

Non Provision of Training and Sustainability: Small-Sized Companies in the EU Context

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Abstract

Investing in human capital is one of the critical decisions of a company. The company's competitiveness and organisational, social and environmental sustainability is influenced by corporate training. This paper explores the relationship between sustainability and the non-provision of employee training in enterprises. The introduced topic is based on a systematic literature review and a secondary data analysis of Continuing Vocational Training Survey (CVTS), which provides comparable data from 29 European countries in reference years 2005, 2010, 2015 and 2020 with a net sample of 113,000 enterprises. The paper focuses on small enterprises with 10 to 49 employees, representing over 20 million people in more than 1.3 million European business units. Recently aggregated data illustrate the European companies' attitude to corporate training and its barriers. Once the main obstacles to employee training are identified and removed, an organisation can increase the training and development of its employees. The more training and development activities is provided, the more it impacts its competitiveness and the company's sustainability. This paper examines the EUs small enterprises, emphasising specific situations in the last decade in the Czech Republic. It brings a new attitude to the connection between corporate training in small companies in the EU and sustainability.

Key Words

Small-sized enterprises, training barriers, vocational training, sustainability

JEL Classification: M12; M53; 015

Introduction

Sustainability has been becoming up-to-date and an increasingly important research topic due to various global phenomena such as climate change, poverty, and social inequalities. In this paper, sustainability is understood broadly as a systematic approach and strategy of a company that affects both economic growth and has an environmental and social impact (Bergman et al., 2017). The United Nations has set out 17 Sustainable Development Goals (SDGs) to reach by 2030 (United Nations, 2023). These goals recommend and encourage life-long learning, developing opportunities for all, and economic growth linked to business behaviour. The concept of sustainable development (SD) generally refers to achieving a balance among the environmental, economic, and social pillars of sustainability, where training is one of the important aspects of the social pillar (Murphy, 2017).

Many authors prove that corporate learning positively impacts sustainability (Ambasz et al., 2023; Alvarez-Gutierrez et al., 2022; Brandi et al., 2022; Yusoff et al., 2019; Bergman et al., 2017). Furthermore, organisational learning and employee training is crucial for sustainability (Ambasz et al., 2023; Hermelingmeier and von Wirth, 2021). One of th

theoretical approaches used in the literature is the model of resource-based view (RBV) theory. This theory incorporates both capabilities and resources that are essential in attaining sustained competitive advantage and superior performance (Bilan et al., 2020; Battisti & Deakins, 2017). RBV theory suggests that organizational learning can significantly explain the relationship between leadership styles that is organizational resource and firms sustainability (Barney, 1991). Corporate training affects the performance of a company (Alipour et al., 2009; Bafaneli and Setibi, 2015). These investments are directly linked to the individual, so it is difficult to determine their return (Assi and Raju, 2020; Becker, 1993). However, authors have documented the positive impact of these investments on firm performance, both financially and non-financially (Lee, 2016).

The nature of firms also varies according to their size, e.g., the number of employees. Specific characteristics of small and medium-sized enterprises (SMEs) are their size, turnover, flexibility and looser and flatter organisational structure. SMEs play an essential role in world economies and also in Europe. In 2022, more than 23 million SMEs were registered in the European Union (EUROSTAT, 2023b). This group can be divided into three categories according to the number of employees. The largest group of SMEs comprises micro-enterprises with fewer than ten employees. These are enterprises where know-how is often owner-managed. Establishing and positioning the enterprise in the market environment is essential at this stage. Once the number of employees of the enterprise increases, it is already a small enterprise. A small enterprise employs between 10 and 49 people. Europe's second-largest group of enterprises is growing slowly (EUROSTAT, 2023b). In 2020, 1,282,211 small enterprises were registered in the European Union, employing more than 25 million employees (EUROSTAT, 2023a).

