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The impact of the 2008-09 recession on training at work

(First interim report from February 2010 to September 2010)

Briefing Paper

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UK COMMISSION FOR EMPLOYMENT AND SKILLS

The impact of the 2008-09 recession on training at work

(First interim report from February 2010 to September 2010)

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Views expressed by the authors of this Briefing Paper are not necessarily those of the UK Commission for Employment and Skills.

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1 Background

1.1 Aims and objectives

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, with achievable targets for the education and training levels by that year. 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 year and a half the UK's GDP fell by 6.4 per cent. Modal current predictions are for very slow growth, and there remains a risk that there will be a double-dip recession. This project addresses the question as to whether the recession is likely to have a long term impact on the achievement of skills ambitions in the UK (*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 the 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 1990-1991 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, 1993). 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, this path to a higher-skills economy could be compromised.

In the course of the next two years, this project will be investigating 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 will be examining, *inter alia*:

- How is the current recession 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 in this recession compare with the 1990-1991 recession? Has the long-term skill structure of the labour market changed as a result of the current recession?

1.2 Approach

The intention of this Interim Report 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 organisations 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 analysing 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 51 qualitative telephone interviews with a selection of employers who took part in the NESS 2009 and who reported 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 were carried out, and fully transcribed, over a ten-week period between June and August 2010.

The Interim Report 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 Interim Report concludes with a summary. The final report of the project (later in 2012) will update the trends presented here, provide further analysis of some of these datasets, and examine whether employers' training intentions have changed over the course of the post 2008-09 recession period.

2 Literature Review

2.1 Does training rise or fall in a recession?

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 such 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, the UK Commission for Employment and Skills (UKCES) together with the Confederation of British Industry (CBI), 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.

2.2 Why training might rise

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 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 2008-2009 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 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.

2.3 Why training might fall

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 reduced so far (they still involve the wages of the trainees net of any severance costs). The costs of training may increasingly begin to outweigh the benefits and 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 2008-2009 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 in this recession change 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).

2.4 Why training may neither rise nor fall

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 empirical 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 in England 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 current recession?
- Has the training rate deviated substantially, either below or above, its secular trend in the course of the current 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 training access 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?

3.1 CBI Industrial Trends Survey

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 throughout the UK. It began asking member organisations 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 3.1. These show that training optimism fell in the 1990-1991 recession, but steadily rose thereafter as the economy recovered, hitting a high in October 1997. It fell back to zero in October 1998, where 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, 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 -30 in April 2009. Only recently has it returned to positive territory.

3.2 BCC Quarterly Economic Survey

The British Chambers of Commerce (BCC) asks its members in the UK a similar question as part of its Quarterly Economic Survey. In contrast with the CBI survey the question asked is retrospective with employers asked to say what has happened to investment plans for training in the past three months. It also splits the sample into manufacturing and services, whereas the CBI survey focuses on manufacturing only. It is also larger with around 5,000 responses versus 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 3.2 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 2008-2009 recession than in the 1990-1991 recession.

3.3 UKCES National Employer Skills Survey

Another important source of employer data is the National Employer Skills Survey (NESS) series. In 2009 over 79,000 employers in England 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 3.3). 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.[1] 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 3.4 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

[1] 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 (cf. Figure 4.1). 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.

claimed to do no training at all in the previous 12 months.[2] Only one in seven employers (14.2 per cent) cut training volumes, while around one in twelve (8.0 per cent) actually increased their effort.

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.

