The Impact of the 2008-9 Recession on the Extent, Form and Patterns of Training at Work

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The Impact of the 2008-09 Recession on the Extent, Form and Patterns of Training at Work

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ABSTRACT

This paper presents first findings from a quantitative and qualitative enquiry into how training has been affected by the recent recession in Britain. Contrary to pessimistic projections in the early stages of the recession, only a minority of employers cut expenditure and coverage in the course of 2009. Training participation had been falling slowly since the early part of the decade and this fall did not generally accelerate during the recession, though with youth unemployment increasing, there was a substantial fall during 2009 in the numbers reporting that they were engaged in apprenticeship. ‘Training floors’ – including compliance with legal requirements, meeting operational needs, countering skills shortages, addressing market competition, fulfilling managerial commitments and satisfying customer demands – were the reasons that the fall in the general training participation rate did not accelerate. Yet, many employers report that they were induced by the recession to find ways of ‘training smarter’ – focussing their training on business needs, increasing in-house provision, drawing on members of the regular workforce to deliver training, renegotiating relationships with external trainers, increasing the use of on-site group training, and enhancing the role of e-learning.

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1. Introduction

Since the Leitch Review (2006), the UK government has had an ambition that the skills of the British workforce could live up to a certain vision for 2020. Since most of the 2020 workforce was already at work in the late 2000s, much of the needed upskilling, it was realised, would have to come through training and other forms of learning at work. Dramatic economic events, however, were unforeseen at the time of that review, or even by the time of the inauguration of the UK Commission for Employment and Skills (UKCES) in April 2008. In the second quarter of 2008, after almost 16 years of unbroken Gross Domestic Product (GDP) growth, the UK economy entered its deepest post-war recession. Over the next eighteen months, the UK’s GDP fell by 6.4 per cent. Modal predictions from the second half of 2010 were for very slow growth, and there remains a risk that there will be a double-dip recession. This paper addresses the question as to whether the recession is likely to have had a long term adverse impact on the achievement of skills ambitions in the UK by initiating substantial cuts in training (Financial Times, 13 July 2010).

The question is highly pertinent because the economic justification for employers and individuals to invest in training is under scrutiny in a recession. When asked by a reader ‘Am I mad to invest in a Harvard course in a downturn?’, Lucy Kellaway’s blunt advice, in her weekly management column for the Financial Times, was ‘Yes’; she went on to suggest that all management training courses be banned in a downturn (Financial Times, 2 July 2009). Business barometer series reveal that this attitude to all types of training has been widespread. Confidence with respect to training expenditure collapsed, the shift being particularly marked in the manufacturing sector. The sentiment was markedly more pessimistic than the responses of businesses in previous recessions. Throughout the 1990-91 recession, for example, more CBI members reported that they intended to authorize a year-on-year increase in their training expenditure over the next 12 months than those who reported that they were going to spend less (Felstead and Green, 1994). By and large, those intentions were realized and training participation held its own in that recession. If, by contrast, training were to collapse in the current economic crisis, the path to a higher-skills economy could be compromised.
The on-going project\(^1\) on which this paper is based is investigating the issues surrounding the experience of training in the current period, setting this experience in its secular context, and taking our lead from earlier research. Using a combination of statistical analysis of large-scale surveys, and our own in-depth survey of around 100 employers, we are be examining, *inter alia*: How is economic stagnation affecting training in the UK – its incidence, intensity and quality? What explains the diversity of employers’ training responses? How has the nature of training activity changed? How does the pattern of training responses compare with the 1990-91 recession? Has the long-term skill structure of the labour market changed as a result of the recession?

The intention of this paper is to present some first findings from our initial statistical analyses and employer interviews, which have been informed by a literature review of theoretical reasoning and empirical evidence of the impact of recession on training activity. The new material we present here is based on:

- securing access to, and reporting on, employer-level surveys carried out over several years – as far back as 1989 – by organizations such as the Confederation of British Business (CBI) and the British Chambers of Commerce (BCC)
- carrying out preliminary analyses of the recession-focused questions asked of respondents to the National Employer Skills Survey (NESS) conducted in England in 2009
- creating and analyzing training and related data from each of the Quarterly Labour Force Surveys (QLFS) carried out between the first quarter of 1995 and the first quarter of 2010. As a result, we have constructed a single dataset from 81 surveys
- completing 52 qualitative telephone interviews with a selection of employers who took part in the NESS 2009 and who reported a variety of experiences of the impact of the recession on training at that time. Based on evidence collected then, we have approached employers of varying sizes, operating in different industries and with apparently different experiences of training during the recession. These interviews

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1. The LLAKES project – ‘Training in Recession: Historical, Comparative and Case Study Perspectives’ – is funded by the ESRC/UKCES Strategic Partnership (see [http://www.cardiff.ac.uk/sosci/research/researchprojects/traininginrecession/index.html](http://www.cardiff.ac.uk/sosci/research/researchprojects/traininginrecession/index.html)).
were carried out, and fully transcribed, over a ten-week period between June and August 2010.

The paper is structured as follows. Section 2 provides a brief overview of the theoretical and conceptual reasoning which links training to the economic cycle. Sections 3, 4 and 5 outline our preliminary findings. These are based, in turn, on the employer surveys, the long-running QLFS and our qualitative telephone interviews with employer respondents to NESS 2009. The paper concludes with a summary of findings.

2. Literature Review

While the impact of the recession on unemployment levels, vacancies, claimant counts and redundancies has been the subject of frequent analyses by a range of stakeholders (e.g., Gregg and Wadsworth, 2010; Jenkins and Leaker, 2010; ONS, 2009; UKCES, 2009; ESRC, 2009), its effect on training has received relatively little serious analytical attention. In the absence of detailed evidence, it is commonly assumed that in times of economic hardship, training is among one of the first casualties. This assumption is frequently repeated in both general and specialist commentaries on the impact of the recession on training (e.g., Kingston, 2009; Charlton, 2008; Eyre, 2008). In response, UKCES, together with the Confederation of British Industry (CBI), the Trades Union Congress (TUC) and some of the UK’s senior business leaders published an open letter which called on UK employers not to cut training in the recession (UKCES, 2008). However, the assumption that training moves up and down in line with the economic cycle is questionable (Brunello, 2009). The assumed pro-cyclical nature of training can be questioned on the basis of the theoretical reasoning reviewed in this section and the empirical evidence reported in the sections which follow.

