Assessing the Mutual Benefits of Investing In Staff Training and Development

1. Reindolf Yao Nani Adzido (Corresponding Author)
(PhD Student, Open University School of Management, The Netherlands)
Lecturer, Ho Polytechnic
Faculty of Business & Management Studies
P.O. Box HP1426, Ho – Ghana
Mobile: +233204980492;
Email: reindee@hotmail.com

2. Dr. Oliver Dzogbede
Dean and Lecturer, E.P University Ho, Ghana
Department of Accounting & Finance
dzogbede@yahoo.com

3. Victor Yao Kamasah
Lecturer, EP University Ho, Ghana
Department of Accounting & Finance
kamvicapury@yahoo.com

4. William Kwadzo Dzineku
Faculty Officer, Faculty of Art & Design
Ho Polytechnic
wdzineku@gmail.com

Abstract

The study assesses the mutual benefits of investing in staff training and development. Literature exploration is useful in collecting data for the study. The study is more qualitative in analysing the data. Research model is used to aid discussion on the topic. The study found that training and development promotes efficiency, improved quality, skills, behaviour, employee loyalty and corporate performance. It is purely a policy, priority, finance and implementation issue. The study captured the interesting debates of both employers and employees relating to cost and benefit analysis of investing in staff training and development. Mutual benefits of investing in staff training and development has been found consistent with the literature. Besides policies on training and development, mutual benefits assumption suggests that investing in training and development must be a shared responsibility between the employers and employees. However, acquiring employable skills for a long-run industrial relevance is a sure personal responsibility. Despite the limited scope, the study serves as a good precursor for further studies.

Keywords: cost, employees, employers, investment, mutual benefits, performance, skills, staff training/development.

1. Introduction

"Training has the distinct role in the achievement of an organizational goal by incorporating the interests of organization and the workforce" (Stone, 2002 as in Khan *et al*., 2011, p.63). "Now a days training is the most important factor in the business world because training increases the efficiency and the effectiveness of both employees and the organization. The most important factor of employee performance is training" (Khan *et al*., 2011, p.63). Training programmes are essential to organizational survival and competitiveness (Knoke & Kalleberg, 1994; Liu, 2002; Wang, 2001). Thus, training programmes are often the first to go activity (Young, 2008 as in Boadu *et al.*, 2014). "One of the most frequently encountered human capital development interventions is training" (Campbell & Kuncel, 2001, p. 278). "Both training and education are necessary components for a successful conflict management system" (Constantino & Merchant, 1996, p.22). Sufficient training enhances employee communication, performance proficiency and retention (Cheng & Ho, 2001). According to Holton & Baldwin (2000), enhancing job performance requires that training skills and behaviours are transferred to the workplace, maintained over time, and generalized across contexts. Similarly, most thoroughly trained employees will better satisfy the needs of their customers and other employees (Rowden & Shamsuddin, 2000; Rowden & Conine, 2005).

Education has no end; the highest level of one's education is a personal choice based on certain financial and non-financial circumstances. There is no substitute for skills; therefore gaining relevant skills must first of all be a personal responsibility. It is interesting to know that schooling aims at acquiring certificates, but education aims at gaining skills (Fig. 1 below). Similarly, training and development helps employees acquire relevant knowledge but the application of training knowledge is a skill that is likened to wisdom. No serious and proactive employer will ever request for educational certificates and a mere evidence of work experience without asking for the relevant skills of the prospective employees. What should attract remuneration must focus on relevant skills of the employees rather than a mere accumulation of certificates and that of many years work experience (Fig. 2). Why there is the need for relevant skills? This is a good thought-provoking question that demands a good answer. Every employer or business owner wants value for money and also to create value from the skills of employees. It is the skills that bring about efficiency, quality productivity and better corporate performance. Skills also help to reduce avoidable costs so as to maximise profit. It is a gospel fact that a mere educationist (No Portfolio Educationist) may not be relevant in a society or in an industry like a man full of skills. Employees who are power house of skills and innovation are hotcakes to every employer. It is the skills of an employee that define his/her level of asset to the organisation.

