

**The impact of the recent economic downturn on the training practices of British
small and medium-sized enterprises**

An empirical investigation of the Yorkshire and the Humber region

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Submitted in accordance with the requirements for the degree of Doctor of Philosophy

The University of Leeds

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March 2017

The candidate confirms that the work submitted is her own and that appropriate credit has been given where reference has been made to the work of others.

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Acknowledgements

First and foremost, I would like to thank my supervisors, Professor Mark Stuart and Professor Christopher Forde, for their constant support, encouragement and inspiration throughout my research. I would also like to express my gratitude to all those firms and individuals that took part in my research study. Most of all, I would like to thank my family. To Mum and Dad, my sister and brother, thank you for your love and support and for always being there for me. Finally, I would like to express a very special thanks to Eddie and Rory for their constant support and encouragement.

Abstract

This thesis investigates the impact of the recent economic downturn on the training practices of British small and medium-sized enterprises (SMEs). Extant research has paid only limited attention to the impact of the recent recession on training, while the training responses of SMEs to the economic crisis remains an unexplored area. Given the importance attached to the SME sector for the growth of the British economy along with the key role that skills play in addressing social and economic challenges, it is important to examine how, and indeed if, SMEs were impacted by the recession.

The study focused specifically on SMEs operating in the Yorkshire and the Humber region. The research was exploratory in nature and its ontological and epistemological stances were influenced by critical realism. The data were gathered through a multi-method approach that included a survey of local SMEs, semi-structured interviews with key informants from peak-level organisations and a qualitative investigation of small firms themselves.

The study found that the impact of the recent recession on the training practices of British SMEs was not universal. A key argument, therefore, is the need for a more fine-grained evaluation of the conventional wisdom that training provision is one of the first casualties of an economic downturn. The study revealed that the training investment within SMEs was largely dependent on a number of factors that can influence the extent and intensity of the effect of the recession. Specifically, it was found that the industrial sector that SMEs operate in can play a key role in levels of training investment during the recession, with firms operating in the construction, manufacturing, hospitality and the financial industry, being severely hit by the recent recession and, therefore, resulting in larger decreases in training expenses compared to other industries. The degree of formality that SMEs adopt towards training proved to be an additional factor, with SMEs adopting a less strategic approach towards training being more inclined to cutbacks in training during the recession and vice versa. The degree of formality towards training appeared to be related to the size of the firm, suggesting that small firms were less likely to adopt a formal training approach than medium-sized firms. Consequently, firm size was an additional factor that influenced SMEs' training provision. Furthermore, the supply chain seemed to affect the training investment within SMEs, suggesting that firms had to comply with their supply chain's training requirements (where it was applicable) irrespective of the general

economic climate. Within such a context of economic hardship, state support was found to be insufficient. Although a number of training policy initiatives had been introduced that were designed to assist SMEs and their skills development, they were inevitably focused on the supply-side of skills formation. Yet, there was a lack of focus by the state support on the actual skill needs of the SME sector, resulting in low levels of engagement of such establishments with the initiatives available. A key contention, therefore, is that state support for skills upgrading within SMEs needs to adopt a more sophisticated and integrated approach that fits with the specific skills needs and demands of SMEs themselves.

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Abbreviations

British Chambers of Commerce (BCC)
Chartered Institute of Personnel and Development (CIPD)
Confederation of British Industry (CBI)
Construction Industry Training Board (CITB)
Department for Business, Innovation and Skills (BIS)
Department for Communities and Local Growth (DCLG)
Department for Innovation, Universities and Skills (DIUS)
Economic and Social Research Council (ESRC)
Education and Learning Wales (ELWa)
Education Funding Agency (EFA)
Employer Ownership Pilot (EOP)
Engineering Construction Training Board (ECITB)
European Centre for the Development of Vocational Training (Cedefop)
European Commission (EC)
European Industrial Relations Observatory (EIRO)
European Network for Social and Economic Research (ENSR)
European Social Fund (ESF)
European Union (EU)
Gross Value Added (GVA)
High-Skill Ecosystem (HSE)
Human Resource Development (HRD)
Human Resource Management (HRM)
Individual Learning Account (ILA)
Industrial Training Board (ITB)
Industry Training Organisation (ITO)
International Monetary Fund (IMF)
Investors in People (IiP)
Jobs Seekers Allowance (JSA)
Labour Force Survey (LFS)
Learning and Skill Council (LSC)
Learning and Skills Council (LSC)
Local Enterprise Company (LEC)

Local Enterprise Partnership (LEP)
Manpower Services Commission (MSC)
Market Research Society (MRS)
National Employer Skills Survey (NESS)
National Training Organisation (NTO)
National Vocational Qualification (NVQ)
Office for National Statistics (ONS)
Organisation for Economic Co-operation and Development (OECD)
Regional Development Agency (RDA)
Research and Consultancy Specialists in Employment and Skills (CFE)
Science, Engineering and Manufacturing Alliance (SEMTA)
Sector Skills Council (SSC)
Sector Skills Development Agency (SSDA)
Skills Funding Agency (SFA)
Skills Support for the Workforce (SSW)
Small and medium-sized enterprises (SMEs)
South East England Development Agency (SEEDA)
Standard Industrial Classification (SIC)
Trades Union Congress (TUC)
Train to Gain (T2G)
Training and Enterprise Council (TEC)
UK Commission for Employment and Skills (UKCES)
Union Learning Fund (ULF)
Union Learning Representative (ULR)
Union of Construction, Allied Trades and Technicians (UCATT)
Union of Shop, Distributive and Allied Workers (USDAW)
United Kingdom (UK)
Vocational Education and Training (VET)
West Yorkshire Learning Providers (WYLP)
Workplace Employment Relations Study (WERS)
Young People's Learning Agency (YPLA)
Youth Opportunities Programme (YOP)

Chapter 1: Introduction

1.1 Foreword

This thesis explores the impact of the recent recession on the training and skills development practices of SMEs in Britain. The global economic crisis that took hold from 2008 has been characterised as the severest and sharpest recession since the 1930s (IMF, 2009). Amongst the advanced industrialised economies this financial crisis was intensely felt in the United Kingdom (UK). The initial economic downturn in the UK, which experienced a decline of seven per cent in output between the first quarter of 2008 and the end of 2009, was followed by an extended period of negative growth (ONS, 2012). This was partly because of a high level of dependence on the financial services sector -which was hit hard by the recession- as well as the high degree of household indebtedness (Smallbone et al., 2012). The timeframe of the present study coincides with the British economy recovering from recession, with the UK employment reaching a record high (74.5%) in the second quarter of 2016 (ONS, 2016a). Existing evidence suggests that investment in skills is a prerequisite for the UK economy to return to sustained growth and competitiveness (BIS, 2010a). Given the important role that skills play to the nation's economy, there is currently limited research on the effect of the recent economic downturn on training and skills development.

It is commonly assumed that training is one of the first casualties during an economic downturn (Charlton, 2008; Kingston, 2009). Particularly in a deregulated context like the UK, where there is a voluntaristic, employer-led approach towards training and skills development, it is often assumed that training is vulnerable and tends to fall during a recessionary period. This is evident in the open letter published by the UK Commission for Employment and Skills (UKCES) in collaboration with the Trades Union Congress (TUC), the Confederation of British Industry (CBI) and some of the top UK business leaders asking employers not to make any cutbacks in training during the recession (Neild, 2008). However, evidence from national-level representative datasets and other research from past recessions show that this may not be so clear-cut, with some businesses continuing to invest in training during such times of economic hardship (Felstead & Green, 1994; Felstead et al., 2012). There seems to be increasing support of the perception that "...businesses that do not invest in talent are two and a half times more likely to fail, whereas those that carry on training will recover more quickly" (Neild, 2008:4).

Under these difficult economic circumstances, it is important to investigate training and skills formation within small and medium-sized enterprises, employing between 10 and 249 employees. Micro firms (employing 0-9 people) have been excluded from the study mainly due to access difficulties and due to the fact that firms of this size, by and large, do not provide training and, therefore, there was some scepticism of the potential of such businesses to contribute to the present study. SMEs are a population of particular interest because they account for the vast majority of enterprises in the UK, and they consist of a sector where an increasing number of people are employed. Emphasis has been placed by successive UK governments on this sector in order to generate economic growth, as SMEs are seen as mechanisms for innovation, competitiveness and job creation (BIS, 2013a). A significant determinant for this growth is investment in human capital. For this reason, successive UK governments have sponsored a number of initiatives in order to stimulate growth in SMEs through investment in training and skills development (BIS, 2010a).

1.2 Significance of the research

Training and skills development have been at the heart of recent UK policies regarding economic competitiveness and growth. A plethora of government reports and papers over the last decade have suggested that future growth and competitiveness relies to a great extent on improvements in skill levels (Leitch Review of Skills, 2005; DIUS, 2007; BIS, 2010a). This is consistent with research evidence of the positive effects of training on economic performance at both sector and firm level (Zwick, 2005; Dearden et al., 2006). Against this backdrop, it is timely to ask the question whether training and skills development in the UK have been in any way jeopardised by the recent economic downturn.

Despite the seeming importance of training for future economic growth, the existing literature in relation to training and skills development in the UK in a recessionary period is very limited. Available empirical evidence suggests that the effects of recession on training can be varied. In some cases, businesses may respond to decreased profits by cutting down training expenses, whereas in other cases they might see the crisis as an opportunity to provide more training. More forward-thinking employers might identify increasing skills as a key ingredient in order to survive the crisis (Felstead & Green, 1994; Felstead et al., 2012; Mason & Bishop, 2015). It is, however, an open question whether these findings are applicable to the SME sector.

With SMEs accounting for over 99 per cent of all businesses, their importance to the British economy is not in any doubt. Despite their significant role, there is a lack of research in relation to the effects of the recent recession on training and skills development within the SME sector. Although existing studies on this matter include SMEs in their samples, they rarely analyse them exclusively (Shury et al., 2010). This raises serious concerns about the transferability of conclusions across SMEs and their training provision.

SMEs are not “scaled-down” versions of large businesses, as they have different incentives, limitations and uncertainties from those of their larger counterparts (Westhead & Storey, 1996; Curran & Blackburn, 2001). As such, training and skills development in such firms are different from those in larger organisations and, therefore, SMEs should be analysed as specific cases in their own right. According to Matlay (1997:578), “attempts to downscale and forcibly fit large-scale training strategies” to SMEs have resulted in scarcity of evidence in relation to the training and skill needs of SMEs.

Training and development within SMEs has been a subject of considerable debate. Most studies, defining training as formal and off-the-job, have identified a relative lack of engagement of SMEs with the provision of training compared to their larger counterparts (Johnson, 1999; Kitching & Blackburn, 2002; Hoque & Bacon, 2006). Although there is a pertinent notion within SMEs that investment in employee training can lead to higher productivity, enhanced performance and lower employee turnover (O’ Regan et al, 2010), their reliance on informal, unstructured training activities has been characterised as insufficient (National Skills Task Force, 2000). On the other spectrum, there is the perception that informal training practices serve better the needs of SMEs and are more compatible with their context (Ashton et al., 2005). Such a perception seems to overcome the accusations for an insufficient training provision within this type of firms.

Most published research and policy interventions in the field of training within SMEs have focused on the supply-side of skills (Matlay, 2002a; Lloyd & Payne, 2003). A number of policy initiatives have been introduced in order to encourage training investment within such establishments. However, little is known about the demand side. This has resulted in a perceived lack of engagement of SMEs with the training initiatives available, as the initiatives are viewed as inappropriate to the needs of their businesses and they are more suitable for larger firms (Johnson & Winterton, 1999; Hoque et al., 2005). The present

study attempts to bring to the surface the training issues SMEs encounter, especially within such difficult economic times, and, thus, inform the training policy agenda.

Overall, the present study attempts to inform the current debate around training and skills development within the SME sector and fill the gap in the existing literature in relation to the way they are shaped and performed under a recessionary period. Accordingly, the study presents an integrated and novel assessment of the interplay of factors shaping skills supply, demand and acquisition within the SME sector. The study adopts a multi-level approach, which facilitates the exploration of these factors at different levels of empirical analysis, namely at the level of the SME sector, the local economy and the workplace. Such an approach allows for a more sophisticated and empirical treatment of the factors that shape training and skills development in SMEs under the context of recession.

1.3 Research questions

The main research questions of the thesis are:

1. What was the impact of the recent economic downturn on training and skills development within SMEs in terms of incidence, intensity and quality?

Knowledge regarding the impact of the recent recession on SMEs' training practices is very limited due to the aforementioned focus of most studies on larger firms and their skill strategies, and due to the fact that the recession is very recent and, therefore, the body of research carried out is very small. Training and skills development are regarded as a "vital component" of anything that can meaningfully be termed Human Resource Management (HRM). Given the centrality of training in HRM, the current study engages with the HRM literature in order to better understand skills formation in SMEs. Research evidence suggests that the effect of the recession on training can be influenced by a number of factors, such as the size of the firm (Shury et al., 2010) and the industrial sector that firms operate in (Van Wanrooy et al., 2013). In addition, existing research- although not looking specifically at SMEs- has shown that trade union presence within the workplace is associated with higher levels of training provision during times of recession (Stuart et al., 2015). Given the generally positive relationship between unionisation and training provision, as several studies have shown (Heyes & Stuart, 1998; Stuar & Robinson, 2007; Stuart et al., 2015), the study investigates the role of industrial relations in the training

provision of SMEs during the recent recession. Overall, the present study attempts to fill the gap in the literature and get a deeper understanding of the way training within SMEs operates under such difficult economic circumstances.

2. Has the nature of training and skills development in SMEs changed as a result of the recent recession and, if so, how and why?

Research evidence suggests that training tends to fall during an economic downturn, with businesses adopting alternative, more cost-effective practices of training in order to reduce costs and survive the crisis (Felstead et al., 2012). However, the majority of existing research explores the impact of the recession on training and skills development within firms of various sizes. This research study starts from the premise that SMEs are not scaled-down versions of larger enterprises, and thus separate treatment is required. This research study will enhance our understanding about the nature of training within SMEs and the reasons why it has been transformed- if at all- as a result of the recent recession.

3. Did state support prove to be effective in terms of facilitating training practices within SMEs during the recession?

Existing studies show that the majority of SMEs are not willing to take part in training initiatives funded by the state due to the fact that these programmes are perceived as unresponsive to the needs of SMEs (Johnson & Winterton, 1999; Hoque et al., 2005). Evidence regarding state-funded training initiatives aimed at SMEs and their uptake is limited. Therefore, this study attempts to empirically delineate the challenges that SMEs face in getting involved with training initiatives under such difficult economic conditions.

This thesis addresses these questions through a mixed method research approach, focused empirically on the Yorkshire and the Humber region. The first stage of the study consisted of a survey across SMEs in the locality, the second stage involved semi-structured interviews with key informants from peak-level organisations and the final stage comprised interviews with SME owners/managing directors.

1.4 Organisation of the thesis

The thesis is organised in the following way. Chapter 2 provides a critical review of the existing research and debates on training and skills development. This begins with theoretical contributions to the training debate, including Human Capital Theory and institutional theory, in order to critically evaluate the chronic problem of underinvestment in training and skills development that characterises the UK. It also provides an assessment of the relationship between training and recession, while the subsequent sections of the chapter focus on the role of SMEs in the British economy and examine training and development and human resource management within the SME sector.

Chapter 3 outlines the methodological approach and the main means of data collection. It provides an analysis of the underlying knowledge problematic and research philosophy and the way they informed the more practical stages of the research study. The study has adopted a mixed methods design, therefore enabling the researcher to pursue the position of critical realism. The chapter also presents and analyses: the sampling techniques; the data collection methods that were used; the methods of data analysis; and the ethical considerations involved in the study.

Chapter 4 analyses the general state of the Yorkshire and the Humber, the regional economy within which this research study was located. The chapter highlights in some details the characteristics of the local economy and labour market and explores how it was affected by the recession. The analysis suggested that the Yorkshire and the Humber has a strong economy, with SMEs constituting a major source of employment in the locality. However, the region lags behind other successful UK regions on training and qualifications and willingness to provide training. The recent recession was intensely felt within the region, resulting in high unemployment rates and low levels of training provision. The subsequent three chapters present the empirical findings of the study.

Chapter 5 reports the findings of a series of semi-structured interviews with key informants from peak-level organisations. Specifically, seventeen semi-structured interviews were conducted with high-ranked participants from various bodies, including four trade unions, the Trades Union Congress (TUC), four private training providers, one membership organisation for training providers, two Sector Skills Councils (SSCs), two Local Enterprise Partnerships (LEPs), and one representative each from the British

Chambers of Commerce (BCC), the Confederation of British Industry (CBI) and the UK Commission for Employment and Skills (UKCES). The chapter presents an in-depth analysis of the effects of the recent recession on the training practices of SMEs and it looks at the way training has been developed in the post-recessionary period. The chapter also investigates how the state has sought to support training activity in SMEs and evaluates how successful such policy initiatives have been. It also explores the impact of industrial relations on training in SMEs under the context of the recession. Finally, the chapter examines the policy initiatives that have been implemented in the Yorkshire and the Humber region and assesses the extent to which these initiatives have been able to promote training and skills development within SMEs in the region. The findings of this chapter were suggestive of a significant decrease in the provision of training amongst SMEs, whilst the state support was found to be insufficient. In addition, it was revealed that a great emphasis had been placed by the local economy on the supply-side of skills, whilst neglecting the actual demand for skills. As a consequence, the levels of participation in some of the initiatives introduced in the region were significantly low.

Chapter 6 presents a quantitative analysis of the relationship between training in SMEs and recession, drawing upon the findings of a unique survey across SMEs in the region. The survey investigates the extent of the impact of the recession on the training practices of SMEs in Yorkshire and the Humber and identifies the key factors prompting and constraining training provision within the sector. The evidence suggested that the recession had more of a moderate impact on the training provision of SMEs. The chapter also explores the nature of training activity within such establishments, the formality of training provision and industrial relations concerns. The key picture to emerge was that SMEs tended to adopt a less strategic approach towards the implementation of HRD (Human Resource Development), whilst the levels of unionisation amongst such firms were very low.

Drawing from interview material, Chapter 7 presents and analyses the experiences of SME employers/managing directors to training provision under recession. The empirical findings are organised around five broad themes, including: the general characteristics of the companies taking part in the study; the nature of their training practices; the impact of the recession on their training provision and the way training has been evolved in the post-recession period; the awareness and usage of state-funded training initiatives; and the

levels of unionisation within the SME sector. The interviews revealed contrasting experiences of the recession, with some firms being relatively unscathed by the recession in terms of training and others making cutbacks in their training expenses. The findings pointed to a more reactive and ad hoc approach of SMEs towards training and development rather than proactive and systemic.

Chapter 8 identifies the significance and the implications of the findings. The key findings of the empirical chapters are briefly summarised and the broader implications of the study are drawn out in relation to training and skills development in SMEs and training policy formulation. Overall, the thesis argues that the impact of recession on the training practices of SMEs is not universal. A number of factors seem to determine the extent and intensity of the impact of recession on SMEs and their subsequent training behaviour, including the sector that firms operate in, the degree of formality towards training and development, firm size and the supply chain.

