

The emergence of learning and development in Australian enterprises.

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Abstract

There is a strong and persistent belief in Australian training policy circles that Australia is a poor performer by international standards in the provision of training. This view is particularly strongly held in relation to enterprise training where it is commonly assumed that Australian employers chronically under invest in the training of their employees and show little inclination to increase their training effort in response to government initiatives. Much of this belief is based on the results of successive surveys of employer training expenditure in Australia and some notoriously unreliable international comparative data. This paper explores some of these assumptions about employers and employer training from the standpoint of the qualitative data that has been collected in three research projects over the last 10 years and questions the view that employers are in a state of flight from their commitments to training.

Introduction

There is a strong and persistent belief in Australian training policy circles that Australia is a poor performer by international standards in the provision of training. This view is particularly strongly held in relation to enterprise training where it is commonly assumed that Australian employers chronically under invest in the training of their employees and show little inclination to increase their training effort in response to government initiatives (Smith, 1998:10). Much of this belief is based on the results of successive surveys of employer training expenditure in Australia and some notoriously unreliable international comparative data. Since 1989 the Australian Bureau of Statistics (ABS) has conducted five surveys of employer training expenditure (ABS, 1990a, 1991, 1994a, 1997a, 2003). The original survey conducted as a pilot in 1989 indicated that only 22 per cent of Australian employers carried out any form of training for their employees and that an average of 2.2 per cent of payroll costs was invested in training activities with employees receiving, on average, 22 hours of training per annum.

This data together with the results from some international comparisons of incentive schemes to promote higher levels of enterprise investment in training provided a significant part of the case for the then federal Labor government enacting the Training Guarantee Scheme in 1990. This scheme operated from 1990 to 1996 (although it was technically suspended in 1994) and required Australian enterprises with payroll costs of over AS\$200,000 to spend at least 1.5 per cent of their payroll on the provision of “structured” training for their employees or pay an equivalent levy to the Australian Taxation Office. Assessments of the effectiveness of the Training Guarantee in raising the level of training expenditure in Australia vary but it is generally accepted that the

scheme failed to lift training provision for the majority of employees in any significant or lasting fashion (Teicher, 1995). Subsequent iterations of the Employer Training Expenditure survey (TES) have tended to confirm the original rather gloomy assessment of the state of enterprise training in Australia. Table 1 summarises the data from the first four TES surveys and shows that although training expenditure appeared to increase to 1993, it had retreated by 1996.

Table 1
Employer training expenditure, % of payroll
(July – September 1989-96)

	1989	1990	1993	1996
Private Sector	1.7	2.2	2.6	2.3
Public Sector	3.3	3.2	3.4	3.2
Total	2.2	2.6	2.9	2.5

Source: Australian Bureau of Statistics (1990a, 1991, 1994a, 1997a)

The data from the Training Expenditure surveys has also prompted commentators to draw the conclusion that Australian employer commitment to training has declined since the abolition of the Training Guarantee in the mid-1990s. For instance, in a paper for the Dusseldorp Skills Foundation, Hall et al (2002) argue cogently that there has been a flight of employers from training since the repeal of the Training Guarantee Act in 1996. This, combined with Australia's poor comparative performance on investment in knowledge, education and the creation of high skill jobs, they argue, means that the Australian economy is in a low skills equilibrium (Finegold and Soskice, 1988) and there is little evidence of strong training culture amongst Australian employers.

However, these are very broad claims to be based on a selective interpretation of the employer training statistics. It is far from clear that this pessimistic view of the state of industry training in Australia is justified given the range of data now available on the incidence of enterprise training. Data from the 2002 survey of training expenditure (ABS, 2003), shows that the incidence of employer sponsored training appears to be increasing. The proportion of Australian workers undertaking work related training grew from 30 per cent of the workforce in 1993 to 45 per cent in 2001. 37 per cent of workers completed at least one work related training course in 2001 and the proportion of workers completing on-the-job training grew from 65 per cent in 1996 to 69 per cent in 2000. Despite the apparent decline in employer training expenditure since the mid 1990s, the majority of Australian workers seem to be receiving some form of training from their employers and many are undertaking formal, off-the-job training in their firms.

Further support for a more optimistic view of the incidence of industry training in Australia is provided by the Business Longitudinal Survey (BLS) (ABS, 1999). This survey comprises a composite of data gathered from a sample of business on the ABS business register. The BLS gathers data primarily on business and financial performance of enterprises but also includes some simple questions on the provision of training to employees. In 1997/98, the BLS data indicated that 54 per cent of enterprises provided training to their employees and 23 per cent provided structured training. Whilst these figures fall between the data provided by the TES and TPS, it is important to note that the BLS collects data from enterprises with less than 200 employees. Thus, large enterprises are under represented in the sample. This suggests that a higher rather than a lower estimate of industry training is warranted by the ABS data overall. Estimates of the number of employees receiving training from their employers in the period of the survey suggest that 68 per cent received on-the-job training whilst 46 per cent received structured training.

