

3. Economic Impact of Training

This section surveys available evidence of the economic impact of training on labor market outcomes (employment and wage) and on firm productivity and investment. Further, it attempts to assess whether the supplied training matches the demand.

3.1 Labor Market Outcomes

There is precious little available data on the economic impact of training programs in the region and data were available only about Jamaica and Trinidad and Tobago. In a 2000 study of youth programs in Trinidad and Tobago, the World Bank reported:

“The limited evidence from evaluations (mainly on YTEPP and SERVOL) indicates that training is generally useful but meets the demands of the market only to a certain degree. Some indicators of YTEPP’s success include: requests from private sector industrial and business employers as well as state agencies and NGOs for the customization of its integrated training package, high participation by vulnerable groups, and strong demand by clients. Several tracer studies have demonstrated positive effects of YTEPP participation on beneficiary employment rates, earnings, rates of self-employment, labor force participation, pursuit of further studies, literacy and numeracy, and character (for example, motivation and attitude). SERVOL graduates have also fared well, with studies showing 41% fully employed, 27% employed part-time and 2% self-employed.”

The HEART Trust/NTA has completed a number of tracer studies (e.g. HEART Trust/NTA, 2002), these studies show employment rates ranging from as low as 20-25 percent in agriculture and apparel, with the average range being

40-45 percent for business and commercial, automotive and construction, about 60 percent in Information Technology and over 60-70 percent in hospitality.

As a result of these studies, the agency has reduced offerings in apparel, replacing this with mostly basic level IT and diversified its agricultural institution into food service. This has taken several years to achieve, however. The studies show a linkage between participation in the work experience program during training and the likelihood of employment, but not all trainees can be placed on work experience. Employment rates vary considerably by the location of training center, with North Coast Centers doing much better in recent years, and by reputation of some institutions. Kenilworth Academy posted an employment rate of 88 percent. In a separate internal study, the Special Programs category reported an employment rate of 65 percent of those who graduated in 2000/01 (47 percent were employed to organizations and 18 percent were self-employed).

Reasons for less than acceptable levels of employment include the still valid finding of Knight (1992) that the economy does not create enough jobs to effectively absorb the HEART Trust/NTA output, and HEART Trust/NTA's own recognition that its job placement services are not very effective (which is now being aggressively addressed).

Wages are slightly higher for graduates than non-trained controls (applicants who applied for training and were accepted but did not undergo training), but not necessarily in relation to non-completers, about half of whom left training early to be employed (HEART Trust/NTA, 2002).

The tracer studies suffer from somewhat low response rates and the difficulties to analyze down to more specific levels, given low numbers of respondents. They should examine specific skill areas more closely, and look more closely at how the educational and social background of individuals interacts with the training. A more sophisticated statistical analysis of tracer study data from 1996 showed that the prior education of the trainees accounts for more of the variance in employment and earnings than does the training.

James (2003) analyzed rates of return to secondary education and tertiary education and found that returns to HEART Trust/NTA graduates at the secondary level (more the entry-level training) were higher than for general secondary education at 12.2 percent, with HEART Trust/NTA tertiary participants (the higher levels) showing returns at 17 percent. HEART Trust/NTA graduates had a higher rate than Northern Caribbean University.

No data on outcomes could be found for Barbados, the Dominican Republic, or St. Lucia.

3.2 Effects on Firm Productivity and Investment

No published evaluation data on the effects of government training programs on productivity or investment could be found. The levy supported training agencies in the Dominican Republic and in Jamaica both offer services aimed at increasing productivity with client firms. The Dominican Republic has a very large investment in training in the firms and uses its Enterprise Service Consultants Offices to assist firms using a methodology adapted from the ILO/Cinterfor referred to as ProMES which involves a systematic approach to measuring and improving productivity. Mertens (2002) describes INFOTEP's own study with very interesting comments about improving productivity in firms in the region.

“In 2001, INFOTEP carried out a study of the impact the methodology had had so far both on employers and workers. We include below some results of the study, together with field observations during the period of application of the methodology.

By mid-2001, the universe of enterprises undergoing some stage of application was 75, with a total employed population of about 10,000. Out of the 75 companies, half were in the initial coaching stage and 29 were already applying the method. By mid-2002, 744 persons had been certified by competencies at enterprise level, by means of the Amod methodology.

