

---

## BRIEFING NOTE: EMPLOYER ENGAGEMENT

1. [Introduction](#)
2. [Why do we need to invest in a skilled workforce?](#)
3. [Barriers to employer engagement](#)
4. [International models of employer engagement](#)
5. [How to encourage employer engagement](#)
6. [Further reading](#)

### 1. INTRODUCTION

In a survey for the City & Guilds Centre for Skills Development, policymakers, researchers, practitioners and employers in nine countries were asked to specify what they believed to be the key issues for vocational education and training today.<sup>1</sup> Stakeholders in each country identified ‘*employer engagement*’ as of prime importance.

What these stakeholders meant by employer engagement varied between groups and countries but there was a consensus, as there is in modern research and international policy, that in order to develop a highly skilled workforce employers should be at the forefront, helping to design and deliver training that meets current needs and demands. It has also been successfully argued that learners’ needs are of equal importance but in this paper, we shall only tackle demand from an employer’s perspective.

---

### 2. WHY DO WE NEED TO INVEST IN A SKILLED WORKFORCE?

- **To address change:** Business is changing – there is the rise of the knowledge economy, IT use is still on the increase, globalisation is having a direct effect and employers in a range of industries and locations are reporting **skills gaps and shortages**.<sup>2</sup> At the same time, perceived economic downturns in the West are being contrasted with the emergence of stronger Asian economies; more developed countries are experiencing a change to the available labour market because of ageing populations and migration; in developing countries, migration is also significant but the birth rate is increasing and populations are booming.

All of these factors affect the workforce available to employers. It is increasingly apparent that a successful business must find ways of adapting to the changing markets and staff training should be central to any business development plans.

- **The return on investment:** Research continues to debate whether the concept of a ‘job for life’ is diminishing<sup>3</sup>, with some estimating that individuals now change jobs an average of 13 times in a lifetime.<sup>4</sup> Nevertheless, there is considerable evidence that employers who use training to up-skill and re-skill new and existing employees find there is a significant return on their investment. In a summary of a discussion forum with employers, Saunders reported on the experiences of Staples Business Depot which employs 13,500 people in Canada.<sup>5</sup> Amongst other initiatives, they committed to creating a learning and development plan for every member of staff. One of the features of the retail sector is often a fairly high level of staff turnover, therefore training can prove to be particularly problematic but through a carefully worked training programme, Staples found they increased staff retention rates, thereby reducing recruitment budgets and improved levels of customer service.

Other businesses have similarly testified to an **improvement in productivity and the quality of work**. The Benchmark Index demonstrated that expenditure on staff training raised productivity by 47% in

---

<sup>1</sup> City & Guilds Centre for Skills Development (2007): *Skills Development: Attitudes and Perceptions*. The 9 countries surveyed were Australia, Canada, Denmark, Germany, Hungary, India, Malaysia, South Africa and UK.

<sup>2</sup> A definition of skills gaps and skills shortages is available on the [Centre for Skills Development's website](#).

<sup>3</sup> A number of papers have been written on this topic including: Gregg, P., & Wadsworth, J., (2002) *Job tenure in Britain, 1975-2000. Is a job for life or just for Christmas?* Oxford Bulletin of Economics and Statistics 64 (2); Farber, Henry S., (1995) *Are Lifetime Jobs Disappearing? Job Duration in the United States: 1973-1993*. NBER Working Paper No W5014.

<sup>4</sup> Humphries, C., (2008): *Choice Based Opportunities*. Ufl Vision 2020, 2- edition.

<sup>5</sup> Saunders (2006): *Moving forward on workplace learning, report from the forum on employer investment in workplace learning*. Canadian Policy Research Networks for the Canadian Council on Learning

the manufacturing sector and by 12% in the services industries.<sup>6</sup> Barrett & O’Connell (2001) have shown that the returns on all training and general training for over 600 businesses in Ireland are statistically significant.<sup>7</sup> Given that their estimates put the proportion of training in Ireland as comparable to the proportion of businesses training in the UK, France and Germany, it is likely that the lessons in this case study can be applied elsewhere.

