

Long-term Investments In-house Vocational Training Works—with Binding Regulations

Philip Wotschack

Life-long learning and further training at the workplace are generally regarded as important. But there is a big gap between the public debate and the actual performance of companies. According to Germany's Institute for Labor Market and Employment Research (Nuremberg), in 2011 only 50 percent of businesses promoted continuing education by making time or money available, and less than a third of all employees pursued further training. The WZB project "Companies' training and working time policies in a life course perspective," funded by the Hans Böckler Stiftung, studies barriers to further training at the workplace and the institutional conditions needed to overcome them.

Continuing education implies costs and risks for both businesses and employees that can be understood as a problem of transaction costs. Organizing and attending training takes time; trainers and suitable infrastructure mean costs, which come due in the present, while the benefits of further training for employees and businesses often cannot be precisely calculated. For small businesses or businesses in difficult economic situations, these factors can be obstacles to any further; among employees, generally the low skilled and women with care obligations participate less in further training.

The problem of transaction costs in further training at the workplace can be solved, as demonstrated by businesses where groups of disadvantaged employees also regularly pursue further training. Our project has studied the institutional framework conditions that pioneering companies are contributing to good practice for further training at the workplace. According to the theory of transaction costs, institutional arrangements (or governance structures) can provide solutions for transaction-cost problems through agreements, regulations or standards that reduce uncertainties—and the costs and risks—that are associated with training for businesses and employees alike. Agreements and standards need not always be written; they can also be informal—in verbal agreements, company culture or normal operating procedures.

Research design and company selection

Extensive research led to the selection of ten different pioneering companies for the Hans Böckler Stiftung-funded WZB project—businesses which stand out because of their intensive further training activities that are also addressed to low-skilled employees or women with families. Characteristics such as size, employee structure and economic sector were also considered in making the selection. Between April 2010 and April 2012, the solutions of ten companies and their contexts were recorded. In five businesses, more detailed studies were conducted that included employee interviews as well as conversations with personnel managers and employees' representatives to determine which in-house and external conditions produce a high level of participation in further training at the workplace. Early results of the qualitative case studies are presented below. The complete findings, along with an analysis of data about the businesses, will be available in Fall 2013.

How are decisions made for or against further training? Businesses and employees are assumed to anticipate costs (such as investments of time and money) and risks (such as the possible loss of investment or the failure to realize its

Summary: Firms and employees who wish to invest in further training face serious constraints in terms of costs and uncertainty about the return on their investment. A study of ten companies well-known for their good training opportunities shows how institutional arrangements help overcome these barriers. Stable employment relationships prove to be very important in promoting further training.

goals and advantages). Reference points refer to the costs and risks that are linked to the decision to forgo further training: for businesses, these include skills and worker shortages and recruiting costs, and for employees, possible job loss and disadvantages regarding career or income.

It is obvious: The businesses have more pressure to engage more in further training, with the failure to do so shown in rising costs and risks. Many companies are confronted by acute or threatening demands for skilled workers. But demand alone does not cause pioneering firms to change their practices regarding further training: for this, other institutional framework conditions are needed.

Pioneering firms use existing structures

Business costs for further training can be reduced through support for vocational training and education that comes from the company or regional institutions, or through state subsidies. Most of the ten businesses actively conduct further training and have the necessary infrastructure, personnel resources and experience. To qualify its employees, the port authority can use the holding's own educational and training center and a professional school that is owned by the concern, as well as a continuing education center for maritime professions that is located at the harbor. During the crisis of 2008–2009, a big offensive for short-time work and further training was supported by the *Bundesagentur für Arbeit* (Federal Employment Agency) in which most of the port authority's un- and semi-skilled workers were able to qualify as port- or warehouse-logistics specialists, thereby raising the skills level at the lower end of the port's hierarchy. Close cooperation with the regional employment agency as well as the business actors' experience collaborating helped insure the program's success. We discovered that personnel departments and work councils often jointly shape policy on further training, with the work council's engagement resulting in subjects and approaches that were originally developed for highly qualified employees and management also being used for the commercial branch and groups of less-qualified employees.

External institutional regulations also help promote further training in companies. Often business thinking is blind to the long-term advantages of investing in further training, only calculating costs and benefits for shorter periods and dismissing the long-term risks and costs that result from skills shortages. The pioneering businesses in our study show how external regulations can help broaden this limited perspective. At the clinic, for example, further training is promoted through Medical and Nursing Association regulations that mandate a certain amount of annual training for employees. Doctors and nursing staff must prove to their respective professional associations that they have obtained a specific number of advanced-training credits. Binding standards assure broad participation in further training, even if it is on a small scale.

