

Firm-based Training for Young Australians: Changes from the 1980s to the 1990s

(LSAY Research Report Number 23)

**Michael Long
Stephen Lamb**

January 2002

EXECUTIVE SUMMARY

The skills and knowledge that employees gain through training make potentially significant contributions to individual workers' careers and to enterprise and national competitiveness. Policy making intended to increase Australia's training effort will be assisted by research that analyses which types of workers receive different forms and levels of training, and the effect that training has on earnings.

This report examines changes in the extent, pattern and outcomes of participation in firm-based education and training by young Australians. It compares results for the mid-1990s from the *Australian Youth Survey* (AYS) with already-published results for the mid-1980s from the *Australian Longitudinal Survey* (ALS). The decade from the mid-1980s to the mid-1990s witnessed substantial policy initiatives intended to lift the quantity and quality of training experienced by Australian workers. This research report draws on the most comprehensive available data to analyse the changes in training experienced by young workers over that time.

The extent of formal firm-based education and training is substantial, but uneven

As part of their work, 46% of employees in the AYS sample participated in formal training in 1994 when panel members were aged 16-24. Employees who participated in formal training received an average of 55.5 hours of training over the previous 12 months. This amounted to around 7 or 8 days of formal training per year. However, the distribution of training time is strongly uneven -- there are relatively few individuals who receive very substantial amounts of training and many who receive very few hours. The typical amount of training received by a trainee is reflected in the median (17.2 hours), which corresponds to only a little over two days worth of training per year.

Most of the firm-based education and training was provided by the worker's own employer (76%). Young women had a higher incidence of formal training (49%) than young men (44%), but on average received fewer hours (73 hours for males over the previous 12 months, compared with 40 for females).

Participation by young women has increased

The participation of young women in external training more than doubled between 1985 and 1997. In 1985, 15% of women aged 19 to 26 participated in external firm-based education and training, compared with 32% in 1997. The incidence of in-house training also increased for young women -- from 32% in 1985 to 37% in 1997. The corresponding values for young men increased only marginally.

The education and labour market profiles of young workers have changed

The characteristics of the two panels reflected the changes in education and the labour market that occurred during the time spanned by the two surveys. In particular, the AYS panel in the mid-1990s had a substantially higher level of educational attainment than the ALS panel in the mid-1980s, and correspondingly lower levels of labour market experience and job tenure at the same age. The transition from education to work is occurring at a later age for most young people, and this change means that young workers are typically better educated, but have less job experience, than before. These broad changes are

likely to influence the nature of the training provided to young workers, and the benefits that flow from it. For example, the clear pattern in the ALS (mid-1980s) for younger workers to receive more training was reversed in the AYS (mid-1990s).

The pattern of participation in firm-based education and training has changed

The literature suggests that workers with "better" jobs (eg those who are full-time, requiring more education, or in professional or managerial occupations) receive more training. The results for young workers in this study are consistent with this pattern. Training tended to be higher in *Public Administration* and *Community Service* industry sectors and lower in *Agriculture and Primary Industry*.

Receipt of training was associated with higher earnings

The relationship between receipt of training and higher earnings is not straightforward, and the results are open to different interpretations. Several models were used to explore the relationship between wages per hour and participation in training. The size and direction of the relationship varied with the model used. There was some evidence that participants in training received higher hourly wages, particularly for in-house training. In some instances, the size of the relationship between training and hourly wages appeared to be related to the tenure of the worker in their current job. Some of the results (especially for external training) were consistent with the hypothesis that workers pay for training by initially accepting lower wage rates. Overall the results suggested that training was associated with higher earnings by young workers. Given the likelihood that firms also gain from providing training, this suggests that there are considerable aggregate benefits from firm-based training.