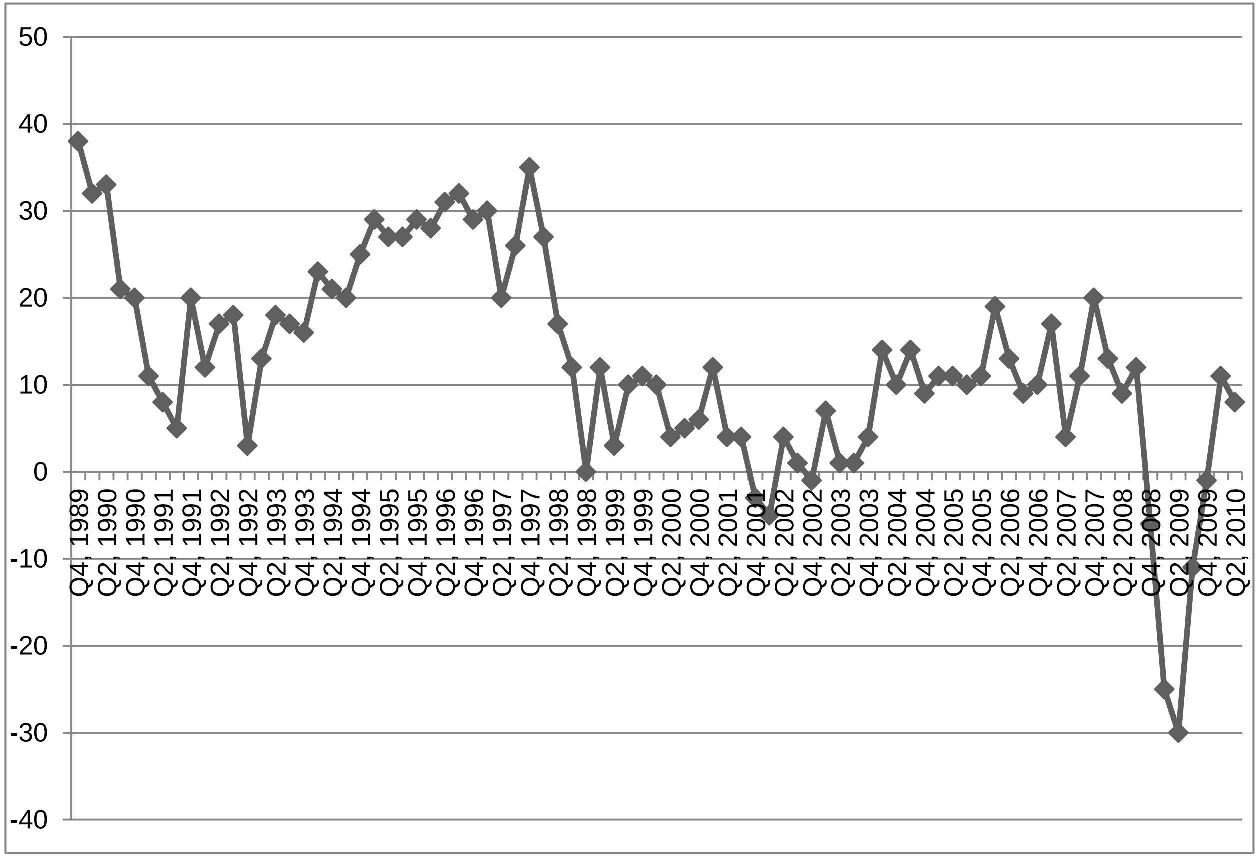
The fourth category – those increasing their training volume in the recession – were those who were either increasing training expenditure per head and widening its coverage or raising one while maintaining the other.

3.4 Summary

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.

[2] 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.

