

ECONOMICS OF CONTINUING EDUCATION: THEORETICAL PARADIGMS AND EMPIRICAL EVIDENCE

Mariya Neycheva

Burgas Free University

marian@bfu.bg, mneicheva@abv.bg

Abstract: *This study aims at presenting the theoretical background as well as main empirical findings of recent papers regarding business investments in continuing education and training. The output indicates that the two underlining theories - human capital theory and institutional theory- complement each other in explaining those investments. On the empirical side, the inside firm-related determinants such as learning culture, human resource development practices, employees' voice, and management's short-termism are most important. However, the role of outside environment including regional development and institutional support has been increasing recently.*

Keywords: *continuing vocational training, lifelong learning, business investments, human resources*

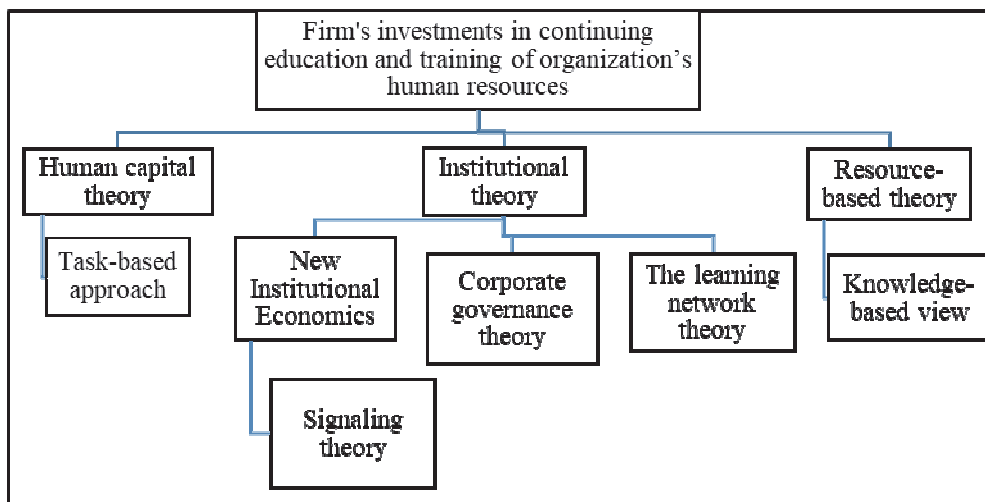
1. Introduction

In today's organizations, training is seen not only as a means for enhancing employees' capabilities but also as a strategic tool, associated to the organizational culture defining the company's capacity to adopt new knowledge (Polo et al., 2018; Nikolova et al., 2022.) Business expenditure on employee learning could take different forms. Formally speaking, continuing education is a model of formal learning assuming participation in educational programs for at least one year leading to an educational degree – secondary, post-secondary, higher education, or a PhD degree. It is supposed that it is provided by educational institutions – universities, colleges, post-secondary or secondary schools. On the other side, continuing training, which is the more popular form of lifelong learning across the companies, could be formal and non-formal. The first one takes place in a specific setting on- or off- the workplace. Examples include short- or long-term courses, training programs, seminars, etc., which might or might not lead to a diploma or certificate. Non-formal (informal) training is most often conducted at the worksite. Popular models include learning-by-doing, learning by mentoring, learning by rotation. Recently, the research attention has been directed also toward the so called 'microlearning' which is considered a promising approach in the work-based learning (Leong et al., 2021). It involves usage of microcontent on a single definable idea or topic and short learning time (i.e. no longer than 15 min). Although business organizations are a major source of financing of continuing education and training, their participation is far from sufficient. In line with all noted above, the purpose of this study is to examine the underlining determinants of business investments in continuing education and training.

2. Theoretical background of investments in continuing education and training of organization's human resources

The main contemporary theories and supporting views providing rationale for company's investments in education and training are summarized at figure 1.