The questionnaire that was circulated to SMEs in the Yorkshire and the Humber region, along with the survey covering letter, are included as appendices.

Chapter 2: Training and skills development within British small and medium-sized enterprises

2.1 Introduction

This study examines the impact of the recent economic recession in the UK on the training and skills development practices of SMEs. Given the importance attached to the SME sector for the growth of the British economy, along with the key role that skills play in addressing social and economic challenges, it is important to explore them under the recent recession that the UK has experienced. What was the impact of the recent recession on the training practices of British SMEs? Has their training provision increased, decreased or remained the same? This chapter presents an analytical account of the key factors that shape training and skills development practices within the SME sector. Particular attention is given to the factors that influence training provision within the UK, the theoretical debates regarding the way training is performed under difficult economic circumstances and the nature of human resource management within British SMEs.

The chapter is structured as follows. Section 2.2 provides a discussion of the perceived links between training and skills development and economic growth, and examines the chronic problem of underinvestment in training and skills that characterises the UK. This is explored through the deployment of Human Capital Theory and institutional theory, stressing the emphasis of both for the demand for, and supply of, skills. The institutional requirements that can lead to a “high-skills” economy are also outlined. Section 2.3 presents the theoretical insights around the way investment in training and skills is shaped during times of economic uncertainty, while section 2.4 provides research evidence from the recent recession that the UK has experienced in relation to investment in training. Section 2.5 outlines the pivotal role that SMEs play within the British economy. Section 2.6 looks at the role and nature of HRM within SMEs and considers whether HRM practices exist in SMEs and their degree of sophistication. This analysis lays the foundation for the subsequent discussion, which looks at the nature of training and skills development within the SME sector and the nature of employment relations in such a context. The final section provides a number of concluding remarks.

2.2 Training provision in the UK: a supply-side or a demand-side problem?

Across the advanced industrialised world, there is a consensus that the way to economic growth is through investment in skills, in order to maintain employment levels, increase labour productivity and improve average living standards (Ashton & Green, 1996; Crouch et al., 2004). Investment in human capital and the acquisition of skills are seen to be “*absolutely central to countries’ growth performance*” (Thelen, 2004:8). Given rapid technological change, investment in training and skills development is of great importance in order to maintain high levels of employment and competitiveness.

The notion of growth and human capital development is central to the idea of “endogenous growth theory” - according to which the knowledge base of each country is an important factor for economic growth and innovation (Crafts, 1996; Thelen, 2004). When people acquire new skills, they are not only considered to be more productive, but also more adaptable. Within an economic environment, where technology is rapidly changing, adaptability is perceived to be a crucial characteristic for maintaining competitiveness and keeping capital and labour employed. Without the continuous acquisition of new skills by the workforce, it would be difficult to reap the benefits from technological change and deal with changing economic circumstances (Booth & Snower, 1996).

Despite the seeming importance of investing in training and skills development, the UK has been criticised for an underinvestment in vocational education and training (VET) for more than a century (Aldcroft, 1992; Stevens, 1999). This lack of investment casts some doubts about the adequacy and effectiveness of the British VET system. A number of studies have established that the skill levels of the British workforce are deficient compared to those of other advanced industrial nations, such as Germany, France and Japan across a wide range of industries (Prais, 1981, 1995; Prais & Steedman, 1986; Steedman, 1988, 1993; Booth & Snower, 1996; Dieckhoff, 2008; UKCES, 2014). For instance, Dieckhoff (2008) notes that the pool of workers with intermediate and lower qualifications and no vocational training in Denmark and Germany is much smaller than in the UK. Similarly, in 2011, the UK, out of 33 OECD countries, was placed 19th for low skills, 24th for intermediate skills, and 11th for high skills- lagging behind countries such as Canada, USA, Japan and Norway (UKCES, 2014). Existing research has associated this comparative underinvestment of the UK in training and skills with poor firm performance and product quality (Steedman & Wagner, 1989; Mason et al., 1996).

Britain is regarded as a paradigmatic example of a “deregulated liberal market economy” (Hillmert, 2002:682). A lack of regulation, along with the predominance of short-termist investment horizons and low-skill requirements, makes investment in training and skills development problematic across the British context and has led to a chronic under-supply of trained labour (Streeck, 1989; Finegold, 1991; Lane, 2002; Crouch, 2005; UKCES, 2014). Specifically, employers are not legally obliged by the state to engage in vocational training and there are no alternative regulatory means, such as tri-partite bargaining structures, to enforce employers to invest in training and skills development. In addition, the long-term returns that characterise investment in training make it even less attractive to employers, as they operate under conditions of high profit orientation and a short-time horizon. Under these circumstances, British employers, instead of investing in the training and skills development of their workers, find it more profitable to recruit an already trained and skilled workforce from the external labour market. Such undertakings give rise to the poaching externality problem, according to which firms decide to free ride and poach skilled and trained workforce from their competitors instead of incurring the training costs themselves. In contrast, individuals find it difficult to bear the costs of their own training, since the returns of such an investment are uncertain given the generally low wages, which in part is because of ineffective collective bargaining. Therefore, a pool of workers with low levels of skills is dominant (Claydon & Green, 1994; Hillmert, 2002; Keep & Mayhew, 2010).

These low levels of training raise some serious concerns about the competitiveness of Britain (Keep & Mayhew, 1999; UKCES, 2014). As Streeck (1989:100) argues, “If societies want skills, enterprises have to be drafted and mandated by regulating agencies to produce them...Deregulation, if driven too far, breeds inefficiency”. According to Finegold and Soskice (1988:21), the failure of the UK to provide the same levels of training as its competitors is both “a product and a cause” of the country’s poor performance. A product because the training needs of the UK are constrained only to a limited number of skilled and educated employees and a cause because the lack of well trained and educated workforce renders any response to new economic circumstances difficult. Given this general underinvestment in training that characterises the UK, it could be argued that investment in training and skills development would be even more likely to fall during a recessionary period, as in such situations uncertainty predominates and firms decide to cut any perceived unnecessary expenses, such as training.

2.2.1 British training policy reform over time

The British training system is typically conceptualised as being voluntarist. Voluntarism refers to a general lack of state intervention in the practices of training and development, with investment decisions left up to employers and their employees (and where relevant employees' representative bodies) to decide. Despite this, the British system has been defined by a staggering number of different policy initiatives and interventions over time.

Until the early 1960s the role of the state in formulating training policies was minimal, with the training responsibility residing solely with individual employers. However, the increasing need for improvement in the training performance of the UK led the Labour government to establish the Industrial Training Act in 1964, which tried to entrench an interventionist approach to public training policy (Keep & Rainbird, 1995). The 1964 Act led to the establishment of a number of sectoral Industrial Training Boards (ITBs), which consisted of both employers and trade union representatives and operated under a complex system of training grants and levies in order to increase firms' training expenditures. This initiative comprised a response to the belief that employers do not invest enough in training due to the fear that their trained workforce might be poached by other employers. In 1973, following criticisms over the inability of ITBs to satisfy the requirements of small companies, the levy/grant system was replaced by a new system, which exempted from the levy all small companies and those firms that met ITBs' training criteria. In addition, the Manpower Services Commission (MSC) was established in order to oversee the progress and activities of the ITBs (Senker, 1992; Holmes, 2007).

During the 1960/1970s the system was less regulated, as ITBs were a form of tripartite regulation. During the 1980s, such regulatory structures were broken down. The Conservative governments of the 1980s changed the focus of training policy. There was more of an emphasis on markets and the need for employers to take control of the system, whilst trade union involvement was sidelined (Stevens, 1999). Under this market-model of training, a number of initiatives have been introduced in order to enhance investment in training and skills. A summary of key policy developments is included in Table 2.1. ITBs were replaced by a series of Training and Enterprise Councils (TECs), which were employer dominated and were designed to encourage local economic growth and stimulate investment in training to all firms irrespective of size, sector or location of activity (Matlay, 2002a). The Conservative government emphasised that employers should invest

in training and skills development, and introduced initiatives in order to encourage such investments. One of these initiatives was the IiP scheme, which is still valid today and can be applied to all firms irrespective of sector or size (Alberga et al., 1997). This initiative offers to employers the flexibility of identifying the skill gaps of their own organisation, and the businesses are rewarded by being entitled to use the IiP logo, when they meet the assessment criteria. Other government initiatives such as the Modern Apprenticeships and National Vocational Qualifications (NVQs) were also introduced as a vehicle for up-skilling the education system in order to provide the market with a better trained labour (Lloyd & Payne, 2003).

Subsequent governments abolished a number of initiatives and introduced new ones in an attempt to raise the nation's skill levels and increase training levels within British firms. While the era of ITBs stands out as different from the previous and subsequent periods of voluntarism, the reliance on "sectorally-based organisations" has been continued by the subsequent governments, as the state has recognised their strategic responsibility on issues around standards and quantity of skills (Holmes, 2007:9). The New Labour Government, which was elected in 1997, tried to give to unions a higher profile in issues around training and placed a great emphasis on individuals in order to take responsibility of their own training. A number of intermediary organisations were created or regenerated after their dissolution during the 1980s and 1990s. ITBs were replaced by National Training Organisations (NTOs), followed by Sector Skills Councils (SSCs). A number of Regional Development Agencies (RDAs) were introduced in England in order to promote employment, skills and economic development and business efficiency, which were subsequently replaced with a series of Local Enterprise Partnerships (LEPs). In addition, TECs were replaced by the Learning and Skills Council (LSC), which was subsequently replaced by the Skills Funding Agency (SFA) - responsible for the funding of adult skills- and the Education Funding Agency (EFA) - responsible for the funding of young people skills (Green & Martinez-Solano, 2011). Furthermore, the Labour government, in an effort to support the role of trade unions in training, used some mechanisms, such as the introduction of the Union Learning Fund (ULF) and the recognition of the statutory rights of Union Learning Representatives (ULRs). Despite the efforts of the government to enhance the role of trade unions, the policies that were implemented did not respond to what might be described as tripartite social partnership (Souto-Otero, 2013).

The Leitch Review of Skills 2006 represents another intervention commissioned by the British government in 2004 “to examine the UK’s optimal skills mix in order to maximise economic growth, productivity and social justice” (Leitch, 2006:6), whilst proposing a shared responsibility amongst employers, individuals and the state with regards to training and education. The report involved targets for increasing skills acquisition at various levels, including improving literacy and numeracy skills, increasing the number of workers qualified to level 2 and 3 and stimulating the increase in the proportion of the adult population with higher-level skills (Leitch, 2006). In order to ameliorate the skills deficiencies identified by the Leitch review, Train to Gain was introduced in 2006. This government-funded training initiative, providing vocational training to employed individuals that had yet to achieve NVQ Level 2, was aimed at improving business services, employees’ skills and raise national skills standards. However, this initiative was discontinued in 2010 due to budget reductions. As a result of the Leitch report, the UK Commission for Employment and Skills (UKCES) was established in 2008, offering advice and guidance on employment and skills issues in the UK. Following the government’s announcement to stop funding UKCES during 2016/2017, the organisation ceased its operational activities at the end of the summer of 2016. Time to Train consists of another important training initiative in the UK, introduced in 2010, which gives the right to businesses with 250 employees or more to request time to train their employees. The aim of this initiative is to promote dialogue between employers and employees regarding training and skills and to support and encourage employers’ investment in the skills of their employees as a driver of future firm performance (Unionlearn, 2011).

The Skills for Sustainable Growth was a skills strategy introduced by the Coalition Government in 2010 to abolish the targets of the Leitch Review as a means to attain world-class skills (BIS, 2010a). The approach of the Coalition Government was market-based and voluntaristic, with the emphasis placed on learners in selecting training that is valued by businesses and which is delivered by a wide range of autonomous training providers who can attract learners based on the quality of their offer. Amongst the key features of the Skills for Sustainable Growth strategy included: an increase in Apprenticeship numbers; a more flexible vocational qualifications system in order to meet the needs of the economy; the introduction of professional standards to increase the level of skills in a sector or occupation; and the establishment of a new Growth and Innovation Fund (BIS, 2010a).

A number of interventions were commissioned by the British government in order to meet the above objectives. The Employer Ownership Pilot (EOP) represents one of these interventions, with its main aim being to provide the learners and employers with more power. EOP is a 340 million pounds fund available to employers in order to tackle current and future skill needs of their sector. This initiative gives businesses the opportunity to develop proposals in order to raise skills, create jobs and drive business and economic growth, and look for co-investment from the British government in order to meet the costs (UKCES, 2012). Another state intervention is the introduction of the Traineeship programme, which has been developed in order to bring young people up to the required skills level for the workplace. This programme provides a combination of a period of work preparation, training in English and maths and a high-quality work placement, ensuring that learners acquire the necessary skills and experience to compete in the labour market. The introduction of the new Apprenticeships is also included amongst the latest interventions of the British government. The new Apprenticeships, which will be in full implementation the academic year 2017/2018, are based on employer-designed standards in order to meet the needs of businesses, the sector and the wider economy, and are jointly funded by the employer, the apprentice and the government (BIS, 2013b).

Table 2.1: Major UK training policy developments

<p>1964</p> <p>Industrial Training Act. Introduction of 27 Industrial Training Boards (ITBs) and the levy-grant system.</p> <p>1973</p> <p>The Employment Training Act. Introduction of the levy-exemption and establishment of the Manpower Service Commission (MSC).</p> <p>1978</p> <p>Introduction of the Youth Opportunities Programme (YOP)</p> <p>1981</p> <p>Employment and Training Act 1981. Abolition of 16 ITBs and to be replaced by voluntary Industry Training Organisations (ITOs).</p> <p>1988</p> <p>Employment for the 1990s. Introduction of 82 (later 79) Training and Enterprise Councils (TECs) in England and Wales and 22 Local Enterprise Companies (LECs)</p>

in Scotland. Abolition of the remaining ITBs apart from 2- the Construction Industry Training Board (CITB) and the Engineering Construction Training Board (ECITB) which are still valid.

1991

Formulation of Investors in People (IiP).

Introduction of NVQs.

1994

Introduction of Modern Apprenticeships.

1998

Regional Development Agencies Act 1998. Introduction of 9 Regional Development Agencies (RDAs) in England.

The New Deal launched (subsequently renamed Flexible New Deal). Introduction of over 70 National Training Organisations (NTOs). Announcement of Individual Learning Accounts (ILAs).

Introduction of Union Learning Fund (ULF).

2000

Learning and Skills Act 2000. Announced that TECs were to be abolished and replaced by the Learning and Skills Council (LSC) in England and by Education and Learning Wales (ELWa) in Wales.

2001

LSC and ELWa launched.

Discontinuation of ILAs.

2002

Introduction of 30 Sector Skills Council (currently 19) (to replace NTOs). SSCs were initially funded and supported by the Sector Skills Development Agency (SSDA).

Employment Act 2002. Introduction of statutory rights for Union Learning Representatives (ULRs).

2006

Leitch Review of Skills. Introduction of UK Commission for Employment and Skills (UKCES).

Train to Gain (T2G).

2008

Launch of UKCES (supersedes SSDA).

2010

Discontinuation of T2G.

Introduction of the right to Request Time to Train.

LSC was replaced by the Skills Funding Agency (SFA) and the Young People's Learning Agency (YPLA; subsequently replaced with the Education Funding Agency (EFA)).

2011

Introduction of initially 24 Local Enterprise Partnerships (LEPs) in England (to date there are 39 LEPs in operation).

Introduction of the Work Programme, which replaced the Flexible New Deal.

Announcement of the Employer Ownership Pilot (EOP).

2012

Abolition of RDAs.

2013

Introduction of new Traineeship scheme.

2015

Introduction of new Apprenticeships, which will be in full implementation the academic year 2017/2018.

2016

UKCES to be disbanded.

Overall, then, the training policies introduced in the UK since 1979 have undoubtedly represented a significant rejection of legislative support for training and for any notions of social partnership and tripartite control over the design and delivery of training. This stands in marked contrast to the VET system of other European countries, where legislative support and the involvement of tripartite bodies in VET often represents the norm. The free market approach, under which British VET operates, places the responsibility for training investment on individuals and to a lesser extent on employers, with the state having a more limited role. Specifically, the voluntaristic and market-based approach of the British government towards VET places a great emphasis on learners in selecting qualifications and training that are valued by businesses and which are delivered by a wide range of training providers who attract individuals depending on the quality of their offer. Despite numerous interventions and policy reforms designed over time to

increase training provision and skills standards, the UK continues to lag behind its European competitors. Thus, as Keep and Rainbird (1995:537) explain:

“If the active participation of all stakeholders in the VET system is an essential precondition for making sustained progress in improving the supply and usage of skills in the UK, then the British training system appears to be an inadequate vehicle for securing that participation and support”.

2.2.2 Theoretical accounts of training provision in the UK: Human Capital Theory and Institutional theory

The starting point for much of the literature around VET is Human Capital Theory. Human Capital Theory has also proved to be very influential in terms of underpinning much contemporary policy reform. Key to Becker’s (1975/1993) conceptual framework was the famous distinction of on-the-job training between “general” and “specific” training. According to Becker, within a perfectly competitive market, *general training* consists of skills that have value to the training firm as well as countless other firms, whereas *specific training* has value only to the firm that provides the training. The willingness of both parties - employers and trainees- to bear the costs of training depends on their future benefits. Therefore, Becker (1975/1993) asserts that since workers alone reap the benefits from general training they alone will have to bear its costs. The reason for this is that the worker could leave the company at any time after their training and, thus, another company would reap the benefits. For specific training, both parties would be willing to share such an investment, as this would lead to higher productivity for the firm and wages above the rate of the market for that type of skill. Moreover, since companies do not have to invest in general training, there is no problem of underinvestment due to poaching of trained workers by rival firms. Through the above theorisation, Becker shifts the argument of underinvestment in training and skills development within the UK from the poaching externality perspective to another that places the emphasis on the affordability of such an investment by the employee, namely capital constraints (Acemoglu & Pischke, 1999). The influential role of Becker’s argument for “no poaching externalities” on training policies is evident in the Conservative’s government training reforms, such as the abolition of ITBs and the subsequent focus on the individual (Stevens, 1995).

Becker's (1975/1993) work has been challenged for a number of reasons. Firstly, the division of training into general and specific has been challenged by an argument for the availability of intermediary skills (Finegold & Soskice, 1988; Stevens, 1994; Acemoglu & Pischke, 1999). Specifically, Finegold and Soskice (1988) assert that the distinction between these two categories of training is not clear cut, as in some cases businesses would need a mixture of skills, namely both generic and specific. Secondly, Becker's (1975/1993) work does not include the training that takes place within a context of imperfect competition (Stevens, 1994, 1999). Thirdly, Katz and Ziderman (1990) point out the information costs that firms may encounter when hiring an already trained workforce with general skills and, as such, they suggest that investment in general skills could be possible under circumstances of informational asymmetry between the training and the recruiting firm.

