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The Training Guarantee:

Its Impact and Legacy

1990-1994

Summary Volume

Evaluation and Monitoring Branch
Department of Employment,
Education, Training and
Youth Affairs

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DEPARTMENT OF EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

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PREFACE

The Training Guarantee evaluation took place over three years, and involved extensive research on training behaviour in all areas of Australian industry. To make it possible to isolate the specific contribution of the Training Guarantee to changes in training activity, this research necessarily went well beyond the immediate context of the program.

As a result, the main report, which is published in a separate volume, presents a comprehensive picture of the changes that took place between the time when the need for the Training Guarantee was identified and the time of its suspension in mid-1994. From the beginning, it has been intended as a resource of broad application to assist policy development in all aspects of reforming the skills base of the Australian economy.

By contrast, this summary volume concentrates as far as possible on those findings that relate specifically to the impact of the Training Guarantee, the strengths and weaknesses of its design, and the processes through which it operated.

As a summary volume, this part presents conclusions rather than the evidence behind them. Data are cited only where they help to clarify a conclusion or explain its significance. For detailed findings of the surveys and qualitative research, and for an explanation of the basis on which these conclusions were reached, readers should refer to the main volume.

This report was finalised before the Government's decision to abolish the Training Guarantee, and does not reflect developments since that decision was taken.
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SUMMARY OF FINDINGS AND RECOMMENDATIONS

Achievements of the Training Guarantee

The Training Guarantee proved to be a reasonably effective program for the time at which it was introduced. It had a widespread impact in creating awareness of training as an issue in business strategy and legitimising its role within individual enterprises. For many employers it provided a useful opportunity to focus attention on the quality and appropriateness of their training strategies and devise more cost-effective approaches.

Over half the eligible employers believed it had been instrumental in increasing their training expenditure. It was particularly influential with medium-sized businesses (20-99 employees), among whom it contributed to a growth of 60% in average expenditure per employee, and 30% in average hours of training per employee, over the three years from its introduction. However, its influence on expenditure extended through all size categories.

It also had a positive influence on qualitative aspects of training. For example, enterprise training plans became much more common during the four years it was in effect, and over 40% of eligible employers believed it had led to improvements in their methods of training and the way they planned their training. These qualitative improvements were particularly marked for employers whose expenditure had increased as a result of the scheme.

Perhaps its most important contribution during the first three years was to protect the existing training activities of businesses from cost-cutting pressures induced by the recession. This helped to produce the unprecedented result that the overall training activity of Australian industry not only was maintained, but actually continued to grow, right through the 1990-93 recession.

From the Commonwealth's point of view it was a highly cost-effective program. So far as its net impact can be estimated, it appears to have generated somewhere between $20 and $100 of new industry investment in training for every Commonwealth dollar spent on it. The compliance costs for industry were higher than intended in some cases - particularly for firms which were already good trainers - but no evidence was found that they had any adverse impact on the economy or on the level of employment.

Unresolved problems

However, after four years there remained several important areas of industry where a training culture showed little sign of emerging. The Training Guarantee had been expected to show most benefit in problem areas such as these where there was no tradition of training. In practice, it proved least effective in such cases.

These problem areas - which include large parts of the retail, transport, hospitality, food processing and personal service industries - are still a matter of concern for policy because of their contribution to employment growth. Both over the last decade, and in particular since the end of the recession, employment growth has been strongly concentrated in low-training industries and in occupations
that recorded either little growth or a decrease in access to training over the period covered by this evaluation.

In particular, a problem remains with small businesses, especially those which were too small to be covered by the Training Guarantee. In this category - in strong contrast to those above the Training Guarantee threshold - training activity fell over the three years from 1990. Even above the threshold, training activity by 1993 was markedly lower for organisations with fewer than 15 employees than for those with 15-20 employees.

The Training Guarantee was also ineffective (at least in the aggregate) in improving access to training for disadvantaged groups in the workforce. Most of these groups fared worse in 1993 than they had in 1989, partly as a result of the recession and increasing workforce segmentation. While it was never a formal objective of the Training Guarantee to address inequities in access, the evidence from this evaluation shows clearly that alternative means would be needed to achieve better equity outcomes.

**Future policy options**

The findings of this evaluation suggest that there are three main features of the Training Guarantee which limit its effectiveness as a response to the shortcomings that remain in industry's training effort:

i. *its generic nature*: the needs for reform that remain are much better defined than in the 1980s, and are probably better addressed by policies targeting particular industries or specific impediments to reform;

ii. *its focus on changing the behaviour of individual firms*: the evidence indicates that a firm's immediate trading environment is crucial in providing both the incentive and the support for adopting a training culture. Reform is more likely to occur if governments ensure that the right balance of incentives exists at the industry or regional level, rather than intervening directly in an attempt to change the behaviour of individual firms in isolation from their context;

iii. *its emphasis on training as an input*: the qualitative research points strongly to the conclusion that the critical factor determining whether a firm develops a training culture is not the amount of formal training it conducts, but its organisational capacity to exploit and encourage higher skills at all levels of the workforce.

This review provides the opportunity to consider a new approach to the encouragement of enterprise-based training, which would complement the widespread reforms to entry-level training introduced since the Training Guarantee was suspended. Elements of this new approach could include:

- a greater emphasis on recurrent training of the currently employed workforce;
- a focus on the industry or region rather than the individual employer;
- further government action to overcome the information problems faced by employers (especially small businesses) who are new to training;
- giving primacy to changes in organisational culture;
- creating market-driven incentives for enterprises to develop their skills base;
- more attention to questions of work-based and organisational learning, as opposed to an exclusive focus on structured training; and
- strategies to encourage lifelong learning.

Generic incentives (e.g. encouraging the wider adoption of Quality Assurance certification) could have a part to play in this new approach. However, much of it would need to be built on further research identifying:

- the precise areas of industry where change is still needed (and unlikely to come about as a result of present incentives);
- the specific impediments to change in each area; and
- the most cost-effective policy options to remedy them in each case.
1. THE PROGRAM


The legislation remains in force, but employers' obligations under the program have been suspended for two years from 1 July 1994 by the *Training Guarantee (Suspension) Act* 1994. The outgoing Government indicated its willingness to discontinue the program permanently, subject to the takeup by industry of training positions funded under the White Paper *Working Nation*.

The Training Guarantee required all employers above the payroll threshold (with limited exemptions for charitable institutions, foreign missions, etc.) to spend a minimum percentage of payroll in each financial year on eligible training. The minimum expenditure was set at 1%, rising to 1.5% from 1992-93 onwards. The payroll threshold was set initially at $200,000, indexed to annual movements of average weekly earnings. This was equivalent to roughly 8-10 employees.

