)**	(0.015)**
Very high quality product markets	0.168	0.100	0.083
	(0.018)**	(0.019)**	(0.017)**
Public sector	0.247	0.107	0.182
	(0.022)**	(0.023)**	(0.021)**
Service sector	-0.105	-0.081	-0.050
	(0.016)**	(0.016)**	(0.015)**
Size of establishment	-0.000	0.000	0.001
	(0.000)**	(0.000)	(0.000)**
Size of establishment squared	0.000	0.000	-0.000
	(0.000)*	(0.000)	(0.000)**
Perceived skill gaps in workforce	0.079	0.062	0.161
	(0.014)**	(0.015)**	(0.014)**
Training budgets and/training plans	0.111	0.110	-0.000
	(0.008)**	(0.008)**	(0.008)
Proportion qualified at degree level and beyond	-0.207	-0.225	-0.135
	(0.028)**	(0.029)**	(0.027)**
Proportion qualified at level 3 but below degree	-0.102	-0.118	-0.120
	(0.025)**	(0.025)**	(0.023)**
Regional controls	yes	yes	yes
Observations	36288	35794	38838

Note:

Standard errors in parentheses

** significant at 5 per cent level; ** significant at 1 per cent level*

4 What do the qualitative interviews with employers tell us?

4.1 Introduction

It is well established that the incidence of employer-provided training in the UK is higher in the public than in the private sector (see, for example, Green *et al*., 1999; Latreille *et al*., 2005; Murphy *et al*., 2008). In the first phase of this research project, our qualitative interviews investigated the impact of the 2008-09 recession on private sector training. We concluded that, in general, the effects had been not as dire as predicted or feared by many (Felstead *et al*., 2011). In the second phase of interviewing, we have explored the same question with respect to the public sector.

4.2 Interview sample

Qualitative interviews have been conducted in a total of 45 public sector organisations, nearly all of which took place in March and April 2011. The sample was drawn from the list provided by the UKCES and comprised a range of different types of bodies. These included:

- Local authority departments;
- Local authority arms length service organisations;
- Government agencies;
- Non-departmental public bodies;
- Emergency services (fire, police, ambulance);
- NHS primary care services;
- NHS tertiary care services;
- NHS preventative services;
- Schools and Further Education colleges.

4.3 Discussion of findings

The qualitative interviews with public sector organisations did not yield a wholly uniform picture. Different circumstances prevailed in different parts of the public sector. However, it is possible to make a number of broad generalizations from our findings, subject to the caveats outlined below.

4.3.1 For most of our respondents, the recession of 2008-09 was not associated with a perceived crisis in the provision of training within public sector organisations

A minority of respondents reported that they had experienced cuts in training provisions as a result of the 2008-09 recession. However, a clear majority reported no significant change as a result of the economic downturn. Indeed, a few even suggested there had been an increase in training spend and coverage over the last two years. A number of explanations emerged during the course of the interviews for this finding.

Some respondents suggested that severe financial cut backs had already occurred several years earlier and, as a result, the recession had not had much additional effect on training. They asserted that necessary financial adjustments had already been made before 2008-09. Local authority service organisations, with a strong commercial orientation, had been protected from cuts in training budgets while they continued to make an operating surplus. Those with long-term contracts with clients, of up to five years duration, were able to weather the ups and downs of the business cycle. However, service organisations that experienced a dip in profitability could be vulnerable to a range of budget cuts, including those in training.

An important reason for the persistence of training during and after the recession was the need for organisations to deliver a bedrock of indispensable courses. Necessary and unavoidable forms of training of this kind have been designated as 'training floors' (Felstead and Green 1996; Felstead et al., 2011). Training floors cannot be abandoned by functioning businesses and organisations. Many are a product of statutory regulations and inspection regimes. Others are generated by operational processes, managerial controls, market competition, recruitment strategies and on-going updating of skills and knowledge. Training floors mentioned by our respondents included operational requirements, skills development and statutory imperatives. In some cases, increased professionalization and accreditation of middle-level manual occupations had, in recent years, added to the scope of required or expected training.

Market situation and training floors played a part, then, in the maintenance of training in the public sector during and after the recession. However, underlying these factors were more general institutional and normative frameworks that were characteristic of the organisations we interviewed and which supported their training regimes. This leads to our second general finding.