Contrary to the popular assumption, there are theoretical reasons why in some instances training may increase even in times of recession. Businesses experiencing a mild downturn in activity, for example, may confidently expect to survive the downturn. Given the hiring and firing costs

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2 There are some notable exceptions. For example, while Mason and Bishop (2010) primarily focused on the changing distribution of training since the mid-1990s, they also examined how this pattern has changed as a result of the 2008-09 recession. Other research has also focused on the impact of the recession on training, albeit as part of broader inquiries into how the labour market has been effect in particular parts of the UK such as the South East of England (e.g., Cox et al., 2009).
involved, these employers may choose to ‘hoard’ labour – especially skilled and highly trained staff – rather than make workers redundant, in the expectation that workers will soon be needed as business picks up. This results in a period of slack, which reduces the opportunity costs (in terms of lost output) of providing productivity enhancing additional training to retained staff who will be more productive when the economy recovers. This scenario applies, in particular, to businesses which experience a relatively short and mild downturn in their activity. It was on this basis that many of the wage and training subsidy schemes were introduced across Europe in the early part of the 2008-09 recession; the aim was to widen the practice of hoarding by cushioning more businesses from the recession and encouraging them to increase training, thereby enhancing their preparedness for the recovery (Bosch, 2010; TUC, 2009).

A counterpart of this argument applies to individuals who have not yet entered the full-time labour market. Deteriorating economic circumstances may encourage them to stay on longer in school or else seek entry into further or higher education institutions (The Guardian, 23 April 2009). It may also encourage individuals to invest in their own training in order to better equip themselves for the recovery. If they have more time on their hands – because of either short-time working or unemployment – the opportunity cost of taking time off work is lowered and the incentives to train are enhanced, provided they can get the necessary funding (Dellas and Sakellaris, 2003).

A further reason why recessions may increase employers’ training effort is that the increased competition for sales in slack markets may induce business strategies that require more training. If, for example, firms are obliged to compete more than before on the basis of quality, a certain amount of training for enhanced quality is likely to be required. If, to take another possibility, firms respond to slackness in one market by diversifying and venturing into the production of new products, or into new processes, they are again likely to need more training – such as the diversification into green technology. Hence, since recessions intensify competition, this may itself increase the need for training to keep pace with, or forge ahead of, competitors (Caballero and Hammour, 1994).

The actions of employees themselves may also raise employers’ willingness to offer training. Quit rates are likely to fall in times of recession since alternative employment opportunities are scarce. For employers who train this will provide some protection against the private wastage of
workers once trained being poached by other employers. Employers may, therefore, be more inclined to upgrade the skills of their existing workforce since they have a greater chance of recouping the benefits themselves.

However, in a prolonged and deep recession expectations change, and confidence typically dwindles, so that there remains little reason to keep employing workers for whom there is little prospect of productive work. In these circumstances, the benefits of training are much more doubtful and the costs of training can only be partially reduced (they still involve the wages of the trainees net of any severance costs). The costs of training may increasingly begin to outweigh the benefits; hence cuts are more likely the longer the recession. For example, in a deep and prolonged downturn labour hoarding becomes less viable as employers’ expectations of future production are scaled back, the current wage (and training) costs of hoarding remain and the future costs of hiring ready-trained workers when needed fall in the context of higher unemployment (Brunello, 2009). In the 2008-09 recession, therefore, there is a risk that the negative effects on training may be more severe than in the shallower and shorter recessions of the past. Individual businesses may, of course, feel the pressures on training as an expected shallow and short recession turns into one which is deep and prolonged.

There are also further reasons to expect some reduction in training in any recession. First, employers are likely to begin to reduce their workforces simply by freezing or severely reducing recruitment. New recruits are more likely than the average worker to require and receive initial training. Hence firms’ training requirements will be lowered (Majumdar, 2007). Second, economic pressure may heighten the need for short-term, quick-fix, solutions, hence the decision to cut training budgets, although the means of delivery may change to less expensive alternatives. These may include: taking training in-house; using experienced staff to train others; and increased use of e-learning. Although not new in themselves, increased emphasis on these methods may reflect the need to do make more effective use of reduced resources as well as recognizing that learning can occur in a variety of ways (IoD, 2009; Sfard, 1998).

However, research on the previous recession in the UK suggested that some training is recession-proof, since a certain minimum level of training has to be carried out in order for businesses to operate (Felstead and Green, 1994 and 1996). As well as the maintenance of essential production processes, these ‘training floors’ include meeting the requirements imposed by
economy-wide, industry-specific and occupational labour market regulations, such as those covering health and safety at work, food standards and demonstrations of competence.

While the existing literature provides some theoretical insights into the likely impact of recessions on training, there is a dearth of empirical evidence on how training has fared in the most severe and deepest recession the UK has experienced since the Second World War (and arguably since the 1930s). Despite this, ‘there is a broad perception that the provision of training is negatively affected by recession’ (Brunello, 2009: 10). This is a perception that is repeated again and again. The aim of the following sections is to subject this perception to empirical scrutiny. To do so, we draw on data from: employer surveys such as those carried out by the CBI, British Chambers of Commerce (BCC) and the UKCES; individual-level surveys most notably the Quarterly Labour Force Survey (QLFS); and follow-up telephone interviews with employers who took part in the National Employer Skills Survey (NESS) 2009.

Specifically, we address the following research issues:

- How has employers’ expenditure on training and its distribution changed in the recession?
- Has the training rate deviated substantially, either below or above, its secular trend in the course of the recession?
- Can we detect a lowering of training as the recession unfolds after several quarters as the severity of the recession became more apparent?
- Have particular groups – young or old, male or female – had their access to training differentially changed in the recession?
- Have employers altered the ways in which training is delivered during the recession?

3. What Do Employer Surveys Tell Us?

We begin our analysis by examining some of the employer surveys which collect relevant training data over time. One of the longest running series of this type is the CBI Industrial
Trends Survey which was first conducted in 1958 and is now carried out quarterly. It began asking member organizations about their training intentions in October 1989. It asks respondents, who are generally the chief executives or other senior managers: ‘Do you expect to authorize more or less expenditure in the NEXT twelve months than you authorized over the PAST twelve months on training and retraining?’ They are allowed to answer ‘more’, ‘same’, ‘less’ or ‘not applicable’ (although very few use this option). The survey is carried out among manufacturers only, who are polled four times a year. A balance is drawn up, giving the difference between the percentage stating an increase and the percentage stating a decrease. The presumed advantage of this approach is that it gives an early indication of trends, with the results being used by policy-makers to inform decision-making.