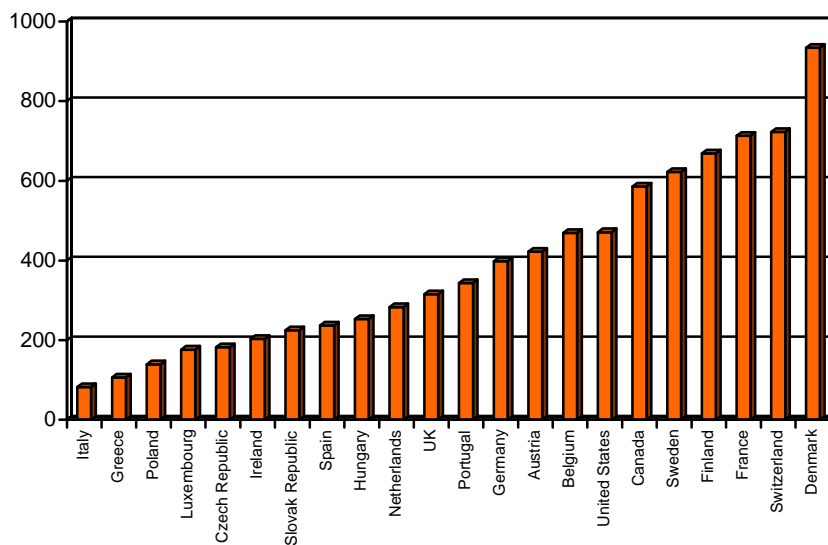
- **Social responsibility:** It has been proven that valued staff can cultivate a greater sense of loyalty to the company and are therefore prepared to give more to their work.<sup>8</sup> Training is one way of ensuring employees feel valued. In return for training, an employee can expect greater levels of responsibility, higher job satisfaction and the possibility of promotion and increased earnings. There is of course also an element of social responsibility in training and educating people. In South Africa for example, education is seen as one of the key ways to develop social cohesion as well as ideas of citizenship and equality for all members of the community. In developing a skilled workforce, employers help reach this social policy objective. Smith et al however argue that “Employers, especially those in the private sector, do not generally demand training for the welfare and betterment of their employees per se, but only if it fits into the business strategies they are pursuing.”<sup>9</sup>

### 3. Barriers to employer engagement

The benefits of employer engagement in skills development are therefore widely discussed and reported in research. This does not however mean that employers engage in training equally.

- **Country differences:** OECD’s Education at a Glance 2007 compares and contrasts the average number of hours individuals spend in non-formal job-related training in member countries in 2003.<sup>10</sup>

The chart demonstrates that adults in Denmark are far more likely to spend time in job-related training (although this may not lead to a recognised qualification, hence it being non-formal), spending 934 hours in training in the course of their working life. In the next nearest country, Switzerland, people spend an average of 723 hours in job-related training. Workers in Italy spend an average of just 82 hours in non-formal, job-related training. It is very clear that employer engagement in training varies considerably from country to country; to understand why this is the case it is often useful to look at the policy environment for that country.



In Denmark for example, education is seen as hugely important by policymakers and individuals alike. Workers pay high levels of income tax with the understanding that this will go towards the prized and highly efficient social services of health and education. Similarly, policymakers are particularly careful to work with social partners, like the trade unions and their members, in developing education policy. It has been said that Denmark has just two priorities in current policy: how to meet the challenges of globalisation and how to achieve social cohesion, with education seen as the key mechanism for meeting these goals and ensuring the Danish economy continues to flourish.

<sup>6</sup> Business Link, *Enablers in Productivity*. Business Index

<sup>7</sup> Barrett & O’Connell (2001): *Does Training Generally Work? The returns to in-company training*. Industrial & Labour Relations Review, Vol 54, No 3.