Stevens (1999), taking a different perspective from Becker, also attempts to explain the underinvestment in training in the UK using Human Capital Theory and forwards several explanatory reasons. Firstly, she attributes low levels of training to labour market imperfections. Several reasons may be cited for the presence of imperfect competition. One reason could be the fact that skills may afford value to a small number of companies because they operate in niche markets or utilise specialised technology. However, even in the case where skills are of value to many companies, difficulties such as information lags and mobility costs can reduce competition in the labour market. These labour market imperfections can lead to external benefits for other firms and give rise to a poaching externality. As a result, underinvestment in training could emerge. In addition, Stevens (1999) attributes the low training provision to the limited information about the types of training available and its quality. Finally, capital-market imperfections such as the credit constraints that trainees face in order to finance their own training and the uncertainty that investment in training entails in terms of its returns are also cited as crucial impediments to training investment in the UK.

Overall, human capital theorists understand the chronic problem of underinvestment of skills in the UK as due to an undersupply of skills. As such, several British governments, influenced by the assertions of Human Capital Theory, have focused purely on the provision of supply-side measures in order to increase the supply of skills through the creation of a training market. However, little consideration has been given to how skills

are used in practice and the actual demand for enhanced skills amongst British firms (Keep & Mayhew, 1996). In addition, the emphasis that the UK has placed on employers and their willingness to invest in the training of their workforce without any binding commitments constitutes a problem. Departing from Becker, Streeck (1989:94) continues to see poaching as a potential problem:

“since the rewards of his investment can so easily be “socialised” whereas the costs remain his own, an employer in a competitive labour market will therefore be tempted not to train, or to train as little as possible, and “buy in” needed skills from his competition. As these are likely to perceive their pay-off matrix in much the same way as he, they will probably prefer not to train either. As a result, there will be a chronic undersupply of skilled labour”.

Consequently, this voluntary investment in training, “guided by the imperatives of market rationality”, could produce “high skills” only in exceptional circumstances (Streeck, 1989:94).

Becker’s “ideal-type” prediction of markets characterised by perfect competition is also challenged by a number of institutional theorists (Finegold & Soskice, 1988; Streeck, 1989; Acemoglu & Pischke, 1999). They employ a nexus of institutional factors in order to explain the motives for investment in training and skills development other than that offered by the proponents of Human Capital Theory. They also draw the argument away from capital constraints (Becker, 1975/1993), to a wider view that takes into consideration the influence of a range of “labour market frictions and institutions” (Acemoglu & Pischke, 1999:539). According to institutional approaches, the institutional and regulatory framework of a country can have profound effects on its national vocational education and training system and its relation to the economic system and economic performance (Lloyd, 1999). It is the institutional context that shapes investments in vocational education and training, and defines the role of training into the labour market (Coates, 2000; Dieckhoff, 2008).

According to Finegold and Soskice (1988), the UK is trapped in a ‘low skill equilibrium’, where the majority of firms are staffed by poorly trained managers and focus on low-quality services and goods. A number of institutional factors such as weak employer organisations and short-term financial markets have forced enterprises to adopt lower skill strategies compared to other countries. In their review, Finegold and Soskice (1988) stress the fact that the inferior levels of training provided by the UK may not be a supply-side

problem as Human Capital Theory stresses, but, rather, deficiencies in demand may have a more important role.

A number of institutional factors have been identified that act to stifle the demand for skills development and, thus, compel the British economy towards a low skill equilibrium. One of these factors is the industrial structure of the British economy. The shift in employment from manufacturing to the mass production of cheap, low quality goods poses very low skill requirements. This is particularly evident in the service sector, which constitutes a large part of the labour market, where little training is required. Within such context, the organisation of British firms has played an important role in discouraging training. Specifically, the poor training and education that British managers receive is often cited as a reason for the low priority attached to the workforce training (Finegold & Soskice, 1988; Keep & Mayhew, 1998).

The structure of the British industrial relations system, which has not placed a strong emphasis on training and skills development historically, constitutes another factor. Both unions and employer organisations have proved unable to work with the state in order to formulate a co-ordinated national training policy. The problem is intensified by the traditional adversarial system of industrial relations and the historical neglect of training and development in collective bargaining. The lack of a legal framework, which imposes no compulsion on training, has led to a voluntaristic, employer-led approach towards training, where the power lies with the individual firm (Finegold & Soskice, 1988). This free market approach, has left the problem of poaching- as noted by Streeck (1989) and Stevens (1999)- unsolved.

Another institutional factor that constrains skills improvement in the UK is the financial pressures that firms face. The UK's failure to create a long-term, stable relationship between firms, banks and stockholders has made difficult the creation of a long-term view regarding the relationship between investment and return. The pressures for immediate profits and the short-time horizon, under which British firms operate, have made it difficult for employers to invest in training, which by its very nature does not produce quick returns (Keep & Mayhew, 1999).

A final institutional obstacle in the improvement of the British skills performance is the national VET system itself. Despite the multiplicity of training initiatives that have taken

place over the years, the UK still lacks a coherent vocational education and training system. In this respect, the weak role of the state in co-ordinating the national VET system has appeared to be particularly important. Specifically, the voluntarist nature of VET in the UK, where the role of the state is limited to the training provision for the unemployed, has left employers to their own devices and, thusly, has led to low levels of training compared to their competitors (Finegold & Soskice, 1988; Keep & Mayhew, 1999).

Therefore, a number of institutional factors act together in depressing training provision in the UK. Education and training constitute just one element of a:

“self-reinforcing network of societal and state institutions which interact to stifle the demand for improvements in skill levels. A change in any of these factors without corresponding shifts in the other institutional variables may result in only small long-term shifts in the equilibrium position” (Finegold & Soskice, 1988:22).

When market failure and the externality of poaching are added to the above, it is apparent that a nexus of forces in the British economy have constrained its vocational education and training progress (Finegold & Soskice, 1988; Keep & Mayhew, 1998).

However, the literature has identified a number of weaknesses associated with Finegold and Soskice’s (1988) “low-skills equilibrium” approach to training provision (Heyes & Stuart, 1994; Ashton & Green, 1996). Firstly, Finegold and Soskice fail to fully examine the impact of industrial relations of the workplace on training, with industrial relations issues being limited to a stated belief in the advantages of “co-operation” and an analysis of structures of employers’ associations and trade unions. This failure reflects a more fundamental failure to understand the outcomes of training in terms of an articulation between production and exchange. The “focus on the supply and demand for skilled labour and the role that skill, characterised as a factor input, may play in facilitating the production of high quality, high value-added goods and services” (Heyes & Stuart, 1994:37), has left developments in production, such as workers’ responses and management strategy, unexplored. Therefore, such an approach appears to have limited explanatory purchase in explaining training outcomes. Secondly, the “low skills equilibrium” approach fails to theorise the underlying processes of change. Instead, changes in training outcomes are seen to be the result of “exogenously imposed shifts in the institutional complex” (Heyes & Stuart, 1998:37). This results in a deterministic approach to the training problem of the UK, with firms’ training outcomes abstracted from

their competitive and industrial contexts (Heyes & Stuart, 1994). As such, Heyes and Stuart (1994:38) note that “observable skill outcomes will reflect both the structural forces of capitalist competition, and struggles between competing groups of social actors”.

Research evidence has shown that intensifying competition, along with rapid technological and scientific advancement, has formed the basis for an environment where high skills are a prerequisite in order for firms, as well as countries, to compete effectively. Green et al. (1999) and Keep (2003) stress that, even in this high-skill route, education and skills constitute just one element of a number of factors in order to achieve high levels of performance and productivity. The same point is made by Finegold (1999) in his review regarding high-skill ecosystems (HSEs). According to this perspective, high skills form just one element for some types of high-value-added production and only their combination with other factors can ensure success. Cultural, environmental and structural factors combined with high level of skills can lead to high-value-added industries and high performance.

According to Ashton and Green (1996) and Green (2013), high levels of skill formation are best attained under specific institutional requirements. Amongst these are included: the commitment of the ruling political elites to high-skill formation and innovative ways of using the productive system; an educational system that produces high levels of competence in areas such as science, technology and mathematics, where the achievement of intermediate skills is the minimum level; and, employer commitment to a high-skill system. Additional institutional requirements are the formation of a regulatory system that supports a long-termist approach towards training, the commitment of the current and prospective workforce to a high-skill formation system and the formation of a system where off-the-job training is complementary to work-based training. Lloyd and Payne (2002) argue that major changes in the industrial and institutional framework are a necessary but not sufficient enough in order to lead to a high-skill, knowledge economy. Therefore, they add to the above the “fundamental shift in the balance of power within the workplace itself” (p.380) – meaning a stronger presence and role of trade unions, stronger voice and influence of the workers and codetermination between the interested groups.

The above analysis suggests that general underinvestment in training and skills development in the UK is a problem of demand and supply. The need for a holistic approach towards the theorising of skill formation is vital, by placing a great emphasis on

both the demand for, and supply of, skills. Therefore, attention should focus on the relationship between a number of mutually reinforcing institutions, including labour market regulations, the education and training system, government agencies, the financial market and the industrial relations system. Such an approach would improve training provision and would facilitate a better understanding of what is needed for the development of a high-skill, knowledge economy. However, most of the existing VET literature has focused on these training institutions at an aggregate level and little is known about the factors underpinning the training structures and strategies at the level of the workplace. Therefore, more emphasis should be placed on examining the training processes and outcomes at the level of firms and industries.

2.3 Theoretical insights on training practices during recession

While Human Capital Theory posits a generally positive association between training and productivity, training provision can be vulnerable to cutbacks during an economic downturn, especially in systems that lack institutional regulation like the UK (Rainbird, 1993). Research evidence suggests that although firms invest in training during good times, they tend to make cutbacks during a recession, with corresponding patterns of skills shortage following an economic downturn (Lloyd, 1999). However, Brunello (2009) questions the assumption that investment in training follows the business cycle, as evidence has shown that training incidence tends to increase during an economic downturn, suggesting a counter-cyclical behaviour of training during a recession. Commentators appear, therefore, to be divided on whether recession negatively affects training investment.

Although the popular assumption is that training falls during a recessionary period (Majumdar, 2007; Eyre, 2008), there are some important theoretical reasons why training levels can experience an increase even during the hard times of an economic downturn. When firms are experiencing a mild recession, they might simply expect to survive the crisis. In that case employers might decide to hoard labour rather than making their workers redundant, especially highly trained and skilled staff, for when the upturn begins in order to be more productive and competitive (Felstead et al., 2012). Although the above reason may apply only to firms that experience a short and mild recession, there are further reasons why businesses might increase their training activities during a deep and prolonged recession, like the one that the UK experienced recently.

A further theoretical reason for increased training efforts is the increased competition that has been noted to take place during a recession (Caballero & Hammour, 1994). During these slack times, where sales are going down and there is lack of money, businesses might decide to compete on the basis of quality or to get into new product markets, so that they can be more productive and competitive. Thus, the need for enhanced quality, as well as the diversification of products, requires more training. Therefore, intensified competition during recessions could increase the need for training in order to keep pace with the competitors. In addition, the need to retain the existing customers as well as to attract new ones is likely to require more training so that employees can be aware of the product market and be able to serve better their customers' needs (Caballero & Hammour, 1994; Felstead et al., 2012). The introduction of new business strategies could also raise the levels of training provided by employers. Specifically, more forward-thinking employers seeking to introduce new business strategies in order to survive the crisis may identify as a key ingredient of those strategies the raise of skills (Mason & Bishop, 2015).

However, when companies are experiencing a deep and prolonged recession their main interest is to survive the crisis and thus, try to find ways to save money. Under these circumstances, cutbacks in training might emerge as the costs could start to outweigh the benefits of training. Apart from survival there are additional reasons that could explain the reduction of training, which can apply to any type of recession. Firstly, the increased need that new recruits and apprentices have for initial training might induce employers to reduce their number of staff by either reducing or freezing recruitment. Hence, the level of training incidence within firms could be lowered (Majumdar, 2007). Secondly, increased financial constraints might raise the need for quick-fix solutions in order to save money and help businesses survive the crisis. As a result, employers might decide to make cutbacks in their training budgets. Under these circumstances, firms might adopt alternative, more cost-effective ways of training delivery, such as e-learning, in-house training and the use of experienced and high-skilled employees in order to train other employees (Felstead et al., 2012).

However, no matter how mild or deep a recession can be, there is a minimum level of training under which companies cannot fall. Felstead et al. (2012) in their empirical study about the impact of the 2008-2009 recession on training activities in the UK suggest that these so-called "training floors" are indispensable and have to be implemented for firms to

operate. These “training floors” include some specific requirements that companies have to comply with and are imposed by economy-wide legislation, the production system itself, specific industries and occupational bodies. Amongst these regulations are included food standards, health and safety legislation at work and basic competency-based training.

2.4 Research evidence from the recent recession in the UK

The existing literature provides a number of diverse theoretical insights regarding the training responses that companies can adopt during an economic downturn, but what does the actual evidence show? Although there is a lack of empirical evidence about the impact of the recent recession on training in the UK and specifically for the SME sector, this section attempts to portray what happened in the UK in terms of training and development during the recession, drawing from the limited evidence available.

Some authors suggest that training within British SMEs may tend to hold up pretty well during periods of economic hardship. For instance, the two-year empirical study by Felstead and Green (1994) of 157 UK employers within the SME sector across a wide range of industries during the economic downturn of the early 1990s revealed that 43 per cent of employers had increased their training practices, 25 per cent confirmed the conventional wisdom by making cutbacks in their training activities and 27 per cent reported that training levels had remained the same. The same trend was captured by the surveys conducted by the CBI and the Industrial Society during the 1990s recession regarding employers’ plans for training expenditures. These surveys revealed that a higher proportion of employers were planning to increase rather than decrease training expenditures. Although the number of employees receiving job-related training had declined, it was small compared to the severity of the recession (Felstead & Green, 1994).

Evidence from the 2008-2009 recession portrays a similar picture regarding training investment within British SMEs. Drawing from a survey of 100 learning and development professionals, the CIPD (Chartered Institute of Personnel and Development) (2009a) showed that, despite the general view that large firms are less likely to cut training, 44 per cent of large enterprises had cut their training budgets in the preceding 12 months, while this was the case for only 26 for the SME sector. Evidence from the same survey also suggests that the SME sector has been a priority for the UK Government in order to tackle critical skill shortages within SMEs mostly because of the poor performance of British

SMEs compared to their competitors. However, the research study by Mason and Bishop (2015) highlights the negative impact of the recent recession on training in the UK. Although they looked at adult training in general without focusing exclusively on the SME sector, Mason and Bishop (2015) showed that job-related training experienced marked reductions during the recent recession in the majority of the firms, with a significant decline in off-the-job training.

Research evidence has identified a number of factors that determine the decision of firms to increase or maintain their training provision during a recessionary period. An online survey of 505 companies in England conducted by CFE (Research and Consultancy Specialists in Employment and Skills) (2009) regarding the impact of the recent recession on training revealed the reasons why businesses decide to increase or decrease their training provision. Amongst the most frequently cited reasons for maintaining or increasing training activities were: the need to safeguard themselves against a potential business failure; increased competition; and the need for a more trained and specialised workforce. Other reasons included were the need to retain already skilled employees and the short-term strategy of responding to skill shortages (Kewin & Sanchez, 2009). In addition, Felstead et al. (2012), as noted, identify the so-called “training floors”, according to which a minimum level of training has to be provided in order for the companies to operate and training cannot fall under this level. Regarding the decisions of businesses to cut or reduce training, the CFE (2009) survey identifies as the most important reasons the reduced training budget, the decreased turnover of the business and the needs to reduce costs and save money (Kewin & Sanchez, 2009). NESS (National Employer Skills Survey) for England 2009 adds to these reasons the lack of time and money, the belief that the workforce is fully proficient, the high cost of external training courses and the fact that employees in small businesses do not need training (Shury et al., 2010).

Extant research has identified a number of factors that could influence the impact of the recession on SMEs and their training provision. One key determinant highlighted by NESS for England 2009 is the size of a firm. The evidence from this survey suggests that the smaller the establishment, the less likely it is to provide training. Both on and off-the-job training are positively associated with firm size. However, the figures show that during the recession training provision remained stable without considerable change across all companies irrespective of size. Although training provision has remained the same- if not

increased- compared to 2007, there is a decrease in the number of employees receiving training, which is related to higher unemployment rates (Shury et al., 2010).

Recent evidence also suggests that the industry that firms operate in is a key determinant of the likelihood to provide training during difficult economic circumstances. Analysis from the Workplace Employment Relations Study (WERS) in 2011 suggests that construction, financial services and transport and communication were amongst the worst affected industrial sectors during the recession, either in terms of output or employment. Firms operating in these sectors were more likely to have reduced their training expenditure as a result of the recession. However, the findings also suggest that British workplaces were more likely to respond to the recession by freezing pay (42 per cent), delaying recruitment (28 per cent), changing work organisation (24 per cent) and postponing expansion plans (21 per cent) than by reducing their training expenditure (16 per cent) (Van Wanrooy et al., 2013). However, a number of studies have shown that, while there may have been a decline in training during the recessionary period, training volumes have actually started to decline well before this. For instance, Stuart et al. (2015), analysing the findings from the Labour Force Survey (LFS) for the time period 2001 to 2013, showed that the recession had an evident impact on training, nevertheless the training/education of the British workforce has been in decline since 2001. Likewise, Green et al. (2016), analysing three series of surveys of employers and eight of individuals, found that the training volumes per worker have been almost halved since 1997, with the recent recession having a small effect on training.

Felstead et al's (2012) empirical work on the impact of the recent recession on the training practices of British workplaces identifies additional factors that could determine training provision during an economic downturn. They suggest that training responses to the recession are contingent on factors such as the length and the severity of the recession, the financial health of firms before and during the recession, pressures to maintain training provision and the nature of the training provided. Their findings do not detect a dramatic decline in the training provision of British workplaces during the recent recession, with businesses being more likely to adopt "smarter" ways of training delivery as a result of the recession. This is because, as noted above, training may have started to decline before the recession.

One of the most important effects of recession on training is that new ways of delivering it have taken place. Even in the cases where employers have increased or maintained their training expenditures, innovative ways of training provision seem to have gained ground, the main aim of which is to provide high quality training but in a more cost-effective way. These new ways of training delivery are identified by the respondents of Felstead et al.'s (2012) study as "training smarter" and include in-house training, e-learning and online group training sessions, the use of highly trained and skilled staff to train other employees and the use of training focused explicitly on firm needs. The majority of the respondents report that they would continue to train smarter in the future. The above findings tie with evidence provided from the CIPD's annual survey for 2008, regarding learning and development, conducted during the recession. According to these findings, British workplaces experienced a significant change in the way their training and development is delivered, with in-house development programmes, coaching by line managers and e-learning being amongst the most popular training practices (CIPD, 2009b). The annual surveys released by the CIPD in the subsequent years up to the most recent one in 2015 have shown that the aforementioned practices remain the most popular and effective training and development practices amongst British organisations for the last seven years (CIPD, 2015).