4.3.2 During the 2008-09 recession and its immediate aftermath, public sector organisations continued to be characterized by extensive corporate provision of training

Our interviews suggest that, in general, corporate training departments and corporate training regimes continued to function throughout the recession and its immediate aftermath. Many of the operational units that participated in our research were able to tap into a comprehensive selection of courses, centrally provided by the organisation of which they were a part. This was true of arms length service organisations as well as fully integrated departments. It was characteristic of local authorities, the NHS and central government. Some mobilized further specialist training for their staff, for which they were responsible. Nevertheless, for most much, or even all, training was organized, delivered and paid for centrally. Training budgets were often held centrally, with operational units required to make a contribution via top slicing arrangements. Several respondents commented that, since departments were in effect required to pay for training in advance, there was an incentive to send staff on courses. Employees could access training without further depleting departmental funds. In a number of cases, various aspects of training were deemed to be mandatory by the centre, above and beyond the basic requirements of statutory training floors.

Our research suggests that the determination to preserve training programmes was not confined to public sector organisations that had avoided budget cuts. A number of those which had been forced to introduce recruitment freezes, staff reductions and service closures had, nevertheless, not dismantled their overall systems of training in the period following the recession. Eligibility for, and mode of delivery of, training remained largely intact, albeit subject to some economies discussed below.

The provision of training within the public sector has been accompanied and sustained by a long-standing corporate ethos and culture. Respondents spoke of an emphasis on achieving best practice and high quality public service through the provision of training, rather than simply meeting minimum requirements of training floors. A clear majority of interviewees regarded training as a valued activity in its own right and a valuable contribution to productivity. Interviews recorded a range of justifications for expenditure on training that reflected this vision. Participation in training was seen as a form of motivation, self improvement and personal reward.

4.3.3 Our respondents suggested that in the period following the recession of 2008-09, in-house training increased marginally, and e-learning increased considerably, within the training programmes of public sector organisations

In an earlier phase of this project, we used the term 'training smarter' to designate six inter-connected elements of the response by many private sector organisations to the recession of 2008-09 (Felstead *et al*., 2011). 'Training smarter' includes: a sharper focus on training needs, increased use of in-house training provisions, incorporation of trainer functions within the roles of regular staff, renegotiation of relationships with external trainers, expansion of on-site and group training and enhanced use of e-learning. In our more recent interviews, we have also identified elements of this package developing within the public sector; in particular, increased in-house training, 'training a trainer' and on-line learning opportunities. However, our findings suggest that the over-arching cultural ethos and centralized corporate provision characteristic of public sector organisations has framed a distinctive overall approach to training. Substantial in-house provision was a feature of public sector organisations with highly developed central training departments long before the recession. Negotiations with external providers was more likely in the public sector to be invested in a central corporate training function. The efficacy of training outcomes has tended to focus on budget dynamics and service quality, rather than profitability. Thus, although elements of training smarter were becoming evident in our research organisations, we do not suggest that a straightforward convergence of public and private sector training provisions was under way.

Although a high proportion of public sector training had long been provided in-house, our respondents suggested that there had been some further marginal shift away from the use of expensive external providers and towards 'train the trainer' approaches. This development was universally attributed to financial pressures. Another very noticeable innovation within the public sector has been a widespread increase in the use of on-line and e-learning, and in some cases blended learning. Most respondents did not attribute the advent of e-learning to the recession but regarded it as driven by longer term technological changes in all aspects of work. However, e-learning was seen as cost saving and therefore attuned to an era of financial restraint. It was said to cut down on lengthy and expensive breaks spent off-site at training centres and to facilitate the more efficient use of down-time within the workplace itself.

4.3.4 At the time of interviewing in Spring 2011, a long-standing public sector training ethos remained in place but was coming under increasing pressure as a result of financial constraints

Turning from the historical picture following the recession to trends in the Spring of 2011, it was apparent that in a range of public sector organisations financial pressures were now coming to bear on training programmes. The corporate mode of delivery of training still remained largely intact (although there worries for the future – see below). Nevertheless, overall budget cuts were biting deep in all sectors. Our interviews suggest that the response to this situation largely comprised a reduction in the frequency of training courses, the prioritization of courses immediately relevant to productivity and a tightening in the application of eligibility criteria among potential trainees. The structure of the training system was preserved at the same time as economies were made. Many respondents spoke of focusing current and future training on tightly defined core business needs (a key element of 'training smarter', discussed above). Others referred to reducing or eliminating 'nice to have' training in order to preserve and continue with 'must have' training floors.