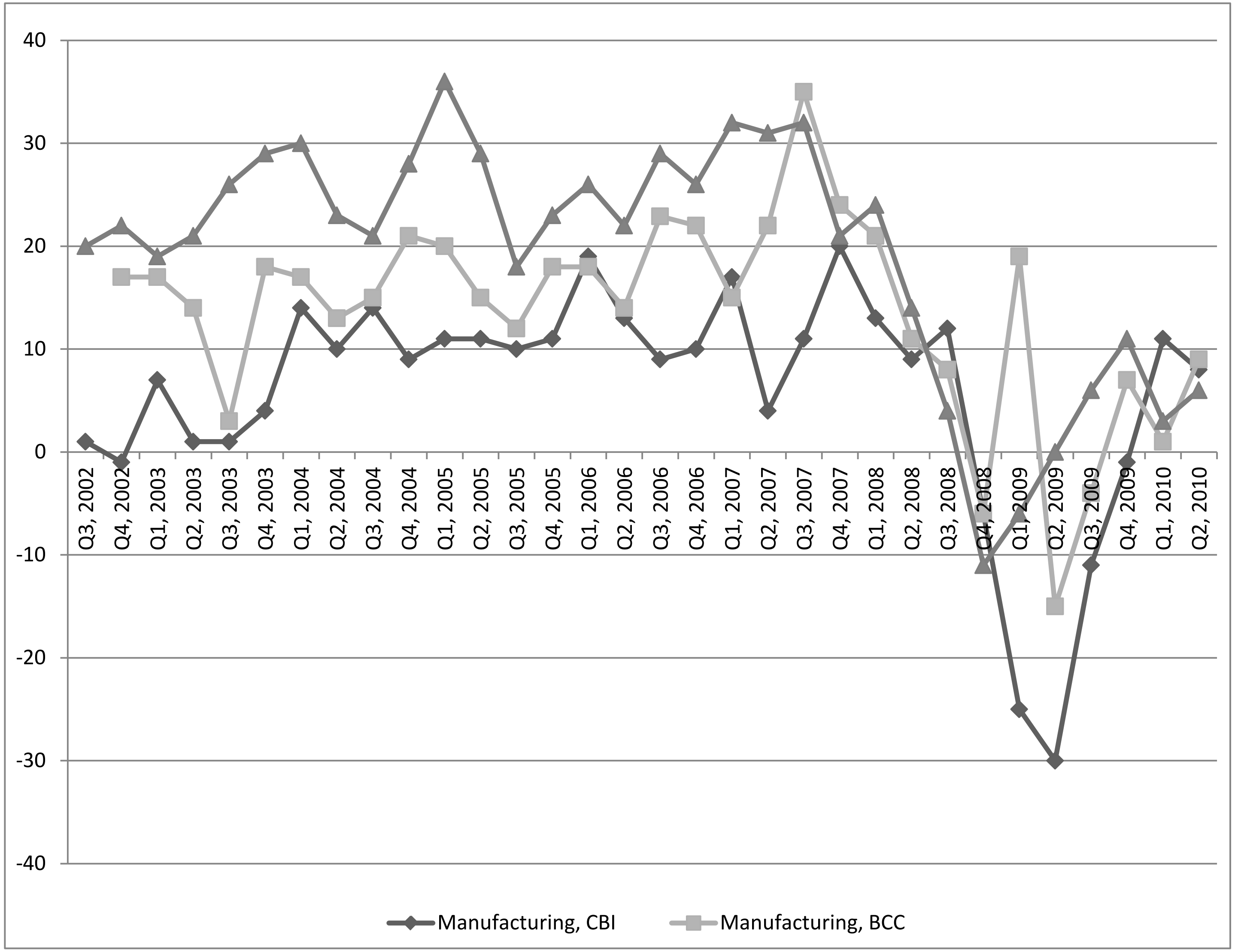
Figure 3.1 CBI training expenditure 'Balance' Index, manufacturing, 1989-2010



Source: supplied to authors by CBI.

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'.

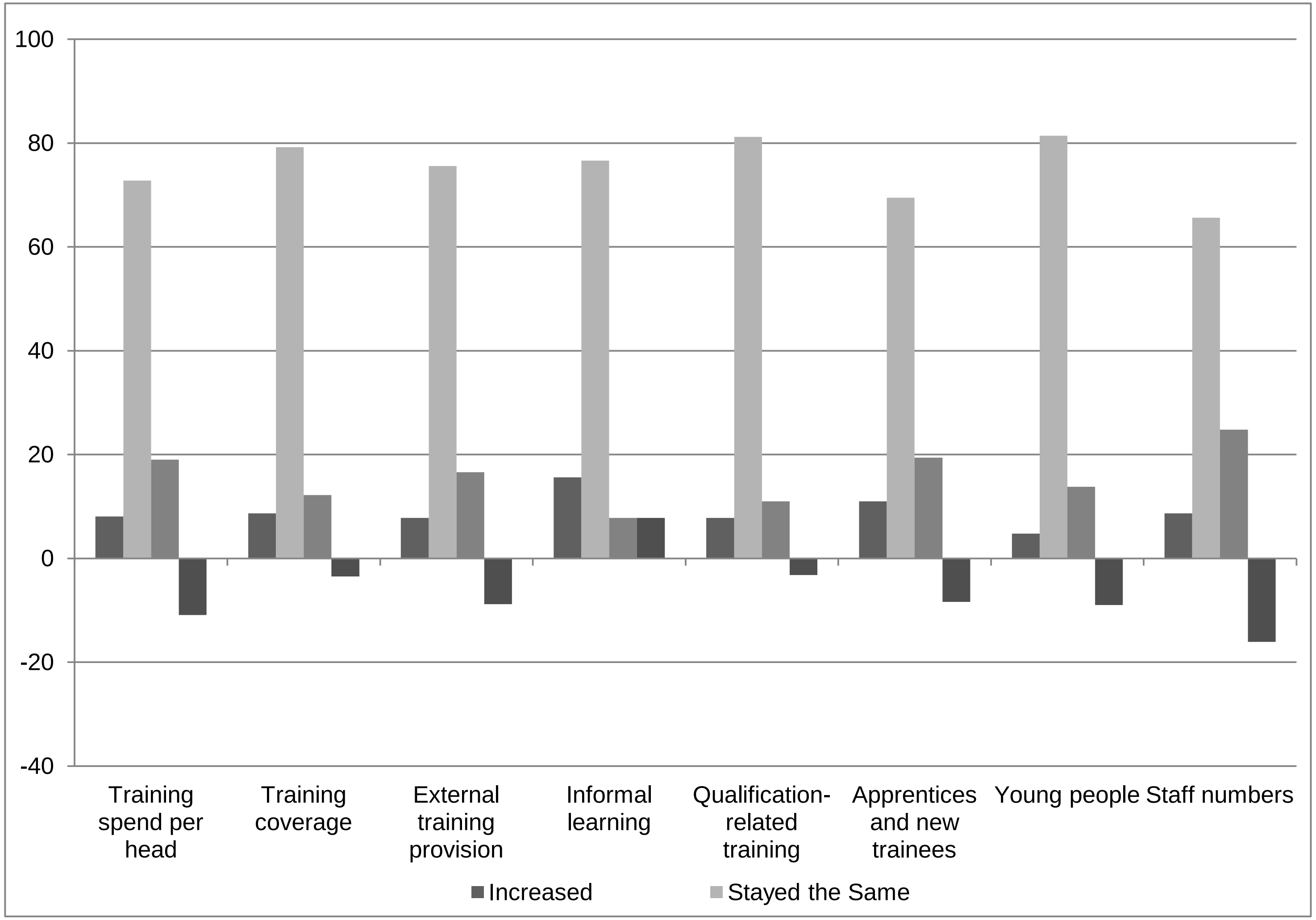
Figure 3.2 CBI and BCC training 'Balance' Index, 2002-2010



