

Why are some organisations reluctant to invest in training



Training and development is said to be beneficial for both firms and employees. Why then are some organisations and individuals reluctant to invest in training?

Training and development is said to have a positive impact for both firms and employees, this essay will explain the terms “ Training and Development” and look at the advantages and disadvantages for the Employer and employees. One of the biggest limitations of “ Training and Development” is how the impact of training and development on productivity and profit is measured for organisations and individuals. This essay will therefore attempt to address the “ Why then are some organisations and individuals reluctant to invest in training?” since training and development is said to be beneficial to both parties. Assuming the long- term benefits of training and development can be measured by quality or profit, and then the advantages for both the employee and employer will prove satisfactory. A relevant point that will be made is that more research needs to be done on the benefits of investing in training and development for both parties and how it affects productivity positively.

The HR literature sees training as the “ vital component” in organisational processes of cultural change and an important behavioural device in terms of securing workforce commitment (Keep 1989). It also refers to it as the process of imparting specific skills at one point in time, it could be an on the job training or off the job training either academic or online courses. (Laird et al. 2002) goes further to define it as the acquisition of technology that permits employees to perform to standard. Not all training researchers distinguish between training and development; they can be interchangeable

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and tend to overlap themselves. For (Nadler, 1970) in his *Developing Human Resources*, he defined Development as being concerned with preparing the employee so they can move with the organisation as it grows and develops. It is also an ongoing process it could be coaching (informal or formal), mentoring, and acting in place of a manager or seconded to another department. According to (Grugulis, 2007), Training and Development are key aspects of economic life. It also safeguards productivity as well as supporting it, by paving the way and preventing skill shortages for firms.

It is said that within firms Training and Development is a major factor of human resource management and has a number of advantages for the organisations which includes increased competitiveness through increased skills level, productivity and value added, it protects them from skill shortages and it can also be used to escape from an economic downturn by increasing spending when profits are low or incentive and reward to increase performance (Redman and Wilkinson 2008). Similar economic studies identify T&D investments as key determinants of organisation performance and economic growth (Mason et. al. 1996; Prais, 1995; Romer, 1993) this has proved difficult to measure due to the fact that previous researches undertaken have been inconsistent for a valid case to be made, this is not denying the fact that such links do exist. According to Grugulis (2007) firms that train are likely to fill job spaces internally and avoid the risk of specific skills not being available in the job market or the risk of organisations not being able to afford the going rate in the job market. Training gives room for change in the business world, for every move an organisation makes it sends either a positive or negative message to its employees (Purcell 1979). It is

suggested by Heyes and Stuart (1996) that firms that invest in T&D invest in their workers, and employees that take part are seen as having better career prospects and suggest that they intend to stay with their employers than those that do not train. But another school of thought is of the opinion that firms are reluctant to train because of the transferability of skills and a market power of employers to poach workers thereby discouraging the investment in training (Stevens 1996). It also encourages team work using initiatives. A firm based on quality and maintains high commitment work practices such as team working rather than cost should definitely train because when high quality goods or services are produced or innovations introduced it is often the skills of the employees that makes the difference (Rainbird and Munro 2003). Developing employees is the key element in performance and this can also be the firms' unique selling point (Redman and Wilkinson 2008).

However, it is not that employers are not aware of the advantages of T&D, they are. They simply chose to ignore it (Matlay 1998), which may be due to the difficulty of being able to measure the returns of it. Firms may also under invest in training and development because of limited knowledge about the economic returns on training (Lloyd, 2002). They are also reluctant to train because of the probability of the employee leaving them and most likely to a competitor taking the employers training investment along (Warhurst et al., 2004.). There is also the market power of employers being able to pay above market rates. Rather, the employers recruit skilled labour opposed to pre trained. However, the consequence of this is an under investment in training and under supply of skilled workers (Streeck, 1992; Crouch et al. 1999). If

training is essential companies tend to train for only firm specific skills, research has also shown that employer training in the United Kingdom, especially for lower occupational group tends to be very job-specific (Tremlett and Park, 1995), their survey also found out that three- quarter of managers emphasised the cost of training as disincentive and the encouragement of staff to leave in search of greater opportunities. Employers apparently see training as an unimportant issue or an issue that arises only when a problem comes up that is why Keep and Mayhew (1999) see training as a third- order issue, because a firm first looks at its competitive position, the services or product it will provide, designs the job outline then selection and recruitment comes into play, its only when there is skill shortage in the job market, that firms consider pre trained employees. They also view it as time - consuming, this puts training and development at the bottom of the ladder.