4.3.5 At the time of interviewing in Spring 2011, there was widespread concern among respondents about the future of training in the public sector

Many concerns expressed by respondents about the future of training in the public sector were bound up with more general worries about budgets, finances and staffing reductions. A number argued that the full impact of the recession on the public sector was only now beginning to be felt and, furthermore, that this was starting to feed through to training programmes at the present time. It was widely suggested that financial adjustments were being made in very short time periods. Plans were being drawn up that were likely to have major consequences for staff and for service delivery. Anxiety and uncertainty about the future were widespread.

In addition to severe financial cut backs, a number of the public sector organisations interviewed were facing the possibility of large-scale reorganisation and/or changes in forms of governance and ownership. Some expected to be privatized, others to be transferred to various forms of social or community ownership. Yet others were in the throes of radical internal organisation. Once again, uncertainty typically surrounded when such proposals would be implemented, and if implemented what their consequences would be.

The detailed implications for training of organisational restructuring and changes in governance varied between different parts of the public sector. However, our interviews

suggest that a key general issue concerns the extent to which these developments impinge on corporate training provisions and corporate training ethos. The NHS is a case in point. At the time of our interviews, the precise details of the reorganisation of the NHS were not available, the government having put their proposals on hold in order to enter into a period of consultation. However, it was recognized by our respondents that the dismantling of Primary Care Trusts (PCTs) and Strategic Health Authorities (SHAs) meant that GP practices and some other health care providers would no longer have access to training programmes provided by the corporate centre. They faced the prospect of designing, sourcing and paying for courses themselves. Dismantling centralized corporate training systems, as a consequence of changes in the governance of public sector organisations, may result in changes to the form and contents of training programmes. In the case of the NHS, this may lead to greater local variation in the provision of 'nice to have' training (see also below). In the civil service, however, reorganisation was taking a different route and was likely to have the opposite effect. Here, a wide range of support services were being rapidly transformed, resulting in a thoroughgoing centralization of training provisions. Regional trainers and localized training functions were being replaced by a handful of national centres and a very extensive suite of e-learning programmes.

Concerns about budgets and governance were compounded by uncertainties surrounding changes to government funding of training. The funding of NVQs via Train to Gain still lingered in some localities but there was widespread awareness that this programme was coming to an end. For some respondents, this represented a disruption to the plans they had made for the up-skilling and up-crediting of their workforces. There was also awareness that apprenticeships would attract more support in the future. Although apprenticeships were suitable for some operations, respondents suggested that in parts of the public sector the apprenticeship model was not viable.

4.3.6 Respondents suggested that staffing reductions, recruitment freezes and the growth of a pool of unemployed qualified labour were currently reducing both the need and opportunity for some kinds of training in the public sector

At the time of interviewing, in the Spring of 2011, many respondents anticipated that the impact of the recession on the public sector would have a number of effects on patterns of training provision. It was suggested that freezes on recruitment would eliminate the need for most induction training and introductory skills training. Reductions in staffing levels were expected to result in fewer opportunities for staff to take time off to go on training courses. It was suggested that they would be too busy with enhanced duties, covering gaps in the work force, to be able to attend. Similarly, other employees would

not be in a position to cover for them on training days. Several interviewees argued that the competitive character of labour markets during an economic slowdown would make it unnecessary for employers to offer some types of training. Rather than taking on unqualified recruits and training them on the job, it would be possible to hire people who already had the necessary skills and qualifications.

Taken together, these developments lead many respondents to conclude that, in the coming months, low growth rates and government expenditure cuts would result in less investment in many aspects of training for which the public sector was well known.

4.3.7 Respondents suggested that changes in demand for services, organisational restructuring and increasing use of volunteers were currently generating new needs for some types training in the public sector

As we have seen, respondents were pessimistic about the effects of budget cuts on many aspects of training in the public sector. However, they also recognized that recession, and its knock on effects, could under some circumstances increase the need for, and expenditure on, some aspects of training.