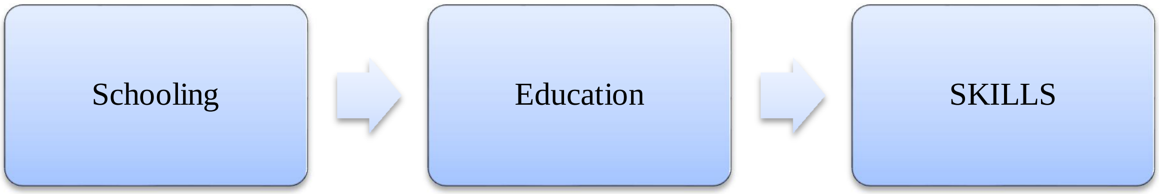

Fig. 1: Flow of Skills

But how can one acquire skills? Acquiring skills is through staff training and development. Then, who pays for the cost of training and development? Again, who determines the type of relevant training and development for staff? If training and development aims at providing relevant skills to employees for mutual benefits, and the training needs come from employers, then the cost must be a shared responsibility, otherwise fully paid by the employer, all things being equal. However, investing in staff training and development is a policy and implementation issue with relevant financial implications. Every organisation has its own policies, priorities and financial management strategies enforceable per time. Therefore, maximum care must be taken to respect the policy and management decisions per time to avoid unnecessary pressure and conflicts in the organisation.

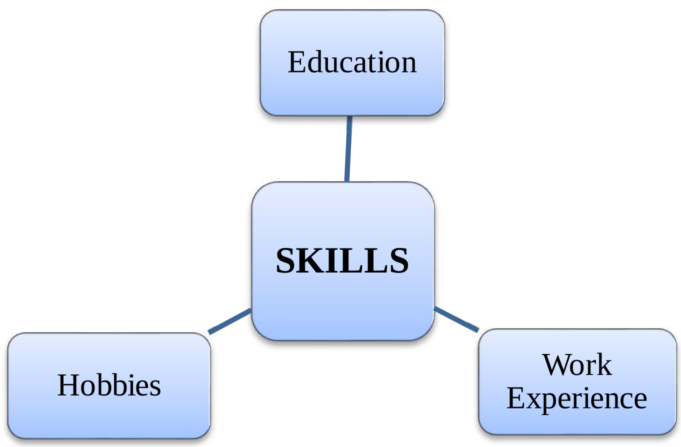

Fig. 2: Sources of Skills

The debates on the competitive advantage in relation to internationalisation and globalisation among nations, organisations and individuals have focused intensively on employees' resourcefulness. Yet, investing in training and development is not fully supported by some individuals and organisations, because the cost-benefits analysis and performance cannot be measured with certainty.

Training is the planned intervention that is designed to enhance the determinants of individual job performance (Chiaburu &Teklab, 2005). Redman & Wilkinson (2009) noted that training is statutory, mostly funded by employers, especially in the areas of health and safety and induction for new recruits. They added that public sector employees, young workers, new recruits, professional and clerical workers may have more advantage over their older counterparts in 'blue-collar' jobs.

Training and development is defined as 'the systematic process concerned with facilitating the acquisition of skills, knowledge and attitudes which results to improved organisational performance' (Taylor, 1996, p.258). Critically observing other definitions, (Poole & Jenkins, 1996; Tyson & York, 2000; Westerman & Donoghue, 1989), training and development focuses on skills, knowledge and attitudes as keys for performance.

However, other researchers view training and development terminologies separately. Training is an organised finite-time event which focuses on individual tasks, specific skills and the present job to change performance. According to Tyson & York (2000, p.162). 'Training is always a means to an end and not an end in itself'. Conversely, development is a process and outcome of training. It is a whole concept that changes lives, focuses on persons, future oriented and adds value to everything. It is building upon the basic knowledge, skills and attitudes acquired to improve performance and competitiveness of the organisation. Again, training is a planned and systematic activity which aims at improving the skills, knowledge, behaviour and competence of employees leading to higher efficiency (Gordon 1992). Development on the other hand is a broad ongoing multi-faceted set of activities aimed at enhancing employees to perform some jobs, especially in the future (McNamara, 2008).

In brief, training is a bridging activity involving experts working with learners to improve upon their skills, knowledge and attitude for the current tasks, but development is a broad and on-going multi-faceted process focusing on the individual and the future performance of an organisation.

Therefore, this study assesses the mutual benefits of staff training and development. It explores the willingness and unwillingness of managers regarding investing in staff training and development. The basic question the study tries to answer is that, if training and development is beneficial to firms and employees, why are some organisations and individuals/managers reluctant to invest in it?

