Training in Recession: The impact of the 2008-2009 recession on training at work

Executive Summary
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Executive Summary

This Evidence Report focuses on how training activity in the UK has fared in the 2008-09 recession and its aftermath. Using a combination of statistical analysis of large-scale surveys and in-depth telephone interviews with employers, some answers are provided.

The Report’s substantive results are presented in four parts, which draw on data collected using a mixture of quantitative and qualitative methods:

- analysis of employer surveys and, in particular, data collected as part of the National Employer Skills Survey (NESS) 2009, a survey involving over 79,000 employers who were asked directly about the impact of the recession on training;

- analysis of individual-level data as collected by the Quarterly Labour Force Survey (QLFS) over the period 1995-2012, with the contemporary situation compared with the recession of the early 1990s, where data allow;

- in-depth telephone interviews with 60 private sector employers who participated in the 2009 NESS, most of whom we interviewed on two separate occasions (in mid-2010 and then late 2011), as a means of tracking the changing impact of the economic downturn;

- in-depth telephone interviews with 45 public sector employers, many of whom were interviewed twice in order to reveal what impact the deficit reduction programme was having on training as budgets were being squeezed.

National Employer Skills Survey findings

The 2009 NESS allows us to examine the distinctive characteristics of employers who report that they increased, decreased or maintained their training activity (training expenditure per employee and training coverage) as a result of the 2008-09 recession. On this evidence, we find the following.

- The impact of the 2008-09 recession on training was not as severe as many had feared. Around half of establishments reported that training had not changed as a result of the recession and a further third reported that they had not trained anyone in the 12 months before they were interviewed. However, one in twelve (8.2 per cent) establishments reported they had narrowed the coverage of training and around one in eight (12.8 per cent) reported reducing training expenditure per capita (‘cutters’).

- Some of the greatest contrasts were between non-trainers and trainers. Whereas only around a quarter of the former reported that employees would need to acquire new skills or knowledge over the next 12 months, around half or more of training
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Employers reported that new skills or knowledge would be required by workers. Among employers who trained the differences between those who cut back (referred to as ‘cutters’ in this Report), maintained (referred to as ‘stickers’) or increased training (designated ‘boosters’) as a result of the recession were modest by comparison.

- Around two-thirds of training cutters reported that their training efforts over the previous 12 months had been constrained compared to a half of those who had boosted their training effort. Furthermore, lack of funds rather than an inability to allow staff time off was the most frequently cited cause of restraint among cutters whereas for stickers and boosters neither restraint was predominant.

- Employers’ responses to the recession appear to be related to the nature of the product markets they face. For example, establishments which operate in ‘very high quality’ or ‘high quality’ product markets make up a growing proportion of establishments as we move from non-trainer and then through training cutters, stickers and boosters. So, those operating in high or very high quality product markets were more likely to be boosters.

- Four-fifths (78.3 per cent) of those who offered no training in the year before interview possessed neither a training budget nor a training plan. Among expenditure cutters this proportion fell to a third (36.8 per cent) and among those who had boosted per capita training expenditure during the recession it was a fifth (19.9 per cent). This is further reinforced by the multivariate analysis which shows that the presence of a training budget and/or a training plan gave some protection to training activity in the 2008-09 recession.

- Around a third (35.2 per cent) of establishments, whose organisation’s main goal is profit maximisation, did not undertake training in the 12 months leading up to interview. This compares to smaller proportions of charities (18.6 per cent) and much smaller proportion of those working in local government-supported bodies (7.2 per cent) or central government-supported bodies (9.4 per cent) such as the NHS, where profit maximisation is given less emphasis. Furthermore, among those who undertook training a greater proportion of private profit-making employers reported that they had cut training compared to private or third sector employers.

- Institutional support for training activity, that is having in place a training plan and/or a training budget, changed little between 2005 and 2011 – a period which spanned the 2008-09 recession. A third of establishments (33.1 per cent) in 2005 reported that they had a training budget and in 2011 it was about the same (32.0 per cent). However, there was much more variation by sector. The institutional supports for
training, although still relatively strong, weakened more in the public sector than in the private sector.

- The published NESS results also show that real training expenditure per worker was on a downward trend even before the 2008-09 recession began. It fell between 2005 and 2011 by 14.5 per cent when inflation and the growing size of the workforce is taken into account. However, in nominal terms, and with increased employment, employers’ investment rose from £33.3bn to £40.5bn.

**Quarterly Labour Force Survey findings**

Depending on what directly comparable data are available our QLFS time series analysis begins in most cases in 1995, but sometimes it begins in 1984 and in others it starts more recently. On this evidence, we find the following.

- Training appears to have held up well in the 2008-09 recession. In fact, training participation has been declining, albeit slowly, over the last decade – the recession has not changed this pattern. The main conclusion from this analysis, 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.

- Despite this evidence, it is possible that training may have changed in other ways, such as the form it takes or its intensity. The analysis presented in this Evidence Report suggests that the proportion of training carried out off-the-job has indeed fallen. However, it has been on a downward path since the mid-1990s. So, although the pace of change has accelerated since 2010, the decline is part of a much longer term trend which began well before the 2008-09 recession.

