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## Staff Training and Further Development in Place of Redundancies: A Swedish Example

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### ABSTRACT

*The Swedish government decided in 1994, as part of the so-called 50,000 Swedish crowns scheme, to set aside a portion of the labour market budget for the further training and retraining of local government and country council employees. The present article reports on the experiences of the training effort that took place in 1994-1995 and provides a theoretical framework for discussing staff training as an alternative to redundancies in the case of "economic overstaffing" and as part of a strategy for lifelong learning. Staff training and further development can be viewed as direct labour market measures instead of as redundancies. This article is based on a large empirical study in municipalities and county councils that have used these measures. In the study it was shown that these market measures can be defended both economically and humanly in the sense that both contribute to strengthening internal mobility and increasing the worker's adaptability to the external labour market. At the same time, this can form part of a strategy for a more flexible structuring of working time.*

### INTRODUCTION

In recent years, many Swedish local authorities and county councils have been wrestling with economic problems that have made it necessary to reduce work force. The 1994 decision of the Swedish government to apportion a part of the labour market budget for the further education and retraining of local authority and county council employees was warmly welcomed. The additional money would make it possible to keep employees and to train them instead and simultaneously make it possible to hire substitutes.

The primary purpose of the present article is to report on the experiences of this training effort, which took place in 1994-1995 with the help of these resources. A second objective is to provide a theoretical framework for discussing staff training as an alternative to redundancies/in cases of "economic overstaffing," and as a component part of a strategy for lifelong learning. By economic overstaffing, we refer to overstaffing that is caused by budget reasons, as distinct from overstaffing due to the fact that production or activities require fewer personnel than previously, which is the case when, for example, computerization reduces the need for personnel.

Sweden has a long tradition of labour market training. The idea has been principally to overcome imbalances between the supply and demand of labour. The most discussed and well-known form of labour market training is that undertaken outside the place of work and that is directed at unemployed persons. This has been used on a very large scale in Swedish labour market policy.

The most common labour market measures can be summarized as follows (Axelsson, 1992):

- measures to impact the supply of labour;
- measures to impact the demand for labour;
- matching measures; and
- cash support in the case of unemployment.

Measures to impact the supply of labour are important during periods of rapid changes when the need for skilled labour is increasing. These measures include labour market training (excluding company training), professionally oriented rehabilitation and different types of contribution to the cost of house moving. These measures are directed first and foremost for persons seeking work to approach vacant jobs.

Measures to impact the demand for labour include, for example, public relief work and employing people with wages partly funded by the state. In-service training is normally included here, but in this case, the labour is kept in the company with the help of government wage support. The use of training substitutes, which in particular increases the demand for younger workers during the time that someone else is in training, is frequently a complementary feature (assuming that there is not already a situation of over employment in the company or administrative unit).

Matching measures is a third form of measure that includes labour intermediation, work guidance and different measures that seek to match the supply and demand for labour in order to shorten the time taken by employers to find workers and by workers to find jobs.

The fourth category consists of cash support in case of unemployment, i.e., replacement income in order to compensate loss of income.

**Table 1.** Labour market measures (numbers of persons in thousands, 1994-1996) (Source: SCB).

	1994	1995	1996
Public relief work	17	11	7
Labour market training	67	56	46
Publicly protected work (including employment partly paid by the state)	78	54	50
Into work programmes		30	29
Youth placements	57	1	0
Working life development (ALU)	45	45	57
Training substitutes	13	13	10
Employment with recruitment support	23	15	10
“Computer technique”		10	16
Start-out contribution		9	10
Sum of measures	299	244	235

Traditional labour market training has been very comprehensive in recent years even if other measures have been used as well. These involved as many as 80,000 people in 1994, 56,000 in 1995 and 46,000 in 1996.

The so-called 50,000-Swedish crowns<sup>1</sup> scheme as well as training substitutes in local government and county councils has until now represented a relatively small portion of labour market measures and cannot be distinguished in the statistics. In 1995-96, however, some 36,000 people took part in training courses carried out in local governments and county councils.

In 1996, a greater number of people continued to attend courses outside the place of work, despite increased efforts by the state to promote staff training at work. A maximum amount of 50,000 Swedish crowns per person was approved for training. In general, companies were required to provide an equal amount. The contribution was administered by the local labour board, which signed the agreement with the company or with the local authority or county council that wanted to utilize the training contribution.

