

TRAINING: WHAT WORKS AND FOR WHOM?

International, Canadian, and Australian evidence

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Introduction

As an employment services provider, the Angus Knight Group is committed to helping clients find sustainable and meaningful employment. It is therefore vitally important that lessons be learned from 'what training works and for whom' across the world. This is important as expenditure on training accounts for around 25 per cent of spending on labour market programs across the OECD.

This paper explores the evidence on the effectiveness of training in improving employment outcomes for unemployed people. Many large-scale studies (particularly from the United States) have cast doubt on the effectiveness of training programs in improving employment outcomes or earnings. However, there is a body of evidence that if training is properly targeted to the needs employers and at jobs in demand then training and skills development programs can be effective.

What is training?

Training is the process of increasing the knowledge and skills of a person so that they have the competencies to perform in a particular job. It is about improving the productivity and behaviours of employees. In addition to the basic training required for a trade or occupation, training may continue beyond initial competence to maintain, upgrade and update skills throughout an individual's working life via life-long learning.

Training can play a key role in raising educational retention rates and ensuring people make a successful transition from school or unemployment into work. Well-designed training can play a vital role in improving the efficiency of the labour market by giving people the skills needed for the jobs employers have on offer. This means a larger and more productive economy with lower unemployment. At the personal level, skills and qualifications acquisition is positively correlated with higher incomes and social stability. Training provides people and their families with economic stability and promotes social inclusion.

International evidence on the effectiveness of training

As noted above, international evidence suggests mixed results for training in increasing employment outcomes. For example, Friedlander et.al. (1997) points out that there has been no rigorous evaluation of the displacement effects of public sector training schemes, and as such it is difficult to quantify the extent to which training works. Martin (1998, p.31) concludes that there is almost no evidence on which types and content of training programs work best.

Despite this, it is possible to conclude that some training programs do work, particularly for disadvantaged groups. Studies in the USA and Canada (Friedlander et.al. (1997); Stanley et.al. (1998)

and Heckman et.al. (1999)) find evidence that training is particularly effective in increasing employment and earnings for mature age women and single parents re-entering the labour market. There is also some evidence that training programs are less effective for older males, particularly those with low education levels.

For youth, the biggest payoffs appear to come from early intervention, particularly before leaving school (Friedlander et.al. (1997); Grubb (1999) and Lerman (1997)). The evidence clearly shows that literacy and numeracy proficiency and high school educational attainment (i.e., Year 12 or equivalent diploma) is the best predictor of lifelong employment. Youth training and other programs work best for disadvantaged youth when focused on basic employability skills, integrate education with vocational skills, seek to improve attitudes and social skills/attitudes and involve mentoring by an adult.

There have been several meta-analyses of evaluations and studies looking into the effectiveness of training. For example:

- Greenberg, et.al. (2003) analysed 31 evaluations of US training programs and concluded that overall, skills training increased earnings with women experiencing a US\$2,000 per year increase.
- Card, et.al. (2010) looked at 97 evaluations of labour market programs in 26 countries and concluded that skills development programs led to increased earning and employment in comparison to other forms of interventions, but that the positive impacts only became realised two years after completion.
- Card, et.al. (2017) (cited in Myers, et.al) analysed 200 evaluations from around the world and concluded that skills development programs had a larger impact on employment outcomes than did interventions such as job search assistance, with the full impact emerging two years after completing the training. They concluded that skills training increased the probability of getting a job by 3.9 per cent in the first year, 14 per cent in the second year and 13.6 per cent in the third year.

Finally, Martin and Grubb's (2001) literature review indicate that if training is to be effective it needs to satisfy one or more of the following features:

- Tight targeting at participant needs and labour markets.
- Keeping programs small in scale so they remain flexible.
- Having a skills focus so that qualifications and skills acquired are valued by employers.
- Strong linkages with local employers to ensure that training is relevant to the local labour market.

Canadian and North American evidence on the effectiveness of training

A paper by Myers, et.al. (2021) provides an overview of Canadian evidence. They point to a number of Federal Government evaluations of publicly funded skills training for Employment Insurance participants, including the following studies by Economic and Social Development Canada:

- *Evaluation of the Labour Market Development Agreements (2017)*, where it was found that participants in skills development training experienced a rise in earnings – males by CA\$8,500 and females by CA\$6,600 over three years.
- *Evaluation of the Canada-Ontario Labour Market Development Agreement: Synthesis Report (2017)* which found that Ontario's Second Career Program (providing financial assistance for classroom based vocational training) had increased earnings of CA\$6,000 in the three years after the training and an additional CA\$7,000 in years four and five. However, with a unit cost of CA\$8,500 and a payback period of between 8 and 14 years, they considered the program had a negative cost-benefit ratio.

