

## **Encouraging enterprises' expenditure on training: Policy goals and mechanisms**

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### **Abstract**

Increasing enterprises' expenditure on their employees' vocational education and training (VET) remains an important policy goal for governments in many countries. Policy mechanisms implemented to secure this goal include the legislated and mandated approaches adopted in Germany, France and Australia, and measures designed to encourage voluntarism and exhort enterprises to increase their expenditure such as in the United Kingdom and the USA. These policy mechanisms represent quite different approaches to and context for policy implementation. Their goals can be equally diverse, including subsidising government expenditure on VET, securing a more equitable distribution of training opportunities across and within workplaces, improving the quality of skill development, and responding to strategic or particular localised skill development needs. Each of these kinds of goals likely requires distinct kinds of policy measures. The primary concern of this paper is to identify goals for increased enterprise expenditure on VET and align and elaborate policy options for achieving these goals. Throughout, the balance between efforts to mandate and regulate are contrasted with those attempting to change enterprise sentiments more persuasively, and for the longer term. However, given that decisions about expenditure will largely be made within enterprises, ultimately most of these policy goals will only be met through the development and sustaining of a sentiment within enterprises that is favourable towards expenditure on training.

### **Policy purposes for encouraging enterprise expenditure on training**

Governments in many countries have attempted to find ways of increasing enterprise expenditure on the development of their employees' skills. The policy mechanisms implemented for this purpose are diverse. They range from the legislated and mandated approaches adopted in Germany, France and Australia, through to measures designed to encourage and exhort voluntary commitment by enterprises, as in the United Kingdom and the USA. Yet it seems that none of the measures to regulate or implore enterprises to increase expenditure has been particularly successful in changing enterprise sentiments about the worth of this expenditure (Keating et al 2002). Indeed, in Australia, efforts to mandate training expenditure arguably resulted in the commodification of and focus upon training expenditure within enterprises (Teicher, 1995). In the main, employers and their spokespersons viewed this Labor government policy as merely a means to generate income and as an impost on business activity. Yet, there are other purposes for encouraging enterprise expenditure on training. These include: (i) securing a more equitable distribution of training opportunities within enterprises; (ii) fairer distribution of public funds supporting VET; (iii), improving the quality of skill development; and (iv) responding to strategic or particular localised VET needs. These different kinds of purposes likely require quite distinct policy measures to achieve their goals. Yet, governments have sometimes been unclear in distinguishing their policy goals for encouraging enterprise expenditure and have also adopted models from elsewhere with little critical consideration of the social, cultural or economic compatibility with conditions in the host country (Schmidt, 2002). These criticisms could be advanced of Australia.

However, in some countries there are clearly articulated and understood links between specific policies on the employer sponsorship of VET and broader social obligations. In

Scandinavian countries, Switzerland and the Netherlands, employer commitment to their employees is embedded in a broad shared social charter (Nestler and Kaillis 2002). Other countries have institutional (e.g. Germany) and legislated (e.g. France) arrangements that support enterprise expenditure on training. Yet, across all these countries ultimately decisions about the degree and level of compliance to the institutional and legislated arrangements, or the expenditure on skill development will largely be made within enterprises. Therefore, governmental goals for increasing expenditure will only be fully realised through enhancing and a commitment to a sentiment (i.e. values, beliefs) within enterprises that is favourable towards this expenditure. These commitments will need to be developed over time and are unlikely to be generated by short-term policy mechanisms that mandate employer contributions. These kinds of goals need developing with the support of institutional practices and collaboration that over time can assist developing a commitment to sentiments valuing vocational knowledge and its development. Drawing upon an earlier paper (Billett and Smith 2003) that identifies the range of issues that informs policy formation about enterprise expenditure on VET, this paper focuses on identifying, aligning and elaborating policy goals and the measures likely to secure those goals. Without understanding the appropriateness of policy options, measures to secure these goals may be ill-focussed and ill-considered or just inappropriate in achieving their intended outcomes.