### TRAINING TO LIMIT REDUNDANCIES

The idea from the government's side of providing local authorities and county councils the opportunity to receive help in financing in-service labour market training was, among other things, to limit redundancies in the public sector. Formerly such efforts had been possible only in private companies. The aim was that in-service staff training would reduce unemployment while it would facilitate simultaneously the necessary structural changes and rationalisations in municipalities (local authorities) and county councils. This was primarily viewed as a measure to cushion the effects of a deep economic depression and to educate against the advent of possible bottlenecks. Nonetheless, it later came to be viewed as a measure that was worth testing in order to cushion structural changes following rapid IT and technological development.

In the beginning of November 1994, some 90 local authorities and all county councils except one had signed agreements; others followed suit. During 1994-1995, 745 million kronor were paid out under this agreement.

The training took the form of both general theoretical basic training and shorter, more costly, professional training programmes. Support was also given to training in general subjects either as a precondition for professionally oriented training or to enable participants to carry out modified tasks involving new technology or new working methods. The educational situation selected for the study was in no case less than six weeks.

These different courses covered a very wide field, from childcare and nursing courses to data processing and individual training. Both surplus employees and those not at risk of losing their jobs received training.

During 1995, a group of researchers from the University of Stockholm and I as project leader were given the opportunity to document and monitor the effects of this effort. Our goal here is to report on the results of this work. The focus is on how these measures can be seen as an element in a long-term, recurrent effort of skills development and lifelong learning. The training efforts that we studied were undertaken between January 1, 1994 and June 30, 1995.

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<sup>1</sup>About 7,000 USD.

## THE PRESENT STUDY

The present study is based on a number of case studies. In particular, we studied Stockholm and Jämtland country councils. In addition, telephone interviews were carried out with some 80 local authorities, case studies in seven local authorities and an in-depth study on the use of training substitutes.

The theoretical starting points of the study include Schultz's human capital theory (1971), Piaget's structuralism (1972) coupled with Ellström's adult teaching theory (1992), Lundmark and Söderström (1988), and Nordhaug's work on, among other things, the skills development chain (1993).

The main results of the empirical studies are reported and subsequently discussed in relation to the above theories.

## WHAT DOES ONE GAIN FROM TRAINING INSTEAD OF MAKING PEOPLE REDUNDANT?

The follow-up study on the training efforts undertaken with the help of the 50,000-Swedish crown scheme showed that staff training combined with practice contributes to giving the individual concerned a stronger position in the labour market (Olsson, 1997). The fact that the acquired skills can be applied to the workplace of the individual strengthens competence. This is particularly meaningful for low-qualified workers who are seldom, if ever, involved in staff training or employer-supervised training. Indeed, for many of them this was the first time that they received training arranged by the employer. This often involved low-qualified women with many years of work experience.

The study also shows that training during paid work time has the advantage of not competing with housework or the myriad of demands placed on people outside work. Another important advantage is that it accords the individual the opportunity to train before being caught by unemployment. This means that those undergoing training can both look for jobs and be employed at the same time, a situation that increases flexibility. Many shifted to another job after the training—at the Stockholm country council around 40%—and about half of them view the change as being due to having been able to take part in the training. Many (31%) experience that their responsibility at work has increased and that the training has been relevant to their work. Their employment relationship was thought to be more secure and interest for continuing training was stimulated.

The way this training has affected employers should be judged from the situation that prevailed at the time the support was approved. The starting point was in many cases a tight economic situation with a need for redundancies in order to remain within budget. In this context of *economic overstaffing*, the 50,000-Swedish crown scheme has meant that redundancies could be postponed and the need for services met. One problem elsewhere was that many local authorities were forced to quit because of an under balance in budgets and because services, such as in the care for the elderly, were being impaired. The requirement for obtaining the training contribution was that no redundancies would take place during the training. By contributing smaller sums of money, local authorities and county councils were able to obtain the 50,000 Swedish crowns per employee educated.