Within such a context, a number of initiatives have been introduced by the British government in order to support firms within these changing economic circumstances, such as the "Time to Train" and "Train to Gain" initiatives. Research evidence from the study conducted by the LSC (Learning and Skills Council) and SEEDA (South East England Development Agency) (2009) in the South-East England regarding the impact of the recent recession on training practices and skill needs reveals that larger enterprises are more likely to make use of these government-funded programmes. Thus, the awareness and usage of these programmes by the firms within the SME sector is lower than their larger counterparts. The study identifies as the most important reasons for these lower levels of use the bureaucracy and complexity that characterise these programmes, the uncertainty regarding future funding and the fact that employers do not have the time to keep pace with the fluctuations in regulation that characterise these programmes (Cox et al., 2009). As such, according to the respondents of the CFE study (2009), the British government should increase the levels of financial assistance, offer more training courses,

provide more clear information regarding its programmes and provide more policy initiatives available to businesses (Kewin & Sanchez, 2009).

The limited analytical attention that the impact of the recession on training has received, has led several commentators to assume that training is one of the first casualties and tends to fall during a recession. However, research evidence so far portrays a different picture and suggests that training provision within the SME sector has been affected to a lesser extent than it was expected (CIPD, 2009a). Reasons such as the training floors and the need to keep pace with and be even more competitive than their rivals when the economy recovers are seen to have a great impact on the decision of businesses to invest in training during the recession. Alternative ways of training delivery seem to be at the heart of the training strategies of the organisations as a way to retain training at a low cost but with a high quality at the same time. Although the key role of SMEs in the British economy has been stressed several times by British Governments, whether the state has proved to be effective in helping SMEs to survive the crisis and be more competitive in the upturn is an important question.

The examination of the existing research studies around the impact of the recent recession on training and skills development reveals a lack of research in this topic and more specifically in the SME sector. Although the studies mentioned above looked at the impact of the recent recession on training, the majority of them did not look exclusively at the SME sector and its training behaviour. In this context, the present study sets out to fill this knowledge gap in the literature. The next section looks at the important role that SMEs play within the economy of the UK for future economic growth and success. The subsequent section discusses the definitional problems that the SME sector encounters and explains the adoption of the SME definition appropriate to the needs of the current study.

2.5 The role of SMEs in the British economy

Small and medium sized enterprises are seen to constitute a major component of the global economy. Over the last three decades their importance to the global labour market has increased steadily and they are often seen as a mechanism for innovation, competitiveness and job creation. Such firms also make a major contribution to the output and employment of the private sector (Storey, 1994).

A number of studies over the past three decades (Storey & Johnson, 1987; ENSR, 1997; Broughton, 2011) have documented the increased number of SMEs and the growing importance of this sector to the British economy, as well as to other economies across Europe. BIS (2014) estimates suggest that out of 5.2 million enterprises in the UK, over 99 per cent are part of the SME sector, employing fewer than 250 employees. The industries that are more likely than the average to consist of small and medium-sized enterprises are wholesale and retail, professional and scientific and the construction industry. Despite a prolonged period of difficult economic conditions since 2008, the number of SMEs in the UK has continued to grow, by around 14 per cent since the beginning of 2008 (Ward & Rhodes, 2014) (Table 2.2). Similar patterns are documented across the European Union, where more than 99 per cent of businesses are part of the SME sector and, as a result, their contribution to the employment and growth of the European economy is significant (Cedefop, 2009).

Table 2.2: The role of SMEs in the UK economy (2014 data)

	Number of firms (in thousands)	Employees (in thousands)	Employment (% of total UK employment)	Turnover (billion pounds)
Micro (0-9 employees)	5,010	8,276	47.9 ¹	655
Small (10-49 employees)	195	3,807		515
Medium (50-249 employees)	31	3,075	12.2	477
Total SMEs (0-249 employees)	5,236	15,158	60.1	1,647

Source: BIS, Business Population Estimates 2014 (taken from Ward & Rhodes, 2014:3).

From the above, it is evident the important role that SMEs can play to the British economy and its growth. It is well documented that innovation is a key driver to a nation's economic growth (Ward & Rhodes, 2014) and a number of studies have stressed the strong innovative capability that characterises SMEs (Acs & Audretsch, 1990; Bourgain &

¹ BIS (2014) provided information about the share of total employment for micro and small firms together. No separate data was available.

Haudeville, 2001; Hewitt-Dundas, 2006). For instance, Acs and Audretsch (1990) showed that U.S. small firms have a better innovation rate than large firms. Similarly, existing research has shown that SMEs make a significant contribution to the innovation activity of the UK. Specifically, evidence from the 2014 Small Business Survey (BIS, 2015a) of 5,115 British SMEs suggests that 38 per cent of SMEs undertook innovation activity in the previous twelve months, with the manufacturing and the information and communication sectors being particularly strong in this respect. Although innovation activity appears to have been constrained since 2010 by nine percentage points (BIS, 2015a), mostly due to the difficult economic conditions that the UK experienced, research evidence suggests that SMEs specifically can act as an important “seedbed” for new innovation activities (Mole, 2002).

SMEs are also seen to constitute an important driver of economic growth through job creation. Research evidence suggests that SMEs make a disproportionately large contribution to job creation in economies across the world, in relation to the workforce they employ (Ayyagari et al., 2011). Evidence from the UK has shown that small firms have increased their share of employment year by year, with their share of employment in 2010 (10%) being triple of that in 1998 (3.4%). Out of a total of 2.61 million jobs that were created on average in the UK between 1998 and 2010, small-sized firms (with less than 50 employees) contributed to the British economy around a third (34 per cent) of all job creation. However, it is important to acknowledge the fact that, as much as SMEs contribute to the creation of jobs, a significant number of job losses can occur when SMEs shut down (Anyadike-Danes et al., 2011).

Such evidence suggests that SMEs can provide catalytic benefits to the British economy. The role of SMEs is crucial for the economic recovery and growth of the UK, as their number, output and employment capacity constitute a large share of the British economy. Research evidence suggests that SMEs, characterised mainly by simple and flexible structures and processes, are more adaptable and have the ability to respond more rapidly, than larger and more complex organisations, to changes that could emerge from a turbulent situation, such as an economic downturn (Carter & Jones-Evans, 2000). Elmore (2009) demonstrates the important role that entrepreneurs could also play in the recovery and growth of the economy, as they can contribute to the creation of jobs and social progression. Recent research suggests that entrepreneurship is positively related to

productivity gains (Erken et al., 2009). This is an important channel through which SMEs and entrepreneurs could raise national income, and as a result boost earnings, activity and employment across the UK (Ellis & Taylor, 2011).

Research evidence suggests that there is a relationship between the levels of skills of a country and its economic growth (BIS, 2013a). Taken into consideration the well-documented important role that SMEs play in the British economy and its growth, it is important to investigate the activities of SMEs in terms of training and skills development. The limited research available on the impact of the recession on training tends to focus on large firms, assuming that these findings can have universal applicability. In this context, the present study attempts to fill this gap in the literature by exploring the training and skills development within SMEs under the recent recession that the UK has experienced.

2.5.1 Definition of Small and Medium-sized Enterprises

The task of defining a small enterprise is rather difficult. A lot of attempts can be detected in the past and recent literature to define what constitutes a small enterprise, however there is not a single and widely accepted definition. Storey (1994) argues that this problem stems from the heterogeneity that characterises SMEs in terms of product market, number of employees, profitability and sales turnover. While an organisation can be characterised as small in relation to other firms of the same sector, in different sectors a company with the same characteristics can be regarded as large. The danger of many definitions of SMEs is the assumption that there is a homogeneous SME sector, with all the firms falling in this category having similar characteristics. While the size of the firm may be a factor, it alone is not sufficient enough to explain patterns of employment relations, for instance. A wide range of influences, both internal and external, such as sector characteristics, owner characteristics, economic indicators and technology can explain behaviour (Goss, 1991; Kinnie et al., 1999).

In order to overcome these problems, the Bolton Committee (1971) developed an “economic” definition dependent upon the criteria of market share, independence and personalised management by the owners. However, the application of this definition can no longer be seen as satisfactory and has been successfully replaced by the European Commission (EC) definition. According to the EC, as it is set out in the Commission Recommendation of 3 April (1996), small and medium-sized enterprises are defined as

those enterprises which have fewer than 250 employees. According to this definition, the SME sector can be divided into three components; micro-enterprises employing fewer than 10 employees; small enterprises employing fewer than 50 employees; and medium enterprises employing fewer than 250 employees (Table 2.3). The British Chambers of Commerce (1998) has also suggested a similar breakdown regarding the definition of micro, small and medium-sized enterprises (Johnson, 1999; Broughton, 2011).

Table 2.3: European Commission’s definition of SMEs

Company Category	Staff Headcount	Turnover	Or	Balance Sheet Total
Medium-sized	< 250	≤ £ 39.2 million		≤ £ 33.7 million
Small	< 50	≤ £ 7.9 million		≤ £ 7.9 million
Micro	< 10	≤ £ 1.6 million		≤ £ 1.6 million

Source: European Commission (2016a)²

Although the aforementioned definition of SMEs constitutes a decent effort by the EC, as a way to differentiate small from large companies, it finds its application only in countries such as Italy, Ireland, Finland and the UK. The heterogeneity of the SME sector makes the application of the EC definition quite problematic in different national contexts. The main criterion used in this definition of SMEs is workforce size, but different thresholds are used in different countries. Thus, in countries such as Austria, Denmark, Spain, Greece, Belgium, Netherlands and Norway, SMEs are defined as firms with fewer than 100 employees. In Sweden and Luxembourg the threshold rises up to 200 employees, whereas in Germany, France and Portugal SMEs are defined as companies with fewer than 499 employees (EIRO, 1999; Johnson, 1999).

Taking into consideration such concerns, it is essential to define its constitution within a specific research study. The strategy that researchers usually employ is to adjust a definition according to their particular target group and the needs of their research. The

² The definitions are given with the Euro values converted into Sterling at the rate applicable when this text was drafted (December 2016).

Department for Business, Innovation and Skills (BIS) accepts the EC definition of SMEs, as it finds its applicability within the British economy (BIS, 2013a). As such, the present study adopts the EC definition of SMEs and defines them as enterprises employing less than 250 employees.

The next section conceptualises human resource management, which training and skills development constitute a central part of. The HRM practices of SMEs and their approach towards training and development are discussed in sections 2.6.1 and 2.6.2 respectively.

2.6 Conceptualising Human Resource Management

The HRM literature emphasises the important role of employees or “human resources” in creating sustained competitive advantage and enhancing organisational performance. It has been increasingly recognised that “the management of people is strategic to success” (Boxall & Purcell, 2003: vii). Although there is not a single, uniformly accepted definition of human resource management, Storey (1995:5) defines HRM as “a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques”.

The main components of an HRM approach have been widely debated. However, following Storey (2007), the key elements are presented in summary form in Table 2.4. Storey (2007) identifies four key features of an HRM approach, incorporating both soft and hard elements, such as communication and strategic decision respectively. This HRM model is concerned with the adoption of a strategic approach towards the management of people, through the deployment of a variety of practices. The most fundamental element of this model is that human commitment and capability make organisations succeed and prevail amongst others. According to Storey (2007:11), the notion of “managing culture change” is central to the development of an HRM approach, as this process is perceived to be the key to the unlocking of the “self-evidently prized objectives” of “consensus, flexibility and commitment”. Consensus suggests a shared set of beliefs and values; flexibility portrays improved productivity through the removal of restrictions on labour mobility; and commitment refers to the willingness of employees to “go the extra mile in pursuit of customer service and organisational goals” (Storey, 2007:11).

Table 2.4: The HRM model

1 *Beliefs and assumptions*

- That is the human resource, which gives competitive edge.
- That the aim should be not mere compliance with rules, but employee commitment.
- That therefore employees should, for example, be very carefully selected and developed.

2 *Strategic qualities*

- Because of the above factors, HR decisions are of strategic importance.
- Top management involvement is necessary.
- HR policies should be integrated into the business strategy- stemming from it and even contributing to it (*commonly termed external fit*).

3 *Critical role of managers*

- Because HR practice is critical to the core activities of the business, it is too important to be left to personnel specialists alone.
- Line managers are (or need to be) closely involved both as deliverers and drivers of the HR policies.
- Much greater attention is paid to the management of managers themselves.

4 *Key levers*

- Managing culture is more important than managing procedures and systems.
- Integrated action on selection, communication, training, reward and development (*commonly termed internal fit*).
- Restructuring and job redesign to allow devolved responsibility and empowerment.

Source: Storey (2007:9) (*Comments added*)

Within this process of cultural change, the adoption of a strategic approach towards training and skills development is regarded as a “vital component” to anything that can meaningfully be termed HRM. Such an approach is essential in securing the goals of commitment and engagement. Keep (1989a), in an attempt to explain the term human resource management, argues that the word human relates to the employees of the company and the word resource, as opposed to cost or commodity, refers to the investment of the workforce. The word management means that strategies aimed at the development and motivation of this resource and its investment will be used in such a way in order to maximise its potential. Training plays a central role in achieving these goals as it is seen as a prime investment in human resources. Firms who treat their workforce simply as a commodity rather than a resource, fail to invest in training and skills development and, thus, it is difficult to accept that they have committed themselves to HRM. In addition, Keep (1989a) stresses the fact that there is a solid economic rationale that underpins the centrality of training in HRM. As such, in order to maximise the return on any training investment, it is sensible to develop other HRM policies that will help to retain, motivate and ensure the best use of any new skills acquired by the workforce. Furthermore, training and development play a pivotal role in realising the latent potential of employees and in securing their commitment to the firm’s success. As Keep (1989a:112) stresses:

“These motivational aspects of HRM are bound up with investment in training and development insofar as such investment is a powerful signalling device, which enables employers to confirm to their employees that they are being regarded as important to the company’s future success. Obversely, there is little use in firms claiming to their workforces that they have become people-centred organisations that regard their employees as important and valuable, if they subsequently refuse to invest in people”.

From the above, it is evident the important role that training plays in the implementation of HRM within businesses. Given the focus of this study, the rest of this section analyses and discusses the two most popular HRM models that most theoretical debate has focused on- the “best practice” or soft HRM and the “best fit” model of HRM. This will offer a better exploration of the way training is shaped and performed within these two different approaches and will lay the foundation in order to better understand skills formation in SMEs in the subsequent sections.

The soft, “best practice” or Harvard model of HRM is premised on the assumption that superior organisational performance can only be achieved if all businesses identify and

adopt a set of best HR practices that are universal and can be implemented in any situation no matter the accompanying circumstances (Beer et al., 1984; Boxall & Parcell, 2003; Armstrong, 2009). Proponents of this model have emphasised that the alignment of HR practises, or “internal fit” helps to improve organisational performance (Pfeffer, 1994; Huselid, 1995; Claus, 2003). In this respect, the concept of “internal fit” is central to the soft “best practice” model of HRM. A number of “best practice” models have been produced over the years, with the one that was produced by Pfeffer (1998) being the best known. According to this model, organisations should adopt a list of seven “best practices” in order to achieve superior performance, namely: employment security, selective hiring, self-managed teams or team-working, high pay contingent on company performance, extensive training, reduction of status differences and sharing information.

The term “soft” has been attributed to this model due to the emphasis that is placed on the human aspect of HRM, as it is more concerned with the relationship between employers and employees. The soft “best practice” model pays particular attention to the interests of various stakeholders in the organisation, such as management, employees, government, shareholders and unions, and acknowledges the influence that situational factors, such as the labour market, can have on HRM policies (Budhwar & Aryee, 2008). In addition, this model generally refers to the resource-based theory, according to which the internal resources of the organisation, including human resources, play a vital role in developing and maintaining its competitive advantage (Wright et al., 1994; Youndt et al., 1996). According to Armstrong (2009:30), “For a firm resource to have the potential for creating sustained competitive advantage it should have four attributes: it should be valuable, rare, imperfectly imitable and non-substitutable”. Therefore, the HR practices of an organisation can create a sustained competitive advantage through the development of a valuable and unique human pool (Armstrong, 2009).

One of the critical and unresolved debates is whether there is a single best set of HR practices. Several research studies suggest that there is (Huselid, 1995; Delaney & Huselid, 1996; Huselid & Becker, 1997). For instance, Huselid’s (1995) work, in a sample of 968 firms, suggests that firms using sophisticated techniques of recruitment and selection, training and performance appraisal linked to incentive compensation are more likely to report higher productivity, enhanced organisational performance and lower employee turnover. The author refers to these HR practices as “high performance work

practices”. However, Armstrong (2009) finds it difficult to accept the universal set of practices that this model proposes, as what works best in one firm might not work well in another, due to the fact that it may not fit its culture, strategy, working practices, technology or management style.

In contrast, the “best fit” model of HRM emphasises the resource aspect of HRM and focuses on the effective utilisation of the human resources available in order to meet the business objectives. In particular, this model advocates that human resources, like all the other resources of the organisation, have to be acquired cheaply and have to be developed and used as much as possible (Fombrun et al., 1984). According to this model, the HR strategy of the organisation will be more effective when it is consistent with the organisational and environmental context of the business in order to result in higher levels of organisational performance (Boxall & Parcel, 2003; Guest, 1997).

The notion of a “best fit” model is widely accepted within the field of management and organisation theory. Several studies suggest that the differentiation of HR practices that this model propounds, along with the emphasis on context, can lead to superior organisational performance. For instance, Arthur’s (1994) empirical work in the U.S. steel mini-mill industry found that firms pursuing a differentiation strategy were more likely to develop commitment HR systems typified by high levels of socialisation and training. In addition, such firms tended to outperform businesses with control systems. However, Budhwar and Aryee (2008) assert that the emphasis that is placed on the alignment between HR strategies and organisational strategy means that this model overlooks the interests of employees and, therefore, treats HRM as a passive and reactive function. This model has been criticised for failing to recognise the need to fit employee interests with the business or to comply with prevailing legal requirements and social norms (Boxall, 1996; Coff, 1997; Boxall & Purcell, 2003).

However, the notions of “best practice” and “best fit” do not have to be necessarily in conflict. Becker and Gerhard (1996) argue that these two approaches could be complementary if “best practices” are perceived to exist at different levels. As such, “best practices” could exist at the upper level, for example employees are treated as valued assets of the organisation, while differentiation practices supporting the overarching principle. This approach allows that fundamental advantages could be achieved by

adapting HR practices and policies to the firm's context, and particularly to its organisational strategy.

From the above it is evident that the role of HRM to organisational success is vital. Extant research on the linkages between HRM and business performance seems to operate under the assumption of a stable economic environment. However, it is an open question as to how HRM performs under turbulent conditions, such as the recent economic downturn. Although most studies tend to neglect the impact of economic cycle on HRM, the small body of existing research on this topic argues that HR practices are vulnerable during recessions, resulting in poor HRM- such as labour cuts, withdrawal of employee training and development plans and reductions in salaries and wages- and poor business performance (Lahteenmaki et al., 1998; Cook et al., 2016). Given the centrality of training in HRM, the current study will attempt to investigate the way HRM is shaped and performed under conditions of economic uncertainty.

