Employee productivity: training and development effects | literature review

Literature Review:

The first article of my literature review is about formal training programmes and their impact on labor productivity by (Ann P. Bartel, 1989). This article utilizes a single database to measure the determinants of the difference in " formal training across businesses and the impact of these training on labor productivity". In results they have observed a positive relationship that exists between the two. It further states that U. S organizations with fifty or more employees spend $32 billion on formal programmes for HRD.

This article also considered organizations as the units of observation . They have strived to develop a single economic model to derive hypothesis about variables that can help to explain why some businesses invest more in employee training than others.

According to the Economist who studies on-the-job training has mainly been interested in modeling who receives training and how it " affects the individual's growth in earnings over his life". Examples of this literature are the studies done by Mincer (1983, 1987), Brown (1983).

These studies arrange the forums of national surveys such as Study of Income dynamics etc. Information on training is taken from the individuals who are surveyed . The main findings of this research can be summarized in a sense that individuals who receive training are likely to be young . Most studies also found out that educated people tend to receive more training than less educated .

Private sector training is found to play a vital role in determining pay scale and career patterns of young workers; individuals who get more training have somehow large wage growth and longer job tenure . According to the survey conducted by EOPP, it was noticed and elaborated that individuals who get more training in their first three months of employment have significantly rapid growth during their first two years of their employment.

In short this article tells us that employee training has positive career impacts on individuals who receive it, and that US companies spend handsome amounts on formal training. Hence, it can be concluded that employee training is effective in improving job performance.

This article is about the effects of human resource management practices on productivity by Casey Ichniowski, Kathryn Shaw, and Giovanna Prennushi. From American Economic Review (29/11/2010). They have tried to investigate the productivity effects of competent employment practices using data from a sample of 36 steel production lines owned by 17 companies. Further regression analysis elaborate those lines using a set of innovative work practices such as training than do lines with more traditional approaches which are strict work rules etc.

The study provides empirical evidence about the productivity of alternative employment practices using data that have been assembled on steel production lines. First, data set was restricted to observations on very specific type of production process. Secondly, they developed a model of that particular production process based on personal visits to each of the production line . Thirdly; they obtained longitudinal data on each production line to estimate all the effects models that investigate changes in the overall productivity with in production lines due to particular changes in employment practices.

Their primary limitation of the study was that it will reflect work practices and performance outcomes in only one industry.

They found out at the first instance that HRD have large effects on productivity, while changes in individual work practices have somehow little or no effect. The proof derived from only one of its kind and systematically monthly panel data on productivity and HRD practices shows that innovative practices by HRM have certainly large effects on productivity . while changes on individual employment practices have no effect .

In an article written by Sam Miller, he says that to enhance the employee productivity of an organization it is necessary for the managers to boost employee satisfaction and motivation towards their work by giving them incentives because increasing worker motivation and satisfaction can promote better productivity, produce effective, efficient and loyal workers, boost higher quality of work and make them stay longer in the business. He also says that achieving good, quality employee performance depends on how much opportunity is provided to the employee for their individual growth and achievement as well as recognition, responsibility and reward. Suggested by Sam Miller Remuneration is the primary reward one can give to the employee. He also says that not all employees who get fat salaries and promotions can increase productivity instead workers may be able to become more efficient with fair pay matching to their performance.

In another article by Chuck R. Stewart, it clearly states that if an employee is not satisfied or happy with his working conditions, the company’s productivity would suffer badly. Because an employee is always in search of a good working environment, an understanding employer and a pay that would equally satisfy the worker’s needs and work efforts. According to Stewart there are different ways to get your employees to a happier place, one of which is to start a team building event, team building events help the employees to become more cohesive and work as a team instead of a group of individuals. This often breaks down many walls and helps the employees value each other better so when they return to work, they work together much better.

This article is about Training & Development, Nov, 2000 by Deborah A. F. Koehle .

At first glance this article tells that organization’s aim is to maximize their profit for this they always need better performance by their employees to increase production and customer satisfaction level. Organizations consider R & D as the essential part of their organization.

Companies require better and trained employees for their organizations to achieve the organization mission and objective. For this purpose now multicultural training solutions are available. Now the companies are interested to know the cost of investment for human resource development. The vice president kemer says” now organizations are retching up the amount of training and development”.

ASTD's tracking of expenditure depicts that organizations are increasing investment in human resource development. The average number of employee learning per hour is increasing day by day as the organizations are investing more. According to ASTD's report spending on in house training are more but they are not gaining as much benefit as compared to ratio of investment. The training that is out sourced brings more benefits to organization. The more strategic view of the company is that company hires the chief learning officer for training.

This article is about Corporate training and development policies and practices: a cross-national study of India and Britain by: P. S. Yadapadithaya and Jim Stewart.

It talks about the organizational efforts for human resource development and includes the varying efforts toward the establishment of a separate Human Resource department or section for training employees.

In a cross-sectional study conducted in Britain and India, it was found that the HR training specialists held the key responsibility for training employees. In addition it was found that at times the line managers or the supervisors were also responsible for assuming the responsibility of training and development (Yadapadithaya and Jim Stewart).