There are at least four distinct purposes for encouraging enterprises to invest additionally in the development of their staff (Billett and Smith 2003). These are:

- 1 A shift of expenditure from the public to the private purse
2. Equity in expenditure and funding
3. Development of specific skills
4. Strategic development of skills

Achieving each of these purposes requires distinct policy measures. In the following sections, some different means of achieving these purposes are discussed and evaluated. Throughout the balance between efforts to mandate and regulate are contrasted with those attempting to change enterprise sentiments more persuasively.

### **A shift of expenditure from the public to the private purse**

Many governments seem interested to shift the burden of their expenditure on VET provisions from public to private sources, even if this is not explicitly stated as a policy goal. The purpose is to reduce public expenditure, often during times of restricted taxation receipts and high demand for governmental funds. This intention became quite transparent in Australia with the Devison Report (1990) that concluded government would be unable to fund the predicted increases in demand for VET arising from its planned program of micro-economic reforms: Award Restructuring. A remuneration system had been proposed with movement based on the accumulation of accredited skills that was predicted to make unprecedented demands on the publicly-funded VET system. The then Federal Labor government attempted, albeit unsuccessfully, to raise revenue through the introduction of the Training Guarantee Scheme (TGS) in 1990. This scheme, modelled on the French levy system, required all Australian enterprises, except the smallest (i.e. under eight employees), to demonstrate expenditure on training that was equivalent to 1% and then later 1.5% of its payroll, or make a payment up to that amount to the Australian Tax Office. This policy initiative was directed at enterprises, as beneficiaries of having workers with skills developed through the publicly funded VET system.

However, the resistance to this scheme by Australian enterprises, the overturn of a process of micro-economic reform (award restructuring) and the reduced emphasis on training in the subsequent enterprise bargaining arrangements resulted in a far lower than predicted demand for VET programs. Moreover, the governmental case for the TGS being an investment in enterprises' future was widely rejected by employers and their peak bodies as being an impost on business activity (Teicher 1995). Ultimately, the TGS was suspended in 1994 and dismantled in 1996. However, despite this set back, the interest by successive Australian governments in sharing the cost of or increasing enterprise contributions to vocational education has not abated. Yet the key

obstacle remains. Enterprises and the national bodies that represent their interests would need to be convinced that the expenditure on employees' training would furnish a direct return. That is, peak bodies are suggesting that a 'business case' needs to be made (Billett and Smith 2003, Smith et al, 2003). However, cost-benefit analyses of training and vocational education within enterprises are perilously difficult and not widely practised, given the difficulty of identifying and appraising the contributions that training makes to profitability. This requirement seems in contrast to some European countries where a sentiment of voluntarism and social obligation shapes how enterprises expend training funds. However, Giraud (2002) notes that in France that when employers have contributed to a levy system they are then reluctant to provide staff with access to further training to avoid additional costs (e.g. worker absences). In Australia, it seems that enterprises will expend funds on training when it is either mandated externally (e.g. licensing, certification), or when they identify an urgent need within the enterprise. For instance, enterprises in the food processing sector, which admittedly has little history of structured training arrangements, claimed they would expend funds of staff meeting food handling requirements, and when they wanted to introduce changes to their product mixes (Billett 2000). In this way, any expenditure is directly related to immediate enterprise concerns.

However, it needs to be acknowledged that many perhaps most enterprises already make considerable contributions to the ongoing development of their staff through the support for learning that occurs as part of everyday work activities and in-house training. Therefore, policy measures need to be respectful of and acknowledge this contribution and do nothing to erode the existing level of contribution. So, if the policy goal is for enterprises to carry a greater share of the cost of vocational education provided by government, then these measures should be largely focussed at offsetting the current or predicted level of expenditure on vocational education by the state. Given that most government expenditure on training is on the accredited courses, these necessarily will become the key focus of policy action. Two diverse kinds of policy options emerge: (i) mandated measures of some kind and (ii) changing the view of enterprises about expenditure on these vocational education programs.