The results are presented in Figure 1. These show that training optimism fell in the 1990-91 recession, but steadily rose thereafter as the economy recovered, hitting a high in October 1997. It fell back to zero in October 1998. Thereafter, it remained low before falling into negative territory for the first time ever in October 2001 and January 2002 (a time when GDP slowed down but the economy did not move into recession - see Dunnell, 2008). It became strongly positive from January 2004, where it remained for four years. However, it moved into negative territory in October 2008 where it remained for five quarters, reaching a low of minus 30 in April 2009. Only recently has it returned to positive.

The British Chambers of Commerce (BCC) asks its members a similar question as part of its Quarterly Economic Survey. In contrast with the CBI survey, it is retrospective with employers asked to say what has happened to investment plans for training in the past three months. The BCC Survey splits the sample into manufacturing and services, whereas the CBI survey focuses on manufacturing only. It is also larger, with around 5,000 responses compared to the around 2,000 in the CBI sample. However, the training question was first asked in 1997 and so it cannot provide data which extends back to the last recession. The data presented in Figure 2 compares the two series for the quarters on which comparable data are available. Both follow a broadly similar path with the BCC employers, on the whole, being a little more optimistic. However, the BCC data show that service employers are generally more upbeat than manufacturers in that proportionately more have made plans to increase training investment than have made plans to reduce it. Hence, the CBI series is, on the whole, more pessimistic, in accordance with its manufacturing focus. With one or two exceptions, the CBI and BCC results move in a similar
direction, with falling levels of optimism beginning in Q3, 2008, becoming negative in Q4, 2008 for at least two quarters and returning to positive territory towards the end of 2009/beginning of 2010. Furthermore, the CBI data series suggests that employers’ training expenditure may have been reduced more dramatically in the 2008-09 recession than in the 1990-91 recession.

Another important source of employer data is the National Employer Skills Survey (NESS) series. In 2009, over 79,000 employers took part in the survey which was carried out during the period March to July of that year (Shury et al., 2010b). Our analysis of that survey suggests that the CBI/BCC data series may be overly pessimistic. In 2009, NESS respondents were asked to reflect on the effect of the recession on various aspects of training. In line with the CBI and BCC series they were asked whether the recession was positive (i.e., it had ‘increased’ the issue under discussion), negative (‘decreased’) or had made no difference (‘stayed the same’). The issues covered included:

- training expenditure per head
- the distribution of training among the workforce
- the use of external providers
- the use of informal learning
- certified training
- the recruitment of apprentices and new trainees
- the recruitment of young people
- the number of staff employed

Rather than presenting the data on each question response as an individual optimism index, we present the proportions reporting an increase, decrease and no change. This differs substantially from the way in which both the CBI and BCC series are typically presented. In so doing, we reveal that ‘balance’ reporting tends to exaggerate mood swings since, on most occasions, the majority of respondents report no change at all. In the case of the NESS 2009, around three-quarters of employers reported that the recession had no impact on either their training expenditure per head or the proportion of employees for whom they provided training. However, there were sizeable minorities who had reduced training spending per head and/or narrowed its focus, as well as smaller minorities who had increased one or other or both (see Figure 3). So, while pessimism outweighed optimism (hence a negative ‘balance’) most employers reported
that the recession had had no impact on various aspects of their training activity. As a result, the picture presented by these data is less alarming.

In addition, the CBI and BCC data series are based on the presumption that there is a training budget in the first place which may be subject to change. This yields little meaningful data on trends in the take-up of training among all employers since not all training is costed and as many as two-fifths of employers undertake training in the absence of either a training plan or budget (Shury et al., 2010a: 36). However, the NESS series does collect data on the changing proportion of employers who provided at least some training for their employees. According to this evidence, the proportion has risen from 59 per cent in 2003 to 68 per cent in 2009, with the recession – as yet – having no apparent effect on this trend.\(^3\) Moreover, in absolute terms training expenditure has risen, although in real terms it has fallen slightly (Shury et al., 2010a: 39-47).

Furthermore, employer responses to some of the survey questions asked in NESS 2009 can be used in combination to provide an indication of how the quantity or volume of training has been affected by the recession (Felstead et al., 1999). As outlined above, employers who arranged or funded training in the 12 months prior to being surveyed in the first half of 2009 were asked about changes to their training expenditure per employee and the proportion of employees provided with such training. Taken together, these responses can be used as an approximate measure of how the quantity of training has changed as a result of the recession. We also know the proportion of employers who did not do any training in the last year. With this information we can construct four categories of employers: the non-trainers; those who reduced training volumes; those who maintained training volumes; and those who increased them despite the recession. As Figure 4 shows that the largest two categories of employer are those who made little change to their overall training effort (44.5 per cent) and a third (33.4 per cent) who claimed to do no training at all in the previous 12 months.\(^4\) Only one in seven employers (14.2

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\(^3\) The Workplace Employment Relations Survey shows an increase in the provision of training among a panel of workplaces surveyed in 1998 and 2004 (Kersley et al., 2006: 84). This is corroborated by figures from the Learning and Training at Work surveys which also record an increase in employer provision of off-the-job training between 1999 and 2002 (Spilsbury, 2003). This rising trend is broadly consistent with the evidence from the QLFS which peaked around 2001-2002 (see Figure 5). However, since then it has fallen according to the QLFS. This falling trend is inconsistent with NESS and hence it is a discrepancy which merits further investigation.

\(^4\) It should be noted that data were not collected from these non-training employers on the effect of the recession on their current training effort. It is possible that some may have been prompted to train as a result of recession. On the other hand, the recession may have forced more non-trainers out of business.
per cent) cut training volumes, while around one in twelve (8.0 per cent) actually increased their effort.

Overall, then, the employer evidence suggests that the type of data collected and presented by the CBI and BCC may be over alarmist and the impact of the current recession training may not be as severe as these data sources tend to suggest. According to NESS the vast majority of employers report that their training expenditure, its coverage and its character has remained unchanged, with the recession doing little to knock employers off course. A small minority of employers have even increased training volumes, although there are many more who have made cut backs. We now turn to whether these relatively upbeat findings are also apparent in the training experiences of workers.