The definition of eligible expenditure was very broad and included not only staff training but customer training, development of training strategies, acquisition or construction of training facilities, and donations to educational establishments. The cost of wages paid to attendees was also included. To be eligible, training had to be employment-related, "structured" (i.e., essentially, have defined aims and outcomes) and approved or developed by a person with specified minimum qualifications (short train-the-trainer course or three years' experience in training).

Employers who did not reach the minimum expenditure requirement were required to lodge a shortfall statement by 30 September in the following year and pay the shortfall to the Australian Taxation Office (ATO). The scheme operated on a self-assessment basis, with employers required to keep documentation of as much of their eligible training expenditure as is required to meet the minimum obligation under the Act, and to supply it to the ATO on request. The ATO carried out a program of field and desk audits to monitor compliance.
2. WHY THE TRAINING GUARANTEE WAS INTRODUCED

In the late 1980s the Hawke Government introduced a new package of reforms to address a rapidly changing need for skills in industry. This was seen as a vital element in facing the challenges created by a new competitive environment.

For most of the four postwar decades, industry's requirements for formal skills had been fairly circumscribed and mainly structured around recognised trades, professions and para-professions. Labour markets were rigidly segmented by skill level, with few avenues of formal progression between levels. The majority of the workforce had always been able to remain more or less constantly employed through to retirement age without ever acquiring formal qualifications. The relatively protected nature of the Australian economy - resulting from a combination of policy-induced and natural barriers - made it possible for large sections of business and industry to remain viable at levels of productivity and value added that were low by the standards of advanced countries, while still maintaining continuity of employment and a reasonable standard of living for their employees.

From the mid-1980s onwards, this picture was progressively - and in many cases rapidly - transformed. To begin with, the trade barriers began to dissolve, both as a result of conscious policy, and because of the falling costs of transport and communications. This effect was amplified by the simultaneous growth of affluence and advanced industrial capability in many of the countries in Australia's region, whose markets (on both the factor and the output side) had hitherto been sharply differentiated from Australia's domestic market. The combined impact of these developments meant that much of Australian industry moved from a relatively sheltered to a highly trade-exposed environment with little time to adjust.

The effects of this trade-exposure were felt in rapid structural adjustment and decreasing security of employment. It became clear, both that future employment prospects would be limited for workers without formal skills, and that industry needed a conscious change of strategy to survive in world and regional markets where much of its traditional comparative advantage had evaporated along with its protection.

The approach most favoured was variously described as "post-Fordism", "flexible specialisation" and "the high-skill equilibrium". It was based on the premise that the only way of maintaining high living standards in a small open economy was to concentrate on producing quality goods and services with high value added, target them precisely to differentiated or niche markets where economies of scale provided no advantage, and provide a fast, flexible response to the evolving needs of individual consumers or groups of consumers. Productivity, while not fundamental to competitiveness in this model, nevertheless needed to be improved because Australia would face increasing competition in these new markets from other countries (including its newly industrialised neighbours) which had chosen to follow the same competitive strategy.

This model imposed very different demands from the older mass-production paradigm, which primarily valued economies of scale, a high degree of standardisation in the output, and a production process (including a workforce) capable of performing standardised functions quickly, economically and with high levels of reliability. To achieve the kind of quality and responsiveness
necessary for survival in the new environment, a firm needed to involve all its employees much more closely, shorten its lines of command, share expertise as widely as possible through the production process, and build continuous improvement - in essence, a devolution of organisational and process design decisions - into all aspects of its operations.

This in turn demanded that employees at all levels knew what they were doing - and knew enough about what they were doing to be able to conceive alternative ways of doing it. It was no longer sufficient for a firm's expertise to be concentrated in a handful of professionals and tradespeople, while the majority of employees learned on an ad-hoc basis (nearly always on the job) only what they immediately needed to do the job in hand. Structured training had begun to emerge as a requirement for a much higher proportion of the workforce than ever before.

In many ways Australia was not well placed to make the transition. To begin with, the training infrastructure (nearly all of it government-funded) was not set up to provide either the volume or the range of skills needed. Secondly, the wage structure provided few incentives for the progressive acquisition of formal skills, and the production processes and authority structures of most enterprises were not designed to benefit from it. Finally, as a legacy of the decades of protectionism, most employers had come to expect that whatever formal skills they needed would be provided for them, either by governments or by the recruits themselves; they had little concept either of defining their own specific skill requirements, or of contributing to their provision.

The three impediments complemented and reinforced one another. To break out of the cycle, the Government determined on a three-part strategy.

The first element of the response lay in upgrading the output and responsiveness of the training system, shifting the emphasis from providing standard qualifications by standard delivery methods to providing industry with what it actually needed. This element, known as the Training Reform Agenda (a term which was often also applied to the strategy as whole), included a shift to competency-based training, arrangements for the national co-ordination of TAFE, and encouragement of the private training sector to expand its activity and compete with TAFE in a comprehensive training market.

The second part of the strategy involved industrial relations and workplace reform to reward skill acquisition, provide skill-based career paths and improve the utilisation of skills in the workplace. This was mainly to be achieved through award restructuring, and subsequently through enterprise bargaining.

The third element, without which the others could not work, was to increase industry's involvement, both in setting the agenda, and in funding the process. Because of the magnitude of the cultural change involved, and the limited opportunities for government to influence the process, this was perhaps the most challenging of the three elements. But given the need to increase the supply of skills without a major increase in government outlays, and in particular given the central premise that industry must drive the change process, it was also arguably the most vital.

The solution originally envisaged was to set up one or a series of common industry training funds, financed by a compulsory levy. This approach, which has been tried with varying success in several countries (including the UK in the 1960s) was first recommended by the ACTU in its Australia Reconstructed report. However, a number of significant objections were made to this approach,
including administrative cost and complexity, the risk of penalising those employers who were already active trainers, and the difficulty of defining who belonged to which industry. Above all it was clear that industry itself was unhappy with this approach.

The Government chose instead a model which had been implemented with considerable success in France. This involved what was called an "internal levy": an obligation on businesses to spend a minimum proportion of their payroll on training their employees, but with only minimal prescription of the kinds of activity they should undertake.

The French scheme could not be transferred to Australia without considerable modification. For a start, French employers at the time of its introduction in 1971 were familiar with the concept of a training tax (since it built on an apprenticeship tax which had existed since pre-war times) and prepared to comply with reporting requirements far more detailed than would have been acceptable to Australian industry. Secondly, the division of Commonwealth and State powers made it difficult for an Australian government to enforce such a scheme. Thirdly, the French scheme depended for much of its effectiveness on a far more highly developed training infrastructure, and on a range of tripartite and industry-based common funds such as most Australian employers had already declared their unwillingness to countenance.

What emerged from the consultation process was simpler and even less prescriptive than the French scheme - partly to minimise the resistance of industry, and partly because of the Commonwealth's limited powers to administer a regulatory scheme of this nature. The Government originally wanted the States to administer it, but when they proved unwilling, it chose to enforce it through the Taxation Power, under the administration of the ATO.