Figure 1. Theoretical background of firm-provided continuing education and training: main theories and views



The theory of human capital considers education and training an investment in company's staff that increases productivity, efficiency, and competitiveness. In case of rational behaviour, it would be performed only if the expected benefits, such as gains in productivity, wage, profit, etc., outweigh the training costs including time and efforts spent by the trainee. Opportunity costs of leaving the work during the training period take the form of productivity losses for the employer or foregone earnings for the employee. According to this approach, employers have no incentives to enhance employees' general skills because the latter are useful for all competitors if the employee decides to switch the company (van den Berg et al., 2023). Thus, the company is rather motivated to invest in firm-specific training (Korpi and Tahlin, 2021). Another reason for investing in specific skills is replicability of workers (Koster and Benda, 2021). Those who possess general skills could more easily be replaced because there are other people in the labor market with the same skills. On the contrary, the workers who have acquired skills useful for the particular company, are harder to be replaced. Moreover, such investments increase the likelihood for a worker to stay employed at the same company for longer thus reducing the turnover rate.

The task-based approach (Autor and Dorn, 2013) could explain the differences in training by occupation. From the company's perspective, training of people performing routine repetitive tasks is not attractive as their jobs might progressively be replaced by computer technologies. Also, such occupations are less likely to require new knowledge, skills, or competencies. Thus people performing non-routine tasks, such as managers, experts, qualified specialists, etc., are more likely to be trained. This view supports also the incentive to invest in general skill training.

The resource-based theory and the knowledge-based view (Barney, 1991) is another line of thinking presenting an explanation of the training investment. The organization can be seen as a unique set of resources aiming at maximizing its value. It would achieve efficiency by coordinating the efforts of different individuals who possess specific knowledge (Grant, 1996). Continuous acquisition of knowledge is needed for survival in a dynamic environment determined by technology advance, changing consumer preferences, and high competitive pressure. Training is a strategic tool for accumulating up-to-date learning from both employees and managers.

Institutional theory represents a well-grounded strand of literature on work-related training. It explains the business investments in light rather of the returns received by the organization than its human capital (Barry et al., 2020). While the two abovementioned theories place an emphasis on economic rationale for the decision to train, the institutionalists add a social context to the organizational behavior (Ruef and Scott, 1998; Scott, 2001). Training is presented as a response to regulations, norms, beliefs, cultural setting, and values in a national-, industry- or organizational context. The list of institutional factors comprises legal requirements and regulations imposed by the authorities; labor unions; norms and standards developed by the company or professional networks or accredited institutions; training patterns imposed by industry leaders or competitors (Esteban-Lloret et al., 2018). The configuration of coherent regulative, normative and cognitive institutions exerting coercive, normative and mimetic pressure on the companies to introduce specific human resource practices determines the realization of those practices (García-Cabrera et al., 2018).

According to the new institutional economics, the institutional change is a continuous process. Competition plays a key role for institutional change under scarcity (North, 1993). Learning, and hence education and training, is important for the companies operating in a highly competitive environment. Yet, the intensity of training is related to the market structure. The higher the market power the lower the incentive to invest in new knowledge. The content of learning determines the change of perceptions, choices, and thus the institutional modification. On the other hand, the institutional framework dictates the nature of skills and knowledge to achieve a maximum reward.

Another relevant aspect are market failures. The company might lack information about the real training needs or the abilities of the trainees/trainers which would lead to adverse selection. Alternatively, the likelihood for the worker to leave the company after training thus not allowing for the company to fully appropriate the training benefits, might result in a moral hazard. Moreover, the organization would develop its competitive advantage by nurturing talents who are valuable, rare, inimitable and organized (Kaliannan et al., 2023). Therefore, from this perspective, the monopoly power drives the company to embed novelty in its intangible capital (Webster and Jensen, 2006).

Another type of imperfection arises because of the employment protection legislation. Firms using non-standard labor are more likely to underinvest in human capital since the higher turnover rate diminishes the training returns. Temporary and part-time workers are less willing to participate in training. This hypothesis is true for both general- and specific type of training in case of imperfect labor markets, complementarity between general and specific skills, or between training and innovations. However, there might be economically plausible reasons for engaging those workers in training such as a higher propensity to learn and perform better, intensive interactions with the full-time staff, a need to signal worker's abilities, etc. (Pedrini, 2020).

In distinction to the human capital theory that attributes productivity to one's education, the basic proposition of signaling theory (Spence, 1973) is that the educational



background is just a signal, not a reason, for person's abilities. The return of training investments is expected to be higher for people having completed more advanced degrees due to their inclination for studying. In this regard, there is a positive correlation, but not a causation, between participation in lifelong learning and worker's educational degree completed.