#### Mandated measures

In both Australia and France the imposition of mandated national training levies has led to resistance and, at best, superficial compliance by enterprises to the further development of their employees (Keating et al 2002). Moreover, it probably led to training expenditure being increasingly subject to financial scrutiny within enterprises. In South America, some success was experienced in the 1970s and 80s with the use of employer levies to finance the development of vocational training colleges (Gasskov, 2001) but these efforts have now largely been abandoned. In Australia, where employers had to report their level of expenditure, this resulted in a focus on training expenditure that previously may have been unquestioningly accepted (Billett 1994). In short, mandated measures focusing on training expenditure may lead to its commodification, with all forms of assistance to learning being reported as a cost (Teicher, 1995). Expenditure on training is far easier to identify than benefits. There is also little evidence from the French experience that mandated levies resulted in the development of highly skilled workforce (Hall et al 2000). Like its Australian counterpart, the French levy has also become highly contested, and subject to constant negotiation suggesting little real commitment is being generated to VET by enterprises (Giraud 2002). However, there is one example of a national mandated training levy, which offers an alternative basis for enterprise expenditure on training. In Singapore, enterprises pay a levy for the skill development of lowly paid and lowly skilled workers (Ashton et al, 2002). This represents a targeted levy focused at a particular group of individuals with specific needs and ones which perhaps are most defensible and hardest to disqualify by enterprises. Yet, there are options beyond national training levies.

An industry-based levy may be a more viable option for some industry sectors. The French experience suggests enterprises prefer an industry based levy to the broad national levy (Brochier & Meiaux, 1997 cited in Giraud, 2002), because expenditure is seen to be more relevant and sector

specific. However, the degree of acceptance and support for such a measure will likely differ across industry sectors. The practice of contracted arrangements in the building and construction industry, makes it amenable to an industry levy, or mandated arrangements by governments, such as numbers of apprenticeships employed. However, the costs are part of the contracted amount, because they are specified in government tenders. Recently, the shortage of skilled bricklayers in Victoria, Australia, led the Brick and Block Laying Association to organise a levy to train more bricklayers (Billett and Smith 2003). Significantly, however, the levy was applied to the purchasers of bricks and blocks, not the Association's member enterprises. Yet, where the industry skills are marked by diversity, as in food processing (e.g. viticulture, fish processing, meat processing, vegetable preparation, smallgoods) industry-based levies may be less viable. So although this kind of levy may be more acceptable to enterprises than a national broad-based levy, its appropriateness and acceptability would need to be gauged on a sector-by-sector basis.

Mandated levies operating at the local level represent another policy alternative. These can be highly visible and pertinent to the local area. The French national levy has devolved over time to have increasingly localised decision-making arrangements and governance (Giraud 2002). French enterprises need to be able to witness the direct consequences for their particular enterprises from their involvement in such a scheme. Such arrangements are more likely to be successful in regions with clearly identifiable parameters and sets of particular localised needs (e.g. forestry, aquaculture, viticulture) rather than the locality that is ill-defined, not having an identifiable community and has diverse industries (e.g. metropolitan centres). There are only a few identified instances of enterprises collaborating to organise sector-wide arrangements. These instances arise from compelling need. A lack of interest by young people in working in the viticulture industry caused local industry collaborative efforts to promote the work to school leavers (Billett and Hayes 2000). Yet, these efforts did not constitute significant financial demands upon the enterprises involved. Also, the stability of the labour force in a non-urban region may lend itself more readily to this kind of arrangement than the more fluid labour force in metropolitan centres.

So policy options exist for mandated approaches such as levies. Those that are sector specific and/or operated at the local level may be supported more readily than national levies. However, little evidence exists to suggest that the kinds of levies referred to above are generative of enterprise commitment to the further development of their employees' skills. In contrast to attempts to mandate increased expenditure on training through levies, another option is to engender a more positive attitude towards expenditure within enterprises. That is, encouraging voluntary commitment to enhanced expenditure upon training.