Myers, et.al. also evaluated a number of sector-based training models, involving:

- Intensive screening of participants to ensure they are suitable for the training program and to identify additional support needs.
- Career readiness support such as literacy and numeracy training, employability skills, etc., to ensure participants are ready for sector-based skills training.
- Job development and placement support where employment providers work with employers to identify vacancies, skills needed and to match the right candidates with the job.
- Training support where employment providers help participants complete the training, for example through childcare, help with travel expenses, referrals to other supports (e.g., mental health), mentoring, etc.
- Retention services to help participants remain in their job.

A study by Maguire, et.al. (2010) evaluated three sector-based US training programs and found that during the two years after completing the training participants experienced on average a US\$4,500 increase in earnings in comparison to a control group who did not participate in the training. They also found that participants were more likely to work all 12 months of the year and to be employed in jobs with higher wages and benefits. Myers, et.al. (2021) reference a number of other studies confirming the results; for example, Schaberg and Greenberg (2020) which evaluated four US training programs and reported an increase in earnings for participants of between 5.8 and 9.3 percentage points.

Myers, et.al (2021) conclude that sector-based training models are most effective when targeted at sectors with strong local demand for labour, include strategies to screen and select the right candidates and involve working with employers to understand their needs in terms of the types of employees they need, and the training required.

Australian evidence on the effectiveness of training

Australian evidence on the effectiveness of training comes largely from government evaluations.

The *Working Nation Evaluation* (1996) found that there was a significant uptake of traineeships that led to employment, but the extent was not quantified. The Youth Training Initiative (targeted at under 18 year olds), however, was found to have had negligible impact on traineeship numbers.

The *Job Network Stage 3 Evaluation* (2002) looked at the effectiveness of Job Search Training (JST), an intensive 15 day program involving developing and applying job search skills. This evaluation showed that JST was highly effective on increasing the motivation to find work and/or declare existing work which was often cash in hand. Key findings were that:

- 43 per cent of participants were employed 3 months later and of these 80 per cent were still employed at 8 months. Comparable results were estimated in subsequent evaluations (e.g., the 2007 Active Participation Model Evaluation).
- The net impact of JST was 6.1 per cent, with compliance or referral effects contributing most.
- The effectiveness of JST varies for different clients. After referral or commencement:
 - Females were more likely to be employed than males.
 - There was a larger impact on the short-term unemployed and those with higher educational levels.
 - Those aged 45 years and over were less likely to be employed than younger job seekers, with JST having the biggest impact on those under 25 years.
 - Women, single parents, and younger job seekers were more likely to be in part-time employment.

The *Job Network Evaluation* also looked at the effectiveness of training and found that the most successful providers in terms of profitability and outcomes offered training with an emphasis on job specific training, IT skills and job search techniques.

The Active Participation Model Evaluation (2007) found that the number of participants who were no longer on income support after taking part in training ranged from around 25 per cent at 3 months after the training to over 50 per cent after 24 months (p.109). This shows that the impact of training on employment is a slow burn.

The *Evaluation of jobactive Final Report (2022)* found that training was correlated with the highest probability of exiting income support of all activities, with the exception of part-time or casual employment. It also found that those with less than Year 12 education were 1.3 per cent less likely to exit income support after 1 year compared to those with vocational qualifications. The jobactive evaluation also found that work related licenses and related training was effective, particularly for younger people. Around 30 per cent were employed 3 months after the training and nearly 60 per cent after 24 months.

Conclusions and what does it all mean?

A key conclusion is that training needs to be targeted at the needs of employers and local labour market conditions with a focus on skills demanded by employers. It is also apparent that success also depends on putting considerable effort into selecting suitable candidates, equipping them with the right basic employability skills, and providing supports to maximise the effectiveness of training. This includes post placement support and mentoring to help sustain the employment.

As an employment service provider, the primary implication is that if we are to be more successful in placing job seekers into in-demand jobs we need to work closely with employers and industry to design training and support packages that meet their needs. Importantly, this involves understanding each employer’s business, the environment they operate in, workforce development needs and future plans.

This paper has also considered the relative effectiveness of different types of training for various types of clients, and this is shown in Table 1.

Table 1: Relative effectiveness of training for cohorts of job seekers

Training appears to be most successful for:	Training appears to be less successful for:
Job Search Training <ul style="list-style-type: none"> • Women • Short-term unemployed • Those with higher education levels 	Job Search Training <ul style="list-style-type: none"> • Aged 45 years plus • Males • Long-term unemployed
Job specific Training <ul style="list-style-type: none"> • Women • Youth especially when combined with mentoring. • When designed with local employers. 	Job specific Training <ul style="list-style-type: none"> • Older males
Employability skills <ul style="list-style-type: none"> • Youth with focus on integrating with education and literacy and numeracy. 	Employability skills <ul style="list-style-type: none"> • Youth with part-time work history and formal qualifications.

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