For small businesses, there is already a need for more organisation of work, division of duties and delegation of responsibilities. However, this also requires other competencies such as management, communication, problem-solving, etc. This also brings to the fore the importance of employee training and development. Maršíková et al. (2019) reported that using data from five European countries, around half of the SMEs that participated in their 2018 survey confirmed that they provide some training to employees, mainly through seminars, workshops and consultancy. However, this is often more of a haphazard practice. They consider the training of their employees to be essential (Maršíková et al. 2019). However, some companies are not yet investing in their human capital at this stage. With high competition and constant change, they are forced to watch their costs, invest in different parts of their business, and often forget to invest in the training and development of their employees. Often, formal training resources are limited in small enterprises, as well as the systematic approach can be missing (Tuul and Bing, 2019). In the long run, this can result in a weakened market position, performance loss, ability to respond to change and lower sustainability. Lack of time, high cost of training, low employee motivation, underestimation of training outcomes, part-time workers and high turnover rate are among the major problems affecting SMEs' training involvement (Yahya et al., 2012). For this reason, it is necessary to focus on small companies and why they are not providing employee training.

1. Methods of Research

There are several international surveys on adult learning and development. The Continuous Vocational Training Survey (CTVS) belongs to the largest survey in the EU

with a focus on corporate training. Eurostat has coordinated CVTS in all countries of the European Union and other contracting countries in Europe regularly every five years since 1992. The CVTS regularly surveys companies with ten or more employees on how they plan employee training and development activities. The questionnaires are mandatorily collected from companies based on a European Union regulation. In 2020, 113,000 enterprises participated in the survey. Almost all NACE sectors are covered. The data are audited and statistically evaluated, and since the reference year 2005, they can also be statistically compared on most indicators. The results from the reference year 2020 for all countries were recently published in November 2022. Therefore, the CVTS survey was chosen to analyse the data and complement the literature search in the introduction to answer the research questions.

This paper focuses on the perspective of the European Union as a whole and the Czech Republic as an example of a specific country. The Czech Republic is one of the countries with the highest proportion of companies that provide corporate training to their employees. In particular, by using the method of organised training, it ranks first among the countries studied in 2020. The reference year 2020 was specific to the worldwide COVID pandemic, so the data from 2015 are compared too. Each company can mark more than one reason for non-providing employee training. The subsequent literature review and secondary data analysis based on descriptive statistical methods showed that taking a closer look at small companies is necessary. The following two questions were essential for this article:

1. Is there a relationship between corporate sustainability and not providing employee training and development activities?
2. What barriers are to training and development in small EU enterprises?

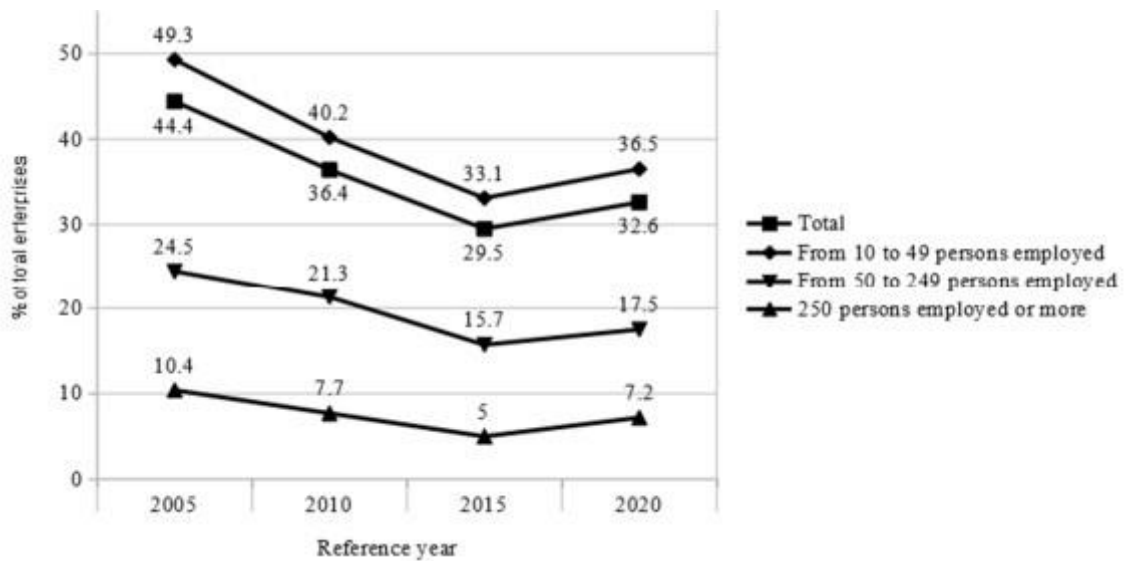
2. Results of the Research

The literature research revealed that corporate training positively influences sustainability (Alvarez-Gutierrez et al., 2022; Bergman et al., 2017). So reversely, non-provision of training can impact sustainability in the EU companies. Understanding these aspects can improve corporate sustainability (Bergman et al., 2017). The continuously collected data in the CVTS European survey allows us to identify corporate training trends in the EU in the last decade and reasons why corporate training is not provided.

