

Employer-led Training in the U.S.

Should, Can Public Policies Encourage More?

Symposium on the Supply Chain for Middle-Skill Jobs:
Education, Training, and Certification Pathways
National Academy of Sciences
June 24, 2015

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Is the U.S. falling short on skills?

Level of skills too low?

Are insufficient or mismatched skills a major problem in the U.S.?



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Spending on formal education dwarfs resources for training

Research on human capital focuses on education, government training not on the employer training sector

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Investments focus on K-12 and postsecondary education spending

Allocations for occupational mastery rely largely on school-based approach

Extend the mismatch question

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Wages, skills vary widely within occupations, training may lead to upgrading

What about employer training?

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Usually involves such helpful elements as interactive training, opportunities to use what you study, coaching, and relevance

Given these advantages, puzzling that so little attention to employer-led training

Why do employers spend money to train workers, especially if skills are portable?

Are employers shirking their responsibilities to train workers and develop skills? What are the trends in employer-led training?

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How do employer-led training efforts interact with school-based programs?

What policies might encourage more valuable employer-led training in the U.S.?



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Imperfect competition allows employers to recoup productivity growth from training

Provision of training may sort worker applicants by their desire for training. Some skills can only be learned at workplaces.

Role of risk and uncertainty

Training creates real options: after training, firms have the option but not the obligation to hire/use the trained worker; option may be valuable

Training works best in firms that hire from within, delegate decision-making



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Barriers to more training

Knowledge of costs and benefits

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Treatment of training expenses as creating intangible assets, now expensed in a single year

As a result, human capital assets are not listed on the balance sheet

How extensive is employer training in the United States? What is the trend?

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ASTD surveys indicate no downward trend & an average expenditure of \$1,228 in 2010

Projects aggregate spending at \$170 billion or 2.7% of payrolls, tuition subsidies are 12%

Limited, Conflicting Estimates of Government Surveys of Training

Most recent survey of employers is 1995; at that time, most provided some training, but much was orientation and safety training

Also a good deal of informal OJT

Surveys of individuals yield wide differences in the scale, trend of training, questions vary

Varying Estimates of Government Surveys of Workers

| Type of Survey | Survey of Income and Program Participation | | | | National Assessment of Adult Literacy | National Household Education Survey | |
|----------------|--|------|------|------|---------------------------------------|-------------------------------------|------|
| Year | 1996 | 2001 | 2004 | 2008 | 2003 | 1999 | 2005 |
| Total | 32.8 | 27.9 | 21.8 | 21.6 | 56.9 | 31.0 | 42.4 |
| Males | 30.4 | 25.3 | 19.7 | 20.5 | 53.6 | 29.4 | 31.8 |

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But BLS evidence shows little trend

Median Years of Job Tenure

| | January 2004 | January 2006 | January 2008 | January 2010 | January 2012 | January 2014 |
|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| All Workers | 4.0 | 4.0 | 4.1 | 4.4 | 4.6 | 4.6 |
| Workers, 35-44 | 4.9 | 4.9 | 4.9 | 5.1 | 5.3 | 5.2 |
| Workers, 45-54 | 7.7 | 7.8 | 7.6 | 7.8 | 7.8 | 7.9 |

Another possibility—substitution of CTE school-based programs for training

Is higher education for occupational skills “crowding out” employer-led training for occupations, such as apprenticeships?

Levels of Occupation-Based Post-Secondary Education Credentials, 2011-2012

| <u>Occupational Fields</u> | <u>Certificates</u> | <u>AA</u> | <u>Total</u> |
|---|---------------------|-----------|--------------|
| Total | 987,715 | 1,017,538 | 2,005,253 |
| Health professions and related programs | 417,286 | 218,041 | 635,327 |
| Personal and culinary services . | 139,726 | | 139,726 |
| Mechanic and repair technologies/technicians | 85,794 | 20,714 | 106,508 |
| Business, management, marketing, support | 67,789 | 142,338 | 210,127 |
| Engineering technologies, engineering-related | 31,904 | 39,892 | 71,796 |

Skill Requirements, Tasks

| Skill Required | All | Upper White Collar | Upper Blue Collar |
|--|------------|--------------------|-------------------|
| Education Level | HS + Voced | Almost BA | HS, Some Voced |
| Added Years of Work Experience | 2.94 | 3.35 | 3.46 |
| Added Years of Job Learning to Do the Job Well | 3.35 | 3.80 | 3.95 |
| % Deal with Tense Situations | 60 | 65 | 61 |
| % Teach/Train Others | 75 | 86 | 75 |
| % Supervise Others | 48 | 55 | 57 |

Source: Survey conducted by Michael Handel for National Research Council.

Recommendation 1: Undertake survey of employer training practices (including informal training)

Cover spending on training, the integration of work-based training with outside training providers.

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Recommendation 2: Analyze human capital as intangible asset and treating investments in human capital similarly to investments in physical capital.

Recommendation 3: Examine the effectiveness of existing approaches to integrating work-based learning into school programs and develop demonstrations to test the most promising strategies.

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Recommendation 4: Experiment with encouraging industry associations to build, monitor, and test for industry-recognized credentials. Develop public-private partnerships to conduct research on occupational standards, mechanisms for auditing and testing to insure the credibility of the standards.