In some parts of the public sector, recession had created increased demand for services, leading to increased staffing and enhanced training commitments. The most obvious examples in our research sample were Job Centres. At the height of the downturn, Job Centre respondents described queues round the block of unemployed people waiting to be interviewed. As a result, there had been a surge in the recruitment of Job Centre staff, with implications for training. However, as economic growth slowly picked up, and the queues diminished, those new recruits who were on temporary contracts were no longer needed. In other sectors, for example local authority libraries, there was also a shift in demand for services as a result of growing unemployment. The numbers of library users borrowing books remained unchanged but the numbers using the internet for job searches soared, leading in turn to enhanced staff training on this issue.

Changes taking place in many public sector organisations also created new requirements for training. As a result of the proposed reorganisation of the commissioning process within the NHS, GP practices were being required to take on a wide range of demanding tasks and functions that they had not previously encountered. These included not only medical and administrative responsibilities but also legal, financial and managerial obligations. Hospital services and specialist health care professionals, on the other hand, were beginning to consider how best to present themselves to those who would in future be purchasing their services. In short, they were considering undertaking new kinds of marketing. They were also planning new strategies for maximising the range of services

that they could offer. In some cases this entailed multi-skilling existing staff, in order to increase their competitiveness and flexibility. All these developments implied training. However, as already noted, these developments were taking place at a time when key parts of the existing corporate training system in the NHS was being dismantled.

Another way in which economic cutbacks and organisational restructuring generated training needs was through increasing reliance on volunteers. In some parts of the public sector – for example, local authority libraries and parks – the use of volunteers was being widely discussed and, in some of the organisations we interviewed, actively pursued. Volunteers were being introduced to fill the gaps left by staff reductions and, more strategically, as part of a broader policy of transferring libraries and other amenities to control by local communities. However, it was apparent that volunteers required training, both in operational matters and in sustaining quality standards. This responsibility largely fell on the remaining professional staff. The training of volunteers was seen as problematic by several respondents, who feared that the commitment, diversity of experience, age range and numbers of volunteers would present problems.

4.4 Summary

The qualitative interviews with public sector organisations did not yield a wholly uniform picture. Different circumstances prevailed in different parts of the public sector. However, it is possible to make a number of broad generalizations from our findings. These are summarized below.

- For most of our respondents, the recession of 2008-09 was not associated with a perceived crisis in the provision of training within public sector organisations.
- During the 2008-09 recession and its immediate aftermath, most public sector organisations in our sample continued to be characterized by extensive corporate provision of training.
- Our respondents suggested that in the period following the recession of 2008-09, in-house training increased marginally, and e-learning increased considerably, within the training programmes of public sector organisations.
- At the time of interviewing in Spring 2011, a long-standing public sector training ethos remained in place among our respondents but was coming under increasing pressure as a result of financial constraints.
- At the time of interviewing in Spring 2011, there was widespread concern among respondents about the future of training in the public sector.

- Respondents suggested that staffing reductions, recruitment freezes and the growth of a pool of unemployed qualified labour were currently reducing both the need and opportunity for some kinds of training in the public sector.
- Respondents suggested that changes in demand for services, organisational restructuring and increasing use of volunteers were currently generating new needs for some types training in the public sector.

5 Conclusion

This project focuses on how training activity in the UK has fared in the 2008-09 recession. Using a combination of statistical analysis of large-scale surveys and in-depth telephone interviews with 102 employers, we seek to provide some answers. This is our Second Interim Report and as such it builds on and extends the findings presented last year. The project comprises three parts: (1) analysis of individual-level data as collected by the QLFS; (2) analysis of employer surveys and in particular data collected as part of the 2009 NESS; and (3) qualitative telephone interviews with employers who participated in the 2009 NESS. This conclusion is organized around these three parts and ends with a brief outline of the next steps.

5.1 Quarterly Labour Force Survey findings

The QLFS time series data presented here vary in length, depending on what directly comparable data are available. This means that we have series which in some cases begin in 1984, in others in 1995 and in some instances in 2005. In this Report, we have extended the data series forwards by four data points compared to our First Interim Report. The data series now ends in the first quarter of 2011. We have also extended the data series backwards, as far as data restrictions allow, to 1984 in order to make comparisons with the recession of 1991-92. The data reported here show:

- Training appears to have held up well in the 2008-09 recession. In fact, training participation has been declining, albeit slowly, over the last decade – the recession has not changed this pattern.
- The proportion of training carried out off-the-job has continued to fall. Although the pace of change accelerated in the recession, additional data shows that this acceleration was only a temporary phenomenon and has not continued.
- The long decline in training participation can be seen in both the public and private sectors. However, during the 2008-09 recession training appears to have fallen at a somewhat greater rate in the public sector. Nevertheless, training rates are much higher in the public than in the private sector – in some years, the rates in the public sector are almost double of those in the private sector.
- For a number of years the average duration of training, among those in work who participated in training, has been slowly but steadily declining. The pace of change accelerated in the recession, but it has subsequently returned to its long-run path. Once again, in this respect the recession does not appear to have permanently made things worse.