Figure 1 shows the number of companies that do not provide any development activity for their employees. The division by the number of employees demonstrates that small enterprises significantly influence this non-provision trend. The overall share of companies in the European Union that did not provide planned corporate training was 32.6% in 2020, while the share of small enterprises with between 10 and 49 employees was 36.5%. In the case of medium-sized firms in 2020, it was 17.5% and only 7.2% of large firms. However, the situation in 2020 was affected by the global Coronavirus pandemic (OECD, 2021). In the previous CVTS survey in 2015, the case was more encouraging. By then, the number of companies not providing training had steadily declined. In 2015, only 29.5% of European firms provided no development activity - 33.1% of small companies, 15.7% of medium-sized companies and only 5% of large companies. Figure 1 clearly shows that developments mainly influence the trend in small enterprises with 10 to 49 employees. In the Czech Republic, non-training is significantly

better. In 2020 only 14.1% of all Czech companies did not provide training (16.3% of small enterprises, 7.1% of medium-sized firms, and 1.3% of large companies).

Fig. 1: Percentage of enterprises in EU Member States that do NOT provide any development activities for their employees, by enterprise size, in 2005-2020

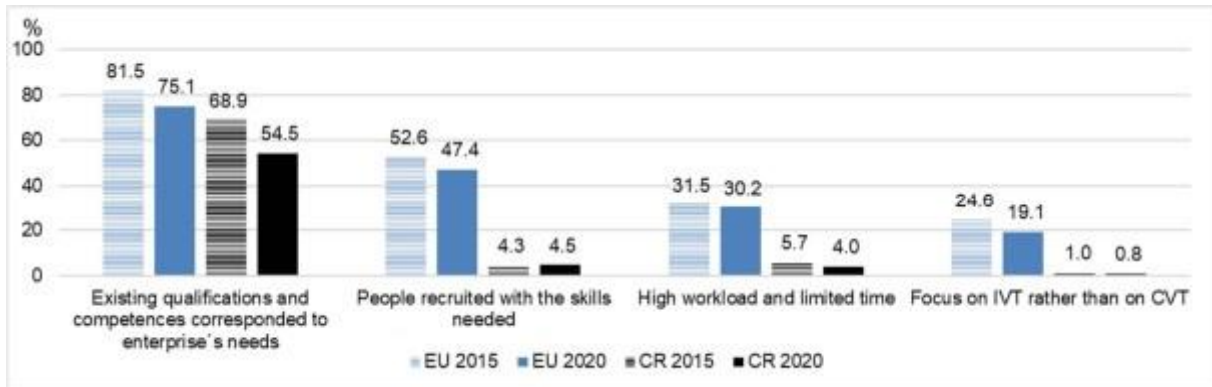


Source: authors' own, data from CVTS (2005, 2010, 2015, 2020)

The reasons why small companies do not provide any planned training and development of employees illustrate in Figure 2, which represents the obstacles resulting from the internal situation in a company. The most obvious reason is the assumption that the company's existing competencies, skills and qualifications are relevant to the organisation's current needs. In 2020, 75.1% of small businesses in the EU cited this reason, compared to 81.5% in 2015. Above half of the Czech small businesses (54.5%) quote this reason. The second most frequently cited barrier for not training employees is that new knowledge is gained by hiring new employees. In the European Union, 47.4% of small businesses gave this reason in 2020, 5.2% less than in 2015. However, Czech small enterprises do not see this as a barrier to employee corporate training. Only 4.5% of small Czech companies were aware of this reason in 2020, similarly in 2015 (4.3%).

Regarding the barrier referred to workload and lack of time, there is quite a discrepancy between European and Czech small enterprises. In Czech small companies, 4% perceived this barrier in 2020, compared to 30.2% of European companies. Looking at initial vocational training (IVT) in companies is also interesting. IVT illustrates a formal education programme provided in an educational institution and partly in a company (CTVS, 2023). 19.1% of small EU businesses preferred this strategy to corporate training in 2020. In contrast, only 0.8% of small businesses in the Czech Republic cite this reason.