Under the learning network theory, formal and informal training is considered part of career path. The human resource development structures in the organizations emerge and continuously adjust themselves as a result of the learning experience and interactions of managers, workers, and educators (Poel and van der Krogt, 2017). This implies that continuing vocational education and training is both a reason for and an outcome of staff's development. It enriches knowledge across the organization, thus affecting the human resource development structure. This structure, on its side, is a firm-level institution coordinating the further employee development, including involvement in training.

The theory of corporate governance and transaction cost theory should also be mentioned. Short-termism has two sources. First, the company governance prioritizing the interest of shareholders places a greater emphasis on the short-run benefits and gains. Since they are more constrained in their human resource management practices, the enterprises that are listed on the stock market would invest less in training compared to the unlisted establishments, all other things being equal. Second, managers often follow opportunist behavior. In order to be better recognized and rewarded by their employers, they would prioritize the short-term goals which might hamper the development of the organization, including training initiatives. This managerial opportunism gives rise to a moral hazard problem (Felstead, 2018). From a managers' perspective, there are risks of lower than expected productivity gains, career change or poaching after training in transferable skills. The introduction of contracts against such risks increases the transaction costs related to training thus making training investments less efficient, all other things being equal (Wotschack, 2020).

In compliance with the organizational behavior paradigms, the employer – employee exchange relationship model could also be useful in explaining training incentives. It focuses on the relationship between employees and their organization by distinguishing four types of behavior (Tsui et al., 1997) according to company investments in workers and its expectations about them: high investments/high expectations; high investments/low expectations; low investments/high expectations, and low investments/low expectations. It is clear that the training investments would happen in the first two cases (Koster and Benda, 2021): first, if the mutual investment relationship exists in which the worker puts extra efforts and expects rewards from the organization, and second, if the employer invests more in a worker without expecting a relevant return due to specific circumstances such as a tight labor market.

3. Empirical findings on the determinants of firm-provided training

This sections summarizes the main findings resulted from a comprehensive literature review comprising more than 1000 relevant top-quality studies cited in Scopus and Web of Science since 2015 onwards. The factors of training are classified at four aspects – personal, organizational, regional and national (see table 1). A brief discussion on each group are given in the next paragraphs. In compliance with the human capital theory, the employees' profile is expected to determine the likelihood for training. Worker's age is negatively associated with the training opportunities (Barry et al., 2020); marital status also matters. The job requirements, the training potential of the job and employee training

needs, not their educational background, defines the attitude toward training (Korpi and Tahlin 2021; Fluxia et al., 2020). The investigation of the impact of educational background leads to contradictory results. Sung and Choi (2021) claim that the quality of human capital is positively linked to the level of investments in training and development. The professional management and high-quality staff increases the likelihood for training investments over time. They find a beneficial impact of technology change, as well, which might imply an existence of complementarity between these two forms of intangible capital. The training is also positively linked to the workplace flexibility manifested by the decision-making autonomy of the job or the variety in tasks being performed although such training is disproportionately biased toward more educated workers (Campaner et al., 2022) which might explain the beneficial impact of higher educational background on training.

Some studies focus on the gender-related differences. According to Halldén (2015) men are more often exposed to long initial on-the-job training than women. In the private sector, the female workers are more likely to be trained if their immediate supervisor is male. A greater risk of being on the training margin experience women, older workers as well as those employed in the private sector or performing manual jobs (Silvennoinen and Nori, 2017). In light of this, all other things being equal, the higher the percentage of the female staff or the female supervisors in a given company the lower its training activity. The low participation of female small business owners in formal training has been explained by time and resource constraints, and also personal preferences (Sharafizad, 2018). On the other hand, women value more the supportive human resource management practices, including training offers (Human Resource Management International Digest, 2020). In general, the literature confirms the lack of gender-neutral model of training (see, Kroese, 2022).

Table 1. Determinants of firm-provided training in the recent empirical studies

Layer	Determinants
Individual – related determinants	Age, educational background, occupation, gender, job position, career stage, contract duration, immigrants’ profile, personal motivation
Company-related determinants	Culture, ethics, business strategy, HRM strategy, practices, structures, company demographics, formal and informal employee ‘voice’, employee ownership
Region/Industry-related determinants	Market structure, competition, company’s market position, regional development, industry technology development, trainer’s expertise, local government/stakeholders, ‘poaching’ practices
Macroeconomic determinants	State regulations, culture, norms, protection legislation, government financial support, economic crisis, nation’s technological advance, age demographics, business-academia-government relations

Immigrant’s profile of the trainees has also been investigated. Across the private Canadian companies, visible minority immigrants receive less classroom training, and participate in fewer and shorter classroom training courses compared to white immigrants. Such differences could be explained by working places offering lower training opportunities taken by male immigrants and within workplace differences for female immigrants. This, consequently, affects wages and career path of those employees. No significant differences have been observed for on-the-job-training (Dostie and Javdani,



2020). Pedrini (2020) implies that the part-time employees are less often involved in off-the-job training than those with fixed-term contracts.