<sup>8</sup> *McBassi and Co* have argued that employers should not seek to lay off staff in times of economic downturn, they should instead retain and retrain staff to help address the problems. They will be repaid with greater company loyalty, particularly when more profitable times return. McBassi & Co April 2008 newsletter: *Benefiting from a Recession Part II*

<sup>9</sup> Smith et al (2001), p.30: *The Economics of Vocational Education & Training in Australia: CEET’s Stock take*

<sup>10</sup> OECD Education at a Glance 2007: chapter C

- **Type of company:** As well as differences between countries, research suggests that employers in **larger companies are more like to engage in skills development** than smaller sized companies. In the Australian electro-technology industry, 82% of all apprentices in the sector were employed by medium and large companies.<sup>11</sup> Cully concurred that the size of company affects engagement levels: by examining data from the Australian Bureau of Statistics, Cully found that 97.5% of large firms (those with 100 employees or more) engage in training.<sup>12</sup> Furthermore, larger employers across the nine countries interviewed for the Centre for Skills Development's 2007 survey were significantly more satisfied than SMEs (small and medium enterprises) with the training available to their staff. It also became apparent that whilst a larger company felt they could influence training options, SMEs found it more difficult for their voice to be heard. Economies of scale make it more realistic for a large employer to develop their own training programme should there be nothing else available that meets their demands but SMEs rarely have this luxury. Although studies may demonstrate how training contributes to a company's bottom, making it a very worthwhile investment, SMEs often find it more difficult than larger firms to cover for staff on training and meet the associated short term expenses.
- **Employer perceptions:** Regardless of sector, size of company or the country in which they are located, perceptions that training can have a detrimental, as well as positive, impact on business continue to subsist. In response to the Centre for Skills Development survey, a number of employers were found to share this view of one Hungarian employer: "You train the employees then other companies take away the skilled workforce."<sup>13</sup> A fear of **poaching** is seen as one of the greatest barriers to employer engagement.

Equally problematic is the perception that employers are often said to be **confused** about the training on offer and to lack an understanding of local and national systems for vocational education and training. In many countries, governments are increasingly aware of the need to engage employers if future skills needs are to be met. Yet this leads to an interesting paradox: can mechanisms for employer engagement that are initiated and facilitated by government departments really understand and meet employer needs and given such circumstances, which might be called supply-driven solutions, **how can the initiative be handed back to the employers that they are intended to benefit?** Different countries and regions have a variety of employer engagement models that might offer some interesting alternatives.

---

#### 4. International models of employer engagement

Training that is formulated by and with the employer is seen as the model that helps best meet demand. In our briefing note on *Sectoral Approaches to Skills*, we have summarised the different models for employer engagement as formulated and contextualised by Raddon & Sung (2006).<sup>14</sup> For the most part, it is unusual to find a method of employer engagement that is purely owned and lead by the industry. There are however some notable, and successful, exceptions.

In contrast to sector bodies that are sponsored by and funded by government (either directly or via a levy on employers), as found in the UK, Canada, South Africa and Australia amongst others, in **Hong Kong**, Industry Training Associations have been given the remit and financial support by employers in the sector to set training strategies as well as develop and deliver qualifications and assessments. This advanced model of engagement gives employers full legislative powers to establish their own Industry Training Association and allows for a quick response to change as there is a direct relationship between the relevant sectoral employers rather than through an intermediary government-financed agency. That this development only came about under a Hong Kong Government initiative in the 1970s is perhaps significant but as indicated by Raddon and Sung, it is a method that has been particularly successful in the construction sector.

In **Singapore**, an approach that Raddon and Sung label as "employer modelled" is equally interesting. Here, training programmes developed by an individual employer are used as a 'blueprint' or best practice model to develop similar programmes in that industry. Rather than seeing this as giving away their competitive advantage, the employer that provides the blueprint is given kudos for being a leader in industry and as developer of the blueprint, can claim funding through the Skills Development Fund which other employers contribute towards to keep the fund afloat.

---

<sup>11</sup> Electrotechnology Task Force (2001): *New Apprenticeships in Electrotechnology: a summary of research into why contractors employ and train apprentices*

<sup>12</sup> Cully, M., (2005): *Employer provided training: findings from case studies*. NCVER

<sup>13</sup> City & Guilds Centre for Skills Development (2007), p. 196: *Skills Development: Attitudes and Perceptions*.