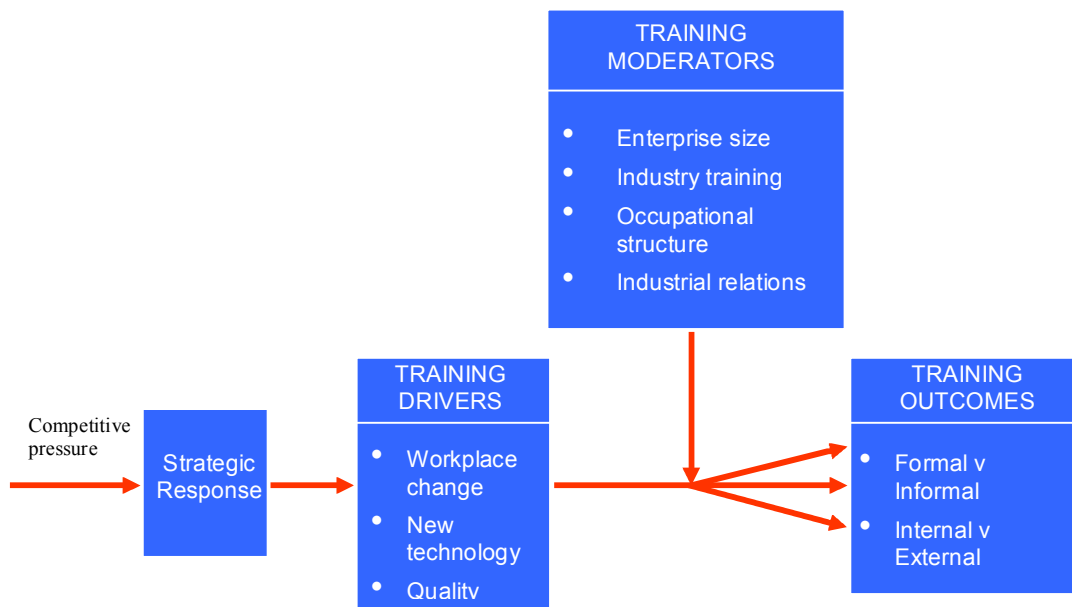
In summary, it appears from the information provided by different sets of data that a significant amount of training is being provided by Australian employers, and it may be higher than the current orthodoxy suggests. Some 80 per cent of Australian workers report receiving some form of training from their employers. Over 80 per cent of Australian employers claim to be providing some form of training for their employees. Between one third and one half of Australian workers are taking part in formal, structured training in the workplace with 70 per cent of workers taking part in on-the-job training. Over 40 per cent of Australian employers claim to provide structured training.

The drivers of training

In the mid-1990s a team of researchers from Charles Sturt University and from the University of Technology, Sydney carried out two major projects examining the determinants of enterprise training for the Australian national training Authority. (Smith and Hayton, 1999). The findings from the research centred on a model of enterprise training developed to explain the interaction of firm level factors that influenced the decisions that enterprises took to train their employees. The model is illustrated in Figure 1. The research also made three key observations that relate to the development of employer training in Australian enterprises at that time. Firstly, workplace change emerged as a key driver for enterprise training in both the survey and the case studies. Thus the research confirmed the growing strength of the link between training and organisation development. Secondly, the research found that individuals played an increasingly important role in their access to training from their employers. Enterprises reported that training needs were increasingly fragmented to the individual level and that they were progressively abandoning the traditional approach to training programs that saw large groups of employees receive the same training regardless of individual need. Moreover, not only were training needs individualised but the implementation of training increasingly depended on the willingness of the individual to highlight their training requirement to managers who would then organise for appropriate training to be arranged.

Finally, based on Pettigrew and Hendry's (1991) model which posited a strong link between training and corporate strategy for large UK firms, this research examined the relationship between training and business strategy. Here the results were mixed. Amongst senior managers in larger enterprises, there was a clear awareness of the importance of linking their investments in training to the strategy of the business. However, in small and medium sized enterprises and amongst middle and junior level managers, this perception was missing. Apart from the very large enterprises, few Australian enterprises that time appeared to possess a well documented business strategy which means that much of the training observed and recorded in the research was operational in character and designed to meet the short term needs of the enterprises.

