

HRM - Employee Development

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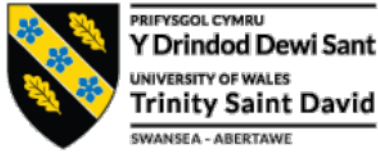
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HRM – Employee Development

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Traditionally, development and training were not considered as activities that help organisations to create 'value' and successfully cope with competitive challenges (Noe, 2016). However, this view has changed. Today, firms that apply innovative training practices are expected to report better financial performance than their competitors that do not. Furthermore, numerous organisations realise that development, learning through training and knowledge management helps employees to increase and strengthen their skills (Noe, 2016). These are vital in order to generate new innovative ideas, improve or make new products, and provide high-quality customer service. Besides, career management and development activities are much required to prepare employees for leadership and managerial positions and to attract, motivate, retain talented employees in all jobs at all levels. If companies want to gain competitive advantages and meet employee expectations, an emphasis on learning through training and development no longer falls in the category of 'nice to do', they are 'must do' activities (Noe, 2016). Moreover, the knowledge and skills of workers is also a critical determining factor in the economic growth of a nation (Hargreaves and Shaw, n.d).

According to Beardwell and Holden (1997) 'an educated and skilled workforce is essential for the effective functioning of an economy, the competitiveness and wealth of a nation, as well as for the overall well-being of society' (Bakan, n.d, p.342). They also stated that in order to ensure that a nation possesses the level of skills it requires, the government must implement vocational training and education policies and systems, which will facilitate its development (Bakan, n.d).

The United Kingdom (UK) has established a range of national skills policies over the years, showing the belief that improving skill levels will result in higher productivity and competitiveness (OECD, 2017). These strategies or policies set the general direction that the UK follows in setting targets, skill development and introducing new agencies to help to achieve these targets. For instance, the Leitch Review (2006), tasked by the British Government addressed the UK's long-term skill requirement and presented a strategy for the UK to become 'world leader in skills' by 2020 (Education et al., 2007). Furthermore, this document recommended the creation of a commission to coordinate skill policy and skill needs assessment work more generally, resulting in the introduction of UK Commission of Employment and Skills (UKCES). Followed by the change of government

in 2010, the Leitch Review targets were abandoned and replaced by targets presented in Skills for Sustainable Growth which aimed to improve and expand the apprenticeship system (OECD, 2017). The UK Government intends to motivate employers and individuals to take ownership of their learning and skills by sharing the costs of training (OECD, 2017). The strategy of improving the apprenticeship system was further confirmed in Fixing the Foundations: Creating a More Prosperous Nation (2015) in which the government revealed that is committed to increasing the number of apprenticeships starts in England to 3 million by 2020 (Treasury and Office, 2015). In English Apprenticeships: Our Vision (2015), research shows that economic returns to apprentices are significant, generating £26-28 of economic benefit for every £1 pound invested by taxpayers (OECD, 2017). Furthermore, the English Apprenticeships report contains a number of reforms, which aim for a better alignment between training and skills that employers need. Primarily, these reforms relate to the regulation and funding of apprenticeships.

From a regulation perspective, the English Government intends to phase out apprenticeship 'frameworks' applied in the past and replace them with apprenticeship 'standards' (House of Commons, 2017). Under the 'old' framework system, sector skills councils (SSCs) established requirements for an apprenticeship, which included the requirements of a nationally recognised qualification (from Level 2 to Level 7). Based on Ofsted's review, the quality of apprenticeships under frameworks did not provide adequate high-quality training in many cases and was considered by a lack of collaboration with employers to design apprenticeships that delivers the skills they need (Ofsted, 2012).

In the new system, employer-led panels known as 'trailblazers' set their assessment plans and decide the requirements of an apprenticeship (HM Government, 2015). Furthermore, the apprenticeships must meet certain quality criteria: such as the minimum duration of training required to be at least a year with 20% off the job training including minimum maths and English requirements (OECD, 2017). In the past, examples demonstrated that few employers exploited apprentices by hiring them only for peak periods and not providing employment afterwards (BBC, 2018). Furthermore, the UK teenagers aged 16-19 have one of the lowest numeracy and literacy rates in the developed world, according

to the Organisation for Economic Co-operation and Development (OECD) data (OECD, 2017). Consequently, the government seemingly intends to focus and improve these low indicators in their new apprenticeship setting.

