

## **Employer provision of structured training**

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### **Abstract**

This paper will analyse factors associated with employer-funded structured training. By taking stock of previous research in the area, and analysing data from the ABS 2001-02 Training Expenditure and Practices Survey (TEPS), the paper researches issues such as drivers for training, workforce changes and reasons for increases in training being offered.

With legislative conditions differing across states, and within industries, it is important to look closely at reasons why employers provide training to their employees and the composition of their training budgets. The paper will also look at various characteristics such as how and where the structured training was provided, constraints on training by different employer types and reasons why training was or was not provided.

### **Introduction**

Employer-funded structured training is an important issue in the vocational education system, as some argue that Australian employers should be offering more opportunities to provide training for their staff. Evidence shows that Australia is behind other developed countries, such as Germany and Japan for providing structured training to employees (Selby Smith et al, 2001; OTTE, 2001) and that, increasingly, Australian employees are funding their own training to improve job prospects (Dumbrell, 2002).

In 2001, Australian National Training Authority (ANTA) funded the 'Training Expenditure and Practices' survey which was run by the ABS (Australian Bureau of Statistics) to collect information on levels of training activity and direct expenditure on training, over the financial year 2001-02. The survey was similar to previous surveys undertaken by the ABS – 'Employer Training Expenditure Australia', previously run in 1989, 1990, 1993 and 1996, and 'Employer Training Practices' in 1994 and 1997, however differences in the survey design limit detailed comparative work. For this reason, this paper will focus on trend changes of training expenditure and practices over the last 9 years, including reasons and limitations for employers providing structured training, changes in the labour market and changes for individuals in the vocational education and training sector. Appendix 1 provides a comparison of the different ABS surveys available on training expenditure and practices.

Whilst evidence from research (Blandy et al, 2000) suggests that expenditure on training is positively correlated with profitability and productivity, in the financial

year 2001 – 02 under half (41%) of employers in Australia offered structured training to their employees.

Characteristics of training in the 2001-02 financial year: -

- There is a stronger training culture in businesses of 100 or more employees with 97.5% of employers providing some form of structured training, whilst businesses of less than 20 employees were least likely to provide structured training (30.9%).
- More employers in Tasmania were likely to provide structured training (52.5%) than in any other State.
- Employers in the Government administration and defence; Electricity, gas and water supply; and Education industries provided the most structured training (87.5%, 86.7% and 72.9% of employers respectively).
- Employers in the public sector provided more structured training (84.3%) than the private sector (40.6%).
- Structured Training was provided by employers to 94.4% of permanent employees, but only 25.4% of non-permanent employees.
- 52.1% of employers with at least 40% of their employees in the occupation group 'Tradespersons and related workers' provided structured training to their employees.
- 48.7% of all employers surveyed in the Government Administration and Defence industry increased their level of structured training from the previous financial year.
- Overall, 54.7% of employers that provided structured training to employees did so to maintain professional status and/or meet industry standards.
- 31.2% of employers provided structured training in the form of external workshops and lectures, and 22.5% provided structured on-the-job training.
- Of all employers surveyed, 32.1% provided structured training that was occupation-specific, 18.3% provided structured training for induction purposes, but only 9.1% provided structured training for personal development of the employee.

### **Training Expenditure**

Total nominal training expenditure during the 2001-02 financial year was \$3652.7 million, including wages and salaries of dedicated trainers, and accounting for offsets to training expenditure. This figure represents an approximate increase of \$1256 million from 1996<sup>1</sup>, a 52.4% increase in total (Table 1). Table 2 below includes a breakdown of training expenditure in real terms, that is, accounting for inflation. The increase in real terms is \$834.6 million, a 37% increase from 1996. This increase could be attributed to many factors, including an increase in the number of employers offering structured training, growth in the labour force, changes within industry, legislative requirements and increases in the real cost of training an employee.