2. Research Methodology

To access sufficient data and information for the study, personal experiences and global literature exploration on the topic were used. Saunders, Lewis & Thornhill (2009) propose that secondary data helpe the researcher to extend the scope of the study; improve in-depth understanding of the research topic and to compare data collected (see also Khan, 2011). These secondary sources include the use of text books, journal articles, academic papers, and online/internet data. Saunders and others proposal was very useful in this study. The study is more qualitative in analysing the data. Descriptive approach was adopted to enable the researchers to provide in-depth explanation to the cost/benefit analysis of investing in staff training and development (Saunders *et al.*, 2009; Adzido & Azila-Gbettor, 2014).

The main purpose of the study is to create industrial awareness to employers about employable skills of employees that can bring about efficiency, quality productivity and better corporate performance. However, existing and prospective employees must be challenged that proactive employers are looking for relevant innovative and industrials skills to pay for rather than possessing accumulation of higher certificates and many years of work experience. Nevertheless, the interesting part of the study focuses on whether or not it worth investing in employees.

However, Fig. 3 below is used to model the discussion on the topic. The general research question is that, if staff training and development can affect the performance of an organisation through relevant industrial skills acquisition, why then do some organisations/employers reluctant to invest in it?

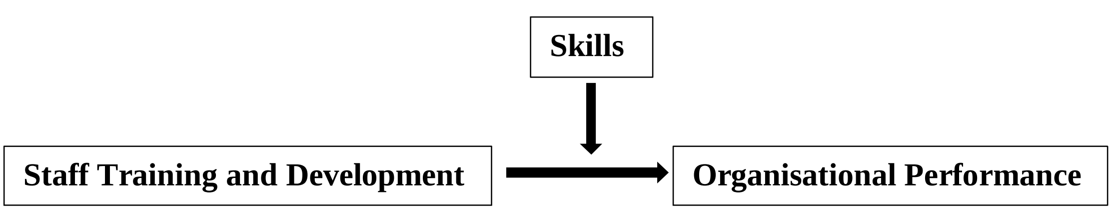

Fig. 3: Research Model

3. Literature Review and Analysis

3.1 Arguments regarding investing in staff training and development

Most employers are aware that training and development in this era of information, communication and technology is vital in maintaining adaptability, competitiveness and high performance in an organisation, yet some researchers do argue that it does not necessarily accrue benefits.

Organisations that recognise training and development as an investment rather than cost view their employees as assets and committed to this strategy are better off. Training and development improves interpersonal relationships among employees and management so as to reduce conflicts at work. Effective communication is also enhanced leading to loyalty and commitment of staff. Employees see each other and managers as friends rather than rivals for job functions leading peace and unity at work. This is because training provides background to focus on specific duties to avoid role conflicts (Westerman & Donoghue, 1989).

Besides, Taylor (1996) added that training and development increases effectiveness and efficiency of employees, leading to cost reduction in terms of less supervision and time, less wastages/errors/reworks and proper time management resulting into increased speed, productivity and quality. Delegation is also increased, releasing managers time for managerial activities. Consequently, training and development helps achieve management succession planning strategy, by nurturing and creating a pool of readily available and adequate staff for replacement of those on leave, transfer, or retirement and for expansion. As employees become flexible assets of the organisation, promotion and internal recruitment are easy and less expensive. Poole & Jenkins (1996) argue that employees should be regarded as assets and be encouraged to commit themselves to the organisation. It makes employees live-ready, skill shortages are taken care of, and can be viewed as a new form of psychological contract (Redman & Wilkinson, 2009). Another related argument is that, competent employees enhance the firm's image, competitiveness and performance. This image attracts more customers and boosts sales (Redman & Wilkinson, 2009). Training and development helps to meet the dynamics of the business and adapt to new technologies and methods. Employees share new knowledge and skills acquired which enhances innovation for competitive advantage as well help to implement organisational change.

However, Westerman & Donoghue (1989) argue that training and development reduces staff turnover. That, an organisation's policy to sign contract or bond with the employee-trainee will work best to retain them after training. This enhances customer satisfaction and sales because of quality customer services. Besides, health and safety of employees are improved thereby reducing risk and accident, ultimately minimising overhead costs. Redman & Wilkinson (2009) stated that training is pivotal in some models of high commitment working.