#### Changing enterprise sentiment about training expenditure

There are at least two broad approaches to changing the sentiment within enterprises about the value of expenditure on employee training. The first is to make that expenditure more attractive to enterprises, and the second is to change or enhance enterprises' view of its value.

Making enterprise expenditure on employee's training more attractive might be achieved by providing enterprise-based learning arrangements to augment publicly funded VET provisions with their national and industry-based focus. Enterprises might be willing to sponsor VET courses they believe closely address their needs. For instance, Australian small businesses are often accused of not contributing to national expenditure on training. Research indicates that, overwhelmingly, small businesses believe the national provision of VET courses is inappropriate and ill focused (Roffey et al 1996, Coopers & Lybrand 1994). Consequently, there is little incentive for them to sponsor these provisions. Therefore, making vocational education provisions more pertinent to enterprises presents an option for encouraging or leveraging greater enterprise expenditure. Of course, there are some potential disadvantages here. Australian enterprises, at least, report wanting highly specific skill development (Billett 2000), which may be quite inconsistent with developing more broadly applicable industry-based skills. Ultimately, enterprise specific VET provisions might become so ad hoc that more broadly applicable industry-wide skills could be imperilled. Certainly, both workers and students emphasised their preference for the development of broader and portable industry

skills, rather than narrow enterprise specific requirements (Billett 2000). So a highly enterprise focussed policy option, despite its attraction to assist enterprises make their business case, conflicts with overall national industry-wide skill development.

Making expenditure more attractive to enterprises might be possible through government funding the national or industry wide components of skill development, with enterprises sponsoring enterprise specific components. Some identification and categorisation of skills that are identified as being industry or enterprise specific might provide a basis for such cost sharing. However, this measure would likely involve changes to how curriculum documents are developed, the kinds of expectations arising from courses and complex interaction at the local level between providers of vocational education and local enterprises. Engaging enterprises in curriculum development through seeking and reconciling enterprise advice and requirements may in itself assist engaging them in effective decision-making and engendering their commitment to the further development of vocational skills. This involvement is of the kind that enterprises in Germany are reported engaging in and valuing (Berger and Gunter, 2002 Koch and Rueling). So there are precedents about and interest in localised arrangements including efforts to organise enterprise tailored VET provisions. Difficulties here would include identifying, balancing and organising appropriate participatory arrangements and securing enterprise involvement, particularly small enterprises. Also, individual express a preference for vocational courses that have a wider target than their current workplaces.

The second and more strategic policy goal is to enhance enterprises' perceptions of the value of VET. In particular, changing perception of it being a cost to being a necessary and strategic investment in the future. Government rhetoric, in the age of user pays, is that as enterprises benefit from the outcomes of vocational education, they should contribute to it. However, it seems important to convince enterprises about the benefits of their investment in their employees' skill development. During the era of the TGS, Australian governments sought models of and best practice in cost-benefit analysis (CBA) to promote training as an investment. Studies of models of CBA were often inconclusive and their models impractical to implement (e.g. Bartels 2000, Hedge & Moss 1996). Moreover, it was found that enterprises were not necessarily interested in conducting detailed CBAs. Instead, enterprises prefer to make decisions about the level of expenditure on training on the available information or intuition (Billet 1994). Smith (2000) claims that the clear benefits of enterprise expenditure on training can be calculated if the right strategies are used. Government seeking to encourage expenditure on a 'business case' basis, might broadcast models and exemplars of such approaches, then support their implementation in workplaces and publicise these in order to make the business case for an investment in training.