At the port authority, wage agreements have a positive influence. The signatories to the group-wage tariff agreement, "Demographic Change, Global Competition and Business Social Policy", pledge to develop instruments for age-appropriate social policy. The agreement stipulates needs-based qualified training, the development and cost absorption of basic and further training and professional courses of study, the development of guidelines for promoting education and efforts to stimulate the domestic labor market.

Regulations create commitment

The insecurities and risks associated with further training can be reduced through regulations and agreements that stimulate commitment and transparency and mitigate employee and business risks. Security is conveyed through successful cooperation between actors concerned with the company's works policy, transparent business and wage regulations regarding further training, as well as mandatory training-need analyses and employee appraisals. One chem-

ical plant that we studied has a form for the compulsory annual employee appraisals conducted with superiors, in which the employee's training needs and long-term professional interests are discussed and planned. The employer pledges to conduct annual training sessions and assure the initial training of new employees, as well as assume all costs of skills training needed by the business. For further training that does not respond to an acute business need, the employer pays in proportion to the degree the training benefits the business. For example, for chemical workers' further training the company pays between 75 and 100 percent of the time and financial costs, while for foreman/master craftsman training, it usually pays 50 percent. A catalog specifies the time and costs for both business and employee. The employer is insured against the possible investment loss through separate contracts for further training that set out how the costs will be repaid within two years after the training is finished should the employee change jobs.

The port authority provides another example of the influence of informal regulations: competing businesses at the harbor have a verbal 'gentlemen's agreement' that prohibits them recruiting each others' specialists or trained workers, thus reducing the risk that investments in basic and further training will be lost through a change of employers.

All the pioneering businesses that we studied have regulations and standards that promote long-term business and employee collaboration, which make investing in further training meaningful for both parties. Important preconditions include secure employment, good opportunities for professional development at the business and a high degree of solidarity. The ten businesses mostly offer their workers unlimited contracts and avoid large-scale dismissals—often through the united efforts of workplace parties. At many businesses we also found strong displays of community feeling and solidarity, which help low-skilled or part-time employees—who are usually overlooked in personnel policy—receive more consideration in training policies.

At the clinic, personnel managers promote in-house solidarity by emphasizing cooperation and team spirit over competition and individual prestige. Skilled specialists and 'team players' are preferred to doctors with big reputations. Supervisors are recruited in-house and, as far as possible, necessary professional expertise is imparted in further training and personnel development programs. Mutual support, trust and fair dealing characterize the clinic's work environment. Similar situations are found at the port authority and the chemical and automobile factories, which view the enterprise as a 'big family'. With such company culture, decisions about further training are guided more by solidarity and long-term goals than by pure business criteria.

Our study shows that further training can be promoted by reducing related costs and uncertainties through institutional frameworks. Bonds of solidarity between business and employees prove to be important preconditions for long-term, joint action. The port authority also demonstrates how further-training policy can stimulate company culture: its massive skills offensive stimulated many employees to pursue further training, while the business actors who participated were also encouraged to make more efforts regarding further training.



Philip Wotschack received his doctorate in sociology from the University of Groningen and has been a researcher in the WZB's Skills Formation and Labor Markets research unit since 2008. He studies new approaches for working with personnel that take account of demography and life issues in the project "Companies' training and working time policies in a life course perspective." (Photo: David Ausserhofer) philip.wotschack@wzb.eu

References

Bechmann, Sebastian/Dahms, Vera/Tschersich, Nikolai/Frei, Marek/Leber, Ute/Schwengler, Barbara: *Fachkräfte und unbesetzte Stellen in einer alternden Gesellschaft. Problemlagen und betriebliche Reaktionen. [Skilled personnel and vacant positions in an aging society. Problematic situations and business reactions.] IAB-Forschungsbericht [IAB Research Report] 13/2012.*

Gillen, Julia/Elsholz, Uwe/Meyer, Rita: *Soziale Ungleichheit in der beruflichen und betrieblichen Weiterbildung [Social inequality in professional and workplace further training]. Arbeitspapier [Working Paper] 191. Düsseldorf: Hans-Böckler-Stiftung 2010.*

Wotschack, Philip/Scheier, Franziska/Schulte-Braucks, Philipp/Solga, Heike: "Zeit für Lebenslanges Lernen. Neue Ansätze der betrieblichen Arbeitszeit- und Qualifizierungspolitik [Time for life-long learning. New approaches to firm policies regarding working time and further training]." In: *WSI-Mitteilungen*, 2011, Vol. 64, No. 10, pp. 541–547.