Training and Development is the framework for helping employees to develop their personal and organizational skills, knowledge and attitudes to maintain superior workforce. It helps employees to 'live-ready' for retention, promotion, increases earnings and more opportunities. This can reduce prospects of unemployment; access to more interesting works and can be accepted into a particular profession or craft. Yet, the argument against this is deskilling the job, or having a limited number of core, skilled workers working with unskilled labour might prove to be the 'superior workforce' (Redman & Wilkinson, 2009). As a result of training, employees feel valued, motivated and differentiated, leading to more commitment in their daily functions to reduce the risk of labour turnover. Furthermore, employees gain more skills which enable them facilitate their negotiations of pay, status, welfare and other conditions of service. However, Hertzberg's 'don't teach a man how to play the piano if you are not going to give him a piano to play' argues that training can decrease motivation.

Westerman & Donoghue (1989) argue that training and development provides career development opportunities to employees to remain competitive in the labour market. All employees want to be valuable and remain competitive in the labour market at all times. This rarely happens in the 'real world' – look at some works on engagement. The literature varies but typically revealed that only 30% or so are engaged; the rest just do their job with limited commitment or actively work against the company (15% or so).

As suggested, training and development can serve a social function whereby workers form friendships to reduce alienation (Redman & Wilkinson, 2009). However, equity theory argues that if one person gets training others might resent it as they believe that he/she has got something that they have not.

According to Lloyd (2002), there is well-founded evidence that training and development is good for every firm, yet there is a little explanation to why employers are particularly not acting in their best interest (Keep, 2000). A survey found that almost 50% of firms with skill gaps are parties to their own failure to train employees (Skills Task Force, 2000). Therefore, the following factors are revealed through the research on why some organisations and individuals are reluctant to invest in training.

There is no benefit without a relevant cost. Lloyd (2002) argued that high cost of training is a disincentive to managers. Most managers see training as cost rather than investment. The argument is that it is hard to establish a direct cause and effect relationship between training and productivity. To them, the cost is tangible and benefits are intangible and hard to measure (Tremlett & Park, 1995). Lack of critical evaluation prompts them to focus on short-term rather than long-term benefits because present profitability counts more than future prospects for profit (Streeck, 1989). It is added that during business downturns and economic recessions, management cuts training expenditure to reduce operating costs (Huang, 2001). Sung & Choi (2014, p.393) argued "that corporate expenditure for internal training predicts interpersonal and organizational learning practices, which, in turn, increase innovative performance. The data also revealed that the positive relationship between interpersonal and organizational learning practices and innovative performance is stronger within organizations that have stronger innovative climates. By contrast, investment in employee development through financial support for education outside an organization poses a significant negative effect on its innovative performance and no significant effect on learning practices".

Interestingly, Westerman & Donoghue (1989) stated that cost is one management argument against training: it is an investment with dubious returns and that throwing money at the problem, without an appropriate strategy for retaining the body of expertise, is to spit in the wind. Refusal to train means preparing to waste more time and money to put out employment fire in the future than using a small money and time to put in safety measures now (Luecke, 2002).

There are other arguments that training leads to an increase in turnover while the others are of the view that training leads to higher levels of employee retention (Colarelli & Montei, 1996; Arthur, 1994; Becker, 1993; Scholl, 1981; Becker, 1960). This is because skills acquired can be useful to many different competitor employers (Kaufman & Hotchkiss, 2006). Statistics have shown that some organisations invest heavily in staff training and developing (Frazis, Gittleman, Horrigan & Joyce, 1998). Nevertheless, some organisations will conduct costs/benefits analysis before taking final decisions (Kaufman & Hotchkiss, 2006). Investing employee training ties them closer to the organization (Scholl, 1981) with more commitments (Bartlett, 2001). However, an interesting argument in favour of employers is that, by paying the higher wage and salaries, as well as paying for the general training, the current employer would be unable to recoup its overall investment. As a result, companies have no incentive to pay for general training and it is the workers themselves that will need to bear this cost (Frazis & Spletzer, 2005).

Further argument is that some employers are not willing to invest in newcomers/new-recruits despite the statutory provisions. As for them, it is the responsibility of the school system to train people to be workers because it is draining, let alone talking about the aged, which they consider as 'pouring new wine in an old bottle', since their retirement is at hand.

