Employee Training and Development as a Tool for Improving the Competitiveness of Czech Enterprises

Dana Egerová

Abstract: Employee training and development is one of the important tools to increase workers' human capital in order to improve the competitiveness of enterprises. This paper gives key findings on training and development activities in enterprises in the Czech Republic. The findings presented in the paper are based on quantitative analysis derived from European enterprise surveys CVTS 2, CVTS 3 and CVTS4 (Continuing Vocational Training Survey). These surveys give an overview of the companies' training and development policies in the European Union including the Czech Republic. The surveys indicate that enterprise size is a key factor influencing the provision of training to their employees. The amount of enterprises that provided training to their employees and participation in training courses increase with the size of the enterprises. Furthermore, small enterprises spent less on training courses than medium-sized enterprises which spend less than large enterprises. The findings also suggest that enterprises generally preferred to provide training through formal external and internal courses rather than the use other form of training. The main reason for enterprises does not provide any form of training to their employees was that the existing skills and competencies correspond to the current needs of the enterprises. The findings raise a number of important issues that should be considered by enterprises in order to develop their employees' competences and to increase the enterprises' competitiveness.

Key words: Employee Training · Small and Medium-Sized Enterprises · Large Enterprises · Continuing Vocational Training · Survey

JEL Classification: M12 · M53 · O15

1 Introduction

Small and medium-sized enterprises (SMEs) in the Czech Republic represent a very important part of the Czech economy. The data indicate that the share of small and medium-sized enterprises in the total number of active business entities in 2014 was 99.84% and the share of SME employees in the total number of business sector employees in the Czech Republic was 59.39%. In addition, the contribution of value added by small and medium-sized enterprises to the whole of the Czech Republic in 2014 was 53.11% (Ministry of Industry and Trade, 2015). Accordingly, the economic performance of the SMEs has a significant impact both on national economy and individual regions. Given the significance of SMEs, development of these enterprises and specifically their employees play a significant role. At present, the human resources in any organisation, especially in SMEs are considered as strategic element and one of the key factors of their competitiveness. This is even more important in the knowledge-based economy, where intangible factors are of growing importance and human resources are among the fundamental intangible resource for the organisation (OECD, 2013). It is evident that well-educated and trained employees are a key factor for SMEs to achieve competitive advantage (Zieba, K & Zieba M, 2014). Therefore, the quality of the human resources which includes development of employee knowledge and skills should be considered as a crucial issue for SMEs (Koubek, 2011). This implies that the employee training is becoming an important tool for enterprises seeking to gain an advantage among competitors.

Employee training has been defined variously. In its broadest sense, the employee training is defined as “a systematic acquisition and development of the knowledge, skills, and attitudes required by employees to adequately perform a task or job or to improve performance in the job environment” (Tharenou, Saks & Moore, 2007, p. 252). The employee training narrowly defined is the systematic application of formal processes to acquire knowledge and help employees to gain the skills necessary for them to perform their jobs satisfactorily (Armstrong & Taylor, 2014). For the purpose of the present CVT survey employee training is defined as the training activity that must be the result of a decision in the enterprise. The primary objective must be the acquisition of new competencies or the development and improvement of existing competencies. Furthermore, a training measure or activity should be financed in total or at least partly by the enterprise (directly or indirectly). The employees with apprenticeship or training contract may not be considered. There must be an actual activity or event which can be identified as a specific and separate period of training (Eurostat, 2012).

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According to Zieba, K. & Zieba, M. (2014) SMEs should pay attention to the employee training due to the following factors: they often lack skilled employees, they miss development opportunities due to lack of skills and competencies and they lose competitive advantage due to lack of appropriate knowledge and skills. Through the employee training and development, the enterprises provide not only new knowledge, abilities and skills and also provide opportunities for experience exchange and proactive behaviour. All these finally contribute to employees’ employability, personal development and life satisfaction (CEDEFOP, 2014). Furthermore, many studies show that employee training has a positive impact on employee turnover, enterprise performance, enterprise productivity, the survival rate and competitiveness (Hashim & Wok, 2013).

Despite the importance of employee training and development and its benefits to both employers and employees surveys indicate that SMEs are still reluctant to provide their employees with training (Václavková et al., 2007; Doležalová & Holátová, 2015).

Understanding the complexity of provision employee training in enterprises is one of the necessary preconditions for adopting targeted policy measures with the aim to support enterprises and hence promote effective employee training. This paper gives key findings on employee training in enterprises in the Czech Republic, especially in small and medium-sized enterprises.

These findings are based on quantitative analysis derived from European enterprise surveys CVTS 2, CVTS 3 and CVTS4. The primary objective of European Continuing Vocational Training Surveys (CVTS) is to collect key data about the continuing vocational training provided by enterprises for their employees. These surveys are coordinated by the Statistical Office of the European Union (Eurostat). The CVT survey is conducted every five years. The reference period is the calendar year. The first survey (CVTS 1) was carried out in 1994 in the 12 Member States of the European Union. The last survey CVTS4 was carried in 2011. CVTS5 will run in 2016 and first results are expected to be published towards the end of 2017. The Czech Republic participated in CVTS2 for the first time in 2001 as one of the candidate country. For the second time it was in CVTS3 and for the third time it was in CVTS4.