- The intensity of training has also fallen. Looking just at those in receipt of some training, there has been a decline since 2005 from 13.5 hours to 12.4 hours in 2010. However, much of the decline preceded the full onset of the 2008-09 recession, and indeed was halted between 2009 and 2010. Unfortunately, the QLFS question was changed from 2011 onwards, so we have no information from this source as to how training hours changed as the recession and subsequent period of economic stagnation unfolded. It should also be noted that the 2005-2010 decline in training hours was part of a longer-term fall in training duration: back in 1995, average training intensity was as high as 15.8 hours. Thus, the specific fears concerning the effects of the 2008-09 recession have not been born out in this evidence. However, the volume of training has fallen substantially since the mid-1990s – a fact that has largely gone unnoticed until now.
The same patterns were found in most groups, places, industries and occupations, with some variation in the extent of the changes. Most notably, there were larger falls during the late 2000s in training participation for those living in Northern Ireland, to the extent that there was by 2011 a substantial difference between Northern Ireland and the rest of the UK in this respect.

Both the recessions of 1991-92 and of 2008-09 appear to have done little to change training activity for those in work. However, the small drop in training participation in the recession of the 1990s occurred after a period of sharply rising participation rates. This is in contrast to the situation today where similar falls have come on the back of a slow decline in participation rates.

Private sector employer interviews

Based on evidence collected by NESS 2009, we approached private sector employers, who participated in the survey, to be involved in follow-up qualitative interviews. Approaches were made to employers of various sizes, operating in different industries and with apparently different experiences of training during the recession. The following themes emerged.

- The general pattern among private employers was for a retrenchment in training expenditure to be accompanied by a commitment, as far as possible, to maintaining training coverage.
- Private sector employers continued to train their workforces because they were faced with a number of ‘training floors’; that is, types of training that are essential, and therefore cannot be abandoned, by functioning businesses or organisations.
- Respondents identified training floors that were generated by: legal regulations; operational processes; skills shortages; market competition; and managerial imperatives.
- 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’.
- Most private sector employers said that the recession had taught them lessons they would not forget. In particular, it was widely argued that focused training, in-house training, training regular employees as trainers, reduced use of external trainers, group training and enhanced e-learning were all here to stay.
Public sector employer interviews

One might expect the reaction of the public sector to be different from the private sector for at least two reasons. First, the public sector has placed greater emphasis on training for some time and it has become more institutionalised than in the private sector. Consequently, public sector training may be more insulated. Secondly, if there are changes they are likely to lag behind the private sector since the government’s deficit reduction plan was announced in 2010, well after the 2008-09 recession had come to an end. However, our interviews in mid-2010 and then in late 2011, revealed that public sector organisations were responding to these pressures in similar ways to their counterparts in the private sector.

- As expected, for most of our public sector employers, the recession of 2008-09 was not associated with a perceived crisis in the provision of training. Rather the reductions in public expenditure were of more significance.

- During the 2008-09 recession and its immediate aftermath, most public sector organisations in our sample continued to be characterised by extensive corporate provision of training, in part underpinned by many of the ‘training floors’ identified by our private sector respondents.

- Public sector employers suggested that in the period following the recession of 2008-09, in-house training increased marginally, and e-learning increased considerably, within the training programmes of public sector organisations. This is a similar pattern to that identified by private sector employers as ‘training smarter’.

- Nevertheless, there was widespread concern among public sector respondents about the future of training in the sector.

- Respondents suggested that staffing reductions, recruitment freezes and the growth of a pool of unemployed qualified labour were currently reducing both the need and opportunity for some kinds of training in the public sector.

- However, they also suggested that changes in demand for services, organisational restructuring and increasing use of volunteers were currently generating new needs for some types training in the public sector.

- Even so, a long-standing public sector training ethos remained in place within the public sector but this was coming under increasing pressure as a result of financial constraints.
The project, on which the Evidence Report is based, has gone some way to addressing the question of how training has fared following the 2008-09 recession by assembling a mixture of quantitative and qualitative data and comparing current evidence with that found in previous recessions, most notably the 1990-91 recession. Contrary to expectations, the 2008-09 recession appears to have done little to change the UK’s training activity as measured by its incidence, intensity and its quality. However, some employers have cut back on training more than others. These tend to be those operating in price-competitive product markets, but many others have not changed the volume of training they deliver at all – in fact, this is the most common experience. Contrary to the starting assumption of a deregulated training market, the research shows that employers in the UK do not have a completely free hand and that a combination of market regulation and business requirements obliged most of them to sustain training despite the recession. These constraints included: compliance with legal requirements, meeting operational needs and satisfying customer demands. However, the recession prompted many employers to find innovative ways of maintaining training coverage to meet these obligations, or as several respondents put it, ‘training smarter’. Looking back much the same was in evidence following the 1990-91 recession, although after that recession training volumes rose to around the mid-2000s. Since then they fell gradually, starting to fall well before the 2008-09 recession began.

In short, there is much that can, and should, be done in order to better inform policy-makers on the consequences recessions have for the long-term skills development of the UK economy and better understand employers’ training decisions in times of crisis. This project has provided a start, but given the scope for further work, and the policy implications of the findings, it is unlikely to be the final word.
Evidence Reports present detailed findings of the research produced by the UK Commission for Employment and Skills. The reports contribute to the accumulation of knowledge and intelligence on skills and employment issues through the review of existing evidence or through primary research.

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