4. What Do the Quarterly Labour Force Surveys Tell Us?

The Quarterly Labour Force Survey (QLFS) is the main source of representative labour market information in the UK. Around 60,000 workers aged 16-65 are interviewed every quarter about a range of matters including their experience of job-related training and education. They are asked whether they have had ‘any education or any training connected with your job, or a job that you might be able to do in the future’, first over a thirteen week period and then over the four weeks prior to interview. Either period generates a consistent indicator of the participation rate over time. However, for simplicity we use the four-week rate in this paper. The advantage of the QLFS indicators is that they provide a good guide to how work-related training and education activity has changed during the recession. To set that movement in context, however, it is important also to see how training activity has fared in the years before the current recession began. For this we analyze data from each quarterly survey carried out over a number of years.

Figure 5 shows how the four-week training rate has changed over time according to employment status. As can be seen, from the mid-1990s, the training rate for those in employment rose steadily, peaking in 2001 and 2002, then began to fall slowly. By the start of the current recession, the participation rate had fallen close to where it had been in the mid-1990s – around 13 per cent. The recession appears to have no effect, with the gradual downward trend continuing throughout the 2000s. A similar picture of rise and fall also applies to the participation rate of those not in employment, although in this case the peak of training and
education activity (11 per cent) was reached a bit later, in 2005. The subsequent two years saw a fall of 1.6 percentage points, but during the recessionary period of 2008-09 it fell no further.

The main conclusion from Figure 5, therefore, is that the recession is hardly visible on the training map. This suggests, either that downward and upward pressures have balanced out, or that neither has been of sufficient importance to register on our main indicators of training activity. The evidence suggests, then, that the fears of the pessimists were unwarranted, although there is no sign that the number of people in job-related training or education is growing. Nevertheless, the rising proportion of workplaces offering training (according to NESS) suggests that the nature of the training offered and undertaken requires further analysis.

While Figure 5 tracks the training rate averaged over whole years, it remains possible that, as the recession became deeper and more intensive, confidence in the future could have reduced still further, inducing training cuts. This possibility is addressed in Figure 6, which tracks the participation rate of all persons (whether or not employed) on a quarterly basis. There is substantial quarterly variation, with the third quarter every year showing a much lower participation rate. Over time, the pattern of a falling participation rate is again revealed, but there is no notable fall or rise in the last quarter of 2009 or the first quarter of 2010. It is possible that the progress of confidence through the recession is not one of gradual deepening, given that confidence was greatly reduced from the start, generated in part by the banking crisis which preceded the recession. At any rate, there is no sign of any late collapse of the training rate, at least until early 2010.

Figures 7 and 8 examine the experience of training through the recession broken down according to age and sex. Young people (here defined to be between 16 and 24) have experienced the worst of the recession, and it is possible that their experiences of job-related training and education participation could have been harmed, while the rest of the population remained unscathed. Figure 7 suggests that there is some small element of difference between the young and the old. The participation rate of the young has declined since 2002, and continued to do so through the recession; while the participation of those 25 and over declined only since 2005, and has hardly changed during the recession, remaining close to 10 per cent. Figure 8 shows the differential experiences of men and women: while men’s participation rate declined slowly and
steadily from 2002 onwards, the decline for women began only in 2005, but the next two years saw a sharp decline. Again, however, we see no evidence of a recession effect.

Given that the experience of young adults during the recession has been worse than that of older people, we decided to explore a particular form of work-related training, namely apprenticeships. While nowadays apprenticeships do not necessarily involve several years of intensive training for young people, they are nevertheless regarded as an important route to the acquisition of intermediate-level skills, and involve considerable expense and effort. According to the QLFS, something like one in five young people who are engaged in work-related education or training report that they are doing an apprenticeship.

The picture of the recession is revealed in Figures 9 and 10. Figure 9 shows the recession hitting employment by the end of 2008. The employment rate of young adults sharply dropped by several percentage points, from 58.5 per cent in the third quarter of 2008 to 50.0 per cent in the first quarter of 2010. Figure 10 shows that there was no immediate detrimental impact on participation in apprenticeships, but that from the second quarter of 2009 perceived apprenticeship participation was falling among all young people (the lower dotted line); and the upper solid line shows that apprenticeship participation was falling even as a proportion of those in work. Overall, the estimated number of young people reporting that they were doing an apprenticeship fell from 191,000 in Q1 2009 to 140,000 in Q1 2010.\(^5\) If this reduction in one of the main forms of intensive training for non-university bound young people continues, the recession could be having a long-term effect on the intermediate skills supply of the British workforce.

It is possible that the particular experience of young people and apprenticeships is related to the extra cost of this type of training, compared to the short periods of training that is the normal experience of other sections of the labour force. If so, one might expect other types of training

\(^5\) These figures may be underestimates, since not all employees know that they are doing an apprenticeship. The QLFS question asked since 2005 has been: ‘Are you doing or have you completed a recognized apprenticeship, including trade and advanced and foundation modern apprenticeships?’ According to the administrative data reported by the National Data Service, 183,700 started apprenticeships in the year between August 2008 and July 2009. Although the length of apprenticeships is variable, and an unknown number may end prematurely, this figure hints that the numbers participating at any one time may be more than is indicated by people’s perceptions. The National Data Service figures on starts thus await some sort of reconciliation with the QLFS figures on participation. There seems no reason, however, to expect the propensity for any under-reporting in the QLFS to change over the cycle.
that are more resource intensive to be taking a hit in the recession. One further piece of relevant evidence could be the extent to which training takes workers away from their jobs (Mason and Bishop, 2010). One might expect this to be more expensive, since the worker’s productivity is reduced to nothing while away from the job, and because it typically requires the services of trainers, sometimes external to the firm. Off-the-job training is more commonly used for the more skilled sections of the workforce. Figure 11 shows that the proportion of training that is off-the-job has been steadily declining from the middle of the 1990s – from 73.0 per cent in 1995 down to 61.5 per cent in 2009. The decline during the recession, therefore, is largely a continuation of this trend, though one cannot at this stage rule out that the shift towards on-the-job training has accelerated along with the ways in which it is delivered. In the next section, we use our qualitative interviews with employers to highlight the nature and reasons for these changes.