However, the new apprenticeship system also differs substantially, from a funding perspective. The UK Government in April 2017, have introduced its solution so-called apprenticeship levy for all large businesses which aims to raise £3 billion a year to meet the target of funding 3 million apprentices by 2020 (HMGovernment, 2015) . All employers operating in the UK, with a wage bill greater £3 million are required to pay a 0,5% of all company's pay bill (payable through PAYE, along with NI, and income tax). HM Treasury estimated that 2% of UK employers would pay the levy (AOC, 2016). In England, employers can claim back their levy contribution available in the form of digital vouchers, accounts (expiring after 24 months) which can be spent on apprenticeship training (HMGovernment, 2015). Moreover, the levy-paying companies receive an additional 10% top-up from the government as further encouragement to support apprenticeships (HMGovernment, 2015). If levy-paying firms exceed the amount available on their accounts for off-the-job training, the government funds 90% of the costs up to limit of a relevant funding band. For non-levy paying firms, off-the-job training funding is available up to 90-100%, again according to the limit of the relevant band (OECD, 2017). Under the old funding regime, 100% of the training costs were funded for 16-18 years old apprentices and 40-50% for older apprentices (OECD, 2017) .

The government explains that the introduction of the levy was necessary in order to encourage more employer investment in training. Indeed, evidence suggests based on Eurostat data that job-related training (formal and non-formal) in the UK is one of the lowest, compared with other European countries (OECD, 2017). According to the Felstead and Unwin (2017) training episodes have also shortened in duration and the training investment per worker has also been reduced by 14.5% between 2005 and 2011. The levy might hold great potential for several employers of taking the ownership of the apprenticeships, concurrently receiving the funding, or spending the funds which are already available in their digital accounts.

There are, however, several concerns has been addressed by Chartered Institute of Personnel and Development (CIPD) (2018) and Institute for Public Policy Research (IPPR) (2016) that the new system may jeopardise the quality of the apprenticeships. They stressed that the 3 million targets might risk driving quantity over quality (CIPD, 2018, IPPR, 2016). Evidence suggests that over half of the apprenticeships starting each year are at an intermediate level (Level 2). As a result, England lags significantly behind the best systems in Europe, such as Switzerland, Germany and Austria, where almost all of the apprenticeships start at a higher level (CIPD, 2018). Of course, intermediate apprenticeships can play a role in supporting young people to develop their skills, however, it is questionable to what extent these apprenticeships provide a meaningful alternative to higher education and how the introduction of the levy and the new system will improve this. Despite the government's goal stated in England Apprenticeships: Our 2020 Vision that 'Our goal is for young people to see apprenticeships as a high quality and prestigious path to successful careers' (HMGovernment, 2015, p.19) the new system might not function well enough as a route into the labour market.

The first reason is that the old funding system subsidised 100% of training costs for young people (16-19 years old). In the new system this is 90-100% for all apprentices. It might not be a substantial difference but the government, in order to motivate employers to hire young people should have followed the old example of funding the full costs of training courses. Yet again, compared to other countries where the goal of the apprenticeships is to provide a route into the labour for young people, the UK seems to set the focus of apprenticeships on all ages. These recent funding changes might further incentivise employers to take on older apprentices.

Secondly, the apprenticeship scheme is still biased against the disadvantaged young people. Apprentices under age 19 in the first year of their apprenticeship are entitled to £3.40 an hour (Kingstone, 2017). It is obvious that these young people have to rely on their parents to support them during the first year of the program, which also means that individuals from low-income families, might not be able to sign up for an apprenticeship program. The system should be fair and deliver apprenticeships feasible for all.

Despite the new apprenticeship system's limitations, longsighted companies can significantly benefit from the system and even tackle talent shortages as a case study on

BT Fleet Solutions (FS) demonstrates. BT FS is one of the biggest fleet management companies in Europe, having more than 120,000 vehicles on their books from cars to heavy duty plants. Part of their main activities is vehicle service, maintenance and repair, which is carried out in their 64 operated and owned garages (CIPD, 2018). These workshops are also the location for their apprenticeship programme, which trains and supports young people to become qualified motor technicians. Concurrently ensures career paths and job guarantee both within BT FS and BT Group for the future (CIPD, 2018). At BT FS, an in-house analysis revealed that 30% of the company's technicians are within ten years of retirement and there is a need to address knowledge and skills gap by bringing in new talent. The BT FS apprenticeship programme aims to deliver a solution to the future upcoming skills shortage (CIPD, 2018). Furthermore, BT FS worked with the Institute of the Motor Industry (IMI), their apprenticeship awarding body to establish which colleges close to their Coventry head office, achieved outstanding NVQ pass rates. Warwickshire College resulted in being the best performing one and as a result, BT FS developed a partnership which included (CIPD, 2018):