2 Methods

The aim of our analysis is to give insights into training policies and practices in enterprises, especially in SMEs in the Czech Republic. More specifically, the objective is to describe and to compare employee training in SMEs and large enterprises. The analysis was taken from the Continuing Vocational training surveys CVTS2, CVTS3 and CVTS4. Data were obtained from Eurostat’s online database and from the Czech Statistical Office. For these surveys common European questionnaires were used.

The surveys covered enterprises with 10 or more employees in specified NACE categories.\textsuperscript{16} In table 1 below is a description of the total number of enterprises respective the total number of sampled enterprises in the Czech Republic included in the surveys\textsuperscript{17}.

<table>
<thead>
<tr>
<th>CVTS</th>
<th>Number of enterprises</th>
<th>Sampling frame/total number of enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>CVTS2</td>
<td>7 000</td>
<td>31 529</td>
</tr>
<tr>
<td>CVTS3</td>
<td>10 000</td>
<td>45 792</td>
</tr>
<tr>
<td>CVTS4</td>
<td>10 000</td>
<td>43 403</td>
</tr>
</tbody>
</table>


The Continuing Vocational Training Surveys have provided a wide range of information concerning enterprise-based training. Therefore, for giving analysis the following quantitative indicators were chosen: incidence, participation and expenditure. Based on these indicators we can identify similarities or differences between SMEs and large enterprise concerning employee training.

Incidence - the elements of this indicator are as follows:
- enterprises providing any type of CVT in all enterprises (%),
- enterprises providing training courses in all enterprises (%),
- enterprises providing any other forms of training in all enterprises (%).

\textsuperscript{16} The target population: in CVTS2 the enterprises belonging to the NACE categories C-K + 0 and ISECTORS 11 a12, In CVTS3 the enterprises belonging to the NACE categories C-K + 0 and ISECTORS 11 a12, 13, 141, 142 a 15, in CVTS 4 the enterprises belonging to the NACE categories B-N, R,S and ISECTORS11-13, 141, 142 and 15. The outputs were elaborated on the level of 20sections CZ-NACE (CSO, 2008, 2013)

\textsuperscript{17} Detailed instructions for determining the sample structure and target numbers for each CVT survey were given in CVTS Manuals (European Commission, Eurostat, 2000, 2006, 2012).
Participation - the element of this indicator is as follows:
- employees in all enterprises participating in training courses (%).

Expenditure - the elements of this indicator are as follows:
- total cost of training courses per employee,
- total cost of training courses per participant.

Incidence provides data of whether an enterprise provide or not provide formal training and what kind of training provide. Participation indicates data on the workforce participating in employer-provided training. Expenditure refers to the investment of money on employee training from the enterprise resources. Incidence and participation are indicators used by researchers to point out differences in providing training between large and small and medium-sized enterprises (CEDEFOP, 2010).

3 Research results

In the following section there are presented the results for the chosen indicators.

3.3 Course incidence

For this indicator we present results in relation to the amount of training undertaken by the enterprises and the types of training.

The findings show that the overall percentage of enterprises with training activity has risen between CVTS2 and CVTS4 in all sized enterprises. On the other hand the results indicate that the proportion of enterprises offering training rises as the size of the enterprise increases. It is lowest in the small enterprises (10 to 49 employees) and the highest in the large enterprises (250 or more). The figures for small enterprises ranged from 62 % to 68 % and in the large enterprises from 96 % to 100 %. To sum up, nearly all large enterprises and most of medium-sized and small enterprises provided some training. This can be reflected as a positive trend in employee training. The following figure 1 summarises these findings by enterprise size.

Figure 1 Enterprises providing any training in all enterprises in %

Source: Own processing based on Eurostat data (2014)

Enterprises and other forms of training

Enterprises can provide employee training in the form of training courses and ‘other’ forms such attending conferences, workshops, lectures and seminars, job rotations and secondments, learning and quality circles, self-learning and training at workplace. Table 2 shows that the proportion of all size enterprises that carried out training courses was greater than the proportion of enterprises with ‘other’ forms of continuing training. It is also evident, that the smaller enterprises have the lowest rate of training courses to compare with large enterprises. The similar situation is in the case of other forms of training. The provision of other forms of training was more frequent in larger enterprises. Overall, we can suggest that the provision of other forms of training in all size enterprises complements the training courses. The positive finding is the fact that the employee training is not limited only to training courses. The following table 2 summarises these findings by enterprise size.
Table 2 Enterprises providing training courses and any other forms of training in all enterprises in %

<table>
<thead>
<tr>
<th>Size class (number of employees)</th>
<th>Training courses</th>
<th>Any other forms of training</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CVTS2</td>
<td>CVT3</td>
</tr>
<tr>
<td>10-49</td>
<td>54%</td>
<td>56%</td>
</tr>
<tr>
<td>50-249</td>
<td>79%</td>
<td>64%</td>
</tr>
<tr>
<td>250 and more</td>
<td>94%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Own processing based on Eurostat data (2014)

From the analysis of the CVTS data (shown in table 3) among the ‘other’ forms of training in small and medium-sized enterprises the dominant were attendance of conferences, workshops, etc. On-the-job-training (continuing training in the workplace) was also of the highest importance. Small and medium-sized enterprises also favoured these forms, although at lower usage levels. Job rotation was least common in all enterprises.