Source: British Chambers of Commerce Quarterly Economic Survey, summary reports downloaded from www.britishchambers.org.uk

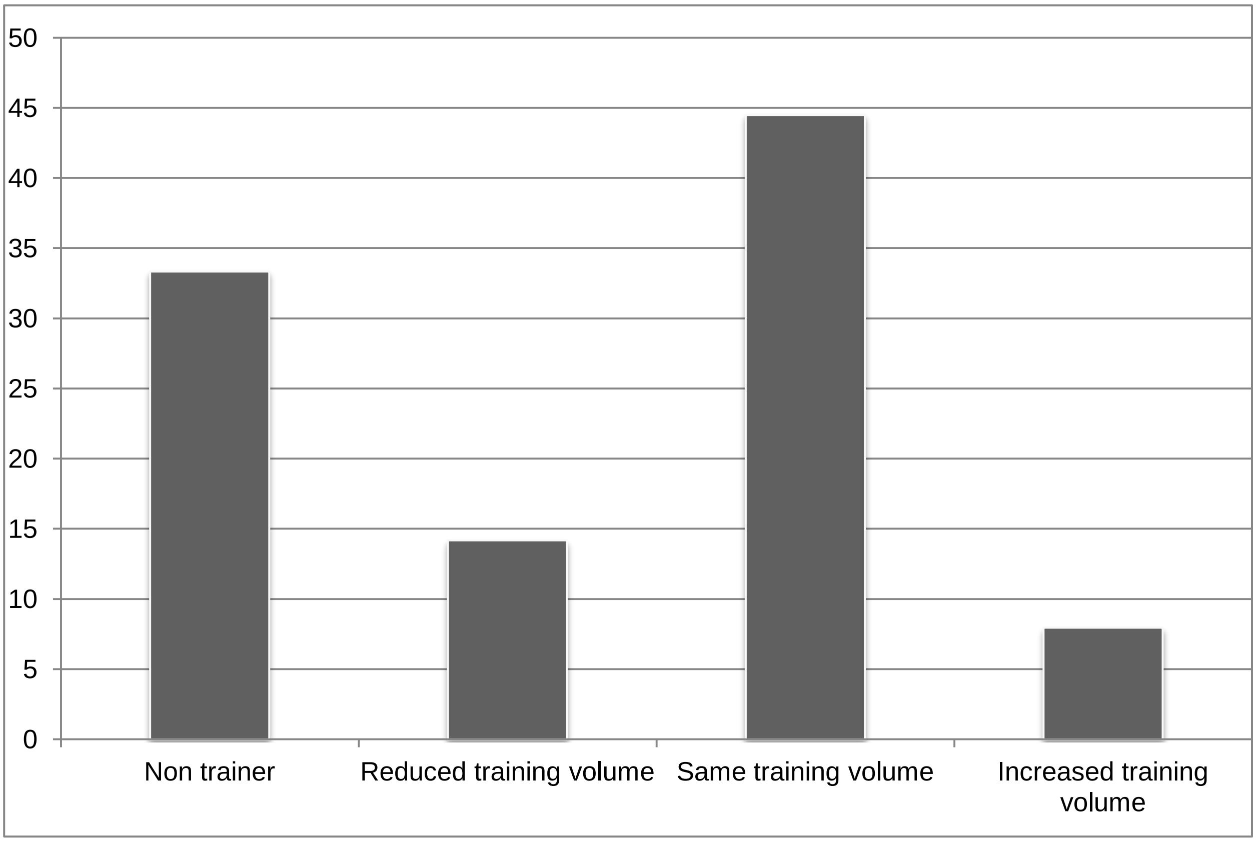
Every quarter the British Chambers of Commerce asks over 5,000 private sector businesses: 'Over the past 3 months, what changes have you made to yo investment plans for training?' The online survey has three answer options: 'Increased', 'Remained constant' and 'Decreased'. It should also be pointed o 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 da collection periods are not coterminous.