<sup>14</sup> Raddon, A., & Sung, J., (2006): *The Role of Employers in Sectoral Skills Development: International approaches*. Centre for Labour Market Studies, University of Leicester

In Scotland, the [Smith Group](#) has gone even further to promote the involvement of business leaders in the education sector. This group of eminent employers and entrepreneurs seek to inform and influence government agendas to better prepare young people for the world of work and increase participation rates in training and employment. They have been instrumental in lobbying for well structured careers advice and the teaching of enterprise skills.

---

## 5. How to encourage employer engagement

*“Training works best when linked to a firm’s priorities and business plan and integrated with overall management practices and firm culture.”<sup>15</sup>* Goldenberg’s perspective is a good starting point for when employer engagement is most effective. If more employers are to engage in skills development, research indicates there are some tried and tested approaches.

- **Opening up communication channels:** Employer engagement is very closely tied in with supply and demand of training; therefore better levels of employer engagement should improve supply and accordingly, meet demand. Policymakers, practitioners and employers alike have often been quick to apportion blame when it comes to deciding who should take responsibility for employer engagement. If communication channels are to be effective, all stakeholders must develop an understanding of instances of good practice, different models and levels of engagement, whether they are on a local, regional or national scale, and be able to weigh up the potential opportunities and limitations associated with each model. Most important of all, stakeholders must understand what employers want and need. In their research, the National Skills Forum for example have demonstrated how UK employers are requesting shorter, bite size qualifications that allow employees time to work and study.<sup>16</sup> **Social partners**, for example trade unions and industry representatives, can play their part by engaging in training, extolling its benefits and using it as a tool for collective bargaining. Partnerships between employers and practitioners must be encouraged so that mutually beneficial relationships develop and foster good working environments.
- **Financial incentives and levies:** The research summarised here demonstrates that employer engagement in training has an unequivocal financial benefit for the company. Employees can be more productive if they receive proper training as they have a better understanding of processes and procedures. They are also more likely to value their company and demonstrate a loyalty towards the firm that along with greater levels of productivity improves the reputation of the company and means it becomes a business that others want to work for and with. Whilst a worker may, after receiving training, choose to work for another firm at some point in the future, there is evidence that job retention improves because of training and as in Singapore, that sharing training plans helps assert a business as a leader in its field. Government policies have gone some way to encouraging employer investment in training through financial mechanisms. For instance in the Netherlands, employers receive a 15% tax rebate for taking on trainees. Similar tax rebates are given to employers taking on apprentices in France but they are also subject to a training levy that helps fund initial work-related training.
- **Statutory and government assisted measures:** Aside from financial incentives and levies, there are also a number of statutory measures around qualification development and delivery, making it fundamental to involve the relevant employers. In sectors where staff must have a licence to practise or comply with health and safety regulations, qualification development must be informed by employers in the industry. In England, the Learning and Skills Council (LSC) has introduced **Train 2 Gain**, a brokerage system designed to analyse and assess business training needs as well as support them in finding appropriate training opportunities. Kite marks that set businesses apart as leaders in their field, such as ‘Investors in People’, have also been proven to engage employers effectively and the emphasis given to training programmes in such kite mark schemes has helped improve commitment levels. Finally, mechanisms that allow employers to judge the quality of prospective training, to feedback and to improve quality levels are important tools in engaging the employer and ensuring they understand the system.

---

## 6. Further reading

Raddon, A., & Sung, J., (2006): *The Role of Employers in Sectoral Skills Development: International Approaches*. Centre for Labour Market Studies, University of Leicester

---

<sup>15</sup> Goldenberg, M., (2006): *Employer investment in workplace learning in Canada*. Canadian Policy research networks paper for Canadian Council on Learning

<sup>16</sup> National Skills Forum (2007): *Incentives to Train: Ensuring Employer Engagement*

Goldenberg, M., (2006): *Employer investment in workplace learning in Canada*. Canadian Policy research networks paper for Canadian Council on Learning

Cully, M., (2005): *Employer provided training: findings from case studies*. NCVER

Investors in People UK (2001): *People and Productivity Final Report*

---

Kate Shoesmith, April 2008

[kate.shoesmith@skillsdevelopment.org](mailto:kate.shoesmith@skillsdevelopment.org)