**Structured training vs unstructured training, number of employees has grown. % of wage and salary.**

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<sup>1</sup> Expenditure for 1996 based on annualised figures from the ABS, based on the September quarter 1996. Excludes seasonal adjustment.

**Table 1: Direct Expenditure on Structured Training, Current, All employers, 1993 – 2001-02 (\$m)**

	<b>1993<sup>(a)</sup></b>	<b>1996<sup>(a)</sup></b>	<b>2001-02<sup>(b)</sup></b>
	<b>(‘000)</b>	<b>(‘000)</b>	<b>(‘000)</b>
Wages & Salaries of dedicated trainers	1036	1087.7	1036.7
Direct Training expenditure (excluding wages & salaries to dedicated trainers)	1339.2	1430.5	2981.5
Gross Training Expenditure	2375.2	2518.1	4018.2
Offsets to Training Expenditure	110	121.5	365.5
Total	2265.2	2396.7	3652.7

Source: ABS Training Expenditure Survey 1993.

ABS Training Expenditure Survey 1996.

ABS Employer Training Expenditure and Practices 2001-02.

<sup>(a)</sup> Annual estimates for 1993 and 1996 based on September quarter.

<sup>(b)</sup> 2001-02 financial year.

**Table 2: Direct Expenditure on Structured Training, Real, All employers, September 1993 prices (\$m) <sup>(1)</sup>**

	<b>1993<sup>(a)</sup></b>	<b>1996<sup>(a)</sup></b>	<b>2001-02<sup>(b)</sup></b>
	<b>(‘000)</b>	<b>(‘000)</b>	<b>(‘000)</b>
Wages & Salaries of dedicated trainers	1036	1031.9	882.2
Direct Training expenditure (excluding wages & salaries to dedicated trainers)	1339.2	1357.1	2537.3
Gross Training Expenditure	2375.2	2389.0	3419.5
Offsets to Training Expenditure	110	115.3	311.0
Total	2265.2	2273.8	3108.4

Source: ABS Training Expenditure Survey 1993.

ABS Training Expenditure Survey 1996.

ABS Employer Training Expenditure and Practices 2001-02.

<sup>(a)</sup> Annual estimates for 1993 and 1996 based on September quarter.

<sup>(b)</sup> 2001-02 financial year.

<sup>(1)</sup> The Non-farm GDP (NFGDP) deflator is used as a general measure of price change. Reference year for implicit price deflators is 2001-02. Source: ABS 5206.0 Australian National Accounts: National Income, Expenditure and Product, December 2003.

## **Factors Attributing to Change in Provision of Structured Training**

### *Changes in the Labour Market*

The trend of employment in Australia and OECD countries has been in the direction of increased non-standard employment (NCVER, 2003). Growth in part-time and tenuous employment has been strong in recent years, however historically less training is provided to part-time and casual employees, which has undermined the training drive. Research by Hall et al, 2002, from 'ABS Employment Arrangements and Superannuation' (April-June 2000), reveals that 49.5% of self-identified casuals received training during the last 12 months of their main job, compared with 69.9% of permanent employees, and 81.8% of employees on a fixed term contract. The majority of training for self identified casuals was on-the-job training (35.4%), whereas permanent employees were more likely to attend a seminar, workshop or conference for training purposes (43%) or undertake a structured training course (31.3%).

### *Individuals increasing funding of their own training and development*

Increasing staff turnover has led to a shift of training burden from government and employers to individuals. Research by Hall et al, 2002, based on ABS Education and Training Experience surveys from 1989 – 1997 shows there has been a considerable rise in the number of people taking part in externally provided non-employer supported training. In 1989, 9.8% of all those who had participated in training in the previous year had taken an external course that was not supported by an employer. This figure had grown to 20% in 1997. Research by Dumbrell, 2002, estimates that just over 750,000 individuals incurred personal expenses in paying for their own training during the 12 months prior to the Education and Training Experience Survey (ABS SET 1997), with more than 75% spending less than \$500 on training. A large proportion (13.5%) of people not classified to an industry (unemployed or studying), have spent more than \$5000 on their own training, whilst relatively high numbers of individuals employed in the communication, property and business services and wholesale industries spent between \$1000 to \$5000 on their own training. Whilst employers are increasingly providing incentives to train by paying course fees and materials, employees are contributing more to external training by not receiving any wages or salary for the hours they spend in training (Long, 2002, based on ABS Training Expenditure and Training Experience surveys).