Governments often argue that it is in enterprises' interests for there to be a national pool of skilled labour. However, generating the sentiment within enterprises that supports its development has proven difficult to achieve and seems threatened by with prescriptive measures such as the TGS. Generating a positive sentiment takes time, persistence and effort. Using the blunt instrument of national levies seems antithetical to that goal. Swiss enterprises feel compelled to employ apprentices because of their social charter and community expectations (Schweri 2002). This sentiment has reportedly arisen from cultural and societal expectations about enterprises' role in developing vocational skills and the consequences for enterprises that fail to meet this expectation. So, a strategic and longer-term policy goal could be to transform enterprises' sentiments towards expenditure on training. Measures adopted to realise this goal might include governments championing the importance and richness of vocational knowledge and skills and the significance of its acquisition for skilled work and national well-being. Such a role will necessarily fall to government. Outside of chronic skill shortages, it appears unlikely that Australian employer bodies with their industrial interests and affiliations would be willing to champion the richness of vocational skills, because this would compromise their efforts to control wage growth in industrial negotiations. These statements would be used to promote the case for higher wages. Conversely, if unions undertake this role, their efforts will be dismissed as making an ambit for pay increases. Therefore, standing aside from industrial negotiations, and in the absence of strong professional associations, government is probably best placed to champion the richness and complexity of

vocational skills to employers and their peak bodies. In those countries where these kinds of professional associations do not exist (e.g. the UK, Australia, Canada, USA), policy measures might be directed to support the establishment of trade and professional associations and guilds to promote the standing of the sector, its significance and the championing of vocational practice, assist overcome the sponsorship of vocational skills being constrained by industrial negotiations and promoting their standing over time. These associations could then become focuses for the advocacy for the salience of vocational knowledge and the championing and sponsorship of its development and advice about their provision.

In this section, the focus has been on mechanisms to realise policy goals associated with transferring or sharing the public expenditure of vocational skill development to enterprises. In the next section, policy goals associated with equity in enterprise expenditure on VET are discussed.

## **2. Achieving equity in the expenditure on and distribution of training opportunities**

Achieving equity in enterprise expenditure on vocational skill development has at least three policy dimensions. These are: (i) sharing the cost of training across all the nation's enterprises; (ii) identifying differential demands being made of enterprises including disparities across industry sectors in publicly funded provisions and; (iii) equitable expenditure within workplaces.

### 2a – Balancing the cost of training across all enterprises

A more equitable sharing of the VET cost burden across the nation's enterprises stands as an important equity goal. Across different countries is a clear and consistent pattern that larger enterprises expend more funds per employee on training their employees than small enterprises (Gibb 1997). Some enterprises and sectors are routinely accused of poaching trained worker rather than training employees themselves. So there is a need to secure a balance in the level of contribution across all enterprises. To address this policy goal, mechanisms to share the cost burden more fairly could be enacted. As discussed above, this could be attempted through mandated or legislated mechanisms such as national levies, or to encourage voluntary commitment as in the case of countries in northern Europe with a strong social charter. Whereas the former is about compliance and may lead to a superficial compliance strategy (as in the Australian experience), the latter requires mechanisms of the kind discussed above about changing enterprise sentiment.

In the shorter term, government might promote the need for equity in enterprises' support for national training effort. This could include, promoting the national importance of skill development for the nation's economy and to avoid problems of skill shortages for enterprises. This could be attempted through illuminating exemplars of contributions to skills development to enterprise success, thereby highlighting a nationally shared responsibility for achieving a highly skilled national workforce. This has been attempted in Britain with the Investing in People measure. In contrast to mandated approaches, there is a need to build collaboratively a consensus about and commitment to expenditure on training within and across enterprises. This then can be used to promote a case for national commitment to skill development.

### 2b-Closing gaps between VET systems provisions and enterprise expenditure

In Australia, and perhaps in other countries, the publicly funded vocational education system does not service all industry sectors equally. Some industry sectors have long been supported or subsidised, depending on your point of view, by the public provision of VET. Trade apprenticeships supported through the Australian national VET systems have served some industry sectors very well. However, by comparison, other industry sectors have received little attention or public expenditure. Those enterprises and individuals who work in industry sectors that fail to derive any benefit from this system are supporting workers' skill development in other industries and enterprises while being denied publicly funded provisions themselves. This represents a significant and longstanding inequity that has arisen from historical circumstances and precedents. Goals for enhancing enterprise investment might focus on examining the degree by which public contributions have been distributed across industry sectors and enterprises. Policy options could