2.6.1 Human Resource Management within SMEs

Our knowledge of human resource management within the SME sector is considerably limited, as most existing literature of HRM is derived almost exclusively from large firms. Although there is an increasing interest in the small business sector and there is an increasing body of research in SMEs, most work tends to neglect, by and large, this sector and to assume that the findings related to large businesses can have universal applicability and, hence, apply to small firms as well (Cooper & Otley, 1998). This tendency is more than interesting when taking into consideration the claims that the SME sector plays a vital role in national economies and is a key source of job creation and innovation (Bacon & Hoque, 2005; Cedefop, 2009).

Despite increasing interest in small firms, the neglect of this sector and, especially the limited state of knowledge regarding human resource management in SMEs, has been highlighted by several commentators (Matlay, 1999; Wilkinson, 1999). A number of difficulties have been identified by Scase (1995) as an explanation for the limited empirical research that has been undertaken on this topic. Firstly, there are notable definitional problems related to the sector, size and the economic activity of the small business sector. Secondly, the high number and diversity that characterise the firms operating in this sector can result in error margins in the conceptualisation and

classification of the research samples. Thirdly, there is a difficulty in generalising the empirical results of small firm studies since the HRM processes within small firms can vary across small firms with different sectoral and industry characteristics. Finally, access and data collection problems make research in this sector even more difficult.

Although existing research suggests that effective HRM is one of the most crucial problems faced by SMEs (Gilbert & Jones, 2000; Heneman et al., 2000), there is an acute shortage of research on the relationship between human resource practices, strategy and firm performance (Wilkinson, 1999; Cassell et al., 2002). The research evidence available suggests that there is an ambiguity as to whether the “best practice” or “best fit” model of HRM better applies to the SME context. For example, Chandler and McEvoy’s (2000) study in 476 small manufacturing firms suggests that models of “fit” between HR practices and strategy are more effective within the SME sector. Their findings show that in such establishments the production strategy is a key variable in determining the adoption of specific HR practices. This research is inconsistent with the universalistic approach that there is a single set of “best practices” for all firms, and seems to contradict speculations made by Cappelli and Crocker-Hefter (1996) that HR practices are core competencies of an organisation and, thus, more difficult to change than business strategy.

Other research evidence suggests that the application of “best practice” and “best fit” models of HRM in SMEs is quite problematic, mostly due to the fact that these theoretical models do not sufficiently capture the complexity that characterises HRM within SMEs (Harney & Dundon, 2006). The “best practice” model has been criticised due to the fact that its universalistic notion of a single set of practices is heavily undermined by the impact of market conditions, organisational context and institutional forces (Guest & Peccei, 1994; Marchington & Grugulis, 2000). These criticisms are significantly important in an SME context given the proximity of SMEs to environmental forces. On the other hand, although the “best fit” model acknowledges the importance of context, it does so in a narrow and static way, as legal requirements and broader social norms tend to be omitted (Boxall & Purcell, 2003). For example, McMahon’s (1996) work has shown how legislation can impinge on HR practices and decisions in SMEs.

The research undertaken so far portrays a generally poor state of HRM within the SME sector, with HRM practices being more popular amongst large organisations. SMEs seem to be less likely than their larger counterparts to have adopted more sophisticated and

formal practices of recruitment (Carroll et al., 1999), training (Vickerstaff, 1992; Matlay, 1997) and performance appraisal and, hence, informality predominates (Jackson et al., 1989). Research has shown that recruitment in SMEs is usually conducted through the use of tried and trusted methods, including “word-of-mouth techniques and the hiring of known quantities” (Carroll et al., 1999:236), the provision of training is less structured (Brand & Bax, 2002), whereas remuneration is subject to management prerogative (Wilkinson, 1999).

Empirical studies examining the use of HRM within the SME sector have consistently shown that, in comparison to large firms, the majority of SMEs do not make use of HRM approaches. For instance, Bartram’s (2005) study of small businesses in Australia provides evidence that small firms are less likely than larger firms to utilise formal HRM practices. In the same vein, findings from the 2004 Workplace Employment Relations Survey within SMEs suggest that SMEs are less likely than their larger counterparts to make use of formal channels of recruitment and structured training, whereas the use of team-working arrangements and performance appraisals are less developed in SMEs than in large firms (Forth et al., 2006).

Cassell et al.’s (2002) study of 100 SMEs in the UK, regarding the use and effectiveness of HRM practices within the SME sector, reveals that SMEs, instead of taking a coherent and strategic approach towards the implementation of HRM, adopt a more “pick and mix” contingency approach (Cassell et al., 2002:687). The way SMEs approach HRM was found to be more ad hoc and reactive, rather than proactive, systemic or holistic. The findings suggest that there was a significant diversity in the ways in which HR practices were used and formalised by SMEs, with a number of factors influencing the adoption and success of an HR practice. These included the current business climate, the existence of an HR champion within the business, the role that HR played within the firm, previous experience in relation to the effectiveness of an HR practice, knowledge of current HR trends, the existence/absence of resources in order to implement HR practices and the review and evaluation of existing HR initiatives in order to introduce them in the future. Cassell et al. (2002) concluded by arguing that SMEs often introduce HR practices without a thorough consideration of the impact of these practices on the whole system and, as a result, this could lead to a lack of effectiveness.

Bacon and Hoque (2005) explore the factors that prevent the adoption of more sophisticated HRM practices within the SME sector. Using data from the 1998 Workplace Employee Relations Survey, they suggest that a number of both internal and external factors could explain variation in the adoption of HRM practices, including a skilled workforce, union recognition and the existence of dominant customers. According to their findings, the existence of the aforementioned factors could positively affect the adoption of HRM practices within SMEs and vice versa. Similarly, Rouditser and McKeown's (2015) empirical study of 21 Australian SMEs suggests a range of internal and external factors influencing the adoption of HRM within the SME sector. These include internal influences, such as the owner's education level, prior management experience and commitment to employees, and external factors, such as industry regulations, skill shortages and customer expectations.

Although research evidence suggests that HRM within the SME sector is fairly reactive and tends to be implemented on an ad hoc basis, a number of studies have shown that HR practices within SMEs are more sophisticated than expected (Storey, 1995; Bacon et al., 1996; Julien, 1998). Storey (1995) in reviewing the findings of a survey of SMEs in Leicestershire, suggests that such firms are prepared to experiment with new initiatives, with the level of success for these initiatives being high. Bacon et al. (1996), in an attempt to outline these findings in further detail, suggest that SMEs do implement many HRM initiatives, although in a less formal way than their larger counterparts. The authors conclude by arguing that the absence of large formalised programmes within SMEs could be seen as the competitive advantage of these types of firms and not as a weakness of their HRM function. This ties with Kaman et al.'s (2001) assertion that small businesses might as well benefit and create a competitive advantage from elements of both formality and informality with respect to HRM. The authors suggest that the formalisation of HRM practices is valuable to the point that it improves the management of people and does not erode the potential advantages that small firms have, such as family atmosphere, direct communication, flexibility and innovation.

Although research suggests that the adoption of sophisticated HRM practices has a measurable and positive impact on organisational performance (Huselid, 1995; Becker & Gerhart, 1996), there is less evidence of the link between HRM and performance in relation to SMEs (Kaman et al., 2001). Some studies provide statistical support for the

relationship between HRM and business performance, suggesting that the adoption of sophisticated HRM practices within SMEs can lead to superior performance (Kotey & Meredith, 1997; Heneman & Berkley, 1999; Way, 2002; Hayton, 2003). For Instance, Heneman and Berkley's (1999) work suggests that the adoption of formalised and sophisticated techniques of recruitment and selection within SMEs can result in less days to fill the positions available and in higher retention rates. However, other studies suggest that the adoption of HRM within SMEs does not lead to superior organisational performance and, as such, intensifies the scepticism that exists around the relationship between HRM and the performance of SMEs (Storey, 2004). For example, research evidence suggests that increased performance in SMEs can be achieved through the adoption of modest recruitment techniques, training practices or wage adjustments, rather than the adoption of more sophisticated HRM practices (Hendry et al., 1995; Carroll et al., 1999; Brand & Bax, 2002).

As the literature shows, there seems to be an ambiguity regarding the nature of HRM within the SME sector and its impact on firm performance. Research evidence suggests that HRM does exist in SMEs but that firm size seems to positively affect the degree of sophistication of HR practices. However, generalisations are difficult to make due to the rich diversity that characterises the SME sector, as well as due to the definitional problems that most studies in this sector encounter. The inadequacy of the existing research in order to analyse HRM in SMEs renders HRM as a field "rich in prescription, but limited in sound prescriptive data, and sparse in analytical research" (Heneman et al., 2000:20). The proximity of SMEs to their environment, along with their resultant insecurity, makes them vulnerable and more responsive to external changes (Bacon et al., 1996). As such, HRM in SMEs is heavily influenced and shaped by contextual contingencies. Given the focus of this study on the context of the recent economic recession it is of particular importance to explore the ways in which HRM, and in more specific training and development-which is regarded as a vital component of HRM-, are shaped within British SMEs.

2.6.2 Training and skills development within SMEs

Training and its provision within the British context has been a subject of considerable debate, mostly because of its market-based, voluntaristic approach, where firms and individuals take responsibility for their own development. The strong emphasis of British organisations on voluntary investment can affect considerably the amount and nature of

training that is been undertaken by firms. A number of factors such as voluntarism, short-term requirements, weak employer organisations and weak social arrangements that characterise the UK are significant in understanding and explaining the different ways of investment in training that the population of SMEs has experienced (Green & Martinez-Solano, 2011).

The view that SMEs provide inferior levels of training compared to their larger counterparts has been questioned by several commentators (Abbott, 1993a; Ashton et al., 2005). The fact that large organisations are more likely to provide formal training activities to their workforce than firms within the SME sector does not mean that training is not provided, but rather that more informal training practices take place. Apart from the aforementioned institutional context of Britain that can affect the provision of training in SMEs, the market within which SMEs operate, the product market position, and the niche that a firm occupies determine the skill requirements and the provision of training within the SME sector (Edwards, 2010; Green & Martinez-Solano, 2011).

The existing literature so far has identified two polarised views regarding the process of skill formation within the SME sector. The dominant view is that SMEs underinvest in training, as their use of formal training practices is limited. According to this view, SMEs constitute simply a microcosm of larger enterprises (Storey & Westhead, 1997; Hill & Stewart, 2000). Against this popular view, there is a developing argument that the reliance of SMEs on informal, unsophisticated training practices is because they serve better their needs. Research evidence from Sung et al. (2000) has shown that there is a significant amount of training taking place within SMEs, but in a more informal way.

According to the latter argument, SMEs are not simply a scaled down version of a large business (Storey, 1994; Curran & Blackburn, 2001, O'Regan et al., 2010). Johnson and Winterton (1999) argue that this statement has implications for the training and skills that are required for the employers/owners of SMEs and their employees. They note eight significantly important factors that can affect the approach that businesses employ towards training and skills as well as human resource development within SMEs. Apart from the size of the firm, these factors include: the sector and the geographic context in which the firm operates; the lack of internal labour market; the significantly competitive markets in which SMEs operate; the fact that usually in enterprises of that size manager and owner can happen to be the same person; the absence of team-management; the financial

commitment of the owner; and, the high failure rates and the ambitions of the owner/manager regarding the growth of the firm. To these factors Bishop (2006) adds the previous experiences and backgrounds of the individuals within a small firm. All these different factors illustrate the heterogeneity of the SME sector.

Existing research evidence from the US and the UK reveals that small and medium-sized enterprises are less likely than large businesses to provide formal training to their managers and employees (Kitching & Blackburn, 2002). Brown et al. (1990) found that large firms in the United States are twice as likely as small firms to provide formal training to their employees. Similar patterns are also noted in the United Kingdom from several studies, where it is clear that there is a positive relationship between formal training and firm size (Cambridge Small Business Centre, 1992; Elias & Healey, 1994). For instance, in 2002, only 57 per cent of small businesses provided any type of formal, off-the-job training, compared to 93 per cent of large firms (DfES, 2003).

Storey and Westhead (1997) offer two explanations for the lower take-up of formal training in small firms, the “ignorance” and the “market” explanation. According to the “ignorance” explanation, the owner/manager of the small firm seems to be unaware of the benefits that formal training can offer to the workforce as well as to him/herself. Thus, governments in order to overcome this “ignorance”, try to persuade owners that training can enhance the overall performance of the business. However, current evidence regarding the link between training and SMEs’ performance is ambiguous. For instance, Cosh et al. (1998) find a positive association between current training practices and future performance, whereas Storey’s empirical work (2002) suggests that there is no direct link between training and performance within British medium-sized companies. In addition, Kitching and Blackburn (2002:xi) conclude that:

“Data was inconclusive regarding the links between the provision of training and employment growth (actual and anticipated), sales turnover growth (actual and anticipated) or profit performance. The relationship between each of these factors and each type of training provision is complex; there is no simple positive association between them”.

The “market” explanation stresses that small firm owners are aware of the benefits that training provides, but that the explanation for lower take-up of training lies with the higher costs and lower benefits small firms accrue as a result of the provision of formal training compared to the larger companies. Storey (1994) and Storey and Westhead (1997) draw

on evidence where market forces rather than ignorance are responsible for the lower training provision in SMEs. The finding that there is no clear relationship between training and firm performance has been provided as an additional reason for the low take up of training within SMEs.

Existing research highlights a number of factors responsible for lower levels of training provision within SMEs compared to their larger counterparts (Marlow, 1998; Kitching & Blackburn, 2002; Davies et al., 2012). Amongst these are included: lack of money and time; no need for training as their staff is fully proficient; no need for a trained workforce; problems with funding; the fact that the training available does not respond to their firm's needs; and the concerns that the trainees will be poached by rival employers. However, as Kitching and Blackburn (2002) argue, whether this low take-up of training within the SME sector is due to the imposed barriers or to the limited need of employers to provide training, is a matter of debate.

Kitching and Blackburn (2002) identify a number of factors that can affect the provision of training, including the size of the firm, business sector, organisational change and the nature and level of product market competition. Their study also reveals the important role that unstructured, in-house training plays within smaller firms. Apart from some exceptions, the majority of small business owners emphasise the functionality of informal training, as it can fit into the day-to-day needs and activities of their businesses. In addition, they note that in-house training can provide their workforce with the specific skills that their firms require, more effectively than a number of existing external training programmes can, which usually do not respond to their needs.

Matlay (1997) argues that the provision of training within SMEs has been affected by the attitudes of owners/managers towards it. According to his 3-year period study in the West Midlands region, although employers' attitudes are positive towards vocational education and training, the take-up of training still remains low. Small employers identify as the main reason the fact that training policies introduced by the state lack of coherence, continuity and focus. Additional reasons are the fact that there is no formal training relevant to their needs, the prevailing economic conditions and the market position that small firms inhabit. Hoque and Bacon (2006) suggest that the presence of government-funded initiatives and an HR/personnel specialist can increase the take-up of training regarding the general workforce as well as managers/professionals. Although the use of

government initiatives is very limited, their study identifies higher levels of training provision in the limited number of small firms that use it. Hoque and Bacon (2006) also stress the need for a change in the training culture of SMEs, where an element of compulsion is necessary, in order to raise the levels of training activity.

The relative lack of engagement of the SME sector with the provision of formal training has been a subject of debate as to whether it constitutes a problem or not. Marlow (1998) claims that the lack of formal training for managers and employees in the SME sector is quite problematic due to the increasing importance of this sector, not only to the UK economy, but also more globally (cited in Johnson, 1999). Jameson (2000:45) shares the same view, as she argues that low levels of formal training methods constitute the result of “*low skill requirements*” and a lack of “*training and promotion opportunities*” that characterise the small business sector. On the other spectrum, there is the perception that the low take-up of formal training is not really a problem, given that more informal training methods are taking place within this sector. Ashton et al. (2005) stress the functionality of informal practices of training in the small business sector, as they are more compatible with the context and the needs of the firms of this sector. However, no study so far has directly investigated the informality in SMEs in order to demonstrate that it is functionally equivalent to the formality of large firms (Edwards, 2010).

It has been revealed that the provision of formal, structured training tends to increase with firm size, with the small business sector mostly relying on informal activities. Given the increasing importance of SMEs within the British economy, it is rather worrying that this underinvestment in training looks likely to continue. The literature details a wide range of conditions that enable small business employers to behave like this and place training provision lower in their priority list. Small firm owners argue that the structure of formal training is based on the needs of large firms and thus, the benefits for their businesses are very limited. However, it may be the case that, given the nature of this sector, those informal training approaches might be seen as an efficient approach by the small business owners/managers. This approach towards training might as well be seen as part of the flexibility that characterises the SME sector and which provides its competitive strength.

Overall, an examination of existing research studies with regards to the nature and extent of training and development within the SME sector reveals an overreliance of most studies on a “formal” definition of training, resulting in an underestimation of the extent of

informal training undertaken by SMEs. In this context, the present study attempts to fill this lacuna in the existing HRD literature and to provide a more in-depth understanding of the nature and extent of training practices within the SME sector. In addition, extant research tends to focus on the training practices of SMEs within stable economic conditions. But how is training performed in SMEs under turbulent economic situations, such as the recent economic downturn? Most of the existing literature tends to investigate the impact of recessions on training within firms of various sizes, assuming that the findings can have universal applicability. However, SMEs, as noted earlier in the literature, are not scaled down versions of larger enterprises. Therefore, the present study attempts to fill this gap in the literature and to improve our knowledge in relation to the way training and skills development in SMEs are shaped and performed under conditions of economic uncertainty. The next section looks at the nature of employment relations within the SME sector and their role in training provision.

2.6.3 Employment relations in SMEs

The nature of employment relations within SMEs is often seen as different from those in large firms. Despite the marked heterogeneity that characterises the SME sector, it is possible to identify some common patterns of employment relations within SMEs that distinguish them from larger firms (Storey, 1994; Scase, 1995). Research evidence suggests that the lack of time, money and human resources inhibit the use of strategic and sophisticated management practices, the appointment of HR specialists, the presence of unionism and, therefore, collective bargaining (Atkinson & Meager, 1994; Storey, 1994).

The existing literature regarding the employment relations within the SME sector has identified so far two polarised ideal types of relations in small firms- the “small is beautiful” and the “bleak house” perspective (Wilkinson, 1999). The “small is beautiful” perspective was first presented by the Bolton Committee Report (1971). According to this scenario, the working relationships within small firms between owners/managers and employees are friendly, close and harmonious, and the working environment is much better than that provided in large businesses. The “family” atmosphere that characterises small firms facilitates greater flexibility and informal types of communication. The “social harmony” that characterises industrial relations in small firms contributes to low levels of conflict, and as a result the need for collective representation is limited. Ingham (1970) and Schumacher (1973) in their empirical studies amongst small firms also share the view

that “small is beautiful” and place co-operation and mutual respect at the centre of industrial relations in SMEs. The second perspective that “small isn’t beautiful” (Rainnie, 1989) suggests that poor working conditions and exploitative practices are dominant within small firms. The “family” atmosphere is perceived to be more of a type of authoritarianism where the majority of employees do not challenge the owner-manager for fear of losing their jobs. The high levels of absenteeism and labour turnover that characterise small firms constitute expressions of conflict.