The training agreement has meant that the municipalities/local authorities and county councils have avoided the discomfiture of loss of goodwill and, in many cases, eluded the problem of spending money on departure compensation and the costs of phasing out personnel. The training support has also helped employers to move more quickly with staff training, which certainly would have taken place in any event, but not until later or to a lesser extent. The support for staff training through the 50,000-Swedish crown scheme has acted as a signal to examine the training situation, an effect that should not be underestimated. The result is a better matching of supply and demand within the organization, that bottleneck problems can be overcome and that training efforts are more thought through than they normally are in an organization.

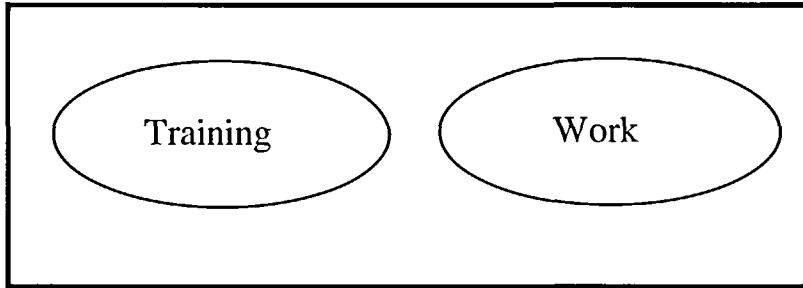
## THE DIMENSIONS OF STAFF TRAINING

Teaching in the formal sense of the term or training can be said to be a consciously planned activity, which is often carried out by special institutions, including schools, universities or training companies (Axelsson, 1996, p. 45). Training can also be arranged and conducted inside a company. Training, which normally is paid for by the company, is what is generally known as *staff training*.

Individuals have differences in knowledge and experience, attributes that also affect their commitment to their working life. Knowledge is acquired through school education, courses and shorter training programmes together with vocational training, or through practical activity through on-the-job training (OJT).

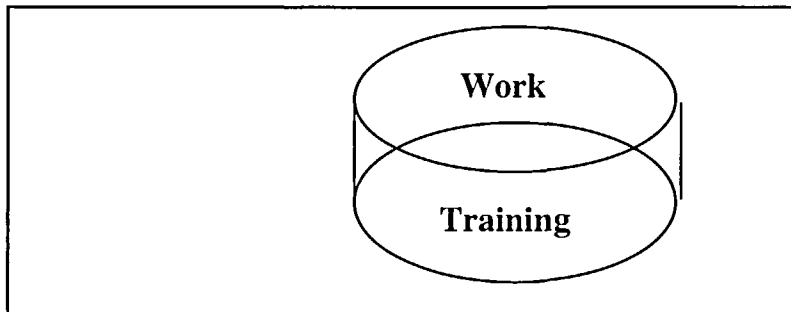
There are different paths that can be followed if one wants to train workers. If one reverts to the medieval guild system, all training took place at work under the direction of a master. Later, training came to be associated primarily with school education or courses provided outside the workplace. At the same time experience and research point to the fact that a large part of an individual's learning occurs during work at a workplace. OJT is invaluable in almost every undertaking. Most people would agree that continuous and lifelong training is needed to maintain a person's competitiveness on the labour market. At the same time companies need employees who are prepared to continuously learn new things. Today's rapid changes in working life demand new approaches in which OJT training is supplemented with more intensive courses and with more formal training in one's work or profession. Here, we arrive at the distinction between learning in formal training situations and learning in practical professional life.

What is striking in the development that has taken place—not least in the post-war years—is that almost all school training or coursework has occurred outside the workplace and in special premises. This means that work passes in one sphere and training/education in another. This is also very striking when it comes to training for the labour market. In Figure 1, I attempt to depict the division into these two spheres. The fact is that it is often only when a poorly qualified person loses his or her job that he or she is given the opportunity or seizes the opportunity for training. The fact is that there are large groups on the labour market who seldom or never get to take part in a course paid by the employer and in the context of work or in paid working time. In a study in Stockholm county council a majority of those questioned had never previously received employer-provided training (Olsson, 1996, 1997).