- Both the recessions of 1991-92 and of 2008-09 appear to have done little to change training activity for those in work. However, the small drop in training participation in the recession of the 1990s occurred after a period of sharply rising participation rates. This is in contrast to the situation today where similar falls have come on the back of a slow decline in participation rates.

5.2 National Employer Skills Survey findings

The 2009 NESS allows us to examine the distinctive characteristics of employers who report that they increased, decreased or maintained their training activity (training expenditure per employee and training coverage) as a result of the recession. The data reported here show:

- The impact of the recession on training was not as severe as many had feared. Around half of establishments reported that training had not changed as a result of the recession and further third reported that they had not trained anyone in the 12 months before they were interviewed. However, one in twelve (8.2 per cent) establishments reported they had narrowed the coverage of training and around one in eight (12.8 per cent) reported reducing training expenditure per capita ('cutters').
- Some of the greatest contrasts were between non-trainers and trainers. Whereas only around a quarter of the former reported that employees would need to acquire new skills or knowledge over the next 12 months, around half or more of training employers reported that new skills or knowledge would be required by workers. Among employers who trained the differences between those who cut back, maintained or increased training as a result of the recession were modest by comparison.
- Around two-thirds of training cutters reported that their training efforts over the previous 12 months had been constrained compared to a half of those who had boosted their training effort. Furthermore, lack of funds rather than an inability to allow staff time off was the most frequently cited cause of restraint among cutters whereas for stickers and boosters neither restraint was predominant.
- Employers' responses to the recession appear to be related to the nature of the product markets they face. For example, establishments which operate in 'very high quality' or 'high quality' product markets make up a growing proportion of establishments as we move from non-trainer and then through training cutters, stickers and boosters.
- Four-fifths (78.3 per cent) of those who offered no training in the year before interview possessed neither a training budget nor a training plan, among expenditure cutters

this proportion fell to a third (36.8 per cent) and among those who had boosted per capita training expenditure as a result of the recession it was a fifth (19.9 per cent). This is further reinforced by the multivariate analysis which shows that the presence of a training budget and/or a training plan gave some protection to training activity in the 2008-09 recession.

- Around a third (35.2 per cent) of establishments whose organisation's main goal is profit maximization did not undertake training in the 12 months leading up to interview. This compares to smaller proportions of charities (18.6 per cent) and much smaller proportion of those working in local government-supported bodies (7.2 per cent) or central government-supported bodies (9.4 per cent) such as the NHS. Furthermore, among those who undertook training a greater proportion of private profit-making employers reported that they had cut training.

5.3 Employer qualitative interview findings

The qualitative telephone interviews have been conducted in two phases. The first phase was carried out June to August 2010 and comprised 60 interviews. The First Interim Report focused on these results. The second phase began in February 2011 and ended in April 2011 and comprised 45 interviews, mostly drawn from the public sector. It is on these interviews that this Report is focused. These interviews show:

- For most of our respondents, the recession of 2008-09 was not associated with a perceived crisis in the provision of training within public sector organisations.
- During the 2008-09 recession and its immediate aftermath, most public sector organisations in our sample continued to be characterized by extensive corporate provision of training.
- Our respondents suggested that in the period following the recession of 2008-09, in-house training increased marginally, and e-learning increased considerably, within the training programmes of public sector organisations.
- At the time of interviewing in Spring 2011, a long-standing public sector training ethos remained in place among our respondents but was coming under increasing pressure as a result of financial constraints.
- At the time of interviewing in Spring 2011, there was widespread concern among respondents about the future of training in the public sector.
- Respondents suggested that staffing reductions, recruitment freezes and the growth of a pool of unemployed qualified labour were currently reducing both the need and opportunity for some kinds of training in the public sector.

- Respondents suggested that changes in demand for services, organisational restructuring and increasing use of volunteers were currently generating new needs for some types training in the public sector.

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