5. What Do the Qualitative Interviews with Employers Tell Us?

In order to deepen our understanding of what has happened to training in the recession – and get behind the statistical data reported in Sections 3 and 4 – we have carried out qualitative telephone interviews with a selection of employers who participated in NESS 2009. The sampling strategy adopted in the qualitative interviews was designed to reflect a range of experiences of the economic downturn and this has been reflected in the interviews conducted so far. Some – such as those in heavy engineering – had been very severely affected; others – such as those engaged in aspects of food processing – were virtually unscathed. Most fell between these extremes, encountering various degrees of difficulty. For some the recession had come early, hit hard and stayed long, whereas some did not begin to suffer its effects for many months. Others, with long contracts, were only beginning to feel its impact in the Spring of 2010 (cf. Artis and Sensier, 2010; Jenkins and Leaker, 2010).

Employers untouched by the recession had either maintained training regimes much as before or, in some cases, expanded them. In contrast, those most severely affected by the downturn had cut training to the bone and pushed it into the background.

‘At the moment it’s more on a survival mode than training. In the past, there was no problem. We could have as much training as we wanted, because money was easy. At the moment, I don’t spend anything.’ (Industrial Packaging Company A)
Those falling between these extremes, comprising some four-fifths of our respondents, had modified their training regimes without entirely abandoning them. Among these, there was a general recognition that training budgets are vulnerable during hard times.

„You know, in a recession training isn’t really understood to be a benefit to the business” (Industrial Packaging Company B)

„Training budgets are always affected first. They’re usually the ones that are cut.” (Legal Services Company)

Nevertheless, even when redundancies and short time working had been unavoidable, efforts had been made to preserve training programmes.

„I think it’s something you’ve still got to do no matter what. And if you maybe cut back too much on that it has the opposite effect. It’s really important.” (Commercial Premises Fitters)

„We’ve lost people so it’s decreased, if you know what I mean. But we try to put the same level of training into the people that’s left that we had before.” (Office Furniture Manufacturer)

„There’s a limit to how much we can cut back. There’s always things that have to be maintained.” (Engineering Company)

The general pattern among this group of employers, then, was for a retrenchment in training expenditure to be accompanied by a commitment, as far as possible, to maintaining training coverage. Our interviews focused on why and how this was achieved.

**Training Floors**

Our interviews revealed a wide range of reasons for employers, struggling with the impact of the recession, to continue to train their workforces. We conceptualize these as a series of ‘training floors’; that is, types of training that are essential, and therefore cannot be abandoned by functioning businesses or organizations (a detailed analysis of the concept of ‘training floors’, specifically with respect to the recession of the early 1990s, is provided by Green and Felstead, 1994). Our respondents identified training floors that were generated by: legal regulations; operational processes; skills shortages; market competition; and managerial imperatives.
Training floors generated by statutory provisions, mandatory codes of conduct and legal regulations proved to be widespread. Employers in our sample differed in the extent to which their operations were regulated in this way, but all encountered ‘training floors’ of this kind. In a few low skill manufacturing enterprises, these were confined to such basics as health and safety or first aid. More frequently, they involved training in specific aspects of business operations, often with periodic updates, such as manual handling, food hygiene, fork lift driving, welding, and so on.

“Very much compliance led, health and safety led, food safety led. We obviously need to make sure that we comply with our legal responsibilities.” (Food Processing Company B)

“Most places would say only people with CSCS cards [Construction Skills Certification Scheme] are allowed on site. So that’s a must you know.” (Commercial Premises Fitters)

“A lot of training we do for the men at the coal face, so to speak, is pretty well non-negotiable. It’s written down. You have to do it. Have to do it for legislative reasons.” (Petroleum Services Company)

Among organizations providing professional, medical, financial and technical services, legal compliance required more extensive and detailed provisions, monitored by regulatory bodies that prescribed requirements for training and continuing professional development. Moreover, continuous change in the statutes, codes and regulations applying to such occupations generated further need for training.

“Things like compliance training. The anti-money laundering and risk training. We’re SRA regulated, so they have to do that, the Solicitors’ Regulatory Authority. And there’s also something they brought out called the Code of Conduct, which affects all people in the firm, which recently we had training in. All the compliance training, you know, we wouldn’t not be able to do that.” (Legal Services Company)

“Each division has a statutory requirement for minimum training. So irrelevant of the costs, we have to do it. We are all governed by varying bodies - and the majority would be the Care Quality Commission - which set down national minimum standards. So we have to comply with those. So we don’t have a choice of the minimum standards of training we offer. Obviously the nurses, the physios, all have to do their personal development. Their CPD. They have to do that as part of their registration to enable them to continue to practice.” (Health Care Company A)

A second kind of training floor concerned operational imperatives; that is, training in the skills necessary to continue production of goods and services.
We could get rid of all of the management training if we wanted to. All of the customer service type training. The stuff it”’s nice to have. But at the end of the day the engineers are providing a service to the customers. They have to have that product training.” (Mechanical Plant Company)

Without the [training] system, where we”’re actually training people with the basic skills to do the job, we wouldn”’t have a business.” (Industrial Packaging Company B)

Some specialist skills training, particularly in engineering and manufacturing, had originally been created in order to address on-going skills shortages in the locality. This was particularly true of many apprenticeship schemes. Even though the recession made it easier to recruit skilled labour, many respondents anticipated a return to such shortages in the future. A widespread fear was that skilled older workers were nearing retirement, taking with them corporate memory and local technical knowledge. Although some organizations in our sample had stopped taking apprentices because their order books were down, others were loath to let such schemes fall into disrepair, even if it meant taking on apprentices at the same time as, or shortly after, making redundancies.

There”’s no skilled people out there, which is why we do our own apprenticeship programme. So we can actually grow our own as such, throughout the years. It would be very easy to say we won”’t take one this year, especially when times are difficult, but I don”’t think that is a good thing to do that.” (Commercial Premises Fitters)

I would say that the average age of the employees on site is around about 40 to 45. Most of our older colleagues have now left us. Which has then taken away may be thirty odd years of experience, skill and knowledge from the plant. That”’s why it is so important to us to have succession plans in place.” (Heavy Industry Company)

We have an apprentice programme. And although we have had the recession, and the implications of that for redundancy, what we decided to do was still take on apprentices. Just so that we had those staff for when we had the upturn. Although we didn”’t make redundancies in the last recession, we stopped the apprentice programme for a few years. And we noticed how that had a detrimental impact on the business, a number of years later.” (Mechanical Plant Company)

Our commitment is to get two engineering apprentices year on year for the next four or five years. Because the age of our current engineering work force is coming to like the tail end, if you like. So, make sure we”’re got succession plans in place to cover that – those losses, if you like – when they are due to retire. We need to make sure we”’re got a skilled work force and they”’re got the right skill level and qualifications.” (Food Processing Company B)

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In some organizations, though not all, redundancy itself created training needs, particularly where skilled manual or non-manual workers lost their jobs. In some cases, remaining employees had to undergo some training in order to cover operational gaps.