Fig. 2: Internal reasons - the percentage of small enterprises in EU Member States and the Czech Republic that DO NOT provide any development activity for their employees in 2015 and 2020



Source: author's own; based on CVTS (2015, 2020)

Figure 3 shows why small firms do not provide their employees with any training or development activities due to external or other factors. According to the literature search, high costs are a significant barrier in small enterprises (Maršíková et al., 2019). This reason was important for 22.4% of European small enterprises in 2020 (compared to 28.7% in 2015). The situation is visibly different in the case of small Czech companies. Only 3.6% of small Czech companies gave the reason for high costs in 2020 (5.9% in 2015). The reason for the absence of a suitable course was mentioned by 14.4% of small EU businesses (an increase of 1.1%), in contrast to 0.9% of Czech small enterprises (a decline of 1.4%).

Fig. 3: External reasons - the percentage of small enterprises in EU Member States and the Czech Republic that DO NOT provide any development activity for their employees in 2015 and 2020



Source: author's own; based on CVTS (2015, 2020)

A similar situation is illustrated because training has already been provided in previous years. In 2020, 11.3% of European firms mentioned it, compared to 1.1% of small Czech firms. Companies could also give another reason, which declares almost 30.7% of European and 47.3% of Czech firms.

3. Discussion

The literature research revealed that employee training contributes to the

company's long-term corporate sustainability and competitiveness. These findings were analysed with European companies' practical experience from the corporate training perspective. As shown by the development in the last decades, the number of European companies that do not provide any development activities for their employees has decreased from 2005 to 2015 by 14.9%. The post-2019 period has been specifically influenced by the global Covid-19 pandemic (OECD, 2021). Thus, the proportion of non-training organisations increased slightly by 3.1% in 2020. The specific situation of small businesses significantly influences this trend. As the literature review revealed, there are limited resources and often also a need for a systematic approach to corporate learning in small enterprises. However, this can affect competitiveness and sustainability in the long term.

The second research question about barriers to corporate training addresses how to prevent this. Understanding these aspects can improve corporate sustainability (Bergman et al., 2017). According to the analysis of data from the CVTS pan-European survey over the last decade, the main obstacle identified among European companies is that they perceive the level of competencies of their employees as sufficient and need no employee training. In 2020, 75.1% of European small businesses and 54.5% of Czech small businesses identified this barrier. In the survey, companies could identify multiple causes. Almost half of European small businesses (47.4%) prefer hiring new employees to training their current employees, reflecting small businesses' growth potential.

Contrary to the literature, the cost barrier is perceived by fewer European small firms, 22.4% in 2020, compared to 28.7% in 2015. Czech small firms, however, perceive the cost barrier only marginally (3.6% in 2020). Almost a third of European firms do not provide training due to the high workload and lack of time, but this is not the case for Czech firms. 47.3% of Czech and 30.7% of European companies mentioned other reasons for non-providing corporate training that create a further research gap.

Limitation

However, it is also necessary to consider the limitations of this study, which analyse only secondary data from one European survey. It gives the space for further development of the explored topic. Additional literature review, qualitative research, pilot testing and quantitative data analysis is planned to be done as the next step in the current authors' research.

Conclusion

Various authors prove a positive impact of employee training on corporate sustainability. Non-providing training can also influence the sustainability and competitiveness of EU companies. Based on the Continuous Vocational Training Survey CVTS with 113,000 enterprises net sample, this paper examines the practical situation of providing and non-providing employee training in the EU. It reveals that many European enterprises, especially small businesses, do not provide any development activity to their activities. This situation may have implications for sustainability. However, it is important to note, that the topic needs to be examined not only in the context of quantity, but it is crucial to link it to a specific sustainability objective in a company's strategy, to identify specific training topics

and focus also on the quality of the individual training. Hence the article also looks at the reasons for the non-provision of employee training in small EU enterprises. Despite the limitation of the analysis of a CVTS survey, this paper provides another opportunity for further exploration of training in the context of sustainability. More research can follow on barriers and opportunities to increase employee training concerning competitiveness and sustainability.

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