One important aspect of this simplification was that the Training Guarantee was made uniform in its requirements and universal in its coverage - contrary to the original intention that different requirements should apply to different industries according to their needs. The only important exemption applied to very small organisations. There was considerable disagreement on whether small businesses should be excluded, but eventually it was decided that they should be, at least in the beginning, because of the acknowledged lack of any suitable training infrastructure. The threshold was set approximately at that of the French scheme - ten employees - but expressed in payroll terms to avoid confusion where casual and part-time employees were concerned. This exemption was to be reviewed when the scheme was evaluated after the first four years.
3. CHARACTERISTICS OF THE SCHEME

The achievements of the Training Guarantee need to be assessed in the light of what it was designed to do. The following features explain how it differed from other schemes with comparable aims, and help to define the limits to what it could reasonably have been expected to achieve.

i. *it was always meant as only one part of an interconnected package of measures.* Award restructuring and the national Training Reform Agenda demanded something like the Training Guarantee to be fully effective; conversely, its success was largely conditional on the progress of the other elements of the package;

ii. *it was intended mainly to affect employers who did little or no training.* Its purpose, as declared by the Minister, was to "lift the tail", and it was not expected to have a significant impact (positive or negative) on organisations which already trained or had other reasons to train;

iii. *it was concerned with recurrent rather than entry-level training.* It was part of a different agenda from the process of entry-level training reform which culminated in the initiatives in *Working Nation*;

iv. *it located all decision-making at the level of the individual enterprise.* The scheme depended centrally on individual employers learning by doing. Compared to similar schemes overseas, this is arguably the most distinctive feature of the Training Guarantee;

v. *the design of the Training Guarantee was biased towards flexibility, simplicity and acceptability to business.* This entailed a number of compromises on the original proposal. In particular, it meant the sacrifice of:

- distinct measures or targets for different industries;
- targeting to strategic or problem areas;
- administration of the scheme by an expert or representative body;
- industry-wide approaches (although these could still be accommodated within the guidelines where an industry took the initiative);
- structural provision for input from employees into industry's training decisions; and
- equity and access provisions (although the Government did undertake to investigate the equity effects in the context of the present review).
4. IMPACT ON TRAINING ACTIVITY

Employers were asked in the 1994 ABS Training Practices Survey for their impressions of how the Training Guarantee had affected their training activity over the nearly four years since its introduction, and also over the 12 months to the date of the survey. The response showed an unexpectedly positive and widespread effect.

Over half the eligible employers surveyed (57%) said that their training expenditure had increased over the four years as a result of the Training Guarantee, with 20% reporting a large increase. Nearly half (49%) believed it had led to an increase in the amount of training they undertook. By contrast, only 1% of eligible employers claimed that their expenditure had decreased because of it.

Although subjective, these figures appear to be confirmed by comparison between those employers who were covered by the scheme and those who fell below the threshold. For the latter group, average training expenditure fell by 11% between the 1990 and 1993 ABS Training Expenditure Surveys. For all employers above the threshold, average expenditure grew by 15%. Comparing the two sets of employers whose payrolls fell within $50,000 on either side of the threshold, average expenditure per employee in the group just below the threshold grew by 44%, while in the group just above, it rose by 130%.

This change must be seen in the context of an overall growth in training activity over the three years. Between the two surveys, total quarterly expenditure on training grew by nearly 18% (unadjusted for inflation), or by 11.5% relative to payroll (from 2.6% to 2.9%). The findings of several independent studies in 1991 and 1992 suggest strongly that this growth in activity continued right through the deepest part of the recession, and was not simply an effect of the recovery.

Disaggregating this growth by enterprise size (Fig. 1), the impact of the Training Guarantee becomes clearer. On the most reliable measure, training effort (hours of training per employee), only two groups recorded a reduction: those organisations with fewer than ten employees, most of whom fell below the threshold; and those with more than 100, most of whom were already spending so much on training in 1990 that the Training Guarantee should theoretically have had no effect on their actual spending. Among the latter group, moreover, average and total expenditure both increased. The fall in training effort in this group was concentrated among very large employers (with a workforce of 1,000 or more), mainly in the public sector.

In other words, those employers least likely to be affected by the Training Guarantee were most likely to behave as the experience of past recessions would suggest, by cutting their expenditure. Those whose behaviour was most likely to be changed by the scheme behaved contrary to expectations by maintaining or increasing their expenditure.

Obviously the truth is more complex. For one thing, the averages conceal large variations in the level of activity within each broad category, and the growth trend appears to have been anything but uniform. This is clear when the results are disaggregated by State and industry, as discussed below. For another, the averages reflect the influence of many other factors besides the Training Guarantee, notably the differing fortunes of different industries and regions over the four years. With all these
reservations, however, the evidence remains compelling that the impact of the Training Guarantee on training expenditure was more than just a widely shared subjective impression.

**Fig. 1**

![Average training hours per employee](image)

**How strong was the effect?**

The disaggregated figures for small business (defined as all organisations with fewer than twenty employees) provide some indication of the magnitude of the effect of the Training Guarantee. As already noted, activity fell sharply in the group with fewer than ten employees (a drop that was even more pronounced for those with fewer than five). For those in the 15-20 group, there was a remarkable rise in activity. The reasons for this jump in activity are not clear, but there is no reason to attribute it wholly to the Training Guarantee. By contrast, the more modest growth in the 10-14 group is probably a better indication of the net effect of the Training Guarantee, given that training effort in this group was virtually the same as for the 1-9 group (most of whom fell below the payroll threshold) at the time the scheme came into force.

Aggregate training expenditure by employers grew by 35% between 1989 (the year before the Training Guarantee came into effect) and 1993. The total figure for the survey quarter was $785 million in 1989 and $1,064 million in 1993. Expressed in constant 1993 values, this represents an estimated increase of $710 million for the full year.

Looking solely at the private sector (where the impact of the Training Guarantee was expected to be concentrated), the increase over this period amounted to 55%, from $398 million in 1989 to $616 million in 1993. This translates into an estimated increase over the full year of $670 million in 1993 values.
It is, of course, impossible to determine what proportion of this increase resulted from the Training Guarantee. To complicate the issue further, allowance must be made for the fact that without the Training Guarantee, expenditure might well have fallen in some groups: for example, had the fall that occurred in the 1-9 group been repeated in the 10-14 group, the latter group alone would have been spending $27 million less in 1993-94.

In these circumstances, the best estimate that can be achieved is an order-of-magnitude calculation. The most convenient basis for this calculation is to derive it from the training expenditure in 1993 of those employers who reported that their expenditure had increased over the four years as a result of the Training Guarantee. Assuming that those who reported a large increase were spending on average only 5% more than they would otherwise have done, and those who recorded a small increase only 1% more, this would still mean a net addition of $33 million to total training expenditure over the full year 1993-94. Taking more optimistic but still conservative estimates of 20% and 5% respectively for the difference in spending in each group attributable to the Training Guarantee, the net contribution over the year would amount to some $160 million. This excludes its possibly significant contribution in the case of employers whose expenditure did not change, but might have fallen without the Training Guarantee.