“We’ve had to look at some of them and give them slightly different skills than they had before, because obviously the people have gone but some of the work hasn’t gone. Some of the roles and responsibilities have been cascaded down.” (Professional Association)

“When we’re taking people out of teams ... it means the other members of the team have now got to learn that job or learn those sales areas, find out about the customers, to cover the work that’s left.” (Mechanical Plant Company)

“You’ve got less of a workforce that you are asking to do a little bit more.” (Chartered Accountancy Firm)

Some training was aimed at multi-skilling the existing workforce. In part, this was to achieve more flexible working in the recovery, but also more than one respondent pointed out that the next time there is a recession it will be easier to cope with redundancies if workers can turn their hand to a variety of tasks.

“If anything the recession has taught me that we need to make sure that our whole workforce is trained, in several tasks. Hopefully we don’t have to go through it again in the future, but if we do have to do redundancies we’ve got people to fall back on if we lose key employees.” (Heavy Industry Company)

Another common motive for maintaining training during the recession was in order to achieve a competitive advantage against market rivals. In some cases, in-house training enabled organizations to acquire skilled labour cheaper than their competitors, thereby keeping overall costs down. More commonly, respondents said that the quality of the services and products they offered was a key to their success, and that this in return reflected their investment in training the workforce.

“Literally the only way the business can continue to move forward is through the staff’s knowledge. So it’s the one area we wouldn’t cut back on. We would never put that at risk at all.” (Supermarket Store)

In some organizations, the provision of training had become embedded within overall management strategies and processes. Training was overtly directed towards generating motivation, inculcating discipline and fostering mutual surveillance, prompting feelings of ‘ownership’, ‘responsibility’ and ‘engagement’. In these circumstances, it was difficult to cut
back on training without unravelling managerial controls more generally and undermining the wage-effort bargain.

“We’ve gone for a bit of a hearts and minds approach now, where we’ve got very much involved in behavioural safety. If they feel you are looking after them they act more as part of a family. They start to take ownership of their own areas of work. And take a lot more pride in it. I mean I’m not sure it is practices so much as attitudes.” (Petroleum Services Company)

“Training very much needs to link to those behaviours which we’re expecting people to display in the workplace.” (Food Processing Company B)

“To develop other social skills on the back of the skills that they need to do their job – so that they develop team work, they develop good communication skills. … The more people we have who can do a job without being supervised or without being managed, the better it is for us.” (Industrial Packaging Company B)

In some organizations, training had also become embedded as a channel of negotiation and communication with the work force, including trade unions. In one organization undergoing redundancies, the offer of training to those who remained was consciously perceived by management as a symbolic and practical message to employees that the company had a future and that management cared about the workforce.

Our interviews suggest that where productive systems are dominated by end users of goods and services, decisions about training provision may be driven by customer demands. For example, supermarkets may require their suppliers to operate training regimes that go beyond minimum legal compliance.

“We’re actually very much led by what our customers want. So the likes of [Supermarket Chain] and [Supermarket Chain], those big major multiples, that are actually leading the way in what they want us to comply with. And they audit on a very regular basis. If you don’t meet the supermarket’s standards, they won’t think twice about taking the business elsewhere.” (Food Processing Company B)

“Our main customers are the likes of [Supermarket Chain], [Supermarket Chain], [Supermarket Chain]. And their audits are very, very stringent. … They lay down standards we have to meet. They flag up something as non-conformance, then it’s something we have to accept.” (The Snacks Company)

“We’ve done a little bit more recently because one of our customers requires it. There are certificates we have to provide to our customers.” (Electrical Installation Company)
It is sometimes argued that economic downturns are periods when firms are able to upgrade technology, so as to be ready for better times, and that this in turn generates training needs. Our qualitative interviews did not uncover much evidence of technological innovation other than routine upgrading of IT, although in legal and financial services such IT updates could be extensive with implications for training. Our interviews did, however, suggest that government funding for training, through programmes such as Train to Gain, is of significance. Even organizations under severe economic pressure made use of these provisions.

„The NVQ people are generally free. That helps!” (Food Processing Company A)

„A great deal of it, I have to be honest, is funded by the government. Free training opportunities.” (Health Care Company)

„We got it free of charge, which was good! Because obviously as you do more training there’s an expense attached. But last year, with the NVQ Level 3, that came free.” (Supported Accommodation Organization)

Training Smarter

We have seen, then, that many organizations wished to maintain or even advance various aspects of training, but that for many funds for training were under pressure. As a result, our respondents were actively and consciously seeking new ways to deliver training. The emphasis was upon providing high quality contents but in more cost effective and focused ways, summed up in phrases such as ‘training smarter’, ‘doing more for less’ and ‘a bigger bang for our buck’.

„We’re trying to work a lot smarter that we have in the past.” (Industrial Packaging Company B)

„I”s just finding the most economical way of doing it, but still getting the quality of training you require.” (The Snacks Company)

„So all we are doing, we’re trying still to get the training done but we”re just trying to get it done in a different way. A cost effective way.” (Mechanical Plant Company)

Notwithstanding differences of functions, processes and markets, a broadly similar shift of emphasis in training programmes was apparent from our interviews. This included: a sharper focus on business needs; increased use of in-house training provisions; incorporation of trainer functions within the roles of regular staff; renegotiation of relationships with external trainers; expansion of on-site and group training; and enhanced use of e-learning. These developments
are not new in themselves, of course, but our interviews suggest a marked further movement in this direction.

A widespread response to the recession by our respondents has been tightly to focus training on proven business needs. This has commonly involved more strategic, systematic and rigorous forms of administration, sometimes associated with an enhanced role for training managers and departments.

