

Beyond qualifications: the challenge of career-long continued training

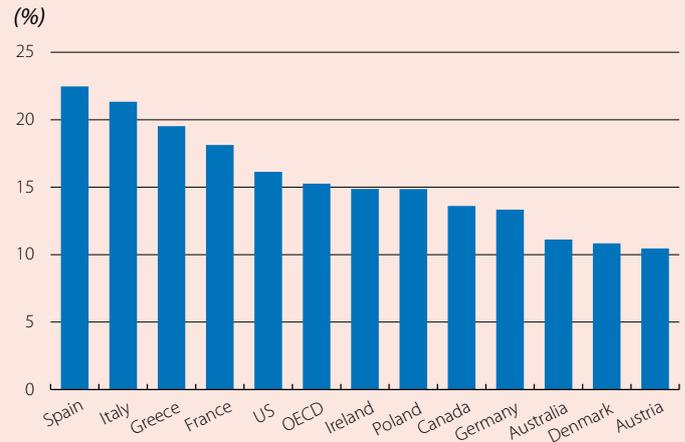
It is not easy to find time for training within the daily grind. But the continued training of workers is crucial. It encourages workers to develop new skills in a constantly evolving technological environment and also updates the knowledge required in their ever-longer working lives. This article looks at the key factors that determine adult training.

There are a number of benefits to lifelong training, both for the employed and unemployed. The vast literature on this area¹ concludes that on-the-job training increases worker productivity by improving performance, motivation and the quality of work. These improvements in productivity lead to larger profits for the company and higher wages for workers.² Regarding training for the unemployed, empirical evidence suggests that well-designed training schemes improve the likelihood of finding a job, especially in the medium term. However, several studies stress that active policies aimed at job-finding tend to be more effective than those aimed at training the unemployed.³

Of course training also has its drawbacks. It entails a cost, both in terms of time and money. The extent of these costs, compared with the benefits, determines the viability of investing in training in each case. Crucially, accounting standards do not treat expenditure on training employees as an investment but as a cost, so it cannot be amortised. Consequently, companies are more likely to invest in training with an immediate effect for the business, causing the minimum impact on the company's profits. This tends to be the case of specific employee training. But although more versatile training, such as IT, may not have such tangible benefits for the firm in the short term, it does tend to have very positive effects for worker employability and society as a whole, as well as for the company itself (for more details, see the article «Teaching to learn: education in the era of technological change» in this *Monthly Report*).

In spite of ample evidence for the benefits of continuing training throughout the working life, the percentage of workers in Spain receiving company training is below the EU-28 average (32% compared with 37%).⁴ These lower training participation rates in Spain unfortunately also coincide with a lower skills level among the adult population. For example, 17% of adults in Spain have no computer experience, while this percentage falls to 10% for the OECD average. Readers may also be surprised to learn that one out of every three adults has low or very low literacy and numeracy skills in Spain (compared with the OECD average of one in four), according to the Programme for the International Assessment of Adult Competencies (PIAAC 2015).⁵ It could be said that these bad figures are due to a composition effect (if Spain has a population with more people with a low level of education, it goes without saying that it also has a worse skills record than countries whose average population has a higher educational level). But Spain's skill level is lower than our European peers at all levels of training, even for higher education. This suggests that Spain's deficiencies in this area are not limited to adult training (see the article «The pillars of education: a modern view» in this Dossier for a more detailed discussion of school-age education). To throw some light on the difference between the level of

Adult population with low or very low literacy and numeracy skills



Source: CaixaBank Research, based on OECD data (PIAAC 2015).

1. See, for instance, Tharenou, P., Saks, Alan M. and Moore, C. (2007), «A review and critique of research on training and organizational-level outcomes», *Human Resource Management Review* 17, 251-273.

2. A meta-analysis published in 2011 concluded that taking part in continued training programmes increases earnings by 2.6% on average. See Haelermans, C. and Borghans, L. (2011), «Wage Effects of On-the-Job Training: A Meta-Analysis». However, it should be noted that empirical findings vary greatly and it is vital for the right training courses to be chosen to achieve good results.

3. See Card, D., Kluve, J. and Weber, A. (2010), «Active Labor Market Policy Evaluations: A Meta-Analysis», NBER Working Paper. And Kluve, J. (2006), «The Effectiveness of European Active Labor Market Policy», IZA Working Paper. For more details, see the Dossier «Policies to activate the labour market» in MR09/2015.

4. Data from 2015 based on the percentage of workers receiving company training over the previous 12 months. See Eurofound (2016), «Sixth European Working Conditions Survey», Overview Report.

5. See OECD (2015), Survey of Adult Skills (PIAAC).

training received by workers in Spain and the average in developed countries, it is useful to look at the main factors that augment worker training.

The literature highlights several aspects with a positive impact on on-the-job training: company size, innovative business, permanence of the worker-company employment relationship, international exposure and the educational level of the workforce.⁶ Of all these aspects, there are two that might play a decisive role in Spain: company size and the stability of the worker-company employment relationship.

First, the available evidence points to larger companies tending to provide more training as they benefit from lower fixed costs and find it less difficult to replace workers who are temporarily absent while being trained. The small size of companies in Spain compared with other EU countries could at least be part of the reason why workers receive less training.⁷

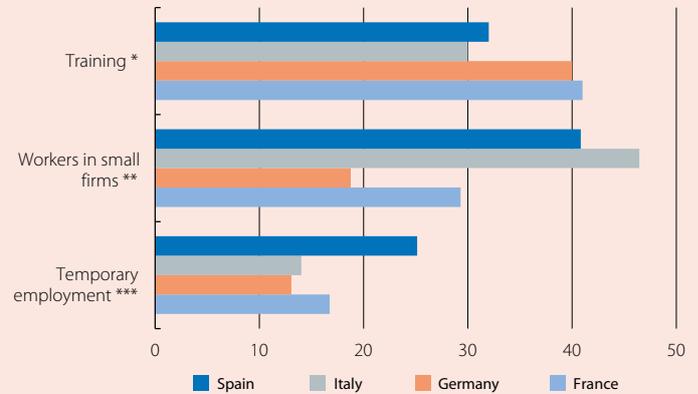
The employment relationship between workers and their employer can also affect the amount of training carried out. In this case, the longer a worker is expected to remain in a company, the greater incentive to invest in training, both on the part of the firm and the worker, since the investment can be optimised over a longer period. The high proportion of temporary employment in Spain (25%), far above the OECD average (11.4%), is therefore an evident deterrent to training.

The benefits of continued training on worker productivity are therefore additional reasons to conventional arguments in favour of increasing company size and reducing the share of temporary employment in Spain. Two challenges that should not be ignored.

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Training, company size and temporary employment (% of total workers)



Notes: * Percentage of workers receiving training paid for by their employer in the previous 12 months.

** Percentage of workers in small firms (between 1 and 9 employees).

*** Percentage of workers with temporary contracts. Data from 2015.

Source: CaixaBank Research, based on OECD data.

6. See Bassanini, A. *et al.* (2005), «Workplace Training in Europe», IZA Discussion Papers.

7. In Spain, 73% of people working for companies are employed by small or medium-sized enterprises while this percentage falls to 67% in the EU-28 (data from 2015, OECD). Spain has the EU's fourth highest percentage of people employed in companies with fewer than 10 workers (40.8%, 10 pp higher than the EU-28 average, according to Eurostat data from 2012).