However, these two polarised perspectives of employment relations in SMEs have been questioned. The “family” atmosphere that prevails in small firms could be perceived as a resource and a constraint; that is, the informal and flexible environment of small businesses could offer opportunities for close relationships but at the same time these conditions could offer a fertile ground for inter-personal conflicts (Roberts et al., 1992). Employment relations within SMEs may not just be simply characterised as harmonious or autocratic but more likely as informal, complex and contradictory (Ram, 1991). Different types of employment relations can emerge in different types of small firms. It is not only the size of the firm which affects the distinctive and complex employment relations within small firms but the size in combination with other factors such as sector, ownership, dependency, product and labour market influences, and the relationships with suppliers and customers; as these circumstances change, the extent and the nature of informality adapts (Wilkinson, 1999; Ram et al., 2001).

Several studies have shown that trade union membership and recognition within SMEs are less common compared to their larger counterparts (Storey, 1994; Quit, 1999). Although there is a lack of accurate data in most European countries relating to trade union membership within SMEs, the majority of countries report that unionisation tends to fall with firm size. Exceptions to this trend seem to be Denmark and Sweden, where unionisation among SMEs tends to be considerably high (Quit, 1999).

Evidence from WERS 2004 on employment relations in SMEs illustrates the scarcity of union recognition within the SME sector. More specifically, the findings reveal that only 7 per cent of employees in small firms were trade union members compared to 10 per cent of employees in medium-sized companies and 28 per cent in large firms. Managers in SMEs did see the presence of trade unions within their workplace in a less positive light than managers in large firms, with only 5 per cent of managers in SMEs actively

encouraging union membership in their workplace. However, the findings also suggest that only very few managers (3 per cent) were hostile to the presence of trade unions within their workplace (Forth et al., 2006). The evidence from the most recent WERS (2011) reveals no significant changes, with levels of unionisation amongst SMEs remaining low and the managers not being in favour of union membership (Van Wanrooy et al., 2013).

Research suggests a number of reasons for the low trends of unionisation across the SME sector, most notably the difficulties in recruiting and organising members and the closer relationships between small firm employers and their workforce. The reason that harmonious relations within small firms render trade unions unnecessary does not seem to be valid anymore (Dundon et al., 1999). Scott et al. (1989) in their empirical research of industrial relations in small firms added to the above reasons the proportion of female and part-time workers. According to their findings, in workplaces where the majority of employees consists of female or part-time workers the levels of unionisation tend to be low. The empirical research of Abbott (1993b) shows that small firm employers are not that hostile to trade unions as it is perceived. The research findings reveal that the opinions of the employers are equally divided about whether unionisation could provide any benefits to the business or not.

From the above it is clear that the presence of trade unions within SMEs is not deemed to be as necessary as it is in larger organisations, since direct communication between employers and their workforce seems to be most appropriate. Employees within SMEs tend to believe that an increased unionisation would not be enhanced by their bargaining position (Storey, 1994). However, the role of trade unions within companies is deemed more than important, as they can consult companies on professional standards and on suitable best practice, and enhance their competitiveness.

Matlay (2002b) showed the impact that trade unions can have on workplace relations within SMEs. His extensive study for the time period 1998-2000 identified a number of positive outcomes of trade union membership. Firstly, feelings of kinship and belonging were created amongst the members of the trade unions, where a “family” atmosphere was prevailing. Secondly, union membership provided a degree of safety in terms of job security, pay negotiation and arbitration. Finally, trade union membership had positive social implications, as the attendance at meetings and other social events was increased.

This study also revealed that unionisation was higher in medium-sized enterprises than in micro and small-sized ones, however the majority was not unionised. The employers of these non-unionised workplaces claimed that there was no demand for trade union recognition as direct communication served better the needs of their business and their employees.

In addition, a number of studies have shown the positive effect unions may have on training provision. Bacon and Hoque (2005), drawing on evidence from the 1998 Workplace Employee Relations Survey (WERS), found that SMEs with union recognition tended to report more formal and sophisticated HRM practises compared to the non-unionised SMEs. In addition, Stuart and Robinson (2007), in their work based on data coming from WERS 2004, suggest a consistent association between trade union recognition within the workplace and higher levels of training provision, though this study did not look at firm size as such. The positive role of trade unions in training has also been highlighted by Heyes and Stuart (1998), as they provide evidence for the positive role that trade unions can play in promoting training and skills development within the workplace. Given the context of the recent recession, there is the question of whether unions have a positive effect on levels of training provision within the SME sector. Stuart et al. (2015), in their report on trade unions and workforce training, suggest a positive association between unions, training and organisational performance in workplaces affected by the recent recession; though again this study did not specifically look at SMEs

It has been well documented that trade union membership across the SME sector is generally very low and seems to decrease with firm size. Although several studies have shown the positive effects that trade union recognition has on the employees and the business as a whole, unionisation within SMEs remains low. Informal direct communication and the close relationships between employers and their workforce limit the demand for unionisation. Although existing research suggests a positive association between union recognition and training provision, our understanding of whether this association is valid within the SME context is limited. Therefore, it is an open question whether the presence of unions within SMEs can positively affect training provision and especially under conditions of economic uncertainty.

2.7 Conclusion

This chapter has reviewed the literature around training and skills development within the SME sector. The review began by discussing skill formation within the UK, where an employer-led, voluntaristic approach towards training predominates. It considered the relationship between training and skills development and economic growth and examined the reasons for the general underinvestment in training. It argues that it is a problem of both supply of, and demand for, skills and it stressed the need for a holistic approach towards training and skills development. A nexus of factors was identified that help in shaping training and skills in the UK, including government agencies, industrial relations, financial market, the education and training system and labour market imperfections. The institutional requirements that have to be attained in order to obtain a high-skills economy were also discussed.

The review moved on to explore the ways training and skills development are shaped under difficult economic circumstances. It discussed the theoretical insights into the likely impact of recessions on training, with businesses increasing, reducing or stabilising their investment in training during an economic downturn depending on their specific circumstances. A key argument that emerges from the discussion is that all businesses, irrespective of the economic conditions, have to implement a minimum level of training under which they cannot fall. The so-called “training floors” include specific requirements that firms have to comply with in order to operate.

The chapter also provided evidence regarding the way training and skills development are shaped in the light of a recessionary period. The available empirical studies suggest that training provision was affected to a moderate degree by the recent economic recession. The discussion reveals that factors, such as the size of the firm along with the industry that firms operate, can affect the impact of a recession on training and skills development. A key finding that emerges from the research available is that businesses, in order to continue the provision of training under such difficult economic conditions, turn to alternative, more cost-effective ways of training delivery such as in-house training, e-learning and the use of training more focused to the needs of the business.

The literature review also discussed the role of SMEs within the British economy. Research evidence suggests that SMEs play a pivotal role in the economy of the UK, as

well as in the global economy, as they constitute a major source of innovation, competitiveness and job creation. The discussion reveals the heterogeneity that characterises the SME sector, which also reflects that there is no single, uniformly acceptable definition of SMEs. Different studies adopt different definitions, depending on the context in which SMEs operate as well as the needs of the study. Hence, this heterogeneity renders the generalisation of the findings emanating from the SME sector difficult.

The nature of HRM within the SME sector was also discussed. The discussion seems to suggest that the application of “best practice” and “best fit” models within the SME sector is quite problematic, as they cannot fully capture the complexity that characterises this sector. The research evidence available in relation to human resource management in the SME sector is characterised by ambiguity. Some evidence suggests that the approach of such firms towards HRM is fairly piecemeal and reactive, rather than holistic, proactive or systemic, whereas others suggest that HRM practices do exist in SMEs and are more sophisticated than usually expected, although less formalised than those in larger firms. Despite this ambiguity, the research evidence available seems to have a common ground, suggesting that HRM practices within SMEs seem to lack sophistication and be more informal and short-term. However, generalisations are difficult to be made, mostly due to the diversity that characterises SMEs.

The nature and extent of training and skills development in SMEs was also considered. The available empirical studies indicate that British SMEs are less likely than their larger counterparts to provide formal training to their workforce. The discussion reveals a number of reasons for the lower take-up of training activities within SMEs, most notably the lack of time, money and human resources. Evidence suggests that informal and unstructured practices of training and skills development predominate within the SME sector. The discussion also reveals an ambiguity around the lower levels of formal training provision within SMEs on whether it constitutes a problem or not. Some argue that the low take-up of formal training in SMEs is quite problematic, given the importance of this sector to the British economy, whereas others find the presence of informal training practices more functional, given the context and the needs of this sector.

The review also discussed the nature of employment relations within SMEs and looked at the presence of trade unions within SMEs and their impact on training provision. Although

there is a paucity of evidence on this topic, the available research evidence suggests that British SMEs are characterised by low levels on union recognition and membership. A number of reasons were identified for these low levels of unionisation in such firms, most notably the difficulty in organising and recruiting trade unions and the close relationships between small firm employers and employees. The discussion also reveals that there is a positive association between unionisation and more sophisticated HRM practices, as well as higher levels of training provision.

The key question of interest, then, is how was training in SMEs affected by the recent economic downturn? The present study presents an analytical account of the factors shaping training and skills development within SMEs. It offers an integrated assessment of the interplay of factors shaping skills supply, demand and acquisition within the SME sector. In this regard, business strategies, the nature of industrial relations and the role of the state are examined within this particular sector. This will allow a sophisticated and empirical treatment of the factors that can shape training and skills development in SMEs under the context of a recession.

Overall, the present study aims to make an original contribution to the training and skills debate in the light of the recent economic recession that the UK has experienced. Evidence so far seems to contradict the conventional wisdom that training tends to fall during a recessionary period. However, our knowledge of how SMEs react in such a context in terms of training and skills development is limited. Accordingly, the current study attempts to fill this knowledge gap and explore the training practices of British SMEs, by focusing on SMEs across the Yorkshire and the Humber region.

The next chapter looks at the research design employed in the present study. Specifically, it describes and critically evaluates the philosophy underpinning the current study, and the methodology employed in order to explore the way training and skills development within the SME sector are shaped in the light of the recent economic recession.

Chapter 3: Research methodology

This chapter considers the methodological approach employed in the study, set in the context of the study's main aim and key research questions. The chapter begins with a discussion around the knowledge problematic, the research questions and the philosophical stance that this research study adopted. The research approach and the research design employed are then elaborated by allying them both with the underpinning philosophical position. The chapter then moves on to describe the study's sampling techniques and the data collection protocol, while the next section presents the analysis of the data collected. Finally, ethical considerations are documented. The final section of the chapter provides some brief conclusions in order to set the scene for the introduction of the empirical findings that are presented in subsequent chapters.

3.1 Knowledge problematic

According to Morgan and Smircich (1980:493), the key ontological and epistemological question “whether or not human beings can achieve any form of knowledge that is independent of their own subjective construction, since they are the agents through which knowledge is perceived or experienced”, depends on the knowledge problematic that any research study adopts. Each problematic entails important assumptions about the nature of reality (ontology) and “the nature and purpose of knowledge” (epistemology) (Morgan & Smircich, 1980 in Cunliffe, 2011:649). These ontological and epistemological assumptions constitute the starting point and the key difference amongst competing problematics- namely objectivism, subjectivism, intersubjectivism- and can have great impact on methodology and the forms of theorising that frame research (Bryman & Bell, 2007; Cunliffe, 2011).

The problematic that the present study has adopted is that of objectivism, as it accepts that there is a reality that exists independently from our interactions of a phenomenon or an entity and the researcher tries to investigate the relationship amongst events, structures and entities or amongst a network of elements. Specifically, the aim is to explore the structural elements and mechanisms that shape the training behaviour of SMEs under difficult economic times. In addition, the objectivist problematic claims that knowledge is syntagmatic, with social researchers trying to theorise what social reality is and how it works, which means that researchers try to identify structures, mechanisms and

relationships. Consequently, knowledge can be replicated and employed to the world to improve it. In this sense, the present study, in order to produce such knowledge, investigates the phenomenon under scrutiny from an outside perspective (single hermeneutic) (Cunliffe, 2011).

Studies working from an objectivist problematic tend to adopt a macro level theoretical perspective, focusing on the study of organisations at a structural and environmental/societal level and making generalisations about systems, mechanisms and processes. In this regard, the study has adopted a macro level theoretical perspective, focusing on training and skills development within the context of SMEs and the way these operate under conditions of economic uncertainty. The study is considered to adopt a macro level approach in the sense that it seeks to explain the pattern, the “big picture”, of training across the SME population under a recessionary period and the potential variations across SMEs in terms of their training practices. Such an analysis would be difficult to be achieved from a micro theoretical perspective, because such an approach would focus first and foremost on the individual experiences and reactions and would offer a more disaggregated level of analysis. However, methodologically and in terms of data collection the study has adopted a multi-level perspective, including the national, the local labour market and the workplace level. Such an approach enabled the researcher to reveal the way training and skills development under recession are played out in these different levels of empirical analysis and offered a greater understanding of the phenomenon under study.

3.2 Research questions

The objectivist problematic adopted in the study can play a key role in the formulation of the research questions (Bryman & Bell, 2007). One of the most established ways of constructing research questions is that of the gap-spotting, where the researcher attempts to identify or create gaps in prior literature that need to be addressed (Locke & Golden-Biddle, 1997; Alvesson & Sandberg, 2011). An essential requirement of gap-spotting activity is to provide the reason why it is important to fill that gap in the literature (Pratt, 2009). A detailed consideration of the existing research reveals that there is limited evidence on the impact of the recent recession on training and skills development, as most studies focus on its impact on redundancies, unemployment levels and vacancies (ESRC, 2009; UKCES, 2009; Gregg & Wadsworth, 2010). Equally crucial is the lack of analytical

attention on the training practices of SMEs, as distinct from larger firms, given the fundamental importance of SMEs in the UK economy as a key source of employment (Storey, 1994). SMEs are not a microcosm of large firms and, thus, their training practices differ from those of their larger counterparts (Storey, 1994; O'Regan et al., 2010). Against this backdrop, the study attempted to answer the following research questions:

1. What was the impact of the recent economic downturn upon training and skills development within SMEs in terms of incidence, intensity and quality?
2. Has the nature of training and skills development in SMEs changed as a result of the recent recession and, if so, how and why?
3. Did state support prove to be effective in terms of facilitating training practices within SMEs during the recession?

3.3 Research philosophy

The philosophical approach that the researcher adopts can play a key role in the research study, as it will affect the research methodology that will be employed. The choice of the philosophical orientation that will be used “contains important assumptions about the way in which the researcher views the world” (Saunders et al., 2009:108). This choice reflects the researcher’s view about knowledge and the way it can be developed, and, thus, it can determine what is important or not for their research study.

An interpretive philosophical approach that social researchers adopt when they decide to approach qualitatively their research projects is social constructionism. This position has its origins in phenomenology and Hermeneutics and exists as an alternative approach to positivism (Blaikie, 1993). Social constructionists, and generally interpretivists, share the view that the world is socially constructed and, thus, the way it should be studied is completely different from that of the natural world. They tend to adopt a subjective, epistemological approach according to which social phenomena are created by the actions of the individuals. The social researcher recognises the fact that people are different and that they may give different meanings to their actions. Therefore, the researcher tries to see the world from their own point of view. It is not in the interest of the social scientist to attain law-like generalisations (Burrell & Morgan, 1979). According to Remenyi et al.

(1998:35), the social constructionist tries to “study the details of the situation to understand the reality or perhaps a reality working behind them” - a reality which does not exist outside the individuals.

The holistic approach of an interpretivist philosophy allows the researcher to examine complicated phenomena and situations. An interpretivist focuses on the individual's meanings and penetrates the reality that exists behind those meanings in order to understand them. The time horizon of such study allows the researcher to look at the changes that may occur over time as well as new ideas and issues. In addition, the fact that an interpretivist does not rely on theory (a priori) to investigate the subject of research allows the generation of new theories from research findings. However, interpretivist philosophies have been challenged for the subjective meaning they give to the actions and behaviours of human beings and for the fact that the researcher is part of the research. Furthermore, the small samples that studies adopting such philosophies usually employ, are seen as a limitation, as such small-sized samples make the generalisation of the findings more difficult (Easterby-Smith et al, 2008; Saunders et al, 2009).

At the other end of the spectrum, positivism constitutes an alternative philosophical approach that can be employed to social research. This is often seen as synonymous with a quantitative research methodology, though it is not a condition. A positivist usually adopts an objective epistemological approach similar to that of a natural scientist. The notion of such philosophy is that of “working with an observable social reality and the end product of such research can be law-like generalisations similar to those produced by the physical and natural scientist” (Remenyi et al, 1998:32). A positivist will base their research only on observable phenomena and the development of hypotheses will be drawn from extant theory. Research adopted following a positivistic philosophy is undertaken in a value-free way and the scientist is independent of the research. That means that the researcher just observes the objects under research without affecting the procedure or the end product of the study and, thus, allows objective interpretations of the social phenomena (Saunders et al., 2009). Positivism argues that our knowledge comes only from our experiences and, as such, it neglects the existence of entities that cannot be observed. This philosophical approach studies the social world in the same way it studies the natural world and that is why positivism has been criticised, because social reality is far more complex and cannot be easily quantified like the natural world can. Humans are more complex than the objects

of the natural world. This reductionist approach creates an artificial environment where, in virtue of simplification, some of the most interesting and important factors of the study may be removed (Giddens, 1974).

Critical realism constitutes a philosophical approach that provides a radical alternative to the bifurcated paradigms of interpretivism and positivism (McEvoy & Richards, 2003). It is often viewed as a middle way between positivism and empiricism on the one hand and relativism on the other, as it adopts an ontological realism and an epistemological relativism. As such, critical realism espouses the view that there is a reality independent of the human mind, yet of which we cannot fully grasp, as our understanding of it is a product of our own views and perceptions (Bhaskar, 1979; Maxwell, 2012). An important characteristic of critical realism is its strong emphasis on ontology. Bhaskar (1978) suggests a stratified ontology of the social world, with a threefold distinction between individuals' experiences of phenomena (empirical), the phenomena that actually occur (actual) and the structures and mechanisms that generate these phenomena (real). These mechanisms cannot be observed directly, but a combination of theory construction and empirical investigation could infer the existence of such mechanisms and structures. The main principle that underpins the paradigm of critical realism in order to provide explanations of social phenomena is that of retrodution, which involves moving backwards from events to postulate about the structures and mechanisms that have generated the phenomenon under study. Put simply, critical realism attempts to provide an explanation of "how" a phenomenon occurs (Sayer, 2000; Mingers, 2003).