Figure 3.3 Reported impact of the recession on training, 2009



Source: own calculations from the National Employer Skills Survey 2009.

Figure 3.4 Changes in training volumes, 2009



Source: own calculations from the National Employer Skills Survey 2009.

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 Interim Report. 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 analyse data from each quarterly survey carried out over a number of years.

4.1 Training activity

Figure 4.1 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 to 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 noughties. A similar picture of rise and fall also applies to the participation rate of those not in employment, though 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 2008-2009 it fell no further.

The main conclusion from Figure 4.1, therefore, is that the recession is hardly visible on the training map. This suggests, either that the downward and upward pressures have balanced out, or that neither has been of sufficient importance to register on our main indicators of training activity. Either way, the evidence suggests that the fears of the pessimists were unwarranted; however, 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.

4.2 Training participation

While Figure 4.1 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 4.2, 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, induced 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 4.3 and 4.4 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 4.3 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 4.4 shows the differential experiences of men and women: while men's participation rate declined slowly and steadily from 2002 onwards, that 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 4.5 and 4.6. Figure 4.5 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 4.6 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.[3] If this hit on 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 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 4.7 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.

[3] 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.

Figure 4.1 Training rate, by employment status

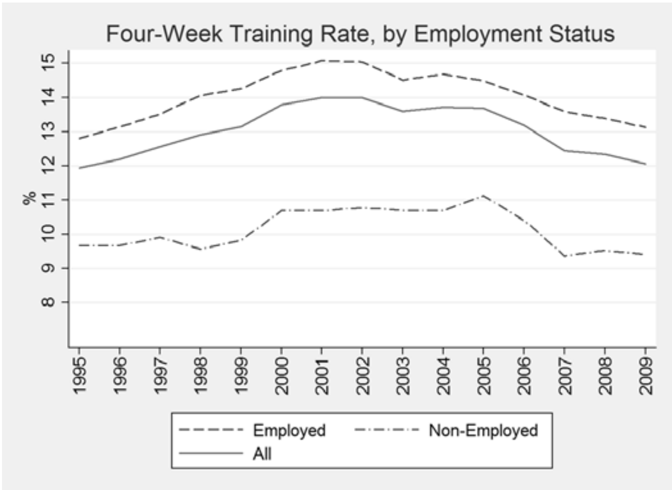


Figure 4.2 Training rate: all persons

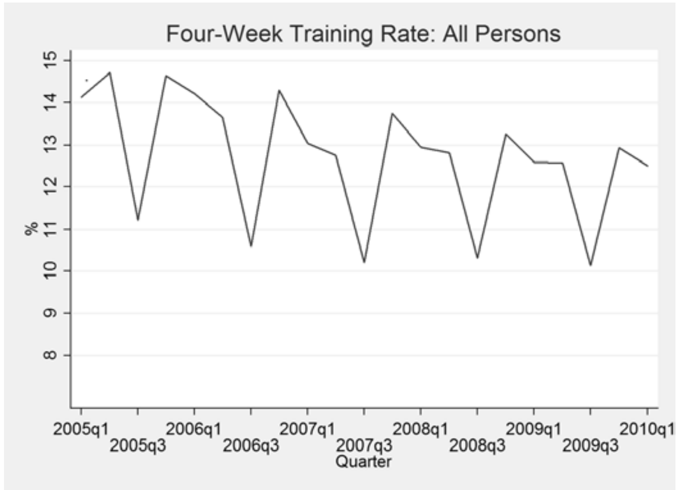
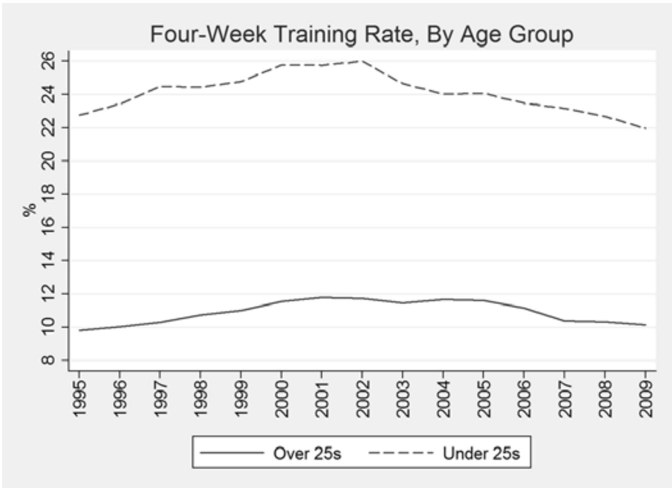


Figure 4.3 Training rate, by age group



Note: Authors' own analysis.
Source: Quarterly Labour Force Surveys.

Figure 4.4 Training rate, by sex

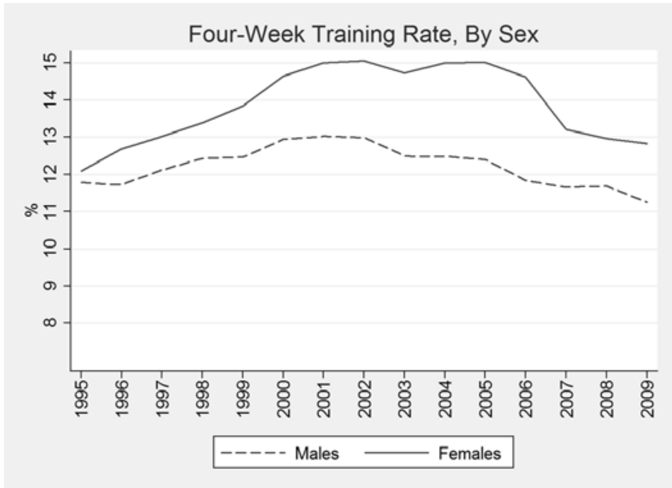


Figure 4.5 Employment rate of young people

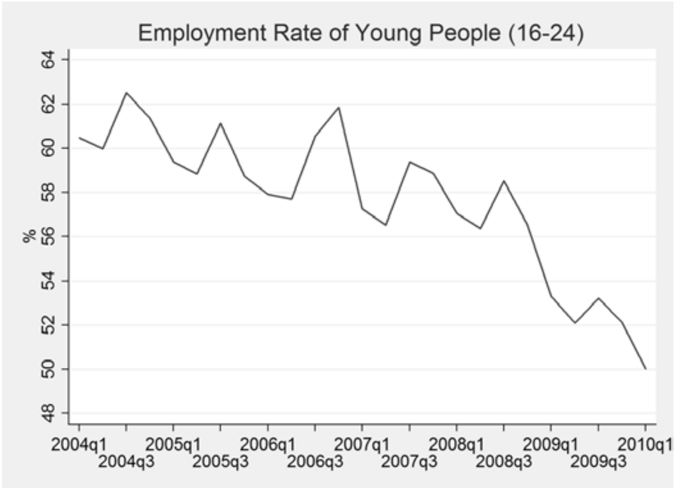
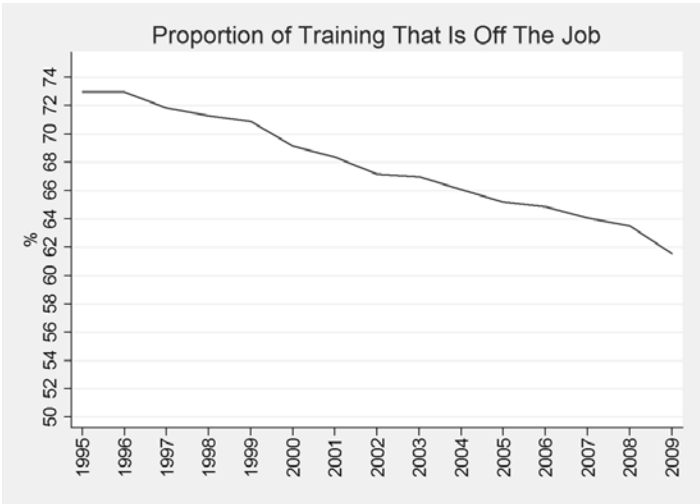


Figure 4.6 Apprenticeship participation rate

Figure 4.7 Proportion of off the job training



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.