Given that the annual administration costs of the scheme over the four years averaged $1.6 million, this represents a return in new investment of between $20 and $100 for every dollar of Commonwealth funds expended. While these figures clearly cannot be seen as anything more than impressionistic, they at least indicate that the scheme achieved a satisfactory payoff ratio, in simple dollar terms, so far as the Commonwealth was concerned.

Where was the effect felt?

The positive impact appears to have been concentrated, as expected, among relatively low spenders. Average expenditure in 1993 for those employers who cited a large increase as the result of the Training Guarantee was 2.45% of payroll, while for those who cited a small increase, it averaged 2.75%. By comparison, the overall average was 2.6% for the private sector, 2.9% for all employers, and 3.1% for all employers above the Training Guarantee threshold.

Fig. 2

<table>
<thead>
<tr>
<th>Positive impact of TG by enterprise size</th>
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<tbody>
<tr>
<td><img src="chart.png" alt="Chart showing positive impact of TG by enterprise size" /></td>
</tr>
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</table>

- Large increase
- Small increase

1-19 employees
20-99 employees
100 or more employees
In terms of firm size, Fig. 2 (which looks only at eligible employers) shows that the effect was much more widely distributed than might have been expected. Large firms (over 100 employees) were more likely overall than small ones (under 20) to attribute an increase in training to the Training Guarantee. Large firms were also significantly more likely than small ones (22% as against 16%) to report large increases in expenditure as a consequence of the scheme.

As with the figures for overall training expenditure, the outstanding feature is the prominence of medium-sized organisations (20-99 employees). Over 63% of these reported increases in their expenditure since 1990 as a result of the Training Guarantee, and 23% reported large increases. By 1994, nearly 40% of them still cited it as a factor that increased their training expenditure in the last year - over half as great again as the overall average. While the increase in training activity by organisations in this size range cannot yet be adequately explained, it is clear that the Training Guarantee contributed significantly - to the extent where this can confidently be regarded as its area of greatest success.

**Fig. 3**

*Change in training expenditure 1990-1993 compared with reported positive impact of Training Guarantee, 1990-1994, by industry*
At the industry level, on the other hand, the data follow no clear pattern. The ten industries with the lowest average training effort include those which reported both the highest and the lowest incidence of positive impacts of the Training Guarantee over the four years (respectively textiles, clothing & footwear, at 77%, and food processing, at 20%). For the five best training industries, the reported positive impact is eight percentage points higher than for the five worst trainers. Furthermore, of the five industries with the highest reported incidence of positive impacts, three actually trained less on average in 1993 than in 1990.

When disaggregated by State, the figures show even less pattern. The reported positive effect over the four years (Fig. 5) ranges from 58% of employers in the ACT to 28% in Tasmania and WA.

Fig. 4

Training expenditure by State, 1990 and 1993
(% gross wages and salaries)

Fig. 5

Reported impact of Training Guarantee, 1990-94, by State
(% of employers in State)

There is little correlation with actual levels of training expenditure, either before or after the Training Guarantee came into force, and none whatever with movements in average expenditure
over the period 1990-93 (Fig. 4). To quote the most striking example, Queensland reported the second highest incidence of positive effects (52%), but its ranking on expenditure fell between 1990 and 1993 from equal fifth to last.

Both these results can be explained by the varying experiences of firms within the same State or industry. For example, in a given industry, a large number of firms which did little or no training before 1990 could have increased their training effort since then as a result of the Training Guarantee. Yet these combined increases, though very substantial from the viewpoint of the firms which made them, could have been more than offset by a fall in activity on the part of two or three previously very active trainers, leading to a fall in expenditure in the industry as a whole. This would be likely to occur in industries with an oligopoly core/competitive fringe structure (e.g. telecommunications), or in States where a large proportion of training activity before 1990 came from one or two industries which suffered a particularly adverse impact from the recession or structural adjustment.

Together these data suggest an uneven effect, with none of the intuitively obvious predictors emerging as statistically significant. Qualitative research - both from this evaluation and from elsewhere - suggests that even within categories where clear overall effects were visible, the impact varied widely from firm to firm. Given the individualistic basis on which the scheme operated, this finding is probably less surprising than it might have been in a more structured environment.

In addition, the positive overall impression conceals a number of areas where the Training Guarantee appears to have had little if any real effect. The general impression that emerges from both quantitative and qualitative evidence is that those employers, and those industries, that trained least in 1990 were little further advanced after three years of the Training Guarantee, and that the scheme was making little or no positive difference for them. In some areas the position even seems to have been getting worse: for example, the proportion of employers in the 10-14 bracket who reported any training expenditure in the survey quarter actually fell from 50% in 1990 to 41% in 1993. As will be discussed presently, there is also evidence that by 1994 a growing proportion of eligible employers were simply ignoring the scheme and spending nothing on training.

**How did the effect occur?**

Both the surveys and the qualitative research showed that the Training Guarantee generally had least effect in circumstances where the industry climate was not conducive to training reform and the competitive environment provided few incentives for skill enhancement. Conversely, it was widely reported as a positive influence by employers who had other reasons to increase their training. Multivariate analysis of the survey results showed that the one significant predictor of a reported positive impact of the Training Guarantee over the last 12 months was that the organisation had undertaken "a significant change in business operations" over the same period.

Although paradoxical at first sight, this finding is consistent with the expectation of economists that any incentive program is most likely to be effective *at the margin* - i.e. where the disincentives to making the desired behavioural change do not significantly outweigh the other incentives to make it. (This principle applies just as much to incentives based on subsidies and tax concessions as to those, like the Training Guarantee, that work through the threat of sanctions.) Where the disincentives were substantial, it appears that many employers - over 1200 in the first year of the program - chose simply to pay the shortfall contribution rather than attempt to comply at all.
To put it more positively, the Training Guarantee worked best where it worked *synergistically* - i.e. as a reinforcement to other, market-driven incentives. An important element of this synergy was that the existence of a government-imposed minimum training requirement gave added legitimacy to existing training activities and encouraged top management to look seriously at training as an element of business strategy. In the 1994 ABS survey, 47% of eligible respondents (and 56% of large organisations) reported that the Training Guarantee had led to an improvement in the attitude of their management to training. This is important in view of the evidence from the case studies that even in quite large and sophisticated firms, training had often been regarded in the past as something outside the mainstream of management decisions.

One of the most important effects of this change in attitude was that training was largely protected from cost-cutting pressures brought about by the difficult business conditions of the early 1990s. This was widely reported even in organisations that could have substantially cut their training expenditure without falling below the minimum obligation. It was widely regarded as one of the most significant outcomes of the scheme.