**Figure 1.** Training and work in two separate spheres. When training takes place outside the workplace.

For many, work means living simultaneously in both spheres—work and training—in that they are interconnected. This applies to all those who have interesting work with a development aspect. It also applies to those who are constantly learning new things. On the other hand, those who neither have the chance to take courses nor the opportunity for development on the job are forced to observe that the only way to obtain training is with the help of evening courses, adult education, or the like. This also denotes that the work sphere is different from the training sphere and that the time needed for further training or learning has to be taken from beyond paid work time. This often calls for shifting of priorities in household budgets to permit training outside working time. This can be a further hindrance, not least for women wanting to take further training.



**Figure 2.** Training and work in two spheres taking place at the workplace.

Given that it continues to be more difficult for women than for men to be free of the duties awaiting them at home after work, training at the workplace should suit women more than it should suit men. It is a known fact that it is still the women who devote most time in the household to unpaid work when there are two family providers.

## A TEACHING MODEL ADAPTED TO NEW NEEDS FOR METACOMPETENCE AND AGREEMENT

The concept of competence can be tied into an employee's work functions. A series of work functions calls for a corresponding series of skills. Nordhaug (1996) differentiates between three types of "work-related skills:" *skills, knowledge and aptitudes*. This division follows closely the division that is generally made by pedagogues (Gestrelus et al., 1989). Whereas *skills* are generally defined as a function of the needs of the particular job, *knowledge* and *aptitudes* are seen as being related to the individual and his way of meeting different situations. Whereas *aptitude* is coupled with volition and giftedness, *knowledge* is something that one can acquire in different ways, either through formal education or through experience. Consequently, what we call competence is invariably not a clear concept. I would also like to introduce the concept of *metacompetence* (Nordhaug, 1996) to mark the fact that competence is something superordinate, something more subtle. Metacompetence relates to our aptitude to be able to handle formal knowledge in combination with imagination and inventiveness as well as being able to work together with other people in a rapidly changing environment. That which has been learned must then match the work and the demands established by the environment. Moreover, could it be more important to have an intuitive or fingertip feeling or synchronicity than to have formal knowledge?

What is lacking in most discussions about training and learning is the necessary coupling of metacompetence and the transfer of formal knowledge to a work situation. This linking process (i.e., that which the individual and his experiences bring with him and that affect his ability to benefit from formal training efforts) is a part of the finesse in every kind of staff development and staff training. By building on an individual's metacompetence, an interaction emerges in the training situation between the knowledge and experience that an individual has acquired previously and the new things that are encountered in the training situation.

In the model specified below (Figure 3), I have attempted to summarize what this means for staff training. The model seeks to point to the dynamic quality that is inherent in the concept of competence. In the model, I distinguish between practice and learning since these are two different phenomena (see, e.g., Piaget, 1972). *Job needs* underlie the staff development and training efforts that are carried out, which increase both learning and competence. Learning can lead to increased competence but often has to pass via practice. By this I want to express the supposition that learning in itself is often insufficient for competence development. An individual's knowledge is refined and his or her intellectual capital is increased when the new stuff is put into practice. *Knowledge that is used in new situations provides a basis for competence and is stored in the form of metacompetence*. One of the most important components of staff training is therefore relating to earlier experience and giving trainees the possibility of learning to structure knowledge regardless of whether this comes from formal education or from practice.