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, in England, who participated in NESS 2009. This phase of the research, like the others outlined in this Interim Report, is on-going. Our selection strategy was designed to reflect a range of experiences of the economic downturn. Some – such as those in heavy engineering – had been very severely affected; others – such as some of those in food processing – were relatively unscathed. Most fell in between these extremes, suffering varying degrees of difficulty. For some the recession had come early, hit hard and been prolonged. Others did not begin to suffer its effects for many months, while some were only beginning to feel its impact at the time the recession was officially coming to an end. Similarly, for some recovery had been quick, for some it was slow, and some were still awaiting better times (cf. Artis and Sensier, 2010; Jenkins and Leaker, 2010).

5.1 Training budgets and expenditure

In common with many commentators, more of our respondents asserted that, as a general rule, training budgets are one of the first casualties of recession. Nevertheless, our interviews suggest that workplaces relatively untouched by the recession had either maintained training regimes much as before or, in some cases, expanded them. By contrast, those most severely affected by recession had cut training budgets to the bone and pushed it into the background. However, in accordance with the statistical evidence, most employers had modified their training regimes without entirely abandoning them (see Sections 3 and 4). Among these, there was a general recognition that training budgets are vulnerable during hard times. Nevertheless, even among businesses which had suffered redundancies and short time working, some efforts had been made to protect training. The general pattern among the majority of employers, then, was for a retrenchment in training *expenditure* to be accompanied by a commitment, as far as possible, to maintaining training *coverage*. The remainder of this section examines why and how this objective was pursued. Illustrative quotes are not included here, but they will form part of future project outputs.

5.2 Continuing Training

Our interviews revealed a wide range of reasons for employers, struggling with the impact of the recession, to continue to train their workforces. These included: training floors imposed by legal regulations; operational processes and skills shortages; market competition; managerial imperatives; and funding arrangements.

Training required by statutory provisions, mandatory codes of conduct and legal regulations proved to be indispensable. Employers in our sample differed in the extent to which their operations were regulated in this way, but all encountered some ‘training floors’ of this kind (cf. Felstead and Green, 1994). In a few low skill manufacturing workplaces, training floors were largely confined to such basics as health and safety. More frequently, they involved training in specific aspects of business operations, often with periodic up-dates, such as manual handling, food hygiene, fork lift driving, welding and so on. Bodies representing particular industries had developed operating standards that created a need for training. Certificates – such as CSCS cards (Construction Skills Certification Scheme) – were required by staff whose jobs entailed entering particular kinds of premises and workplaces. Among employers providing professional, legal, financial, medical and technical services, training floors included more extensive and detailed provisions, monitored by regulatory bodies that prescribe requirements for training and continuing professional development. Moreover, on-going changes in the statutes, codes and regulations applying to professionalized occupations also generated further need for training.

Our interviews suggest that where productive systems are dominated by the end users of goods and services, decisions about training may to some extent be driven by customer demands. For example, supermarkets can require their suppliers to operate training regimes that go well beyond minimum legal compliance (cf. Felstead *et al*., 2009).

A different kind of training floor concerned operational imperatives; that is, training in the skills necessary to continue production of goods and services. 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 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 workplaces 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.

For some employers, 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. More generally, training was aimed at multi-skilling the existing workforce. In part, this was to achieve more flexible working in the recovery, but 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.

Another common motive for maintaining training during the recession was to achieve a competitive advantage against market rivals (a suggestion made by some authors, see Section 2). In some cases, provision of extensive training enabled employers to acquire 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.

For some employers the provision of training had become so embedded within the overall management strategies that it was difficult to cut back without unravelling managerial controls more generally and undermining the wage-effort bargain. Training was said to prompt feelings of ‘ownership’ and ‘responsibility’ and ‘engagement’. In one workplace 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. In a number of workplaces training was overtly directed towards generating motivation, inculcating discipline and fostering mutual surveillance in the workforce. Another way in which training had become embedded in management was as a channel of negotiation and communication with the workforce, including via trade unions (cf. Green *et al*., 2000).