**How sustainable was the effect?**

By 1994, the Training Guarantee was declining in importance as an influence on training activity, but still played a valuable role. Around a quarter of all employers reporting any training (including those below the threshold) still cited it as one of the reasons for an increase in their expenditure over the last year. Of these, around half said it was the most important or only factor. It remained the third most commonly cited factor for private sector employers. On the other hand, only 6% gave it as their only reason for training. This suggests that much of the original impact of the scheme had already become self-sustaining.

However, among those employers whose behaviour had not yet been significantly affected, its influence was apparently declining. This is clear in the evidence (discussed in Section 6) that a significant minority of eligible firms were ceasing to comply, and that many marginal trainers believed they were "hitting the wall", i.e. running out of options to comply.

A final round of industry consultation was undertaken after the scheme was suspended, partly with a view to gaining some advance impression of the likely impact of its suspension. The common expectation among those who were consulted was that where a firm was already training actively, the suspension would generally make no difference (at least in the short term), but that those poor trainers who had only been complying in a marginal way would mostly view the suspension as a tax relief measure and stop training altogether. At this stage there is no firm evidence to assess the accuracy of these predictions.
5. IMPACT ON TRAINING PRACTICES

The effect of the Training Guarantee on the quality of training is less easily estimated (and, of course, less easily defined) than its impact on the quantity, but arguably more important. The picture on this count appears to be mixed in the same way as the impact on level of activity, with a significant minority of employers gaining no apparent benefit, but with the overall indications fairly positive.

So far as can be judged from the statistical evidence, the quality of training rose overall in the period the Training Guarantee was in effect. Moreover, employers who reported an increase in expenditure as a result of the scheme were between three and six times more likely than others to report a positive effect on qualitative indicators such as management attitudes, planning and staff consultation. This positive impact was relatively greater for those who attributed a large increase in their expenditure to the Training Guarantee.

After the amount of training and management attitudes, the third most commonly cited positive impact was on the planning of training. Almost 47% of eligible employers who did any training reported such an effect. Among large organisations, it was the most commonly cited at nearly 60% of respondents. This is confirmed by the qualitative research. Of those employers who had an enterprise training plan in 1994 (30% of all those who trained), 70% had adopted it since the Training Guarantee came into effect, though the survey data do not make it possible to establish a firm causal link.

Fig. 7

Reported impact of Training Guarantee on qualitative aspects of training (% of those employers above threshold who reported any training, by size)
Over 40% of eligible employers who did any training at all in 1994 reported an improvement in their training methods as a result of the Training Guarantee. This improvement appears to be reflected in the average cost per hour of training, which increased faster than CPI over the period 1990-93, with wages and fees for professional trainers accounting for the main element of growth. This might simply be the result of demand-induced price inflation, except that the evidence from the focus groups suggests that prices for contract training actually fell - at least temporarily, and in some fields - because of the increased number of competitors in the training industry. The growth in this element of cost probably derives, at least in part, from the fact that those employers who trained were more likely than in 1990 to be using professional trainers. Obvious indicators of "padding" such as meals, travel and accommodation also declined over the three years as a proportion of all training expenditure, though in many cases such "padding" would have been hidden in the course fees.

Among the least active trainers, however, the structuring requirements of the Training Guarantee were poorly understood and in many cases even acted as impediments to constructive compliance. For employers with little experience or understanding of training, they were arguably too flexible, as they gave little guidance on what was expected and were often interpreted as being far more restrictive than they were. Small businesses and employers in industries that lacked a training culture usually had little or no recourse to useful advice from the market or their own industries on how to turn the requirements to their best advantage (though the ATO and TAFE were generally able to provide such advice when it was sought). This confusion emerged as one of the main reasons for small businesses acquitting their obligation in ways that brought them little commercial benefit.

Although it was widely predicted that the Training Guarantee would lead to a simple replacement of on-the-job training by formal training with the same content (and many employers claimed to have complied in this way), the overall statistics do not bear this out. In fact, access to informal training, of a kind not eligible under the Training Guarantee, increased strongly over the period from 1989, while access to formal training fell in all occupational categories.

**Who received the training?**

The Training Guarantee was not designed as an equity program, and improving access for equity groups was not one of its stated objectives. However, the government specifically directed that this evaluation should examine its impact on training opportunities for women, migrants, low-skilled workers and other traditionally disadvantaged groups.

The outcome on this count was not very positive. Over the period between 1989 and 1993, the situation of these groups deteriorated, in some cases markedly. Only half as many labourers benefited from formal training in 1993 as in 1989, and migrants, young workers, employees in small workplaces, casual employees and highly mobile workers all suffered declines (relative and absolute) in access to employer-supported training. Women came out, on average, slightly better off, but this varied widely according to where and how they were employed. The only group that clearly improved its position was permanent part-time employees.

Overall, the data show that more money was spent to train fewer people than in 1990. Across all occupational groups, training went on average to higher-paid workers than in 1989. This is
consistent with a greater segmentation of the workforce, with employers concentrating their training expenditure on core workers whom they wanted to keep, but minimising their investment in the skills of peripheral and contingent employees.

Such a trend is to be expected in a recession, and might possibly be reversed as conditions improve. Moreover, a declining overall trend does not necessarily prove by itself that the Training Guarantee did not have some effect in offsetting it. Indeed, 36% of employers claimed that it had increased the amount of training they provided to lower-skilled workers. On the other hand, the fact that compliance was based on a simple expenditure figure, which included the wages cost of time spent attending training, provided an incentive to concentrate any additional training on highly paid workers. This seems to have been the case not only for marginal trainers, but even for firms with active training strategies.

One consequence of this distribution is that the Training Guarantee appears to have brought more benefits to recurrent than to entry-level training. Trade and apprenticeship training suffered a stronger decline between 1990 and 1993 than any other category. Apprentices and trainees remained very important to the training effort of small businesses, where the impact of the Training Guarantee was least felt. However, in the medium size range, where the Training Guarantee had its greatest success, there was virtually no difference in 1993 between the training effort of those organisations which employed apprentices and trainees and those which did not. By 1994, employers in all size categories were more likely (by about ten percentage points) to report "ongoing" than "initial" training.

This pattern reflects a number of factors besides the incentive effect mentioned above - chiefly the low level of recruitment by most employers over this period, the traditional decline in apprenticeship commencements during a recession, and the fact that structures for entry-level training were still in a transitional phase, with many of the then government's major reforms (e.g. the Australian Vocational Training System and the National Training Wage) yet to be implemented. It is also fully consistent with the original intention that the Training Guarantee should serve mainly as an incentive for recurrent training, while the entry level was to be addressed by more specific measures.