### *Changes within Industry*

The industries, which have provided the biggest growth in numbers of employers providing training, are accommodation, cafes and restaurants (54.8% in 1997 to 91.5% in 2001-02), cultural and recreational services (from 49.5% to 80%) and construction (47% to 75.7%).

Whilst the retail, manufacturing and property and business services industries have the largest numbers of persons employed (ABS Labour Force Survey, February 2003), the accommodation, cafes and restaurants have a large proportion of part-time and casual employees, which historically received less structured training than full time employees. The numbers of employees in the construction trade have increased 23% from 1998 to 2003, and cultural and recreational services have increased 16% over the

same period, which could be attributed to increases in structured training. The increase could also be attributed to a high demand for new and updated skills.

### **Training Practices**

#### **Reasons for Providing Structured Training**

In 2001-02, 54.7% of employers that provided structured training did so to maintain professional status and/or meet industry standards, 53.1% provided training to improve quality of goods or services provided and 53.6% for staff development and advancement. A small group (7.4%) provided structured training for award or enterprise bargaining agreements, or for competitive reasons within Australia and Overseas (8.1%).

In 1994, the reason reported most often to provide structured training was to improve the work performance of employees (79.8%), especially by public employers (93.8%). This is similar to the trend in 1997, where 53% of businesses supplying structured training found it important to improve performance in current job (39% found it crucial), 39% found structured training important to respond to new technology (36.4% in 2001-02) and 44% rated it important to improve the quality of goods or service.

Individual development of staff was seen as more important in 2001-02 than in 1997. 53.6% of employers provided structured training in 2001-02 for staff development and advancement (87.1% for businesses with 100 or more employees), 40.6% of employers in 1994 to enable staff movement to other positions in the organisation, and 30% in 1997 to enable employees to move to other positions.

#### **Factors that Limit Training Expenditure**

Despite evidence that there are many benefits for businesses providing structured training, during the financial year 2001-02, under half (41%) of Australian employers provided structured training for their employees. This compares with 32% of employers in 1994 and 35% in 1997.

Some reasons for not providing structured training include the lack of a strong training culture in many industries due to a lack of information on costs and benefits, and the high labour turnover which makes it easier to recruit already trained workers, but harder to retain trained employees (OTTE, 2001).

43.1% of employers cited the reason for limiting provision of structured training during 2001-02 were that the current employees were adequately trained, however only 6% indicated it was because they had recruited trained people. Other reasons for limiting structured training include that the requirements had been met through unstructured methods (13%), cost constraints (8.8%) and time constraints (6.8%).

In the 1994 Training Expenditure Survey, the trends were much different. Time and Cost constraints (55.8% and 41.3% respectively) were the biggest limitations for employers to offer structured training. Only 11% felt that their current employees were adequately trained, and 5.2% only recruited trained people.

## **Delivery of Training**

Most employers over the year from 1994 to 2001-02 use external training providers to conduct structured training. In the 2001-02 financial year, most employers (40.3%) providing structured training used a private training provider. It was more likely for a large company of more than 100 people to use a private training provider most often for their training requirements (47.2%, compared with 15% for TAFE), than for companies with less than 5 employees (19.6% compared with 27% for TAFE). In 1994 more employers used TAFE as their external training provider (46.3%), with 39.3% using private training providers, and in 1997, 43% used TAFE and 34% a private training provider.