The role of employee development is said to be a key human resource practice and has been viewed as the “ litmus test” of human resource management (Keep 1989; Felstead and Ashton 2000). Training and development is useful to an individual in so many ways; according to human capital theory Becker (1964), suggests that the more investment an individual makes in themselves the greater their lifetime returns. One of the key advantages for T&D to an individual is that it enhances the skills base and helps in the negotiations for pay and status. It also equips workers with expertise, for them it increases knowledge and opportunities, reducing their level of unemployment (Redman and Wilkinson, 2008). It can be said that training and development increases the extent to which employees feel

valued by the organisation (Storey and Sisson, 1993: 154), which increases their confidence and effectiveness. There is also an intrinsic motivation of being the best at what you do for the individual, which makes training essential for them. It is an act of differentiation for growth in a career path, being qualified for a certain position or being unqualified, with training and development the individual has an added advantage over his/her colleague.

Although training and development is said to be beneficial to the individual it can also be undesirable for the individual, because there can be loss of professional identity for an individual when multi skilled i. e. Jack of all trade, master in none. The employee loses the sense of belonging to a particular professional entity and the problem of being over qualified for certain jobs. There is also the issue of under utilisation of skills for the individual which can be linked to low discretion jobs; the reduction of employee discretion does not create room for training and development leading to the inability of an individual to be creative (Felstead et . al. 2002). The failure of an individual to invest sufficiently in their own training and development can also be due to limited information and lack of resources (Lloyd, 2002). This can be linked to Finegold and Soskice (1988) analysis of “ Low skill equilibrium” where we have low paid low skilled employees with little savings who can only afford products of low price and low quality.

However there is an important question to consider. Is there a working proof that links training and development to productivity and profitability? There is a common management belief that there is a connection between training and performance which boosts productivity and profits by focusing on the right training and increasing it (Grugulis 2007) she goes further to suggest <https://assignbuster.com/why-are-some-organisations-reluctant-to-invest-in-training/>

that such links make “ intuitive sense” because in practice an employee who has put in more years and training in service will outperform the novice.

There is also evidence that firms that employ greater numbers of highly qualified managers outperform those that do not (Bosworth, 1999). There is at present only limited proof that they correlate (Coopers and Lyband 1985; DTZ Pineda consulting 1999) which sees it from the employers’ point of view that there is a link. For example Eisenberger et al. (1990) showed evidence that employee perception of being valued and cared did improve job performance and innovation. In practice the issue of demonstrating the effectiveness of training has proved extremely complex (Santos and Stuart 2003). In many areas of training and development, validation and evaluation has proved difficult to achieve (Rae, 1986).

But there is as yet no significant or convincing long - term evidence that training and development has any major effect on performance and profitability. Some of the reasons have been highlighted in the disadvantages for organisations and individuals. Being that it costs a fortune to train and most organisations in today business world are based on cost rather than quality, it will be unreasonable to train if the returns cannot be measured or evaluated in terms of profit. In today’s business world most organisations view training as a business opportunity and look at it from the point of what they can gain financially rather than the long - term benefits of quality improvement. Lloyds (2002) suggests that the lack of state intervention to regulate firms, lack of institutional support such as common standards does not encourage the firms to invest in training and development. For the individual limitations of employee discretion of jobs

being spelt out to ditto does not give an incentive to train, just as Feldstead et. al (2002) observes that discretion is rapidly on a decline. For the individual there is also the problem of being trapped in jobs that under utilise their skills. For example in the United Kingdom 77% of UK jobs are in the service sector which focuses mainly on low paid and low skilled jobs

In conclusion, this essay has highlighted the benefits of training and development to the employee and employer. However at its peak most of the benefits are suitable for firms that have quality as their benchmark not cost being one of the reasons why most firms do not train. The essay went further to attempt the question on why some organisations and individuals are reluctant to invest in training by pointing out that despite all the potential benefits of training and development it is not easy to gauge the benefits and contribution it makes to the individual and organisations as discussed above. Employers are largely involved in a market of low value added service and do not necessarily need a large skilled force.