Figure 1
Model of enterprise training



Training and organisational change

The second project was carried out in the late 1990s by a team of researchers from Charles Sturt University. This research built on the model of enterprise training and investigated in more depth the relationship between enterprise training and organisational change in Australian enterprises (Smith et al, 2003). In terms of the development of employer training, this research produced a number of useful findings suggesting that the emergence of new approaches to training first observed in the model of enterprise training earlier. Firstly, the link between training and business strategy was far more pronounced in this research than had been the case previously. In modelling the strength of the impact of various enterprise level factors on the implementation of training, the survey clearly showed that the link to business strategy was the most influential factor. Where enterprises made a strong link between their training and their business strategies,

the result was a substantial increase in all forms of training and greater embedding of training into the management of the enterprise through the creation of training departments, use of formal training planning process and use of workplace trainers. The qualitative research suggested that many more enterprises were conscious of the importance of linking training to business strategy in order to capitalise more effectively on their training investments. The impact of business strategy on training was far greater than other factors that were tested in the research including the size of the enterprise, the competitive intensity of the market and the presence of a union in the workplace.

Secondly, the research underscored the individualisation of training that had been recorded in the model of enterprise training research. The results from the telephone survey showed that enterprises had largely abandoned the uniform, internal training approach in favour of training linked more clearly too individual performance management. Individuals were expected to increasingly take responsibility for their own training and secure their own employability in a contingent labour market. Thus enterprises were shaping their training towards the fulfilment of individualised needs in order to enhance performance. Thirdly, training had become more decentralised in line with predictions from international research into the impact of the learning organisation on training provision (Raper et al, 1997). Both the survey and that telephone interviews showed that large, centralised training departments were disappearing and the role of the trainer was changing from one of delivery to one of brokering training within the organisation and from external providers. Responsibility for training and the development of the skills of employees was increasingly viewed as the realm of the line manager and often appeared as a performance target for managers in larger enterprises.

The research confirmed the increasing strength of the link between the three classic elements of human resource development – individual career development, organisational development and training (McLagan, 1989). Enterprises appeared to have become more conscious of the need to get significant returns on their investments in training and were linking their training more closely to the business strategies of their enterprises. Thus, the strategic dimension that had been missing in the mid 1990s appeared to be gaining strength a few years later. Enterprises were also looking in-house for their training requirements. The VET system was not seen to be an effective partner in the search for better training. Thus the American ethos of an in-company approach to HRD linking career and organisation development issues together with training and guided by a more strategic direction seemed to be taking root in Australian enterprises by the late 1990s.

The impact of nationally recognised training.

The third project was conducted in 2003-04 and focused on the impact of nationally recognised training on larger Australian enterprises (Smith, E et al, in press). The project builds on the changes to the VET system in Australia that have occurred in recent years. In particular, it is couched in the development of “training packages”. Training packages contain groups of qualifications, competency standards and assessment guidelines and now cover most of the occupations in the Australian workforce. The research showed that the introduction of training packages has led to a massive increase in the uptake of

nationally recognised training amongst Australian enterprises. Many groups of workers in areas such as retail, hospitality and process manufacturing which have hitherto received very little employer sponsored training are now being offered not only training but also national, recognised qualifications by their employers. The research shows that amongst enterprises offering nationally recognised training, the training effort is now more evenly distributed across the workforce with larger numbers of operational employees receiving training. This development is thus changing the chronic skewing of training distribution in enterprises to professional and managerial employees.

In some cases, particularly in enterprises that have chosen to become RTOs, the introduction of nationally recognised training has had a major impact on the development of employer training. The survey evidence in the research shows that nearly half of the 200 enterprise RTOs are using the competency standards in the training packages to revise their recruitment, selection, and job classification and performance management systems. The use of competency standards in performance management is borne out in the case study component of the research which shows that some enterprise RTOs have redesigned their performance management system to tie in tightly with the sequence of qualifications that they offer. Thus, the qualifications become steps on promotional pathways for all levels of workers. Other enterprise RTOs have re-designed their training functions to become brokers rather than deliverers of training with the emphasis on the skill of the training co-coordinators to navigate their way through the national VET system rather than devise and deliver in-house programs of training. The evidence for the enterprises that partner with extremely training providers to deliver nationally recognised training also shows significant movement in the re-alignment of HR functions around employee development, although not so marked as with the larger, enterprise RTOs.

The research demonstrates that the rapid take up training packages by Australian enterprises and the extension of nationally recognised training is re-shaping the training function in some Australian enterprises. The use of the competency standards embodied in training packages together with the development of suites of qualifications for a large numbers of formerly untrained occupations is pulling together the three elements of HRD – training, career development and organisation development – into a single learning and development function within larger enterprises in Australia. The development of this function has led to emergence of a new form of learning and development practitioner. This practitioner is very familiar with the national VET system and how to navigate it for the benefit of the enterprise. They have often been practitioners within the VET system – as senior managers in training providers or in intermediary bodies such as Industry Training Advisory Bodies – before taking up training management positions within business. With the changing nature of employer training in these enterprises, a new title has emerged for this field of practice – learning and development. This is quite consciously differentiated from the old training and development functions that used to dominate the training scene in Australian enterprises. The emergence of the learning and development function with its internal emphasis on the integration of training with career and organisation development and business strategy on the one hand and with the

external VET system on the other appears to be a new form of HRD, perhaps unique to Australian enterprises.