Critical realism overcomes the weaknesses of both positivism and interpretivism. Regarding positivism, critical realists assert that the social world is an open system and they reject the existence of event regularities that positivists support. These regularities can only occur in special situations like the "closed systems" which are very difficult to exist in the world we live, the social world. Critical realists' views of causation involve a more in-depth process, according to which "events arise from the workings of mechanisms which derive from the structures of objects, and they take place within geo-historical contexts" (Sayer, 2000:15). Against the interpretivistic traditions, critical realists argue that the social world may be a result of human action, without humans being conscious about that. That means that there are unacknowledged conditions and unintended consequences and things can happen that are beyond the understanding of the individuals.

Thus, for critical realists the social world is not simply socially constructed (Ackroyd & Fleetwood, 2000; Sayer, 2000). Turning to the present study, how can the above be actualised from the stance of critical realism? Conventional wisdom suggests that training follows the business cycle and, as a result, it tends to fall during a recession. However, previous studies (Felstead et al., 2012) suggest that this may not be the case and that companies may embark on a range of different training strategies. A number of factors could affect the training responses of firms, including the perceptions of employers around training, the size of firms and their industrial sector. Thus, critical realism could enable the researcher to investigate and get a deeper understanding of the causal mechanisms shaping the training behaviours of firms, and to explore how training and skills development are shaped within the context of a recession.

Critical realism can employ a multi-level study and can make generalisations based on the findings of the study. For critical realism social reality is not independent of social actors and allows for the interpretation of the social world through social conditioning, which is a major advantage for its application in the investigation of the complex social world. (McEvoy & Richards, 2006). Considering the objectives of this study, a critical realist philosophical approach has been employed. The objective ontology that critical realism entails along with its interpretive epistemology, according to which “our knowledge of the real world is inevitably interpretive and provisional rather than straightforwardly representational” (Frazer & Lacey, 1993:182), seemed to serve better the needs of this study. This philosophical approach has enabled the researcher to establish the extent of the impact of the recession on the training practices of SMEs in the region and has provided the ability to investigate beneath the surface of SME employers’ general views of training in order to explore in depth how and why they have adapted their training behaviours as a result of the recent economic crisis. Edwards (2005) notes, writing from an industrial relations perspective, that this philosophical approach is particularly pertinent for such a study as it reveals underlying factors and mechanisms and their relation to a specific context. This is of particular importance to the present study as the use of critical realism has enabled the researcher to explore the relationship between training and the recession and the way that this relationship can be affected by the specific institutional context of SMEs. The multi-level study that critical realism can support has enabled the researcher to identify the implications of the recession amongst different sectors and firm sizes as well as its impact on firms with different business strategies. In addition, the generalisation that

critical realism can provide has enabled the researcher to get a general pattern of the impact of the recession on training in British SMEs.

3.4 Research approach

As noted, extant research has paid only limited attention to the impact of the recent recession on training and skills development, especially amongst SMEs. Against this backdrop, the present study has adopted an exploratory research approach within the wider principles of critical realism, in order to open up and explore this area of inquiry. Explanation constitutes a valid goal. However, a rigorous exploration is an essential step in order to formulate such an explanation. Although an exploratory approach was adopted, the present study was not restricted to finding out “what is happening; to seek new insights” (Robson, 2002:59), but sought to describe what happened in order to investigate questions of why and how and get a more in-depth understanding of the phenomenon under study. In this respect, the study sought to describe what was the impact of the recession on the training practices of SMEs in order to investigate how training and skills development were shaped as a response to the recession and the reasons lying behind these training behaviours. Such questions facilitated an in-depth exploration of the subject under scrutiny.

3.5 Research strategy

Data for the study was collected via a mixed methods approach. Mixed methods research has gained increased acceptance and popularity in the social sciences and has been characterised as “the third methodological movement”, “the third research paradigm” and as “a new star in the social science sky” (Creswell & Plano Clark, 2011). As a point of departure, Tashakkori and Creswell (2007:4) define mixed methods as “research in which the investigator collects and analyses data, integrates the findings, and draws inferences using both qualitative and quantitative approaches or methods in a single study or a programme of inquiry”. The key principle of a mixed methods approach, then, is that it allows the collection of multiple data sources using different methods, strategies and approaches, resulting in complementary strengths and non-overlapping weaknesses (Brewer & Hunter, 1989). According to Johnson and Onwuegbuzie (2004), the effective use of the above principle constitutes a key justification for the use of mixed methods research, as the product would be superior to that of a mono-method study. The adoption

of such an approach not only increases and minimises the respective strengths and weaknesses of the methods employed, but also helps to provide a more in-depth explanation and understanding of the phenomenon under study.

Despite the increased acceptance of mixed methods, its use in social sciences is not without controversy. A number of scholars (Smith, 1983; Morgan, 1998) have expressed their opposition to the mixed methods approach, suggesting that such an approach is not feasible. More specifically, it is argued that since qualitative and quantitative methods carry different epistemological commitments they cannot be integrated into the same study (Smith & Heshusius, 1986). However, as Bryman and Bell (2007) note, it is difficult to sustain the idea that research methods have fixed epistemological implications, suggesting that they can be utilised in a wide variety of tasks.

As noted in Chapter Two, the impact of the recent recession on training and skills development is an under-researched area. This lack of research along with the lack of focus on the SME sector intensified the need to discover and explore this phenomenon, which was better satisfied with the use of mixed methods. More specifically, quantitative methods facilitated the investigation of the relationship between training and recession and enabled the researcher to assess the extent of the impact of the recession on the training provision of SMEs. Qualitative methods enabled the researcher to get a more detailed and deeper understanding of the factors that shaped the training behaviour of SMEs during the recession. The use of mixed methods approach in the study enabled the researcher, through the process of triangulation, to cancel out the limitations of the methods employed and, therefore, enhanced the confidence of the findings.

The use of mixed methods in the research of training, and HRM in general, within SMEs has been well documented over a number of studies and has been proved rather effective in satisfying their research aims and objectives (Matlay, 1997; Cassell et al., 2002; Kitching & Blackburn, 2002; Matlay, 2002c; Rouditser & McKeown, 2015). For instance, Kitching and Blackburn (2002), in their study around the nature and provision of training in small firms, employed a mixed method approach in order to explore the nature of training and get a deeper understanding of the motivations and barriers to the provision of training through the qualitative strand, while the quantitative data enabled the generalisation of the findings to the broader business population. Similarly, Cassell et al's (2002) study on the exploration of HRM within the SME sector employed a mixed method

approach, including a telephone survey and a number of in-depth interviews. This research approach enabled the researchers to get a snapshot of the HR practices used by SMEs and the extent of their effectiveness, which were achieved by the survey, whereas in-depth interviews enabled the responses of the interviewees to be pursued in more detail.

Tashakkori and Teddlie (1998), in their illustrations of combining quantitative and qualitative methods, provide a distinction between two main categories of mixed methods research designs. These are the sequential versus parallel/simultaneous designs and the equivalent status versus dominant/less dominant designs. A mix of the above approaches can lead to different combinations of qualitative and quantitative approaches. As such, the dominant/less dominant sequential design has been adopted in the present study. According to this mixed method design, qualitative and quantitative methods are used sequentially, one after the other, in separate phases, and one approach is used more than the other. In this design, the findings of the first method, namely the quantitative method, informed the data collection and analysis of the second method- the qualitative-, although the final inferences were made through the results of both methods of the study. Tashakkori and Teddlie (2003) did not, however, specify the order of the methods employed in their study, suggesting that this is a decision that the researcher has to make depending on the aims of research.

In the current study, which consisted of three stages, the qualitative strand was more dominant than the quantitative strand and the two methods proceeded chronologically. Specifically, the first stage of the study consisted of a survey across SMEs within the locality, which enabled the researcher to get a snapshot and capture the tendencies across SMEs in the region regarding the phenomenon under study. Specifically, it facilitated an examination of the extent of the impact of the recession across the local SMEs in terms of training incidence, intensity and quality. In addition, it enabled the researcher to identify the variations of training responses by SMEs to the recession and capture the extent of effectiveness of the state support in terms of facilitating training in SMEs during these difficult times. Furthermore, this stage of the research enabled the generalisation of the findings to the wider business population.

The second stage of the study consisted of semi-structured interviews with knowledgeable individuals from peak-level organisations such as trade unions, sector skills councils, training providers and other regional stakeholders. The interviews with these organisations

facilitated the gathering of rich and deep data regarding the way SMEs have experienced the recession in terms of training and development and identify the different training strategies that were employed within different industries. These interviews also enabled the researcher to develop a high-level understanding of the factors shaping company-level training decisions during the recession. In addition, this stage of the study provided the ability to explore the level of support that the state has provided to SMEs during the economic downturn in terms of skills and training, as most of these organisations are involved in the formulation of policy initiatives around training.

The final stage consisted of qualitative semi-structured interviews with SME owners/managing directors. These interviews enabled the researcher to explore how and why training within SMEs has been influenced by the recession, the types of training responses that have been adopted as a result of the recession and the reasons lying behind these behaviours. In addition, this group of interviews with SME owners/managing directors enabled the researcher to identify whether or not SMEs have been engaged in any policy training initiatives and the reasons lying behind this decision.

This mixed methods approach is also in line with the philosophical approach that has been adopted in the present study, as critical realists often suggest that the combination of qualitative and quantitative methods is the most effective approach (Olsen, 2002). From a critical realist perspective, quantitative methods can provide the advantage of identifying associations and patterns that might have otherwise been masked and can develop reliable descriptions (Mingers, 2004). In addition, the strength of qualitative methods is that they can reveal relationships and concepts that would be difficult to capture through the use of standardised quantitative measures or predetermined response categories (McEvoy & Richards, 2006). For critical realists, a variety of research methods are required in order to gain knowledge, hence the need to employ a mixed methods approach (Mingers, 2004).

The use of a mixed methods approach can imbue research findings with greater validity and reliability. The assignment of both qualitative and quantitative data in this research study enabled the researcher to collect rich and comprehensive data and get a more complete picture and understanding of the phenomenon under study than either method would alone, while offsetting the weaknesses that exist when using each method by itself. In addition, the integration of qualitative and quantitative data within a mixed method approach allowed the researcher to better understand any potential contradictions between

qualitative and quantitative findings and to provide strong evidence through the corroboration of the findings. Furthermore, the adoption of a mixed method approach in this study enhanced the external validity, generalisability, of the findings. Taken into consideration the fact that the Yorkshire and the Humber region is similar to the rest of the UK in terms of industrial structure and the role that SMEs play in the local economy (as it will be shown in the next chapter), the current findings could be generalised to the broader British SME population. Overall, the adoption of a mixed methods approach seemed to be better justified for the present study considering the philosophical approach employed, the research questions and the SME context of the study.

3.6 Sampling strategy

An integral step in the sampling process is the identification of the target population. The population of interest for the current study were firms within the Yorkshire and the Humber region that fell within the SME definition of employing 10-249 employees. The restriction to firms within this particular region was mainly due to reasons of convenience, accessibility, limited time and reduced travelling costs. However, this restriction did not affect in anyway the credibility of the research findings, as the SMEs based in the region of Yorkshire and the Humber were seen as a typical representation of SMEs in the UK. The study adopted different sampling techniques for the quantitative and qualitative strands of the research, to ensure that the objectives of the study were met and the research questions addressed.

For the quantitative data, the selection of the sample was based on statistical probability theory and, thus, a probability random sampling technique was employed. The databases of MINT and FAME, along with various other local business directories, were searched in order to identify SMEs within the region, to build a sampling frame as accurate, complete and up-to-date as possible (Edwards et al., 2007). Only SMEs with key contact persons, such as the owner, managing directors and HR managers-where applicable-, and telephone numbers available were selected. This process resulted in the identification of 936 SMEs. Although the number of SMEs available in these databases was much higher, a lot of these firms had to be excluded due to the fact that the contact details were missing or were not up to date. This particular sampling technique was deemed as the most appropriate mainly due to its advantage of permitting statistical generalisation from the sample to the population it represents and to its ability in controlling selectivity errors (Patton, 2002).

For the qualitative strand of research, a purposeful, random sampling technique was employed, in order to select the two different samples of key informants and SME owners/managing directors taking part in the interviews. The purposeful, random sampling technique encompasses two stages, according to which a subgroup of the population of interest is determined, and, then, a random sample is selected out of this subgroup (Patton, 2002). Regarding the key informants' sample, a number of organisations playing a key role in the British VET system were identified via the Internet and some of these organisations were selected on a random basis. Informants with senior managerial positions within these institutions were approached, the contact details of whom were taken from the websites of these organisations. Regarding the sample of SME owners/managing directors, the same process was followed. Specifically, a number of companies satisfying the SME criteria were identified through business directories and, then, a smaller number out of these SMEs was randomly selected in order to be approached and take part in the study.

It is critical to note that a purposeful, random sample is not a representative sample; its main purpose is to achieve credibility and not representativeness. The ability of this particular sampling method to reduce the suspicion about the reasons why certain cases were selected instead of others enhanced the credibility of the qualitative findings (Patton, 2002). Therefore, this sampling technique enabled the researcher to select “information-rich cases” and reduce any suspicions about why some industry sectors or peak-level organisations did not take part in the study (Patton, 2002:230). The aim of the qualitative part was to get an in-depth understanding of the phenomenon under scrutiny and make analytic and not statistical generalisations.

3.7 Data collection techniques

3.7.1 Questionnaire

The survey strategy is probably the chief context within which business and management researchers employ the questionnaire as a data collection technique. The popularity of the questionnaire in such a context is often attributed to the rapid and relatively economic way of collecting data from the population at large. Questionnaires are frequently used to describe or explain various phenomena, with the use of a representative sample being of paramount importance (May, 2011). As explained above, the survey questionnaire was

conducted during the first stage of the research. The questionnaire was not designed to test a theory or a set of hypotheses and, thus, its aim was not explanatory. Rather, the main purpose of the questionnaire was to complement the data derived from the qualitative interviews by providing a more generalised set of data on the extent of the impact of the recession on the training provision of SMEs within the region. In this context, the questionnaire provided the researcher with descriptive data regarding the training and skills development of SMEs in order to get a general pattern of the training behaviour of SMEs as a result of the recent economic downturn and to provide an up-to-date snapshot of the training provision in the post-recession period. It also enabled the researcher to explore the impact of the recession on different kinds of training, such as on-the-job and off-the-job training. The impact of union recognition on training provision of SMEs was also assessed. In addition, it enabled the researcher to identify the extent of effectiveness of the state support towards SMEs and their training provision under the context of the recession.

The use of internet-mediated questionnaires as a data collection technique was advantageous for a number of reasons. It was not a time-consuming method of collecting data as it allowed the researcher to gather a large amount of data in a short period of time. The large number of responses (134 usable responses) was also enhanced by the limited time that the questionnaire required in order to be completed, which was mainly due to the standardised nature of the questions. In addition, the response rate (14.3 per cent) was enhanced by the fact that respondents had the flexibility to complete the questionnaire at their own time and speed. Another advantage proved to be the limited cost that internet-mediated questionnaires have, compared to the costs incurred in conducting interviews (Bryman & Bell, 2007).

Nonetheless, the use of the questionnaire had a number of limitations. A small number of returns were partially answered, thus, creating the problem of missing data. This could be due to the fact that some respondents regarded the questionnaire as too lengthy or due to the absence of the interviewer during the completion of the questionnaire in order to help the respondents with the questions they found difficult to understand and, hence, to answer (Bryman & Bell, 2007). Another limitation of the questionnaire is so-called “meaning equivalence”. According to this, the researcher cannot guarantee that the respondents will interpret the questions in the way the researcher intends since there is no opportunity for

dialogue (May, 2011). Although all the necessary measures were taken in order to minimise the risks of missing data and meaning equivalence, as it will be shown in the next section, they cannot be completely controlled in the case of a self-administered questionnaire.

3.7.1.1 Constructing the questionnaire

The study employed a self-administered internet-mediated questionnaire and included exclusively structured questions. The questionnaire consisted of adapted questions from previous surveys along with questions constructed by the researcher. A number of previous surveys relevant to the present study were reviewed. More specifically, the surveys conducted by Stuart (1999) and Panagiotakopoulos (2009) were used as they looked at the training and skills development within the SME sector, whereas the UKCES National Employer Skills Survey (Shury et al., 2010) and the Workplace Employment Relations Survey for 2011 (Van Wanrooy et al., 2013) were selected because they looked at the way training investment was shaped under the recent economic downturn that the UK has experienced. The questions used from these surveys were carefully assessed and they were either adopted or adapted to the context of the present study.

According to Saunders et al. (2009), the validity and reliability of data and response rate depend, to a large extent, on the design and the structure of the questionnaire. Accordingly, the first draft of the questionnaire was presented to some staff members of the Business School and to a number of fellow colleagues in order to ensure the representativeness, suitability and clarity of the questions. Their comments on the content and structure of the questionnaire enabled the researcher to make any necessary amendments and, thus, establish content validity. The next step involved the pilot testing of the questionnaire with 10 SME owners/managing directors in order to assess the clarity of the instructions and the questions and ensure that the questionnaire had the right length and was not time-consuming. The feedback proved to be valuable as further modifications were made to the questionnaire and, therefore, enabled the researcher to secure the validity and reliability of the data and enhanced the response rate. The questionnaire was finally approved by the researcher's supervisors prior to its administration.

The time to complete the survey was approximately 10 minutes. The questionnaire was structured into five sections, including the characteristics of the firm, the training policies

and practices of SMEs, the training in the context of the recession, the awareness and use of Government-supported training initiatives and the industrial relations within SMEs. The majority of the questions employed were rating questions in order to examine the above topics and, thus, meet the objectives of the questionnaire.

3.7.1.2 Administering the questionnaire

The internet-mediated questionnaire was finally distributed to 936 SMEs within the region of Yorkshire and the Humber through Qualtrics during July-October 2014. This online software enabled the researcher to administer the questionnaire within a very short period of time, as it allowed the distribution of a large amount of e-mails at the same time. To ensure a high response rate, the questionnaire was accompanied by a covering letter explaining the study's purpose and the reason why the recipient's participation in the survey was important. In addition, the researcher ensured the respondents complete confidentiality and explained that they would receive a summary of the key findings after the end of the study.

A number of additional measures were taken in order to boost the response rate of the questionnaire. A reminder was sent two weeks after the initial distribution of the questionnaire to those who had not completed the survey, which was followed by another reminder two weeks' later. In addition, it was noticed that during August the response rate fell considerably, probably due to the fact that most people were on holidays. Therefore, the researcher decided to extend the time period that the survey was live in order to increase the response rate. Furthermore, the survey was advertised by using social media, and more particularly twitter, which enabled the researcher to increase the response rate of the survey by 30 per cent. Finally, the distribution of the questionnaire was avoided on days such as Friday or days surrounding bank holidays, as it has been shown that recipients are less receptive on such days (Saunders et al., 2009).