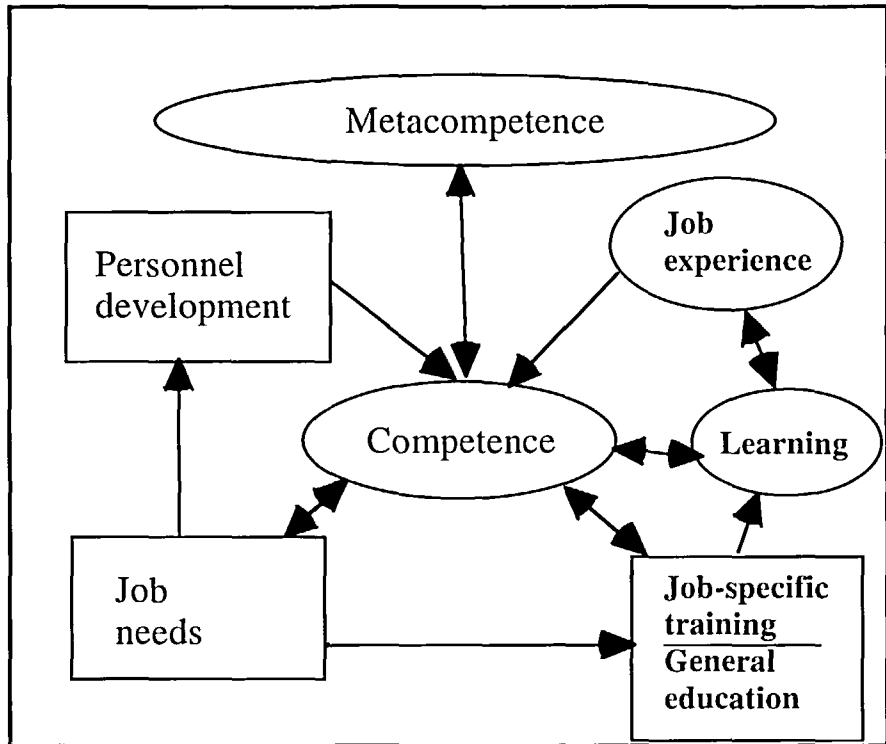


Figure 3. Lifelong learning - a developmental model.

### HUMAN CAPITAL ACCUMULATION - AN OVERLOOKED PHENOMENON

In a pioneering work, Theodore Schultz (1971) developed his view that investment in human capital is of greater significance for economic development than conventional physical production capital. Schultz criticised traditional national economists for viewing capital as a homogenous variable. In their models, labour was totally devoid of any capital component, which meant that every hour of labour time was of equal worth, regardless of who carried it out. They were not concerned whether it was an unskilled or professionally trained person, whether it was someone with ten years' experience or a recent school graduate. In order to achieve a more accurate description of the capital accumulation that occurs through human effort and the growth that this accumulation is supposed to bring, we need another approach. To quote Schultz (1971, p. 25):

...much of what we call consumption constitutes investment in human capital. Direct expenditures on education, health, and internal migration to take advantage of better job opportunities are clear examples. Earnings forgone by mature students attending school and by workers acquiring on-the-job training are equally clear examples. Yet nowhere do these enter into our national accounts.

Schultz believes that people invest in themselves and that these investments are both substantial and overlooked by economists. In particular the educational value of populations is neglected in national accounts. As early as 1960, Schultz was contending that growth in the training stock is a more important factor than growth in the capital stock in explaining economic growth. He alluded to his own research which showed that labour grew by a factor of 8.5 between 1900 and 1956, whilst the stock of reproducible physical capital rose by just 4.5 (p. 41).

Becker (1976), who is on the same line of reasoning as Schultz, conceptualises his ideas in what can be called accumulation theory. Each individual produces his own human capital by applying a part of his time to school education or to taking part in OJT. The speed with which human capital changes is equal to the difference between the production of new human capital and the depreciation of old human capital (Becker, 1976, p.122).

In light of the human capital and accumulation theories, it would appear to be auspicious to invest in in-service training. How can one see in-service training from a business economics perspective? Bishop (1991) carried out several large-scale studies on the relationship between investments in in-service training and growth. Despite the fact that in-service training is of a general nature, the fact is that much of the return on internal training is of benefit to the company. One of his theses is that both individuals and companies invest too little in training with a view to the return that such training gives. He believes it is thus an important task for the state or for society to draw attention to this situation. He also discusses at length what measures could be taken to remove the barriers (Bishop, 1991, p. 35-46). Employers need to be more aware of the significance of careful recruiting, which goes together with expensive in-service training. There is also a need for incentives to motivate the employee to take part in further training. Additionally, the employer can make use of the system to certify those who have undertaken in-service training. Such certificates would, Bishop believes, both serve as a spur to the individual and his or her family and mark the increased market value of the person who has received training. Other incentives can also be applied at the company level, such as the company making available low-interest loans and putting people into higher wage brackets.

In addition to these incentives at company level, there is a need for stimulation measures at the societal level. Here Bishop discusses, among other things, the possibility of requiring that companies set aside a certain percentage of the wages bill, as in the French model. Those failing to do so can be forced to pay an additional tax, which corresponds to the difference between what they have in fact spent on training and what they are required to spend.