include identifying how expenditure within government funded VET system has historically been distributed across industry sectors, with some sectors being asked to make a greater commitment. This could see publicly funded VET provision being directed more to sectors that have not historically enjoyed high level of public support, while those industry sectors that have benefited the greatest might be asked to make a differential level of contribution. Of course, none of this would be easy or politically benign. Those industry sectors that have long enjoyed the benefits of the public provision of VET, would resist such measures and may be well placed to do so. Enterprises being asked to pay additional funds may choose to reduce their demands by, for instance, having fewer apprentices. However, if such measures can be seen to be reducing the inequity in the amount of expenditure provided to some industries, rather than everybody having to pay more, then this might be reasonably promoted on the basis of fairness in the public provision of vocational education. Weighted against this decision are concerns about the impact upon the numbers of apprenticeships and traineeships sponsored by enterprises who might be requested to pay more. So shifting the balance in the distribution of public funding is complex and contentious, no matter how equitable its goals.

#### 2c- Equity of expenditure within enterprises

An equally complex policy goal is that associated with achieving greater equity of expenditure within enterprises. Internationally, experience (e.g. O'Connell 1999, Brunello 2001) consistently suggests that even when mandated or legislated arrangements are in place, enterprise management determines the distribution of opportunities and for what purpose, and that distribution is not always equitable. Certain kinds of workers are more likely to be in greater receipt of enterprise expenditure than others (Goux & Maurin 2000, cited in Giraud 2002). This expenditure is more likely to be directed to younger, white male workers who are highly skilled than on older female, non-native speakers and/or peripheral, or less skilled workers will receive training support (e.g. Krueger & Rouse 1998). When the TGS was enacted in Australia, trade unions claimed expenditure was directed disproportionately towards white-collar and management workers and away from blue-collar workers. The use of both enterprise training committees in Germany and localised training committees in France has been reported to have failed to effectively address this issue (Giraud 2002). To achieve this policy goal, government might elect to focus of public provision of vocational education being distributed to those kinds of workers whom enterprises have traditionally ignored, as in Singapore. If government decided to adopt the auditing approach this could be extended to capture the distribution of funds within the enterprise. However, such an approach would likely be resisted as a needless imposition on business and may lead to training being stigmatised and attracting unwarranted attention. Ultimately, here the sentiment about enterprise expenditure on training will determine its distribution in the workplace.

To date, externally derived measures have generally failed to secure the kinds of equity goals that governments are seeking to achieve. As with other interventions, the risk is that quite the opposite of what was intended may occur. Perhaps, the only viable option here is to engage enterprises in, develop collaboratively and in the longer term the kind of sentiment that leads to enterprises in some countries adopt a more voluntary approach to their obligations to assist the ongoing skill development of their employees.

### **3. Development of vocational skills**

Beyond purely cost sharing and equity goals, governments might be interested in an enhanced contribution by enterprises to developing further the level and scope of skills available nationally (Keep and Payne, 2002). That is, additional enterprise expenditure might be focussed on improving the quality of vocational skills. Expenditure on the development of specific skills by enterprises will probably be more attractive to enterprises than contributing to industry wide or national skilled goals (e.g. Billett 2000). The policy options for additional leverage here include encouraging enterprises to pay for skill development that reflects their needs in both the short and long term. As above, the means of achieving this goal could be through the imposition of industry based or local

levies, making this expenditure more attractive by sharing costs, or for vocational educational programs to be tailored to meet enterprise needs, or through processes that seek to encourage voluntary commitment by enterprises. Alternatively, the focus might be on developing adaptable knowledge or industry-wide applicable skills. Enterprises claim these kinds of skills as generic workplace skills (Mayer 1992) as are statements about what constitutes an effective employee (Ghost 2002). Wolf (1996) claims that the development of these skills is well supported in Europe, yet may be more difficult to justify within the enterprise 'business case' approach. Depending on whether the goal is to develop enterprise specific skills or industry wide skills then particular policy options will need to be selected from those that are likely to be more or less attractive to enterprises. Again, the options can be divided between those that seek to mandate a greater commitment to the quality of skill development and those that seek a voluntary commitment. Given that the key emphasis in this policy debate is that training related activities are to be sponsored, enacted and monitored within enterprises, there seems no realistic option other than to attempt to secure a voluntary commitment by enterprises to the quality of their employees' skills.