Two comments can be made about the application universe. Firstly, the companies belonged to the manufacturing, commerce and services sectors and were large, small and medium-sized. This shows the universal relevance of the methodology, which is no doubt one of its strong points. The second comment is about intensive or systematic application. In most cases, contact with the methodology has been intermittent, with high and low peaks in measurement and feedback. Few enterprises have incorporated it systematically into their medium term strategy. They seem to have great difficulty in getting over a long-standing, inherited culture of doing business on the spur of the moment, taking advantage of opportunities. Enterprises also seem prey to uncertainty as a result of constant changes in their environment, which prevents them from taking a medium term view.

In most cases, despite temporary application, relevant impacts have occurred and not just momentarily but regarding the process itself. We may wonder if, like INFOTEP, what we intend is to generate an initial impact motivating enterprises to continue with the methodology, or to achieve a sustained effect in time. The latter is difficult but necessary to verify the hypothesis that the methodology can be sustained in time and continue generating impacts. It has been observed that continuity is not automatic, even in successful cases of application. This has to do with the fact that the methodology involves a change in organizational and managerial culture.

Whenever an unforeseen market event occurs (i.e. a personnel change or a new technology) there is a strong temptation to revert to old paradigms. As we saw with the sugar mills in Mexico, the old culture has an enormous capacity to engulf whatever tries to emerge as a new work culture, oriented toward organizational learning and involving all workers. This does not imply denial of all possibilities of change in that direction, but means that change will not be a straightforward process. There will be an ebb and flow and a variety of approximations for adapting the organization's work culture to the new contents."

In Jamaica the Workforce Improvement Unit at HEART Trust/NTA provides consultative services to firms that include training needs analysis and the arrangement of customized training programs either at the firms or in arrangements with institutions and centers. They provide services to sixty or so firms a year impacting about 600 workers. They achieve cost recovery on the costs of the training, but the unit's costs are paid by HEART Trust/NTA. The purpose of the unit is to improve productivity through training, but no evaluation has been conducted. HEART Trust/NTA had a recent employers' survey in 2002, but the questionnaire does not focus on productivity, but rather shows HEART Trust/NTA graduates are well regarded in the firms that actually hire them.

Regarding investment, it must be said that although there are no data to support the claim, it would appear that the presence of the levy fund is attractive to investors who are invited by the state investment agencies to take advantage of the provisions to provide initial training for the workers in new projects. This is quite apparent in the free zones in Dominican Republic and was the case for Jamaica's free zones until many of the apparel manufacturers departed in the

latter part of the 1990s. Jamaica now courts ICT investors and HEART Trust/NTA partners with all of them who ask for assistance, with several operators experiencing success so far in the partnerships.

The absence of evidence on training and productivity suggests the need to conduct studies to analyze the relationship of the different kinds and modalities of training to increasing productivity.

3.3 Matching Supply and Demand in Training

In the Dominican Republic, since about 40 percent of its offers occur within firms themselves, they are assured of a good match for a large proportion of their programs. Their central facilities (one in each region) and collaborating centers offer more in-depth training than would be offered in a firm. INFOTEP Center offers mostly industrial trade areas, information technology, graphics and multimedia. The collaborating centers offer a wide variety of courses including information technology, automotive, tourism and hospitality, and agriculture. It is really not possible to assess the match of supply to demand, however, without considerably more information that cannot be found.

What can be seen is the response of training agencies and providers to the services economy, especially in the areas of tourism and hospitality, and information and communications technologies. Areas of concern would include the quantity of workers to service the growing automotive needs of the countries, and areas such as retailing, as not many of these workers are trained and customer service is considered poor.

Jamaica's new workforce certification thrust is of interest in terms of stimulating demand-led training in firms. Already several major chains on the island are expressing enthusiasm for certifying their workers under the new framework including a major supermarket chain (SuperPlus) and the tourism giants Sandals and SuperClubs.

Matching supply and demand also raises the question of the level of training and opportunities for advanced training. In general, much of the training is at an entry-level, but the market wants more highly trained persons. Jamaica has not had the success it planned in shifting the proportions of training toward higher levels. Some of the financing policies favor lower-level training, and the levels were arranged in with the idea of completing levels in sequence starting at Level 1, then entering employment, and subsequently completing Level 2, at a

cost to the learner. Now the financing is undergoing change to reduce costs for Level 2, and a qualified learner can simply enter for Level 2 taking a longer course.

Matching supply and demand in the institutions is a particular challenge given the deficiencies of detailed labor market information showing more precise figures for occupations (See Section 6.3).