"We have to have the training. But it’s about getting the best value for money for that training. Insuring that we’re not wasting it." (Health Care Company A)

"Ensuring that it’s absolutely focused. That you’re spending the money on the right things." (Further Education College)

"I very much, you do it because there’s a genuine business need. ... We don’t waste money." (High Tech Surfaces Company)

"What we have been able to do is to focus that pool of money, so that we get more bang for our buck, really." (Industrial Packaging Company B)

Many employers have not only become more systematic, but have also reshaped the pattern of their training. A common development has been, for economic reasons, a shift from use of external providers to reliance on in-house trainers and, in some cases, in-house qualifications.

"Because of the downturn, quite a lot of the external training has been put on hold. We started to concentrate more on in-house." (Heavy Industry Company)

"There’s a lot that’s done in-house where we used to buy it in at one point." (Industrial Packaging Company A)

"We’ve got someone internally to do it. So it’s effectively free. ... It’s commonsense." (Food Processing Company A)

"It’s all internal training we do at the moment. It’s basically one person trains another person. ... We’re not sending anyone out on external training." (Advanced Technology Company)

"Because it’s inhouse it costs less ... and so everything, pretty much, has been brought in-house." (Legal Services Company)

In some respondent organizations, a shift towards in-house training involved the incorporation of training responsibilities within regular occupational roles of managers and workers.
What we do now, we have a dedicated core of internal staff who are our trainers. Train a trainer people.” (Liquid Food Manufacturer)

Rather than sending people on external courses, we’re trying to utilize the people we’ve got internally in our training scheme. And go for more “train a trainer” type training … We won’t be paying an external company to deliver the training.” (Mechanical Plant Company)

If we’ve got a few people in a team who want to go on an external training course, we’ll say: “Well, how about one of you goes and then you disseminate the information throughout the team”. So, you know, we produce the learning and it costs us less money.” (Legal Services Company)

Such a shift to in-house training can itself generate new training needs, as regular staff adopt new tasks.

If people can do it in-house, by using internal skills, well that’s the way to go. But first we have to make sure that people can actually do it. Can do the training.” (Trade Association)

We’re going to push more training now onto the actual team leaders. We have got to train them up to do that training.” (Food Processing Company A)

Notwithstanding these developments, there remain some technical, professional or accredited courses that necessitate the use of external sources of instruction and evaluation. Experience of the recession had made a number of our respondents rethink their relationship with such external training providers. They had recognised their power within the productive system, reflected in a robust willingness to renegotiate training prices and mode of delivery.

We’ve been a lot more careful about where we spend our money, externally. And we’ve gone with partners who are prepared to deals with us …. I think what it has done for us it has made us more confident about negotiating. In the past we have gone to source external training, and we’ve accepted what’s been told to us. And now we’re more prone to say: “Well hang on – we’ve had to cut our cloth to meet our customer needs, you’ve got to do the same”. I think that’s empowered us to do that. It’s about having the confidence to say: “If you want our business, it’s got to be on these terms.” We’re being pushed all the time by our customers. And that’s taught us a valuable lesson about how to push. And it’s also taught us a valuable lesson in that, there is a deal to be struck.” (Industrial Packaging Company B)

We’re finding that we can make savings by getting them [line managers] to think about future training needs. We’re asking them to think about their entire year, and their part of the business that year. And forecast what training is required. It then allows me to book it in advance and make saving – by block bookings and negotiating discounts and
things like that – with our external training providers. So it”s a longer term view rather than what we need now.” (Medical Products Company)

„Cost is a big thing, you know. We found that several companies were charging excessive amounts of money for a course that another company would provide exactly the same. So they were pushed to one side.” (Liquid Food Manufacturer)

Many organizations had realised that savings can be made by requiring external trainers to come on-site, rather than sending employees off-site.

„Wherever possible it is cost effective, if there is a large number of people, to get the trainer in-house and deliver that training. And, if we do that, we can actually make it more bespoke. Because they then tailor that to our needs.” (Medical Products Company)

Where training is on-site, it becomes easier to make group and block bookings that further reduce costs.

„We can train one person for two hundred pounds a day or we can train six people for exactly the same two hundred pounds a day. You know, there”s no sense in just training one. There must be five other people who need that same training.” (Industrial Packaging Company B)

„When I started looking into the cost I found it was more cost effective to get somebody on site and they could do six people at once. And I identified enough people for two courses. That could have resulted in us doing twelve people individually.” (The Snacks Company)

„We’ve gone to group training. ... Actually, we”ve trained more people this year.” (Professional Association)

„If one department, say in the factory, need Excel training, what happened in the past they would go off on Excel training. Now, if there is 12 places on that course, which is delivered in-house, I can also invite other people, other departments, to attend that training. It reduces the individual costs.” (Medical Products Company)

Furthermore, some of our respondents reported that on-site, in-house training was greatly enhanced by employing e-learning. Although initial costs were a disincentive for some, when up and running e-learning was perceived to be a cheap and highly flexible mode of training.

„Because of the recession, really, we had to look at cutting costs. Our training budget was immediately cut. So we are trying to use e-learning as much as we can. It works out a lot cheaper per person. Everyone can access it. It’s more flexible. An engineer, for example, can fit a manual handling training session in at a time when they”ve not got a job to go to, rather than taking a whole day out to attend a site.” (Mechanical Plant Company)
Future Trends

We asked our respondents whether changes in training practices brought about by the recession were likely to be permanent. A minority thought that better times would herald a return to previous ways, particularly in the use of external trainers. Most, however, argued that the recession had taught them lessons they would not forget. In particular, it was widely argued that focused training, in-house training, training trainers, reduced use of external trainers, group training and enhanced e-learning were all here to stay.

"I think this is the future, actually. ... Now we’ve tried it, and it’s worked, we’ll carry on using it. Because we’ve been made to think like this, you actually think, really, this should have been looked at a number of years ago, we should have done this before. We’ve found the solution.” (Mechanical Plant Company)

Those who took this view argued that the emerging pattern of training will persist not just because it is cheaper but also because it is more effective.