#### **4. Strategic development**

Strategic goals such as maintaining national competitiveness in the face of intense global competition are key governmental priorities (Tiechner 1995). The constant churning of economies, restructuring of industries and the need for enterprises to be both import competing and export orientated leads to a focus on developing national skill bases. This includes the development of new kinds of skills, new forms of work practices, new forms of working knowledge and concerted national or regional efforts to reposition, regenerate or redirect economic activity strategically (Keep and Payne, 2002). The success of these strategic goals might be premised on securing additional enterprise expenditure on VET. Throughout, and as rehearsed above, the same balance between mandating responses, with their attendant risks, and encouraging voluntarism, with its slower and less certain outcomes needs to be exercised.

##### 4a - Enterprises strategic development

Enterprises have demonstrated that when there is a strategic need for additional training expenditure that it will occur (Smith et al 2003, Billett 2000). In the interests of securing on-going profitability and sustainability, enterprise sponsorship of training will occur. This includes the need to meet certain legislated requirements such as occupational health and safety or food handling certification that expenditure. The motivations for enterprise expenditure were, on the one hand, wholly voluntary when expenditure was directed towards the introduction of new products. On the other hand, expenditure was also made when legislated requirements had to be complied with. Again, this emphasises the different bases upon which enterprises are likely to voluntarily engaging additional expenditure or where legislation or mandation will be required. However, when the business case exists the sponsorship of skills underpinning strategic development will more likely proceed (Smith and Hayton 1999, Smith et al, 2003). Options for policy measures here include extending the use of legislated or mandated requirements, such as occupational licensing. Government might elect to license a far wider range of occupational activities, thereby pressing enterprises into expenditure on training needed to meet those requirements. Keep (2003) suggest that in the United Kingdom this licensing-based training is becoming a feature of government-funded contracts. These contracts include clauses requiring staff to be certified against particular occupational standards. However, the increased frequency of such arrangements runs the risk of precipitating superficial training and licensing, and potentially imperilling licensing arrangements that have been enacted for other reasons. Therefore, such a strategy needs to be used carefully in order to improve not imperil important health, safety and regulatory practices.

##### 4b - Industry sectors' or region's strategic development

Policy measures might also be enacted to assist the industry sector transforming or responding to the emerging skill requirement (e.g. transformation of skills requires in viticulture or printing



industry). The requirements for work are constantly changing as result of new demands, technologies and ways of working. Engaging enterprises in sponsoring, enacting and monitoring these changes will become a key policy goal. However, it might be imperative of government to play a central role in this skill development, because of its capacity to have a significant impact upon the viability of the industry sector or the region in which the enterprises located. In particular, governments might be concerned that workers not permitted access to skill development opportunities may become redundant as skill requirements change. So here, the concerns about the quality of skill development and certification might come to the fore. Government action might be directed towards assisting the development of these arrangements. In this case, government is attempting to guide and regulate the kind of skill development that is occurring in the industry sector's workplaces. So the policy focus is on guiding and augmenting enterprises' interest in training to realise positive outcomes for those who work in the industry sector and the sector itself.