- fully-subsided, campus-based residential training (including three, three-week blocks spread across the year, along with time spent in the garage in between to combine learning supported by an onsite apprentice buddy)
- development within the college, a BT FS replica garage for practical/seminar sessions
- six used fleet vehicles enabling apprentices to practice on real-life trucks, cars and vans
- IMI approved training programme and an electric vehicle, providing apprentices latest training on up-and-coming technologies
- training for college tutors in specific manufacturer diagnostic courses, to fully support apprentices' needs

This case study demonstrates that organisations using the levy can take an innovative approach through apprenticeships to tackle workforce challenges such as filling skill gaps and address an ageing workforce. The logistics and supply chain industry are also one of those, where the skills gap is quickly escalating to a potential crisis (DHL, 2017). In the

DHL Supply Chain's Research Brief paper, it is asserted that 25%-33% of the current supply chain workforce is at or beyond the retirement age and the backfill pipeline is not even close to satisfying replenishment demand (DHL, 2017). Furthermore, the CEO of BlueWorld Supply Chain Consulting said that "for every graduate with supply chain skills there are six holes to be filled, and it could be as high as nine to one in the future' (DHL, 2017, p.2).

In the same document, DHL Supply Chain surveyed 350 supply chain and operation professionals in five major regions of the world.

One of the concerning findings were that the industry still has an image problem. The common perception is that a career in Supply Chain is not as 'good' as one in marketing, sales, product development, finance and operations (DHL, 2017). In order to change this perception, companies could promote supply chain career paths by sharing success stories in schools along with their developed apprenticeships programs. Consequently, incentivising students to choose this career path, can both help to ease the problem of bad perception and talent shortage.

DHL's survey results also revealed that 32% of the companies had not taken steps to feed or create their supply chain talent pipeline (DHL, 2017). In today's competitive environment, where human capital provides intellectual, operational and strategic excellence that distinguishes losers from winners, such inaction seems a risky path indeed.

Unsurprisingly, DHL Supply Chain as UK's leading logistics provider has been offering apprenticeship opportunities since 2014 (Onrec, 2014). The company collaborated with training and development agency Skillpoint and aimed to recruit 150 apprentices in Warehouse and Storage and Traffic Office in the first year. On completion of the programme, successful apprentices are offered a permanent position in one of the DHL Supply Chain's 400 sites (Onrec, 2014).

Expectedly, large companies are predominantly the ones who demonstrate higher awareness of future challenges and have well-thought strategies to cope with these. Furthermore, it can also be expected that these large companies with a pay bill greater than £3 million are going to take the biggest advantage of the new apprenticeship system. Therefore, they are the ones who pay the levy, and it is unlikely to see that they are not

willing to recover their funds by investing it back in apprenticeships. However, the levy paying companies only make up 2% of employers, which means that the rest of 98% of employers will not have a financial incentive to take part. Consequently, small medium enterprises (SMEs) are crucial for delivering any expansion of apprenticeships (IPPR, 2016). Past survey results showed that 58% of all apprentices were trained at largest organisations (100+ employees) and these firms accounted for 48% of the total workforce (CIPD, 2018). Even, under the old system, the largest organisations demonstrated the greatest apprenticeship engagement.

However, the new apprenticeship system is more generous, considering that for non-levy paying firms 90% of the costs are subsidised by the government for 19 years or older apprentices (40-50% in the old system). Of course, this does not guarantee that the SMEs will engage with the new system, but as the findings demonstrated, the new system indeed offers a good deal both for non and levy paying firms indeed. The government may also consider providing HR support to small businesses in order to boost SME engagement which can improve their managerial capability in order to respond positively to government initiatives such as apprenticeships.

In sum, there are also notable positives and negatives too. The levy in itself proves to be a good idea in boosting apprenticeships in the UK. The new standards system may also deliver some of the desired results. Ensuring that all of the large employers contribute and require apprenticeships to last at least 12 months, including a significant amount of off the job training, is certainly amongst the positives. The effectiveness of the new system as providing earning and learning routes for young people is still questionable. The national minimum wage of £3.40 for apprentices in the first year from 16-18, can be hardly considered a living wage. These apprenticeships must also focus on providing clear career paths and development opportunities even degree level progression. The government's incentive is certainly there, and as BT Fleet Solutions, DHL realised, other industries must also take this opportunity from small to large companies to tackle challenges such as talent shortages. The new system might not be perfect from every aspect, but even in this stage seems that is a win-win solution both for government and the firms if they decide to live with it.

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