"There’s such a focus on making sure that we do the best with the money we’ve got ... it’s actually more honed in and concentrated. And there’s more of a focus on making it more effective. So I think we’ve probably expanded, or developed, the skills of a lot of people in-house just by having less opportunity and money externally. And I think it’s given people a lot more opportunity to develop their own skills because they’ve had to.” (Legal Services Company)

If this view proves correct, there are some interesting implications. External trainers may find that some of their traditional markets are curtailed. For them, growth areas might be in providing courses delivered at the workplaces of their clients, tying in with in-house trainers, developing bespoke courses and e-learning programmes, and training in-house trainers. Another outcome of these developments may be that training roles become embedded as a regular and systematized aspect of some managers’ and supervisors’ jobs. Of course, much of this already goes on, but in a more localized and unsystematic way than is envisaged by some of the ‘train a trainer’ schemes we have encountered. Mainstreaming training in this way could also alter the roles of dedicated trainers and training departments. Rather than providing courses, their tasks may be that of facilitating and monitoring the activities of others. Again, this already happens, but the trend may be further expansion in this direction. Several respondents commented that embedding training in this way created a learning curve for many employees, both those giving and receiving training, and had major consequences for the culture of their organizations.
6. Conclusion

This paper has examined the impact of the recent economic downturn on training provided by UK employers to their workforces. It has presented some initial findings of the first phase of an on-going research project, jointly funded by the ESRC/UKCES Strategic Partnership. We have here examined evidence from both quantitative and qualitative sources. Quantitative data include those derived from the CBI’s Industrial Trends Survey, the BCC’s Quarterly Economic Survey, the National Employer Skills Survey and the Quarterly Labour Force Survey. Our qualitative evidence comes from 52 semi-structured interviews with employers, including those in the public and private sectors as well as large and small organizations, conducted in mid-2010.

We have seen that each of these sources paints a somewhat different picture of the impact of the recession on training. The CBI data suggests that, at the outset of the recession, many employers were anticipating a sharp cut back in expenditure on training. However, the National Employer Skills Survey 2009 indicates that, in practice, the reduction was not as severe as many feared. Although a minority of employers had cut expenditure and coverage in the previous twelve months, most reported no significant change and some had even increased their commitments. Furthermore, analysis of a series of Quarterly Labour Force Surveys suggests a steady slow decline in training from a peak in 2001-02, rather than a precipitate crash in the last two years. Our qualitative interviews highlighted contrasting experiences of the extent, intensity and form of the recession across and within different economic sectors, geographical regions, and types of employing organizations. They suggest that we should think of the recession as a series of overlapping and multiple processes, rather than a homogeneous event delineated by national quarterly growth figures.

Our review of both quantitative and qualitative sources does not detect a dramatic overall decline in training of the kind feared by many business leaders at the beginning of the downturn. Our
interviews suggest that a minority of employers have indeed cut training to the bone, in an effort to cope with very difficult market conditions and economic circumstances. More generally, our interviews suggest that there has been a widespread trimming of training budgets, often as part of broader cost cutting initiatives. However, our interviews also suggest that an overwhelming majority of employers recognise that their enterprises depend upon maintaining a range of ‘training floors’; that is, forms of training which are indispensable to their operations. These include training focused on: compliance with legal requirements; meeting operational needs; countering skills shortages; addressing market competition; fulfilling managerial commitments; and satisfying customer demands. As a result, employers reported a widespread reluctance to dispense with training altogether and a determination to defend its ‘must have’ elements.

Our qualitative interviews indicate that for many employers, in different sectors and types of production, meeting ‘training floors’ has been achieved by amending the way in which training is organized and delivered. Adopting a phrase used by one of our respondents, we have designated this package of measures as ‘training smarter’, which involves: tightly focusing training on business needs; increasing in-house provision of training; drawing on members of the regular workforce to deliver training; renegotiating terms and relationships with external trainers; increasing the use of on-site group training; and enhancing the role of e-learning. These measures are not new, but our interviews detect a shift towards greater use of this approach. Although some disagreed, a majority of our respondents believed that they would persist in ‘training smarter’ in the future when the economy recovers. In conclusion, then, a shift towards ‘training smarter’ in order to meet ‘training floors’, as revealed by our qualitative interviews, helps us to understand and reconcile some of the survey data. Taken together, the evidence presented in this paper suggests that some, but not all, training is immune to the recession, but how it is delivered and by whom is more susceptible to changing economic conditions.
The CBI asks a sample of its member companies: ‘Do you expect to authorize more or less expenditure in the NEXT twelve months than you authorized over the PAST twelve months on training and retraining?’ They are allowed answer ‘more’, ‘same’, ‘less’ or ‘not applicable’. The balance column reports difference between the percentage reporting ‘more’ compared to the percentage reporting ‘less’. 

Source: supplied to authors by CBI.
Every quarter the British Chambers of Commerce asks over 5,000 private sector businesses: ‘Over the past 3 months, what changes have you made to your investment plans for training?’ The online survey has three answer options: ‘Increased’, ‘Remained constant’ and ‘Decreased’. It should also be pointed out that the BCC collects its data during the last three weeks of each quarter whereas the CBI survey is carried out in the first few weeks of each quarter; the data collection periods are not coterminous.

Figure 3: Reported Impact of the Recession on Training, 2009

Source: own calculations from the National Employer Skills Survey 2009.
Figure 4: Changes in Training Volumes, 2009

Non-trainers are defined as those who have not funded or arranged any off-the-job training (‘away from the individual’s immediate work position’) nor any ‘on-the-job or informal training and development’ over the last 12 months. Questions on the impact of the recession on training were only asked of those employers who had arranged such training over the past year. Those with reduced training volumes are defined as those who were reducing training expenditure per head as well as reducing its coverage or reducing one while maintaining the other. Those whose training volumes remained unchanged are defined as employers who were either raising training expenditure per head while reducing its coverage or reducing expenditure while increasing coverage or keeping both per capita expenditure and coverage the same. The fourth category – those increasing their training volume in the recession – were those who were either increasing training expenditure per head and widening its coverage or raising one while maintaining the other.

*Source: own calculations from the National Employer Skills Survey 2009.*
Notes: All persons aged 16 to 65. „Training” is indicated by „any education or any training connected with your job, or a job that you might be able to do in the future”; the period covered is the previous 4 weeks. Source: QLFS; authors’ analysis.
Figure 9

Employment Rate of Young People (16-24)

Source: QLFS; authors’ analysis.

Figure 10

Apprenticeship Participation Rate

Source: QLFS; authors’ analysis.

Figure 11

Proportion of Training That Is Off The Job

Source: QLFS; authors’ analysis.
References