**Impact on training market**

There is little evidence that the private training industry responded creatively to the stimulus of the new demand created by the Training Guarantee. Large firms with established training strategies continued to rely heavily on private trainers, and generally expressed satisfaction with them. However, these customer relationships appear to have been mainly stable, long-term ones that went back several years and were not affected either way by the Training Guarantee. From those employers who were coming into the market for the first time, the overwhelming impression was that there had been a proliferation of poor-quality, opportunistic private training consultants whose offerings bore little relevance to employers' needs, and in some cases were so bad that they discredited the whole concept of training in the employer's mind. Some of the blame for the limited success of the Training Guarantee in the problem areas must rest with the private training industry for failing to measure up to the challenge.

The Training Guarantee put strong pressure on TAFE, and its response varied from State to State. In many cases, it seems to have redesigned its courses and developed new courses to meet the new
types of demand. However, many other forces for change were operating on TAFE over the same period, and it is difficult to disentangle the precise contribution of the Training Guarantee to changes in its strategy.

One kind of service in which TAFE found itself increasingly becoming involved as a direct result of the Training Guarantee was designing long-term skills development strategies for individual client firms, and packaging courses to fit these strategies. These relationships often began when employers approached TAFE with the intention of acquitting their obligation with a donation, because they could not think of any other way of spending the money.

It is surprising that the private training and consultancy sector seems to have done so little to exploit this new market opportunity. Had this kind of integrated service been more commonly available, or more widely known, the Training Guarantee might have been much more effective in the real problem areas. As it was, many employers admitted to having gained nothing from the scheme because they did not know where to begin. Many had no source of advice on training strategies except their accountants, some of whom treated compliance purely as an exercise in tax minimisation.

Industry associations could also have played a more active role in this regard. The peak employer bodies, as well as most industry and professional associations in those industries with an established training culture, provided comprehensive and useful guidance to their members, often supplemented by relevant training options designed to meet the requirements of the scheme. In the problem industries, individual employers were usually left on their own to work out what to do. Even when some found a way of working the requirements to their advantage, they usually had no mechanisms available for transmitting the insight to the rest of their industry - and often no inclination to do so. This lack of mechanisms to create shared learning within industry was the weakest link in the concept of the Training Guarantee.
6. COMPLIANCE ISSUES

Employer attitudes towards the Training Guarantee were initially more favourable than the impression presented by organised industry representatives. When the ATO conducted its first round of client research in April 1991, 69% of respondents considered it to be an "excellent" or "reasonable" idea. Only 21% expressed clearly negative attitudes. However, opinions grew steadily less favourable over the three years, with the proportion of positive responses falling as low as 42% in February 1994.

The compliance rate, as calculated by the ATO, remained well above 90% for the first three years. Because of the suspension of the scheme, no compliance audit was carried out for the fourth year. However, the ABS survey findings suggest that active compliance may have fallen off in that year. In the September quarter of 1993, 25% of eligible organisations reported no training expenditure; in the 10-14 group, the proportion reporting expenditure was substantially lower than in 1990. Moreover, 15% of all eligible employers (nearly all of them small businesses) claimed to have spent nothing on formal training over the full 12 months to February 1994.

A similar impression emerges from the pattern of voluntary shortfall contributions. In the first year, these amounted to $3 million from 1,219 employers. The number of employers submitting voluntary contributions declined sharply to 623 in 1991-92 (largely as a result of an ATO education campaign targeting those who had paid the shortfall in the first year), but rose again to 722 in the following year, reflecting the increase in the minimum expenditure requirement from 1% to 1.5%. The total amount of shortfall contributions was $1.5 million in 1992 and $2.26 million in 1993.

In 1993-94, employers had the option for the first time of holding over the unspent part of their obligation for acquittal in the next year, rather than paying a shortfall contribution. By the end of October 1994, $12.5 million in unmet obligations from 1600 employers was officially reported to the ATO as being held over in this way. This is in addition to slightly under $300,000 in voluntarily lodged shortfall contributions. In other words, the actual shortfall reported in that year amounted to nearly twice the total shortfall for the previous three years together. While this rise is probably due mainly to the introduction of the carryover provisions, it does provide some indication of the number of employers who, even after four years of the Training Guarantee, still found it difficult to identify suitable training options.

The great majority of these shortfalls were registered by smaller organisations with payrolls in the range $200,000-$500,000. Small employers also accounted for 75% of unmet obligations identified by the audit process in the first year. The industries which recorded the highest incidence of unmet obligations in 1991 were construction, finance & business services, wholesale & retail trade, and transport & storage. The latter two industries were still at the top of the list by 1993, along with manufacturing.

Burden of compliance

Almost three quarters of the survey respondents in 1994 reported that the Training Guarantee had led to an increase in the time required to maintain their training records, with around 65% reporting an increase in recording costs. Surprisingly, large employers (who might have been expected to
keep detailed records already) were more likely than either small or medium ones to report an increase in both areas.

In the 1994 round of ATO client research, 16% of employers estimated the total increase in documentation costs resulting from the Training Guarantee at more than 30%. Another 17% of the respondents reported no increase in costs since the introduction of the scheme. Of those whose costs had increased, three out of every five put the increase at 10% or less.

No convincing evidence was found to suggest that the compliance requirements were imposing a significant net economic burden on industry or acting as a disincentive to employment in their own right. The real impact of the compliance burden appears to have been on industry's perception of the Training Guarantee, and on the willingness of individual employers to accept its legitimacy and attempt to comply constructively.

Reasons given by employers for negative attitudes included:

- the paper burden;
- the irrelevance or insensitivity of the program to the circumstances of their particular business or industry;
- lack of precision in the guidelines on eligible expenditure;
- the fact that training was defined as eligible in terms of its documentation rather than its content;
- the phenomenon of "hitting the wall", i.e. employers who had met their obligations in the first two years by sending staff to generic stand-alone courses (occupational health and safety, train-the-trainer, etc.), but were running out of such options;
- the administration of the scheme by the ATO, causing employers to think of it as a tax; and
- the lack of a standard reporting form (which was eventually remedied in 1994).

"Rorts"

The practice of businesses "rorting" the scheme (i.e. running recreational activities for their executives with only the scantest veneer of training content, and claiming them as eligible expenditure) was less widespread than commonly believed. The ATO conducted 850 field audits over the first two years, and uncovered 60 cases where a claimed expenditure had to be ruled ineligible because of excessive recreational content. Only twelve of these resulted in the employer recording a shortfall for the year. This area was specifically targeted in the 1992-93 audit, but no evidence emerged that it was still a serious problem.

This could indicate that many of the "rorts" in the initial period were part of industry's learning process - e.g. instances where employers genuinely did not understand the allowable limits, and cases of employers "trying it on" to see just how much the ATO would let them get away with.
This section summarises the conclusions that can be drawn about the Training Guarantee with regard to each of the objectives set out in section 3 of the Training Guarantee (Administration) Act 1990.

