

WERS 2004 User Group Second Meeting Abstract

**Title: “Training and Establishment Survival”**

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**Abstract:**

This paper investigates whether training in British workplaces is associated with the chances of establishment closure over a recent 6-year period. Its premise is that the survival of an establishment provides an indicator of its long-term profitability. It has proved difficult, hitherto, to examine links between training expenditures and profitability directly, so this study aimed to provide some evidence of value to policy-makers and to businesses.

The study used statistical methods to examine a sample of 2,191 establishments with at least 10 workers, whose managers and employees were interviewed in 1998 for the Workplace Employment Relations Survey. In each establishment information was obtained from a senior manager and separately from a sample of up to 25 employees. All establishments were traced again in 2004 to see if they were still operating or had closed down, and re-interviews were sought in a randomly drawn sub-sample of 1,479 establishments.

The paper first distinguishes “non-training establishments”, who are the establishments that provided no off-the-job training to the largest group of non-managerial employees in the workplace, from “training establishments” which provided at least some such training. Overall, 24% of the establishments were non-training in this sense.

There was a substantial association found between training and the chances of establishment closure. More than one in four non-training establishments closed for business over the 1998-2004 period, while only about one in nine training establishments closed down. Confirmation of this link is provided by the separate reports of training provided by the employees from all occupations in the establishments.

The study also controlled for the effects of other variables on establishment closure, including among other factors the average education level of employees, the size of the establishment, its age, sector and industry. After applying these controls to the manager-provided data, the estimated effect of providing training was to reduce the probability of closure by 9 percentage points. With a slightly differing definition of training, the employee-provided data implied a downward impact of a similar size, but these estimates were less precisely determined and hence statistically insignificant.

A one-level increase in the average education of employees (say from GCSE to A Level) was found to be robustly associated with a 4 to 6 percentage point reduction in the chances of establishment closure, depending on the statistical specification used.

The study also examined the intensity of training, as indicated either by the proportion of workers receiving training or by the average duration of training. Amongst training establishments, there was no association between the intensity of training and establishment closure.

The conclusion that training participation affects the chances of establishment closure implies that those establishments that do not train at all have under-invested in training. The conclusion that training intensity makes little or no difference to the risk of closure suggests that, among training establishments, the amount of training may be close to the optimal amount. Given these findings, the paper argues that the general policy implication is that attempts to influence businesses through persuasion and advice should be concentrated as far as possible on non-training establishments. Among training establishments, interventions and advice could still be focused on providing services and improving training quality.