Nevertheless, lack of enough time and the tight schedule of activities are the incuses by some busy managers. Though not sure that this is always true, there is an argument that training need supervisors' time and increases cost. Sometimes, funds may be available but for job priorities over a period of time, training may be put on hold. Even if they do, to some, they are not ready to pay increased wages/salaries (Redman & Wilkinson, 2009). Interestingly, some managers think that the trained employees may compete or challenge their status, especially those sent for higher educational qualifications.

Equally speaking, one can argue that high labour turnover may occur as a result of higher expectations and aspirations from employees. Rolfe *et al.* (1994) noted that managers are concerned about staff gaining more qualification which may lead them to leave because limited opportunities exist. To some, it is better to invest in equipment than in training. Lack of trust makes them argue that training makes employees more attractive to competitors because of mobility of labour in competitive labour market. Also, turnover is higher at the lower end of the occupational scale, so employers may be reluctant in training staff that may consequently leave. Yet, investing in more qualified staff is less risky and therefore preferred investing into it. Not only that, rivalry and competition perceived by the manager will prevent him from providing more training to a staff who may be snatched away.

However, some managers argue that training is not a priority for the firm, as a matter of policy there is no need. To solve the problem, they only recruit qualified applicants at the onset. This is because reconciling training with work and performance is inconsistent and inconclusive Storey (1994) and Marshall *et al.* (1995). In the contrary, Westerman & Donoghue (1989) argue that tangible benefits can arise from the employees' increased technical and competence level, which can be measured in money through return on investment. Khan *et al*. (2011, p.63) upholds that "training also has impact on the return on investment". (See also Knoke & Kalleberg, 1994). Besides, some employers do not want to train if the job is on part-time (floating) basis and also if the employees are fully proficient. In addition, availability of external labour market and part-time workers (out-sourcing) readily and cheaply accessible to the firm sometimes discourage them from training.

Huang (2001) noted that, ignorance (they do not know how and when to do it, let alone aware of the training benefits, especially small firms), is another factor preventing employers from investing in training. To some, lack of suitable training in the relevant subject area is another point of interest, because they are content with the way they do it. Notwithstanding, some argue that employees do not proof to convince management that they need training in the area of their specialisation.

However, individual employees express their views to agree with Lloyd (2002) that lack of adequate resources and information are their limiting factors. The argument is that some cannot even survive on their monthly salaries, let alone training. To some, they lack timely information needed to take action, either from the manager or elsewhere.

Interestingly, some employees, mostly in the public sector organisations, argue that it is the duty of the firm to train them (Redman & Wilkinson 2009), especially when staffs serve the minimum term of employment according to the firm's policy, adding that self-trained are not even recognised for promotion or the money refunded to them and lack management support. Huang (2001) indicated that there is a strong relationship between management support and training effectiveness. Following that, employees will not risk their money and time for self-training if the firm's future prospects and retention are not predictable and reliable.

Another major factor is improper policy on promotion and rewards. Some employees have already acquired higher qualifications, yet their skills are under-utilised, and why should they go for more? This happens when the job is not enriched or wrong placement of the employees in the firm. As Redman & Wilkinson (2009) noted, it is not all qualifications that attract higher rewards, it may rather reduce their professional identity of the employee. As such, irrespective of the complexity of the work, men's work are rated higher than women's based on the status and labour market power of the job holders.

Apparently, Training alone will not solve all the human resource problems experienced in the information-technology environment. The solution is associated with maintaining the critical mass of knowledge in each organisation (Westerman & Donoghue, 1989).

Khan *et al.* (2011) examined the impact of training and development of organisational performance. They concluded that training and development has significant positive effect on the performance of an organisation. They argued that the outcome of investing in training and development will rather save cost since employees will be more skilful, more efficient and competent. They added that Training and Development has advantages not only for employees but the ultimate benefit is for the organization itself. "Training is important for the employees development and the employee development encourages self-fulfilling skills and abilities of employee, decreased operational costs, limits organizational liabilities and changing goals & objectives" (Khan *et al.*, 2011, pp.63-64).
Their argument is relevant to sum up discussion on this study that the benefits of staff training and development far outweigh its costs.