Objective 1: the principal objects of this Act are to increase, and improve the quality of, the employment related skills of the Australian workforce so that it works more productively, flexibly and safely, thereby increasing the efficiency and competitiveness of Australian industry.

The Training Guarantee appears to have led to a significant increase in training expenditure that would not have occurred otherwise. It also produced widespread improvements in the management of training which would, at the very least, have taken longer to develop without it. Most of the secondary indicators listed in this objective showed an improvement over the four years it was in effect, and the identifiable impact of the Training Guarantee was generally consistent with that improvement. Given the relatively short time it was in effect, the other influences on training behaviour over that period, and the long lead-time normally required for changes in training culture to bed in and be reflected in the secondary indicators, it is difficult to be more conclusive on this criterion.

Objective 2: "improving the quality of employment related training provided by employers by encouraging the adoption of structured training..."

The evidence on structured training suggests a very mixed outcome. On the one hand, there has been a widespread, statistically documented and worthwhile increase in the use of formal training plans, training needs assessment, etc., accompanied by greater interest on the part of senior managers in the budgeting, evaluation and strategic aspects of training. This change was widely attributed to the Training Guarantee, but seems to have been confined mainly to employers who already trained in 1990. Among those who were starting from scratch, the structuring requirements were in general poorly understood and often became barriers to useful compliance.

Objective 3: "encouraging further employer investment in employment related training..."

On this point the achievement of the Training Guarantee is unambiguous. Over half the employers covered by the scheme said that it had led to an increase in their training expenditure since 1990, with just under 20% reporting that it had led to a large increase. For almost half the eligible employers, the actual amount of training they did had increased as a result of it.

Objective 4: "ensuring a more equitable distribution of employment related training among employers..."

If "more equitable" is read as meaning that less poaching should occur, then this objective was probably not very relevant to the labour market over most of the period the Training Guarantee was in effect, since most kinds of skilled labour were in oversupply during that time. Analysis of the 1993-94 data showed little evidence that poaching was common at that point. If "more equitable" simply implies a more even distribution of training expenditure, then the scheme appears to have
been at least partly successful - albeit in combination with other factors. The share borne by small and medium enterprises grew significantly over the period, and a significant proportion of this change appears to be directly attributable to the scheme. In addition, the private sector share grew from 55.6% to 59.6%, a growth roughly double that which occurred in its share of all employment. On the other hand, the distribution of training effort between industries did not change significantly - either because of the Training Guarantee, or from any other cause.

Objective 5: "accelerating change in industry perceptions of the value of employment related training."

The strongest impact of the Training Guarantee lay in increasing awareness of training issues among senior managers, and giving added legitimacy to the training activities that were already in place or under development. The survey evidence indicates that it had a positive effect on the attitudes of nearly half of all eligible businesses. On the other hand, the reaction of owners and managers seems to have been somewhat polarised, and there is evidence (especially among small business) that the scheme has actually discredited the concept of training in some of the problem areas where it has been badly or unsuccessfully applied. Much of this negative effect seems to have been due to a lack of advice, or to low-quality or irrelevant external training options.

Objective 6: "It is the intention of Parliament that this Act should be implemented in a manner that, as far as is consistent with the achievement of its objects, minimises the administrative burden on employers."

The Training Guarantee was not completely successful on this count. On the one hand, the apparent simplicity of its reporting requirements proved illusory in many instances, even for firms which trained well and had systems in place for recording their training. On the other hand, the lack of clarity in the guidelines and reporting requirements undermined both the effectiveness and the reputation of the program. Although both the actual compliance burden and the ease with which the scheme could be "rorted" were greatly overestimated in the public mind, there is no doubt that its design contributed to these damaging misapprehensions, and that clearer and more stringent guidelines might have actually improved its chances of acceptance by many parts of industry.

Was the scheme worthwhile?

Given its low administration costs, the Training Guarantee has proved a worthwhile investment overall. Its worth was due in large part, paradoxically, to the unanticipated depth of the downturn in the economy after it was introduced, as it was instrumental in offsetting the kind of cost-cutting pressures that have made training one of the first casualties of past recessions. Whether the scheme would have been so useful in an environment of continuing growth is uncertain.

In some important respects it has fallen short of the hopes originally held for it. In particular, it has had only a minimal impact on those areas of industry which do least training, and it did not reverse a continuing deterioration in the position of those groups in the workforce who have traditionally been most disadvantaged in their access to training and development opportunities. On both counts, it would probably have performed better if there had been more explicit guidelines and better support mechanisms. However, these would have added considerably to the cost, complexity and obtrusiveness of the scheme, and it is likely that even had they existed, alternative means would eventually have been needed to address the remaining stubborn problem areas.
8. THE PROBLEM AREAS

The Training Guarantee, by forcing the pace of training reform in parts of industry where it might not have occurred spontaneously, has shed useful light on the real obstacles to the process. What appeared in 1988 as a diffuse resistance to change can now be understood as a finite list of problem industries, or environmental impediments, which are capable of being addressed individually.

Chapter 8 of the main report concentrates in detail on the structural and environmental factors that are most important in holding back reform. Very briefly, the three main circumstances where change was least likely to succeed can be summed up as follows:

- where an industry or an occupation lacked significant internal or occupational labour markets;
- where there were no co-operative institutions or mechanisms to develop and share learning within an industry on the benefits of reform and successful reform strategies (this includes areas where the market failed as a transmitter of innovation); and
- where the pressures for change on an organisation were so intense, and occurred so rapidly, that it was not able to react strategically.

It should be noted that the effect of these structural impediments does not seem to have been confined to the Training Guarantee. For purposes of comparison, an analysis of NSW and Commonwealth enterprise agreements was undertaken during the reference period for the Training Practices Survey, and revealed patterns of success and failure very similar to those for the Training Guarantee.

At the end of four years, there remained a number of significant areas where neither the Training Guarantee nor the other influences for change had resulted in any significant progress towards the development of a training culture. In many of these areas, indeed, less formal training went on in 1993 than was recorded at the time the Training Guarantee was introduced. The most important of these are listed below.

*Industries:*
- wholesale & retail
- storage
- road transport
- personal services
- private health
- food processing
- entertainment & recreation
- hospitality
- construction

*Enterprise types:*
- businesses with fewer than ten employees
- independent businesses located outside major population centres

*Employee categories:*
- labourers and plant operators
- sales employees
- casual workers
- women in traditionally female industries
Many of these categories must be regarded as strategically significant because they are areas of strong employment growth. Around a quarter of all Australian employment now takes place in firms with fewer than ten employees, and the proportion is predicted to grow. Both over the last full business cycle to 1994, and in the first 18 months of the current recovery, much of the increase in employment was concentrated in industries (hospitality, retail, recreational & personal services) and occupations (sales, plant and machine operators) where average training effort fell or remained consistently low over the reference period of this evaluation. By contrast, employment in some high-training areas (mining, communication, trades and para-professionals) appears to be in decline.