Institutionalism focuses on the role of institutions inside and outside the company as determinants of continuing training. The most essential ones include company's culture, human resource management strategies, policies, and practices, business strategy, labour-management communication, and workers' voice.

The supportive culture is conducive for workforce lifelong learning whereas the bureaucratic or innovative one exhibits no impact (Ho et al., 2021). For companies employing younger staff, particularly, the extrinsic employee motivation is determined by the firm's culture and appears to be significant for training patterns (Han et al., 2023).

General skill training is expected to prevail in establishments encouraging greater employee involvement in the decision making process, teamwork, and existence of innovative incentive systems since the staff should be trained in implementing those workplace practices successfully. Formal and informal organisational support, job autonomy, available resources, and lower workload also indicate wider learning opportunities (Cerasoli et al., 2018). The quality of products being supplied also matters as companies providing higher quality rely more on training (Mitreva, 2019). The role of human resource management strategy and practices has also been well discussed. The formalized staff development structures and employees' voice are also positive predictors for training (Cho and Lee, 2022; Kambayashi and Kato, 2020).

Some studies explore the training behavior of companies across various industries and markets. For the hospitality sector, Johnson et al. (2018) reveal a positive impact of service orientation, the latter demonstrated by an intensive management-worker communication, incentives and rewards for employees, and employee commitment. For manufacturing firms, the innovative orientation and technological state of production are most important in explaining both incidence and intensity of training especially for manufacturing companies (Roshchin and Travkin, 2017). Smith et al. (2019) claim that the business strategy, particularly in large establishments, is a main motive for training in Australia. Though the quality remains the most important factors, they have mentioned the role of new technologies and workplace change as well. In the European context, business practices focusing on the development of organisation's internal resources are positively linked to training, while externally oriented practices directed toward organisation's environment – customers, technological cooperation – have a negative statistically significant influence (Garcia-Cabrera, 2016).

The third group of factors refers to the industry and regional business environment. A positive link between the regional development and the frequency of training has been found for the countries for Eastern Europe (Stacho et al., 2019; Neycheva and Baltov, 2022). Ahmad and Kahn (2022) point out that the human resource practices, including training, differ considerable between the companies operating in a risky and lesser developed market environment and those in more competitive industries using more skilled labour. Low support of local stakeholders such as chambers, associations, or local authorities regarding training needs of the companies harms the training incentives (Fuchs et al., 2022). The competitive pressure, customer demand and sector agreement foster learning (Aurrekoetxea-Casaus and Díez, 2020; Jimenez et al., 2022).

Main factors related to the macroeconomic environment of the firm include national culture, traditions, and values, and regulatory requirements as well (Aelpi et al., 2021; Smith et al. 2019, Oseghale et. al., 2018). Financial stimuli and public policies and practices enhancing business competitiveness also motivate companies to undertake

training initiatives (Mason, 2020; Lee and Davison, 2018). Recently, the authors have drawn attention on the role of business-academia relations for lifelong learning participation (Mousa et. al. 2022; Mitreva, 2019). On the basis of the few instances being examined, it appears that the business cycle phase also affects continuing training since crisis times were associated with a lower training activity (Dietz and Zwick, 2020; Panagiotakopoulos, 2015).

4. Conclusion

This study shows that the primary determinant of business investments in continuing education and training are the organizational culture and learning orientation. However, they cannot, per se, explain the training patterns; there exist additional factors related to the inside and outside company's environment. For the contemporary organization, adult learning is not only a provider of up-to-date knowledge, competences, or skills expected to boost productivity but also a means for the company to receive acceptance among its competitors, customers and stakeholders. Thus, participation in training is a signal for its legitimacy and local embeddedness. The outcome of the study indicates that human capital theory and institutional theory complement each other in explaining the current trends in continuing vocational education and training.

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