Internal training (in-service training or in-house training and education together with OJT) represents, when seen in this way from a societal perspective, a contribution to human capital accumulation that is significant to economic growth. *Human capital* is the common term covering all the knowledge and skills that an individual brings to the workplace. Training, whether school education, professional training or OJT, involves the accumulation of human capital.

## KNOWLEDGE IMPROVEMENT AND OJT

OJT can be defined as activities that are directed at supporting, structuring and following up learning by employees. This normally means everyday learning at the workplace and/or

concerning work tasks. This can take place both with and without the mixing in of possible training units in the company (Axelsson, 1996, p. 45).

Tacit knowledge (“familiarity knowledge”) or experience-based learning, which has begun to be noticed and that is “found in the hands” and in the experience of people who exercise a craft or a profession, is often undervalued and should be revalued. Tacit knowledge involves knowledge of how different signals and needs might be translated into a better product or a high quality service. This is knowledge about direct correspondence. One shows how something works by doing it. Seeing, doing and being are the tacit forms of knowledge (Ellström et al., 1996, p. 61). In certain cases, OJT can involve the same thing as tacit knowledge, but OJT also needs to be made tangible in the form of training, in the use of software, or in reading manuals and drawings.

At the same time as there is a need for both OJT and tacit knowledge, there is, however, a parallel knowledge that is provided by the book-based or formalised acquisition of knowledge. One reason is, for example, that technology is developing so quickly. However, what is taking up the thinking energy of both theoreticians and practitioners in modern society is how more fellow-citizens will be able to partake of lifelong learning, with an interaction between the book-based acquisition of knowledge on the one hand and experience-based learning on the other. During industry’s Tayloristic phase, the division between planning by engineers and execution by highly specialized workers predominated. People had either brains or hands, not both. We now find ourselves at a breaking point in which the insight into a new distribution of labour is beginning to gain ground. The division between “education” (i.e., training at school) and “training” (i.e., learning on the job) is disappearing. This outdated division between theory and practice or between the shop floor and the office is becoming *passé*. The need for a new approach to training, based on a new and flexible concept of knowledge, is beginning to gain ground.

Recently, various attempts have been made to integrate practice with theoretical studies in what has been termed *qualified professional training* undertaken in conjunction with high schools. The so-called “Knowledge Lift” scheme, a Swedish labour market measure, which is addressed at those already working professionally, is also an expression of this new approach. Labour market measures, which lead to those already employed obtaining further training and a chance to improve their knowledge within the framework of their jobs or in order to be able to “lift” to another job, are well in line with these ideas.

### **ESSENCE OF KNOWLEDGE - AT THE HEART OF UNDERSTANDING THE PROCESS OF IN-SERVICE TRAINING**

What is the heart of in-service training? Is it possible to understand from the studies made on mental developmental psychology or on human learning theory? Based on his studies of children perhaps Piaget has developed the most pioneering theory on human learning. Piaget’s theory of learning processes integrates biology and epistemology, the study of knowledge. In Piaget’s mind, intelligence is the balance between the individual and his environment and a set of mental operations that permits this balance to be maintained (Ginsburger & Oppen, 1969). The individual inherits physical structures that set rather broad boundaries for his intellectual aptitude. Many of these are influenced by his physical maturity. The inherited structures also include certain reflexes that are very early transformed into the individual’s thought structure.

One general biologically inherited function is the ability to *organize* human processes. In addition to this capacity, human beings have an ability to adapt (adaptation). This latter attribute can be divided into two components ‘assimilation’ and ‘accommodation’. Accommodation refers to the ability of the organism to adapt to the environment whilst assimilation refers to the ability to use existing structures to deal with the environment. Assimilation and accommodation are complementary whilst organizational aptitude and adaptation are closely connected. One assimilates the events of an environment in structures, but one applies a structure to the needs of the environment. To describe assimilation Piaget (1972) uses the example of a child who learns to suck his thumb and the integration of this with other patterns in the child’s development (Piaget, 1972, p. 59).

In the training context, it is possible to train and stimulate a person’s ability to understand and translate environmental needs. Using Piaget’s terminology, “learning” can mean learning in the narrow sense, which means learning more about the same thing; learning in the broader sense involves acquiring a general thought structure that can be used in a variety of situations. This learning in the broader sense is also called development. An individual develops when he can acquire the knowledge contained in a general structure and that can be transformed from one situation to another. This form of learning involves acquiring cognitive structures (Ginsburger & Opper, 1969).

