Industry Forum
Business Excellence Through Inspired People

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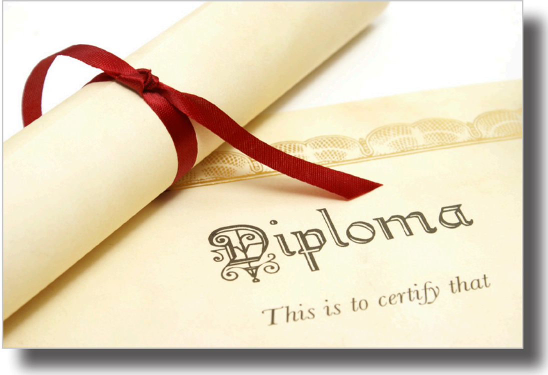
# Training & Competitiveness: too little UK investment for recovery?

Last month we suggested, following the Workplace Employee Relations Survey, that across the economy at the moment too many workers are simply working harder, rather than increasing the output of their work groups. Training in team working and problem solving occurs in too few workplaces and the percentage of workplaces offering training in these skills has fallen. The number of firms training in quality control has increased slightly but there must be concern about the quality methods used. The competitiveness implications of these trends do not look promising.

Anticipating this conclusion, LLAKES, the Centre for Learning and Life Chances in Knowledge Economies and Society, published a study, Adult Training: The Implications for Competitiveness undertaken by Geoff Mason and Kate Bishop at NIESR. Drawing on the Labour Force Survey data between 1993 and 2009, they found that as far as younger graduates and employees holding NVQ4 qualifications are concerned, training levels were lower in 2009 than in the mid-1990s and that across the workforce, as a whole, training levels had fallen back to 1993 levels.




These trends have affected different groups in different ways. Training for low qualified individuals has remained level throughout the 2000s but they are still below those for more qualified employees. The fall in training in the 2000s has been concentrated in the more qualified segment of the workforce. One hypothesis is that when graduates take on non-graduate jobs, employers do not see the need to train them.

Mason and Bishop contrast these trends with evidence that employers are increasingly aware of developments in the global economy leading to new training needs. Skills gaps do not emerge from previous patterns of training, they suggest, but stem from the need to introduce new processes to keep up with global competition.

The Skills and Employment Survey 2012 has just published its first findings, which confirm that the volume of training has fallen. The proportion of workers engaged in more than 10 hours training annually has dropped from 38% in 2006 to 34% in 2012, although amongst workers at all levels of education there is a rising demand for training. Reviewing this trend, the authors (Francis Green, Alan Felstead, Duncan Gallie and Hande Inanc) suggest that the trend in training volumes is an indicator of changes in business strategies. Training volume is influenced by employers' plans for work organisation and new technologies including their commitment to high value added strategies with complex and more dynamic product specifications.

The combined effect of this evidence from a variety of sources must be a concern about how much the continued

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flat-lining of the economy is the result of too few firms with ambitious strategies based on the pursuit of a globally leading competitive position.

The Office of National Statistics has started to measure the volume of investments in intangible assets – training, software, reputation & branding, R&D, design and business process improvement. So far ONS have only published data for two years – 2008 and 2010. Intangible investment dropped 15% to £33bn between these two years.  Only in design did the percentage of firms investing remain the same between the two surveys. In every other category the percentage of firms investing fell.  In training the percentage investing fell from 35% to 30%.

The average spend of firms investing in business process improvement fell from £45k to £32k between 2008 and 2010. The fall for training investment was less sharp – from £90k to £78k.

This survey also looked at the average expenditure in different kinds of intangible investment made by firms in the production and the service sectors. Production sector firms tend to invest more heavily in training, R&D and design. Service firms invest more heavily in software and branding. The two sectors are about equal in their tendency to invest in business process improvement.

As was the case in the previous survey, software is the largest category of intangible investment at £10 billion. Reputation and branding is the next largest (£8.3bn) followed by training (£7.3bn) and R&D (£5.7bn). Expenditures on the categories of design and business process improvement are both estimated at around £1 billion. As a comparison, conventional business investment in 2010 was £114.5bn – compared with £33bn on intangibles.

The forecasts published at the time of the 2013 budget foresaw that in the UK economy conventional business investment would increase by 8% per annum in each of the last two years of the five year forecast period but remain relatively static in the first three years. This suggests that investment in intangible assets, not least training and business process improvement, might follow the same slow trajectory out of the 2008 recession.

At Industry Forum we know that investment in business process improvement supported by appropriate training can have a rapid payback, partly by a reduction in working capital associated with more effective production organisation. These gains can be deployed in more ambitious investment, both tangible and intangible. If more firms were to adopt this approach in the next two years, the recovery might well be brought forward.

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