This article concludes exploratory research, A Study Focusing on the Organizations of Islamabad in Pakistan by Saima Aftab.

A study conducted in Pakistan revealed that majority of the organizations situated in Islamabad had a proper HR department. Amongst this majority, many had a HRD department at the time of their incorporation. It was found that in the absence of HRD department the department for administrative affairs was responsible in assuming the responsibility of training and development. In addition it was found that number of respondents had also previously worked in the HRD department in different managerial capacities such as HR Manager, Assistant HR manager, HR Head of Section, Personnel Manager, General Manager and Managing Director and director administration (Saima Aftab 2008).

Money allocated for training purposes is another measure of the organizations commitment in training and development of its employees. This entails the total amount of salaries and other benefits paid to the employees (payroll), the total number of employees who received formal training, the total amount of expenditure incurred by the company on formal training of employees, the total number of training days accounted for formal training, and the total number of training or HRD staff involved in running training or HRD department.

Human resource development has become an integral part of the modern day organization for as a core support activity in all other parts of the organization. When an organization decides for training and development, it has to analyze certain costs that need to be categorized into direct/indirect, micro and macro costs.

In Pakistan the budget allocated for the training of both the managerial and technical staff has increased over the years but for the clerical staff and manual workers it has seen a minimal decline (Saima Aftab 2008).

This article is by Peter Miller and Teresa Marchant; it elaborates the new training methodologies that different companies can adopt in order to establish effective productivity . Online training is a new phenomenon that has emerged in recent years. It found increasing acceptance in SME’s for its several benefits amongst which the most important is the reduced cost of training, accessibility, and potential to meet the SME’s need. On the other hand, in large and medium manufacturing firms it is already an established phenomenon. But still employee training awareness level is very low (Elizbeth and Brown. 2005). The training methods vary with the difference in the industrial characteristics. On the job training methods are more famous amongst the traditional manufactures but off the job training methods are applied in services and IT related industries (kitya and Peter. 2009). Another study conducted in Thailand showed an opposite result that highly educated cohort of SME owners/managers with greater durability of business rarely invested time and money to train the employees, rather they emphasized in using On the Job training methods that are informal and unstructured in nature. This habit can be attributed to the low complexity of operation involved in SME business (Ketiya and Peter 2009). One thing that should be considered is that although requisite allocation of funds are essential for the training and development of employees but it does not mean that a huge budget is the key to successful training and development. It is not essential to increase the quantitative indicators rather what is more important is the quality of training given to the employees.

This article is about “ Continuing professional development and workplace learning human resource development” – the return on the investment by Ian Smith.

Despite of new developments there are increasing issues and challenges that need to be addressed. The critical issues that are faced by the European and Asian countries are creating an evaluation system for training and development which should be reliable and valid, and integrating training and development with the firm strategy for dynamic management. The other major challenges were the firm’s ability and willingness to commit major resources effectively and sort out adequate time to T&D; to bring cooperation and support of the line manager; to link organizational, operational, and individual training needs in order to clearly establish connections between strategic business objectives and T&D activities. To hold employees after training the new economic and business environment is characterized by worldwide competition which is influenced by modern corporations in profound ways.

First, progressive organizations must achieve higher standards of productivity, quality, and effectiveness in order to survive in the new environment. Second, companies must adapt or change their business strategies to take into account the new realities of intense global and domestic competition. Finally, corporate cultures, many of which were formed in a regulated or monopolistic environment must be altered for the challenges of a competitive environment.

In this context, corporate training and development is recognized and valued by most of the successful organizations as a powerful competitive tool. Corporate commitment to T&D should be demonstrated not only in quantitative terms, but also more importantly in its quality. Similarly an organization needs to address new challenges like development of a reliable and valid evaluation model to check the effectiveness of the training methods and programs.

In this article the dynamic model of training and turnover in organizations both confirms the empirical observation that the two variables training and productivity are interlinked and reveals how the connections might be understood. In addition the empirical data on firms provides different ways to understand how the interaction between different variables, such as turnover, training, enterprise size, and productivity, comes about and evolves over time.

It also talks about the periods of slow growth and a weak economy and during that time corporations commonly cut programs to maintain profitability. Training programs in particular are often targeted because employee turnover is generally higher during times of economic uncertainty (OECD 1993).

Even in the best of times, organizations must decide how much to invest in on-the-job training, balancing the benefits of increased productivity against the costs of training. Because trained workers can migrate easily between competing firms, another firm can potentially benefit from the increased productivity of workers trained by the former employer without paying the costs. For example, a survey of metalwork firms in Wisconsin indicated that managers are reluctant to train their workers because they fear competitor firms will lure their employees away before their investment costs are recouped (Jobs for the Future 1991).

Consequently, fear of losing trained employees to competitors can lessen a company's incentive to train and lead to less investment in skills than is economically desirable (Blinder and Krueger 1991, Bishop 1991).