Piaget believes that school education and other forms of training can contribute to intellectual growth, but that they are not the only factors for development to take place (Piaget, p. 221). Piaget stresses that epistemology (knowledge) is something that can be likened to ‘mutations’ which follow one another over time. If one were to try to translate this, one can say that what is usable knowledge today (competence) is obsolete tomorrow.

Knowledge must be refined, built upon, ‘mutated’, in order to remain usable. But for mutations to become established and for intellectual growth to take shape, a particular situation is needed. In his translation of the concept epistemology Piaget uses Foucault in order to describe that different epistemologies “succeed each other over time and cannot even be foreseen.” A given epistemology has limited historical validity and has to make way for another epistemology once it has been consumed. A comparison can also be drawn with Kuhn’s paradigms (Kuhn, 1970), where ways of seeing things and ideals of knowledge shift from one time to the next. In the same way, it can be said that what is relevant knowledge and the precondition for competence at a particular point in time is obsolete at a later point in time.

How can Piaget’s theory and the theory of knowledge be of help to the person who has to take decisions about staff or in-service training? First of all we see how Piaget leads us to the importance of endeavouring to give people knowledge that can be applied in many different situations and that is not obsolete after a short time. *Learning to understand the structure in a problem can be as important as learning more of what a particular tool looks like that will be used for solving the problem.* The difference between someone who has had further training and someone who has not can lie in the fact that the trained person sees immediately “which illness can be cured” and can apply the right medicine, knowledge of the right cure, directly whilst the less trained person is not able to see “symptoms” in time. This structural aptitude is trained more effectively in in-service training insofar as examples of application are found in the immediate environment. We can also draw the conclusion that it is important that whatever goes into education should be applicable in many different situations. This can be achieved by training structural thinking. The strength of in-service training lies in developing the ability for structural thinking.

In Piaget's theory, 'essence of knowledge' is the same as activity or learning by acting on it. Knowledge involves both the physical and the psychic participation in the learning process. As a child who learns by stuffing everything into its mouth, we, too, need to be stimulated through our own activity to achieve an effective learning process as adults (Piaget, p. 237). Applied to the choice of form of training, this means that self-activity and proximity to the workplace are advantages in the development process. Compared with general school education the learning process can be made more lively through in-service training. This is clearly one of the advantages of in-service training.

Another reflection is that the knowledge that is acquired by experience and by persons carrying out their profession are valuable when it comes to achieving learning in the broader meaning. It is only when "book knowledge" is placed in a real context and applied to real problems that structures and thought structures begin to be actively used. In many types of work there is a need for practical application and exercises in order to achieve learning results. Otherwise, what are frequently referred to as transfer problems can arise when the acquired knowledge from the learning situation has to be transferred to real-life practical situations in the company (Nordhaug, 1994; Axelsson, 1996). In many situations "Book knowledge" is, as is self-evident for many people who have occupied themselves with adult pedagogy and teaching in practical life, not a sufficient ingredient for solving real-life problems. In-service training, therefore, seems to fit well in a turbo society with all its demands on a fast growing individual competence and a high degree of flexibility among employees and collaborators.

### CONCLUDING REMARKS

From empirical stuff collected in municipalities and local authorities it is possible to determine that staff training and further development instead of redundancies appear to be a labour market measure that can be defended in both economic and human terms. This form of training contributes to strengthening internal flexibility among the employees and at the same time the company's flexibility as well as strengthening workers' external adaptability.

It is also advantageous from a gender perspective in that in many cases women could gain from training taking place during paid work time and not during unpaid work.

It is also reasonable to propound that we can find support for this measure by studying both economic theory and theories of human learning. I thereby see this article as a small contribution to a better understanding of the reasons for an increased use of in-service training.

It is probably no exaggeration to state that, from a social viewpoint, reasons can be found for viewing in-service training as part of a long-term strategy for reducing the effects of rapid structural changes on the labour market. This could then act as an important element in a strategy for flexible working life where people alternate between more active and more leisure periods in life.

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