In businesses providing professional services – such as accountants, surveyors and lawyers – training often shaded imperceptibly into continuous processes of professional development, characterized by attendance at conferences, making presentations and attending seminars. Here, training, too, became difficult to disentangle from professional learning processes and routine work practices.

It is sometimes argued that economic downturns are periods when firms are able to upgrade technology, in preparation 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 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. Respondents attributed an increase in training leading to formal qualifications to government funding of NVQs. Even busineses under severe economic pressure made use of these provisions.

5.3 Training Smarter

Many employers, then, wished to maintain or even advance various aspects of training, at the same time as funds for training were coming 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’. Notwithstanding differences of functions, processes and markets, a broadly similar shift of emphasis in training programmes was apparent across our research sample during the last two years. This included: focusing on business needs; shifting to in-house provision; training trainers; renegotiating relationships with external trainers; on-site training by external trainers; group training; and e-learning.

Our interviews suggest a widespread response to the recession has been tightly to focus training on proven business needs by adopting more strategic, systematic and rigorous forms of administration. In a number of workplaces, this has enhanced the role of training managers and departments.

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. This can generate enhanced roles for some operational staff, who find themselves relating to co-workers in new ways. In one of the workplaces we studied, the process of embedding training roles across the workforce was facilitated by a Taylorization of the training content and its delivery. More commonly, it involved the incorporation of training responsibilities within regular occupational roles of managers and workers. A shift to in-house training can itself generate new training needs, as regular staff adapt new tasks.

However, not all training can be provided in-house. There are 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 relationships with external providers. They had recognized their power within the productive system vis-à-vis those who provided them with services, including external trainers (Felstead *et al*., 2009). This was reflected in a robust willingness to renegotiate training prices and modes of delivery.

Many employers had realized that economies can be made by requiring external trainers to come on-site, rather than sending employees off-site. Where training is on-site, it becomes easier to make group and block bookings that further reduce costs. Some of our respondents reported that on-site, in-house training was 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.

Towards the end of each interview, we asked our respondents whether these changes were likely to be permanent. A minority thought that economic recovery 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. Those who took this view argued that the pattern of training that has emerged during the recession will persist not just because it is cheaper but also because it is more effective. 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 may be that training roles become embedded as a regular and systematized aspect of the jobs of other workers. Of course, much of this already goes on, but in a more localized and unsystematic way than 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 become more that of facilitating and monitoring the activities of others. Again, this already happens but it is a trend that appears to have been enhanced by the recession.

6 Conclusion

Much has already been written on the impact of the recession on various aspects of the labour market. Yet, its effect on training has received relatively little serious analytical attention. In the absence of such evidence, it is commonly assumed that in times of economic hardship, training is a luxury that employers can no longer afford to support. This assumption is frequently repeated in both general and specialist commentaries on the impact of the recession on training. However, this Interim Report has shown that theoretical and conceptual links between training and the economic cycle are contested and unclear. While there are grounds for there being a pro-cyclical connection, there are also grounds for the connection being counter-cyclical or even unconnected to the economic cycle. It cannot be assumed, therefore, that training inevitably reduces as the economy moves into recession.

Nevertheless, some of the employer-level evidence suggests a more substantial decline in training investment intentions in the 2008-2009 recession as compared to the recession of the early 1990s. However, according to NESS 2009 – a larger and more detailed employer survey – the vast majority of employers in England reported that their training expenditure, its coverage and its character remained largely intact despite the severity of the recession. Corroborative evidence is presented in this Interim Report from 81 Labour Force Surveys carried out at quarterly intervals between 1995 and the first quarter of 2010 (each survey is released three months after collection). The recession appears to have had no significant impact on the extent of training or its pattern. However, it has done little to arrest the gradual decline in training activity over the last decade either, with the decline in apprenticeships among the young hastened not reversed.

Our qualitative interviews provide some possible explanations which help to reconcile these findings. They suggest that employers are finding innovative ways of maintaining training coverage, even among those who have maintained or increased their training expenditure. While the declining importance of off-the-job training is a long running trend detected by surveys such as the QLFS, the recession appears to be accelerating moves towards less expensive ways of delivering on-the-job training. These include shifting to in-house provision wherever possible, training staff to become on-the-job trainers, renegotiating prices and terms of delivery with external trainers, organizing on-site group training sessions and making greater use of e-learning. While none of these are entirely novel, they appear to allow employers the possibility of maintaining training coverage at a lower unit cost. As in the last recession, the qualitative interviews also highlight the importance of a variety of ‘training floors’ which make training a necessity, thereby preventing it being cut back in times of recession.

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