4. Conclusion

The study assesses the mutual benefits of investing in staff training and development using literature exploration in collecting data for the study. The study is purely qualitative in nature.
Maintaining a firm's adaptability, competitiveness and high performance depends on high quality staffs. Training can achieve management succession plan, firm's image, customers' satisfaction and

reduce risks. However, training and development enhances employees' skills, knowledge and attitude; and provides career development opportunities in the competitive labour market. Hence, feel valued, motivated and differentiated among others, leading to more commitment in their daily functions.

Nevertheless, if costs and benefits cannot be justified, investing in training and development may be discouraging. Yet, large organisations focusing on quality will see cost as investment. However, employers must take note of fixed cost implications when taking decisions. Hence, employees must prove their value of training activities to justify the investment (Taylor, 1996; Sung & Choi, 2014). Therefore organisations that compete on the basis of quality require highly skilled workers, but those competing on the basis of cost may not justify training and performance.

Although short-term performance may influence employers that money today is worth more than in the future, yet money is spent to save money. They must recognise the organisation as a going-concern entity, having future prospects. Besides, impactful training requires time and attention; therefore managers should prioritise their schedule of activities to incorporate training and development on their agenda.

High labour turnover scares employers, that highly qualified employees are vulnerable to the competitors and may leave them after training. If that is true, then attractive packages and job enrichment can curb the situation and hence sign contracts or bonds with employee-trainees. However, employees' lack of adequate resources and information prevent them from self-training, with argument that lack of recognition, motivation and support from management will not encourage them to spend their 'hard currency' that will benefit the organisation (Huang, 2001).

Public sector employees also argue that it is the firm's duty to train and develop them. Notwithstanding, training is statutory for health and safety and induction for new recruits; that public sector employees, young workers, professional and clerical workers may have advantage over their older counterparts in 'blue-collar' jobs (Redman & Wilkinson, 2009).

Lastly, the study has important implications on academic researchers, training specialists and managers (or employers), exposing them to relevant areas of focus for performance measurement and efficiency. The study also has direct industry relevance and practical application relating to skills development, improved quality and efficiency. However, established standards of measuring training and development with improved performance in an organisation are hard to find (Westland & Storey, 1997).

5. Recommendations

As noted in the study, training and development has multiple and mutual benefits. "I think people are talking more about performance and results and consequences. They are not necessarily doing more about it" (Khan *et al*., 2011, p.63). Khan and others view must provoke real application of theory and practice of staff training and development across industries. Therefore, employers and management of organisations must factor cost of training and development in their budgets. High value employees (human assets) of the organisation must be trained and developed on contemporary skills to meet the dynamics of the industry. Policies, priorities and financial strategies and implementations must incorporate investment in staff training and development. To forestall any fear that trained employees will leave to other organisations to seek for greener pastures, trained employees must sign bonds depending on the length and cost of the training.

Employees are challenged to justify the cost of training and development in their operational functions by creating value, efficiency, quality and behaviour that help to achieve the targets of the organisation. Therefore, debates on investing in training and development must be taken as mutual responsibility since it delivers mutual benefits. Nevertheless, employees must also take personal responsibility to resource themselves with relevant industry skills for long-term benefits.

Researchers and authors should use this study as a stepping stone to advance deep empirical arguments that will help guide policy formulation and implementation at the long run. The study focused on secondary data (literature review). Future study can combine primary and secondary data/information so as to expand the scope and data collection methods. Using multiple industrial cases could also yield in-depth results. Does higher pay to employees substitute for investing in staff training and development? Do public sector organisations invest more in staff training and development than private sector organisations? These might be interesting research questions for future research.