The delivery type of structured training has also changed and become more flexible over time. In 2001-02, 15.9% of employers providing structured training reported an increase in the use of electronic learning arrangements from the previous financial year, leading to a total of 37.8% of employers using electronic learning arrangements for some or all of the structured training provided. Employers with 100 or more employees particularly used it (64.7%) and the communication services and transport and storage industries also used it more than other industries (92.4% and 73.6% respectively).

Permanent employees in 2001-02 were more likely to receive structured training via external workshops and lectures (79.1%), whereas non-permanent employees were more likely to receive structured on-the-job training (67.3%) and internal workshops and lectures (63%).

## **Conclusion**

Findings from the Training expenditure and training practices surveys show significant changes for both the employers and employees over time. Employers are slowly changing their reasons for providing structured training from providing development to their staff, to improve profitability and product/service improvement for their business. Add to this an increasing labour market turnover of staff, and individuals are now increasing their own investment in their development.

Training practices have also become more flexible and perhaps more customised to the needs of industry. Time and cost constraints were the biggest limitation for employers providing structured training in 1994, however relatively few employers described this as a limitation in 2001-02. This could also be attributed to more customised training programs offered by private training providers, who are now used overall more than TAFE by employers. Employers are more likely to pay for specific training courses that are short, cheap and have immediate impact.

Future Research of training expenditure could include a shift-share data analysis from the 2001-02 Training Expenditure and Practices Survey, based on changes within the labour market, and shift in industries, to attribute the changes in training expenditure in Australia.

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Appendix

Table 1. Comparison of ABS Surveys on Training expenditure and practices

	Training Expenditure Survey 1993	Training Expenditure Survey 1996	Training Practices Survey 1994	Training Practices survey 1997	Training Expenditure and Practices Survey 2001-02
<b>Respondents</b>	approximately 6000 businesses from the ABS Register	approximately 6000 businesses (35% of employers are common to the 1993 survey)	Same as the 1993 Expenditure Survey	Same as the 1996 Expenditure Survey	5889 total respondents from the ABS Business Register
<b>Scope</b>	Includes formal training only	Includes employers who provided structured training	Includes formal training only	Includes employers who provide structured or unstructured training	All employers, not just those that provided structured training
<b>Reference Period</b>	1 July - 30 September 1993	1 July - 30 September 1996	1 March 1993 - 28 February 1994	1 March 1996 - 28 February 1997	1 July 2001 - 30 June 2002
<b>Industry Classification</b>	ASIC (Australian Standard Industrial Classification)	ANZSIC (Australian and New Zealand Standard Industrial Classification)	ASIC (Australian Standard Industrial Classification)	ANZSIC (Australian and New Zealand Standard Industrial Classification)	ANZSIC (Australian and New Zealand Standard Industrial Classification)
<b>Occupation Classification</b>	ASCO (Australian Standard Classification of Occupations)	ASCO (Australian Standard Classification of Occupations)	ASCO (Australian Standard Classification of Occupations)	ASCO (Australian Standard Classification of Occupations)	ASCO (Australian Standard Classification of Occupations)

	<b>Education and Training Survey 1997</b>	<b>Survey of Education, Training and IT 2001</b>
<b>Respondents</b>	Household survey of 13 800 dwellings, 22 700 completed interviews	Household based survey, 24 400 individuals
<b>Scope</b>	15 - 64 year olds who were employed, unemployed or marginally attached to the labour force	15 - 64 year olds who were employed, unemployed or marginally attached to the labour force
<b>Reference Period</b>	12 month period prior to the survey ending around March - May 1997	12 month period prior to the survey ending around April - August 2001
<b>Industry Classification</b>	ANZSIC (Australian and New Zealand Standard Industrial Classification)	ANZSIC (Australian and New Zealand Standard Industrial Classification)
<b>Occupation Classification</b>	ASCO (Australian Standard Classification of Occupations)	ASCO (Australian Standard Classification of Occupations)