Discussion

The results of these research projects track the development of employer training in Australian enterprises over a 10 year period from 1994 to 2003. The projects show the gradual development of a more integrated and strategic approach to training in Australian enterprises over this period. The model of enterprise training research in the mid 1990s established the strong link between the provision of training at the enterprise level with the major processes of organisational change that were common at that time, especially improvements to quality assurance. The project on enterprise training and new management practices showed that by the late 1990s, organisational change had become the major driver of the provision of training at the enterprise level. This research also suggested that the development of a more integrated approach to training in Australian enterprises had gone further with the individualisation of training demonstrating a link between training and individual career development and, perhaps more importantly, the apparent development of a stronger link between training and business strategy.

Thus, by the late 1990s, it appears that an integrated approach to employer training was emerging in Australian enterprises which brought together training, career development and organisation development with a growing relationship to the business strategy of the enterprise. The recent research into enterprises' use of nationally recognised training suggests that this more integrated approach has now progressed in many Australian enterprises with the roll out of training packages to industry since 1997. Enterprises that provide nationally recognised training either as RTOs in their own right or in partnership with training providers are not only providing more training for their employees, they are distributing that training to the most under-trained groups in the workforce at the operational level in their organisations. These enterprises are also increasingly integrating nationally recognised training with other human resource management systems such as performance management and selection/recruitment further development of the learning and development model.

Why have these developments taken place? The industrial relations and VET policy context of Australia in the 1990s may provide some answers to this question. The early to mid 1990s was also a period of change to the Australian industrial relations system. Starting in 1987, the Australian Industrial Relations Commission led the way to the reform of the traditional system of industrial awards which have governed working conditions since the early 20th century. Under the process of award restructuring, industrial awards were simplified with job classification system reduced to shorter, clearer career paths for workers in most industries and occupations.

At the same time, the Australian VET system was beginning the decade long process of reforms commonly referred to as the National Training Reform Agenda (NTRA). Launched by the federal Labor government in the early 1990s, the NTRA was concerned with creating a standards based and national system of VET from the eight state based

training systems that had existed in Australian since federation (Smith and Keating, 2003). Then reforms centred on the development of national industry competency standards developed by tri-partite bodies which became the basis for the universal introduction of competency-based training into the VET system. The process was overseen by a new national strategic training authority, the Australian National Training Authority (ANTA) which controlled the funding of VET through the states and territories. Of particular interest in the area of enterprise training was the introduction of a levy-like system to encourage employers to invest in training, the Training Guarantee Scheme in 1990. Under the Training Guarantee employers had to spend 1.5 per cent of their payroll costs of eligible structured training or forfeit an equivalent amount to the Australian Taxation Office.

Together, these processes of award restructuring and training reform provided an unprecedented boost to the level of training activity in Australian enterprises. The more recent research confirms this picture of a policy-led expansion of training in Australian enterprises. There have been a few key developments particularly in VET policy that have prompted this evaluation. Firstly, the creation of a significant private training market with access to government funds for training has considerably expanded employer choice of training provider. Enterprises are no longer locked into working with the public training providers (TAFE institutes) and the success of private training providers has put considerable pressure on public providers to become far more responsive to industry training requirements. Secondly, the expansion of the apprenticeship and traineeship system since the mid-1990s supported by government employment and training incentives has encouraged many more employers to buy into the national training system by employing trainees or putting their existing workers through traineeships (Robinson, 2001). Thirdly, the ability of enterprises to become RTOs and to provide nationally recognised training in their own right has encouraged the spread of structured training in those enterprises where external providers did not have the resources or the credibility to operate. Finally, the introduction of training packages, as discussed above, has helped to spread nationally recognised training into industries and occupations that have not traditionally provided their employees with much training.

Taken together, these policy developments have led to the development of a cadre of enterprise training staff who are very familiar with the VET system and know how to use it to benefit their organisations (Chappell and Johnston, 2003). As enterprises have increased their use of nationally recognised training and their involvement with the VET system, they have also learned how this form of training can be integrated more effectively with career progression and organisation change processes leading to the development of a new approach to training in Australian enterprises. Whereas the US model of HRD is focused very firmly on the enterprise and the development of programs that meet the unique needs of each enterprise, the Australian approach of learning and development has emerged in relation to the national training system and the adaptation of national training systems to the needs of the enterprise. It is this integration of enterprise level training with the national training system that is the unique feature of learning and development in Australia.

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