Government might also want to encourage, share or incite leverage of enhanced enterprise expenditure for particular localised or regional purposes. That is, there may be a particular concern to develop a localised workforce, respond to the decline of other employment options in the region or address social agendas such as a greater integration of indigenous, migrant or young learners into employment with the local enterprises. The need for a regeneration of skills in some communities in the United Kingdom would be examples of these kinds of policy goals. Alternatively, there may be a need in a region for particular sets of skills. As illustrated earlier, in at least one region of Australia there was high demand for viticulture workers (Billett 2000). Consequently, some enterprises worked collaboratively to develop programs for school leavers to promote interest in the sector. In the same region, the wine makers also collaborated to market their vineyards' restaurants and guest facilities to attract tourists. In these instances, the local enterprises acknowledged a particular problem and worked collaboratively to address it. Policy measures here might extend to support for these localised or regional efforts by sharing the cost, championing the importance of the skills to be developed, providing programs in vocational education colleges that train to share the burden of the regional development. It would seem, that when the need is recognised from within the industry sector, the best prospect for engagement and sponsorship is realised.

### **Policy goals and options for enhancing enterprise expenditure on training**

In sum, the purpose here has been to articulate a set of possible policy goals and measure that government might select form in encouraging greater enterprise expenditure on their employees' skill development. Where there is little commitment to a shared social obligation to contribute to developing vocational skills, enterprises will be most reluctant to expend funds when the benefits are unmeasurable, invisible and directed towards goals outside the scope of the enterprises' immediate business interests. That is perceived to be unnecessary in their terms. Essentially, the motif of 'the business case needing to be made' stands firm in these circumstances (Smith et al, 2003). However, there are salient national, industry and regional strategic needs and equity issues that do always fit easily within the business case model. Advanced here are options for mechanisms that attempt to address different kinds of policy goals. Within these options are recurring themes of how best to secure this expenditure. A key problem with mandated and legislated approaches is that, to date, none appears to have changed the sentiment within enterprises about commitment to training. Enterprises in Germany are legislated to publish their training plans and mandated to have training committees, yet management still determine in what ways and on whom the funds are spent within the enterprise. In France, despite successive changes to the national training levy and arrangement that provide for employee entitlements, ultimately, management within enterprises determine who gets training opportunities and when those can be enacted. In both these instance, concerns about inequity in expenditure arise. These reflect earlier experiences within Australia with the TGS. Ultimately, it is within the privacy and discretionary practices of the workplace that both mandated and voluntary commitment will be enacted. So even the most prescriptive and regulatory of policy measures will be subject to enterprise sentiment that may vary from enthusiastic implementation, reluctant compliance to entrenching resistance and recalcitrance. The effectiveness

of efforts to mandate or legislate will likely be restricted to enterprise identified needs. Yet, without an enterprise sentiment that values development in the workplace, efforts to increase investment will likely be resisted. The enactment of experiences and opportunities even those mandated efforts will be distributed in ways that reflect a response to unwelcomed mandation and control, rather than being based on a sentiment that inherently values the contribution of skills to the workplace. Encouraging enterprise commitment to training when the benefits are able to be made visible and can be identified locally will probably have more potency than national models broadcasted through the media. Equally, the kinds of needs that may fuel such changes in sentiments will also have industry specific elements. Developing commitment to program for highly mobile bricklayers will be quite different than developing the literacy and vocational skills of forest workers in a forestry region. Again, more than national campaigns, schemes or slogans, localised sector based initiatives including trade and professional associations may well be the way forward for government to raise the standing and status of vocational skills and bring to the foreground the importance of their development.

Consequently, policy mechanisms may need to turn towards achieving longer-term goals associated with changing the sentiment within enterprises and the community more broadly and work to increase the standing and perceived value of vocational skills and their ongoing development, rather than being deflected by short-term goals. These sentiments cannot be mandated or legislated, but have to be learnt, maintained and developed over time, through institutional and cultural practices that support and reinforce their worth. In conclusion, policy success in this endeavour is directly aligned to a broader concern that has beggared vocational education and training, its relative low standing in some communities and countries. It is perhaps not coincidental that those countries that have placed a high value on vocational skills and their development are those in which enterprises seem most readily and voluntarily to play their role in the development of vocational skills.

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