In the light of this knowledge, it is now possible to redefine the problem which the Training Guarantee was designed to address. This then raises the issue of whether it is still the most appropriate remedy.
9. THE NEXT STEPS

The Training Guarantee was suspended at the same time as Working Nation came into effect, and the research for this evaluation was completed before the impact of any of the new Working Nation programs had been felt. Once the current evaluation of these programs is completed, it will become clearer how they have affected the problems identified in this report, and whether any new measures might be needed to replace or supplement them.

However, the Training Guarantee evaluation has identified a number of important areas of the economy where a low-skill equilibrium survives and has proved (at least up to the point when the research was completed) almost entirely resistant to reform. These areas remain a matter of concern to policy because of their contribution to employment growth since the end of the recession. If they do not adapt better to a changing world competitive environment, many of the important gains in employment since 1993 may be in danger of being reversed. It is important that governments continue to monitor developments in these areas, as there may be a legitimate need for further interventions if change does not occur.

Given the strong policy emphasis on entry-level training in recent years, it is arguably time to review the needs for policy on recurrent training - i.e. upgrading the skills of the currently employed workforce. This would help to ensure that the momentum of better training at the point of entry is sustained in a process of development and maintenance of skills that continues throughout the employee's working life.

Some of this (especially the latter) is likely to flow naturally out of better entry-level training. Research for this evaluation has shown that much of the initial resistance to training, at least on the part of employees, is overcome once they have some experience of worthwhile training. In addition, the growth of infrastructure and procedures to support entry-level training should contribute to the development of a training culture at other levels in the workforce.

But the further the focus moves beyond the entry level, the more it will probably need to move from training in isolation to the broader question of organisational learning. This would be consistent with the trend in human resources policy in leading-edge organisations, where it has come to be recognised that learning is not something discrete from production and confined to the training room, but a process that involves all aspects of the organisation, flowing out of the way it works and influencing the capability and adaptability of the organisation as a whole. The case studies undertaken for this evaluation have shown clearly that the most important factor influencing the success of training reform in individual enterprises is not their training provision as such, but the ability of the enterprise to embrace, encourage and generate skill enhancement and turn it into a source of strategic advantage. Future policies may need to focus on the whole organisation, as opposed to incentives specifically for training.

An example of this holistic approach which is common already is the Quality Assurance (QA) movement. QA provides a generic incentive very similar in its effect to the Training Guarantee, but with the advantage that industry is involved in the standard-setting process and feels ownership of the processes and outcomes. Where it has been applied so far, QA has been highly effective in

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generating increased training activity. It was the second most frequently cited reason for increases in expenditure in the year to February 1994, slightly ahead of the Training Guarantee.

Indeed, it is possible that governments could now achieve much the same results as the Training Guarantee, less obtrusively, by encouraging the wider adoption of QA in areas of industry where it has yet to be commonly adopted. One way this could be achieved is through the purchasing power of government, by giving preference to suppliers with QA certification. This has already been done with great success by both Commonwealth and State agencies for many classes of equipment purchase.

However, a generic solution is probably no longer appropriate - and certainly not the whole answer - to these remaining problem areas. Even within industries and enterprise categories, there appears to be little consistency in training behaviour. A single solution is no longer likely to work, especially in areas where the problems have persisted even under the stimulus of the Training Guarantee. It seems more appropriate at this stage for any future interventions to be targeted, either at specific impediments to training reform, or at the specific combinations of factors that hinder its progress in individual industries, regions or enterprise types. Further research is needed to identify these crucial impediments and the most appropriate form of intervention to remedy them.

Two common failings emerge from this evaluation as particularly important in the problem areas. The first is a lack of immediate commercial incentives to train. The second is the absence of co-operative mechanisms to permit firms in an industry or region to share their resources and their experience on the benefits of training and the best options for going about it. Adopting a training culture demands a significant change in the way enterprises go about their business. It appears unlikely that an individual firm (especially a small business) will be either motivated or able to make the necessary shift unless other firms in its immediate trading environment are engaged in the same change process.

Information problems also emerged from the research as important barriers to reform. In most of the areas where little progress has been made, individual firms lack sufficient information or relevant role models to know where to begin; and where an individual firm has found an effective strategy, there are few if any effective mechanisms to communicate it to other firms which face similar obstacles. One of the information gaps widely identified by small businesses was a strong need for better consumer information on training providers, possibly (but not necessarily) through new forms of accreditation.

Together, these factors suggest that the Training Guarantee's emphasis on changing the behaviour of the individual firm is no longer appropriate. The focus of future policies might better be directed to the firm's environment - and more particularly, its immediate trading environment, which seems to be the most important source of both competitive pressures and co-operative support mechanisms for change. Such policies would need a tighter focus on the individual region or industry - often at a highly localised level. This presents a further argument for targeting future interventions to those areas where they are demonstrably needed.

This shift in emphasis coincides with the point raised earlier about the need to move beyond considerations of training in isolation. The Training Guarantee was a direct, individualistic, input-focussed approach. It probably achieved as much as such approaches can reasonably be expected
The challenges that remain demand more sophisticated, contextual solutions that address the broader pattern of incentives.

**A new strategic focus**

The findings of this evaluation show that the strategic challenges facing the Commonwealth in training policy have changed, or in some cases become more clearly defined, since the Training Guarantee was introduced. A new set of issues is likely to become prominent as Australia moves into the 21st century, and training policy will need to shift its focus to meet these evolving challenges.

The features of a new strategic model might include:

- a greater emphasis on recurrent training of the currently employed workforce;
- a focus on the industry or region rather than the individual employer;
- further government action to overcome the information problems faced by employers (especially small businesses) who are new to training;
- giving primacy to changes in organisational culture;
- creating market-driven incentives for enterprises to develop their skills base;
- more attention to questions of work-based and organisational learning, as opposed to an exclusive focus on structured training; and
- strategies to encourage lifelong learning.

**Conclusion**

In all the circumstances, it is not clear that any useful purpose would be served by reactivating the Training Guarantee at the end of its suspension. Although it made an important difference over the four years it operated, most of the good it was capable of achieving has probably been done already. To be any more effective than before in the areas where it did not produce the needed changes in behaviour, it would need major redesign, including more effective enforcement measures to meet the non-compliance problem, and some remedy for the lack of co-operative support and information mechanisms which was such a critical factor in its failures.

This would involve a fundamental departure from the original concept of a minimally interventionist program designed to be simple and inexpensive to administer. In the process, it would probably lose much of its original cost-effectiveness. Without this advantage, it would offer no obvious benefits that could not be gained through the selective application of targeted interventions.
On balance, the Training Guarantee appears to have been an appropriate and reasonably effective program for its time. Partly as a result of its successes, the needs have changed since it was introduced, and different approaches are now called for.