Table 3 Enterprises providing the most common and least common forms of training in all enterprises in %

<table>
<thead>
<tr>
<th>Size class (number of employees)</th>
<th>Conferences, workshops, lectures, trade fairs</th>
<th>On-the-job training</th>
<th>Job rotation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CVTS2</td>
<td>CVT3</td>
<td>CVT4</td>
</tr>
<tr>
<td>10-19</td>
<td>39%</td>
<td>57%</td>
<td>50%</td>
</tr>
<tr>
<td>20-49</td>
<td>43%</td>
<td>63%</td>
<td>58%</td>
</tr>
<tr>
<td>50-249</td>
<td>64%</td>
<td>69%</td>
<td>71%</td>
</tr>
</tbody>
</table>

Source: Own processing based on Eurostat data (2014)

3.4 Participation of employees in training courses

Figure 2 shows that in small and large enterprises the percentage of employees participating in training courses increased between CVTS2 and CVTS4, rising from 24% in CVTS2 to 44% in CVTS3 and 46% in CVTS4 in small enterprises and from 50% to 66% and 70% in large enterprises. The employee participating in training courses in medium-sized enterprises rise between CVTS2 and CVTS3 (from 34% to 61%) and fell slightly between CVTS3 and CVTS4 (from 61% to 60%). It is also evident that participation in training courses clearly increased slightly with enterprise size. Small enterprises have the lowest participation rates in CVT courses across all of the CVT surveys. Large enterprises have the largest rates of participation in all CVT surveys.

Figure 2 Percentage of employees (all enterprises) participating in training courses

Source: Own processing based on Eurostat data (2014)

3.5 Expenditure

While the first two indicators (incidence and participation) are for all sized enterprises characterized mostly by increasing figures, the third indicator (cost) is demonstrating decreasing figure. The total cost of training courses per employee in CVTS4 was around 137 EUR in enterprises with between 10 and 49 employees and 320 EUR with 250 or more enterprises. This is lower than in CVTS3 (168 EUR in small enterprises and 446 EUR in large enterprises) and in CVTS2 for small enterprises (212 EUR). The cost of training courses per employee for medium-sized enterprises was
298 EUR in CVTS4 which indicates rise since CVTS3 (when it was 290 EUR) and CVTS2 (222 EUR). Overall, the cost is higher for larger enterprises than for smaller one.

**Figure 3** Total costs of training courses per employee (EUR)

![Figure 3](image)

Source: Own processing based on Eurostat data (2014)

Figure 4 shows that the total cost of training courses per participant in large enterprises rose from 537 EUR in CVTS2 to 682 EUR in CVTS3, but fell back to 459 EUR in CVTS4. The total cost of courses for participant in small and medium-sized declined between CVTS2 and CVTS4, from 496 EUR in CVTS2 to 387 EUR in CVTS3 and 294 in CVTS4 in small enterprises and from 526 EUR in CVTS2 to 475 EUR in CVTS3 and 346 EUR in CVTS4 in medium-sized enterprises. Overall, the total cost is higher for larger enterprises than for small and medium-sized ones.

**Figure 4** Total costs of training courses per participants (EUR)

![Figure 4](image)

Source: Own processing based on Eurostat data (2014)

### 4 Conclusions

The following trends in employee training were indicated. First, the provision of employee training rose between CVTS2 and CVTS4 in all sized enterprises. Second the training courses were the most frequent type of employee training used by enterprises of all sizes. Third, the percentage of employees participating in training courses increased between CVTS2 and CVTS4 in most of the enterprises. The fourth, the costs of training for participants have been reduced in the period between CVTS2 and CVTS4 in all sized enterprises.

On the other hand, it should be noted that size of enterprise is an important factor influencing training and development of the workforce. In almost any analysis of given indicators large enterprises are likely to vary significantly from smaller ones. Larger organisations are more likely to deliver employee training than do small
organisations. It is also evident, that participation in training courses increased slightly with organisation size. Finally, there is a relationship between enterprise size and expenditure on employee training. Small enterprises spent less on training courses than medium-sized enterprises which spend less than large enterprises. These findings are in line with similar surveys. For example, Learning and Development 2015 by CIPD (2015) or Skills Development and Training in SMEs by OECD (2013).

Given the significance of small and medium-sized enterprises, development of these enterprises and mainly their employees is necessary. High quality workforce can give the enterprises the competitiveness needed to successfully operate in the current highly competitive and uncertain business environment. Therefore, providing suitable, regular and high quality employee training has a crucial role.

References