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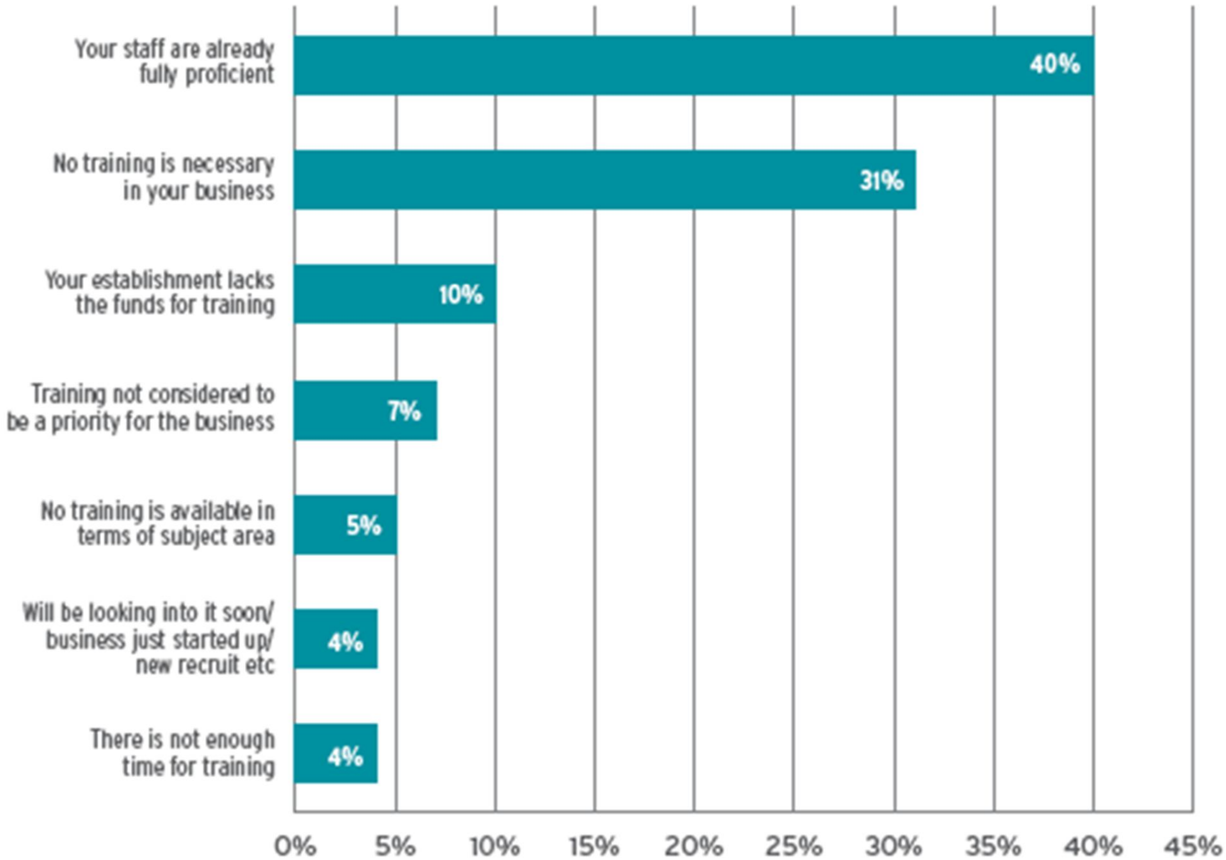
APPENDIX 1

Reasons why some employers do not train



Source: Scottish Employers Skill Survey (2008)
www.scotland.gov.uk/Publications/2009/03/11153237/10

APPENDIX 2

The eagerness to train workers varied considerably with company characteristics, as stated below: 'Profiles of companies investing in training'.

Preparation of a training plan according to company characteristics

Prepared a training plan?	**Yes**	**No**
Total	32%	68%
Type of ownership		
Public	43%	57%
Private	31%	69%
Size of company		
Micro	19%	81%
Small	34%	66%
Medium	60%	40%
Large	91%	9%
Sector		
Agriculture	4%	96%
Industrial production	55%	45%
Construction	30%	71%
Commerce	23%	77%
Services	31%	69%
Production, commerce and services	39%	61%
Maturity in the market		
New company	25%	75%
Developing company	35%	65%
Older company	50%	50%
Economic position of the enterprise		
Very good	43%	57%
Good	35%	65%
Average	23%	77%
Deteriorating	19%	81%
Presence of trade unions		
Yes	75%	25%
No	28%	72%

Location		
Countryside	8%	92%
City with up to 10,000 inhabitants	33%	67%
City with 10,000–50,000 inhabitants	30%	70%
City with 50,000–100,000 inhabitants	30%	70%
City with 100,000–200,000 inhabitants	48%	52%
City with more than 200,000 inhabitants	26%	74%

Source: Kryńska (2009, p.192)
http://www.flexicurity.org.pl/dokumenty/Flexicurity_w_Polsce_-_raport_z_bada.pdf.