Overall, 134 usable questionnaires were returned, generating a response rate of 14.3 per cent. The sample of the responding firms consisted of 23 small firms and 112 medium-sized firms from various industries, including manufacturing, wholesale and retail, professional services, construction, information and communication and the transportation and storage industry. No micro firms took part in the study. As Scase (1995) has noted, gaining research access to small firms is rather difficult as most small firm employers or

managers have limited time due to the large number of their responsibilities, as well as due to the fact that most of them are not familiar with academic research. Therefore, given the difficulties mentioned above, the response rate of the questionnaire can be regarded as rather satisfactory. This response rate also compares favourably with similar studies. For instance, Forde et al's (2009) study produced a response rate of 10.6 per cent, Ofori-Amanfo's (2014) study 9.7 per cent and Stuart's (1999) study 10 per cent. Evidence suggests that mail surveys are superior to online surveys in terms of response rate (Mavis & Brocato, 1998; Panagiotakopoulos, 2009). However, research evidence suggests that online surveys are superior to mail surveys in terms of response speed and completeness (Truell et al., 2002). The aforementioned advantages of online surveys along with the administrative and cost implications of mail surveys impelled the researcher to the choice of online survey.

3.7.2 Interviews

Interviews are a prominent method of gathering data within the field of management and business sciences. Considering the nature of the topic and the theoretical and methodological stance that this study adopted, different types of interviews could be employed. According to a commonly used typology, which is based on the degree of formality and structure, interviews may be categorised as structured, semi-structured and unstructured or in-depth interviews (Saunders et al., 2009). Structured interviews are highly formalised and use standardised questions, whereas unstructured or in-depth interviews constitute unstructured and informal conversations. Semi-structured interviews constitute an intermediary type of interview, where a list of questions and themes are predetermined and have to be covered, but additional questions can emerge in order to explore the research questions and objects (Saunders et al., 2009). For the purposes of this study, semi-structured interviews were employed.

The second stage of the study, then, consisted of qualitative interviews with key informants from peak-level organisations, as they had in-depth knowledge of the issues in question. Seventeen semi-structured interviews were conducted with the senior managers or managing directors from various bodies, including four trade unions, the Trades Union Congress (TUC), four private training providers, one membership organisation for training providers, two Sector Skills Councils (SSCs), two Local Enterprise Partnerships (LEPs), and one representative each from the British Chambers of Commerce (BCC), the

Confederation of British Industry (CBI) and the UK Commission for Employment and Skills (UKCES). The participants were initially contacted through e-mail and, after they expressed their interest to take part in the study, interviews were conducted at their place of work. The duration of these interviews ranged between 40 minutes to 1 hour. The purpose of this group of interviews was to elicit information on the key skill issues that SMEs were facing during and after the period of the recession and identify the policy measures taken in order to promote and stimulate training within SMEs during recession.

These macro-level interviews sought to unpack and explore the interplay between training and skills development and the general economic climate within the context of SMEs. In addition, the interviews identified the policy measures that the British Government had adopted in order to support SMEs and their training provision under recession and investigated whether the state support towards SMEs has proved to be effective. Finally, the interviews with key informants from trade unions and the TUC enabled the researcher to develop an insight on the nature of industrial relations within SMEs and the way this may shape training provision. These interviews also formed the basis for conducting further interviews in the sense that they enabled the researcher to get a picture of the important issues and the key topics that would be encountered in the next stage of the research study.

The final stage of the study involved qualitative interviews at a company level. The researcher initially gathered a list of 100 SMEs within the region of Yorkshire and the Humber from business directories, with the list covering a wide range of sizes and industry sectors. Out of that subgroup, 60 firms were randomly selected and contacted via e-mail. Finally, nine small and medium-sized firms agreed to take part in the study. No micro firms participated in the study. These firms were not deliberately excluded from the study, as the researcher did contact the owner/managing directors of such businesses but they refused to take part in the study because they simply did not provide any training to their workforce. Although the number of interviews was sufficient in order to meet the objectives of the study, the low rates of participation highlight the difficulties in gaining access to small organisations for research purposes. For instance, Walley et al. (1994) have noted that only a small proportion of British SMEs co-operate with academic research and that only few firms are willing to commit managerial time in order to help academic studies. As such, nine semi-structured interviews were conducted with SME

owners/managing directors from a range of industry sectors, including three manufacturers, two construction companies, two professional services companies, one firm operating in the information and communication industry and one firm coming from the wholesale and retail industry. Five of these interviews took place at the workplace of the participant, whereas the remaining four were conducted over the phone, as it was more convenient for the participants. The duration of each interview was approximately one hour.

The key purpose of these interviews was to explore the training policies and practices of SMEs and the way small business owners or managing directors reacted to the recent recession in terms of training and skills development. The interviews explored a number of themes, including general business characteristics, the policy of the company towards training and development, the impact of the recent recession on the training provision of the company, the use of state support towards training and the nature of industrial relations within the firm and their impact on training provision. The variety of industrial sectors that took part in the study facilitated the exploration of different insights on the way SMEs within these industries responded to the recession in terms of training.

Overall, the use of qualitative interviews in the study entailed a number of advantages. The interviews enabled the researcher to get an in-depth understanding of the relationship between training and recession and to identify the underlying factors influencing the training behaviour of SMEs. Also, the interviews enabled the researcher to explore the SME context and better understand the way it influenced the training provision. A number of contextual variables contributing to the training behaviour of SMEs during the recession, such as organisational culture, firm size and industry were explored through interviews, as the survey could not explore these variables thoroughly. The non-standardised nature of the interviews, which were loosely structured around a list of themes, created a more conversational climate and enabled the respondent to talk freely on issues of particular interest or concern. This meant that interesting issues were further explored as and when they came up during the interview. In addition, the non-standardised nature of the interviews provided the researcher with the flexibility to probe the initial responses of the participants in order to encourage them to elaborate on their responses (Bryman & Bell, 2007). Furthermore, the face-to-face interviews enhanced the

development of a natural encounter and rapport, which are both necessary in generating rich and detailed qualitative findings (Irvine et al., 2012).

While qualitative interviews facilitate exploration and explanation of the phenomenon under study, the generalisability of such studies could be easily questioned. However, the aim of the qualitative interviews was to achieve analytical rather than statistical generalisation. In this vein, the generalisability of the findings was enhanced by taking into consideration the perspectives of different groups of people- that is high-ranked informants and SME owners/managing directors from different industries (Saunders et al., 2009). The time-consuming requirements that characterise the qualitative interviews are considered to be another limitation, as they could inhibit the participation of some key individuals in the research study. As such, this could lead to a biased sample and, thus, could affect the validity of the findings. However, the probability random sampling technique that the study adopted enabled the researcher to overcome this weakness and eliminate the possibility of forming a biased sample (Robson, 2002).

Despite the above limitations, the use of semi-structured interviews enhanced the validity of this research study, as they were used as a means to explore both the training practices of SMEs as a response to the recent recession and the state support towards SMEs in order to boost training provision under such difficult economic times.

3.8 Data analysis

The method of analysis of the qualitative data that seemed to best fit the criteria of the present study was that of thematic analysis. This method of data analysis enabled the researcher to identify, analyse and report patterns within the data and, thus, to answer the research question of the study. All the interviews were audio-recorded and fully transcribed by the researcher. Although the transcription of the interviews was time-consuming, it enabled the researcher to explore and become familiar with the data collected. Following this, a thorough examination of the transcripts took place in order to organise the data into categories and identify common themes. The flexibility of thematic analysis to constantly compare the responses of the interviewees in order to identify similarities and differences between their answers was very important (Tracy, 2013). This flexibility enabled the researcher to compare the training experiences of SMEs and identify similarities and differences regarding their training behaviours. Such categorising

and comparison between the categories facilitated the generation of theoretical concepts, and permitted examination of whether the research data supported or extended extant understanding. In addition, the fact that thematic analysis provides the ability to generate rich insights of the phenomenon investigated was of particular importance to the study as it enabled the researcher to discover the underlying reasons of the training behaviours of SMEs and inform policy development with the problems SMEs encounter regarding training initiatives and their take up (Braun & Clarke, 2006). Direct quotations were also used in the analysis in order to reveal participants' depth of views and experiences around training under recession.

The survey data were analysed via the "Statistical Package for Social Sciences" (SPSS). The data obtained from the survey were primarily ordinal, with a small minority representing a nominal type of data. Descriptive statistics such as mean, frequency and standard deviation were generated for all the items in order to describe and summarise the data. In addition, the application of cross-tabulation analysis enabled the researcher to identify and understand potential associations between variables.

3.9 Ethical considerations

Ethical issues are of great importance to any research project, and the ethical integrity of the researcher is a necessity. According to Saunders et al. (2009:186), "the avoidance of harm can be seen as the cornerstone of the ethical issues that confront those who undertake research". Thus, in order to prevent any harm of the participants, anonymity and confidentiality was kept during the whole research process as well as after the end of the study. Especially in the case of questionnaires, the fragile nature of this medium could infringe the principles of anonymity and confidentiality, and for that reason particular attention was required to protect the participants.

Access constitutes a key stage where potential ethical issues may arise. Thus, no pressure was applied to the intended participants and their consent was requested to participate in the research project. To ensure access to as many individuals as possible an information sheet was sent to the potential participants explaining very clearly the scope of this research project and how their participation would contribute to the study and stressing the fact that complete anonymity and confidentiality would be obtained. Along with the information sheet a consent form was provided, which ensured that the respondents had

read and understood the information sheet and agreed to take part in the study, and acknowledgement that the data would be published and/or used in future research. Another key ethical principle is the fact that participants have rights and that these should be respected in any case. According to the Market Research Society (MRS) Code of Conduct (cited in Bryman & Bell, 2007:139), “the objectives of any study do not give researchers a special right to intrude on a respondent’s privacy nor to abandon normal respect for an individual’s values”. In that respect, the participants had the right to withdraw from the process whenever they wanted to as well as not to answer any questions that felt uncomfortable with (Easterby-Smith et al., 2008). In addition, the permission of the participants was requested in order to audio-record the interviews.

3.10 Conclusion

This chapter has outlined the philosophical and methodological framework by which the present study was conducted. An objectivist knowledge problematic and a critical realist informed philosophical tradition were employed. It has been argued that these choices are compatible with each other, as well as with the exploratory approach and the mixed methods research design that was adopted. The mixed methods design involved the collection of both qualitative and quantitative data and consisted of three stages. During the first stage, a survey was undertaken across the SMEs in the Yorkshire and the Humber region, including the administration of 936 internet-mediated questionnaires. The survey generated a response rate of 14.3 per cent, enabling the researcher to get a snapshot of the training behaviours of SMEs within the region as a result of the recession. At the second stage of the study 17 interviews were conducted with key informants from peak-level organisations with national and/or regional coverage. The third stage of the study involved nine in-depth, semi-structured interviews with SME owners/managing directors in order to get a better understanding of the phenomenon under scrutiny. Thematic analysis was applied to the qualitative data, whilst descriptive statistics were used for the analysis of the quantitative data. Overall, the aforementioned philosophical and methodological choices have contributed immensely to meet the objectives of the present study, namely to assess the extent of the impact of the recent recession on the training practices of British SMEs and to explore the way training is shaped and performed under such difficult economic circumstances.

The following chapter attempts to situate the SME sector within the local economy. Specifically, it looks at the economic and social context of the Yorkshire and the Humber region, as well as the educational profile of the region.

Chapter 4: The state of the local economy: policy responses implemented in the region towards training and skills development

4.1 Introduction

This chapter presents an analysis of the general state of the local economy within which the SMEs that took part in the study are situated. The examination of the environment, which local SMEs operate in, is of significant importance in order to identify the wider socio-economic forces that can influence SMEs' training behaviour. As noted in the literature, research evidence has shown that the industry that firms operate in (Van Wanrooy et al., 2013) and the firm size (Shury et al. 2010) can play a key role in the way businesses respond to an economic downturn in terms of training and skills. In that respect, an analysis of the sectoral composition of the region and the role that SMEs play in the local economy would be useful in order to understand and explain the way the recession impacted on regional SMEs and their training. Furthermore, an analysis of the region's tradition towards training and skills development would facilitate a better understanding of the skill needs of the region and explain the training behaviour of regional SMEs as a result of the recession.

The chapter is organised as follows. Section 4.2 examines the state of the local economy by means of industrial structure, employment levels and projections for the growth of the local economy. The contribution of small and medium-sized enterprises to the economic development of the region is also explored. Section 4.3 looks at the impact of the recent recession in the region of Yorkshire and the Humber. Section 4.4 analyses the educational profile of the Yorkshire and the Humber region, by looking at the levels of qualifications and training investment of the local workforce. The final section presents a summary of the key themes to emerge throughout the chapter.

4.2 The structure of the local economy

The region of Yorkshire and the Humber is the fifth largest region in England in terms of geographical extent and it is characterised by a remarkable landscape, topography, culture and economic structure. The region covers 15,411 square kilometres and its adult population (aged 16-64), in 2015, was estimated at 3,397,800 (Nomis, 2016). The region consists of four sub-regions, including the Humber, North Yorkshire, South Yorkshire and

West Yorkshire. Three city regions have been identified to be central to the region's economy, namely the Leeds City Region, the Sheffield City Region and the Hull and Humber Ports City Region. With a total GVA (Gross Value Added) estimated at £106 billion (House of Commons, 2016), the employment rate in the region currently stands at 72.4 per cent against a national average of 74.5 per cent (ONS, 2016b).

The economy of the Yorkshire and the Humber region has evolved over recent decades away from its traditional reliance on large-scale, heavy industries, such as textiles, manufacturing, coal and agriculture, towards a more diverse market economy, with an increased focus on services. Such sectoral imbalances have been partially responsible for the British economy entering the recent crisis (BIS, 2010b). Rebalancing the British economy has thus become significantly important for the state in order to facilitate recovery and restore economic growth (Gardiner et al., 2012). Hence, the course of the recession has placed a renewed emphasis on advanced engineering and manufacturing, along with other industrial sectors prioritised prior to the economic downturn, such as the digital and environmental industries. Amongst the key emerging sectors within the region are included the finance and legal services, tourism, retail, nuclear, medical, digital industries and environmental technologies.

Overall, the regional economy is characterised by a wide sectoral diversity. For example, West Yorkshire (Leeds) has become one of Britain's largest finance and legal service centres outside London. South Yorkshire (Sheffield) presents a similar diversity, with significant strength in precision engineering. In addition, East Yorkshire owns one of the largest ports (Hull) in Europe and has emerging strengths in healthcare technologies and renewable energy. Despite the growth of new industrial sectors, the region of Yorkshire and the Humber is characterised by comparatively low employment in the knowledge economy sectors and a modest degree of specialisation (Henderson and Thomas, 2014).

The economy of the region relies heavily on public services- primarily health and education-, which currently represents 23.1 per cent of the workforce jobs in the region (612,000 jobs). In terms of the private sector, the wholesale and retail industry represents 14.7 per cent (391,000 jobs) of the regional jobs, while the manufacturing sector continues to represent an important part of the regional economy, as it accounts for 10.7 per cent (283,000 jobs) of the jobs in the region, compared with only 7.8 per cent for the UK. Accommodation and food service activities feature heavily in the region (185,000 jobs),

while construction (167,000 jobs) and professional services (163,000 jobs) have a significant contribution to the local economy. However, the level of employment within the information and communication industry lags behind the national average, as this industry accounts for 2.5 per cent (67,000 jobs) of regional employment compared to 4 per cent of the UK average (Table 4.1).

Table 4.1: Workforce jobs by industry section (SIC 2007) in 2016

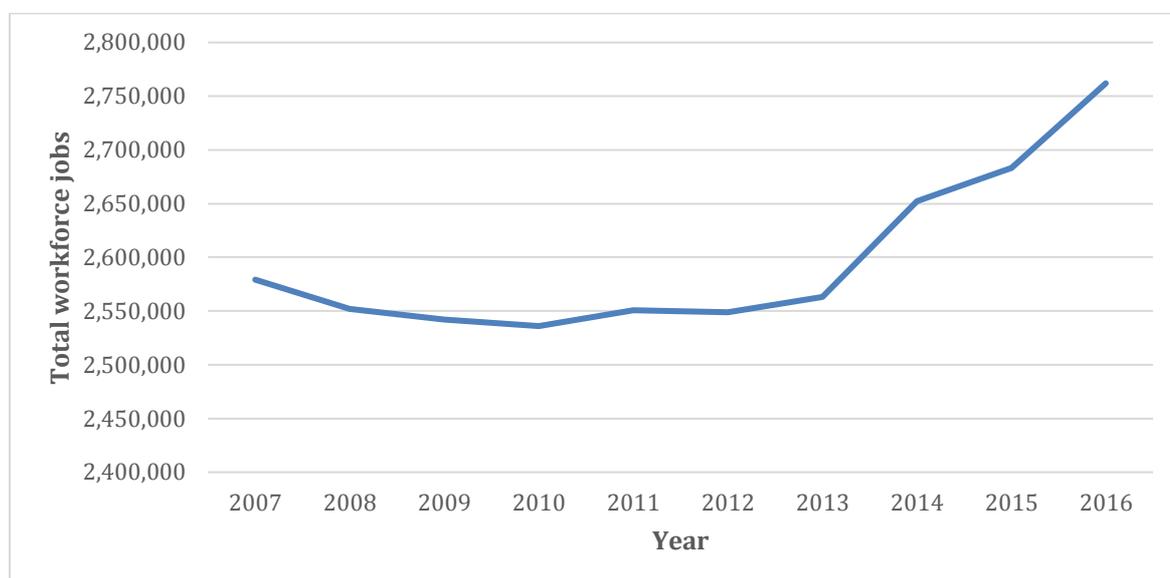
Industries	2016		
	Yorkshire and the Humber-Jobs (in thousands)	Yorkshire and the Humber- % of total jobs	United Kingdom % of total jobs
Agriculture, Forestry and Fishing	27,000	1.0	1.1
Mining and Quarrying	3,000	0.1	0.2
Manufacturing	283,000	10.2	7.8
Electricity, Gas, Steam and Air Conditioning	9,000	0.3	0.4
Water Supply; Sewerage, Waste Management	21,000	0.8	0.6
Construction	179,000	6.5	6.7
Wholesale and Retail Trade; Repair of Vehicles	421,000	15.2	14.6
Transportation and Storage	129,000	4.7	4.6
Accommodation and Food Service Activities	197,000	7.1	6.7
Information and Communication	71,000	2.6	4.1
Financial and Insurance Activities	84,000	3.0	3.3
Real Estate Activities	37,000	1.3	1.6
Professional, Scientific and Technical Activities	179,000	6.5	8.7
Administrative and Support Service Activities	237,000	8.6	8.5

Public Administration and Defence	117,000	4.2	4.3
Education	252,000	9.1	8.6
Human Health and Social Work Activities	365,000	13.2	12.4
Arts, Entertainment and Recreation	66,000	2.4	2.8
Other Service Activities	82,000	3.0	2.7
Activities of Households as Employers	2,000	0.1	0.2
Total	2,762,000	100	100

Source: Nomis workforce jobs by industry- seasonally adjusted (2016)

Employment in the region has reached a record high, with total workforce jobs currently being at 2,762,000. Nonetheless, as we can see from Figure 4.1, employment in the region fluctuated markedly during the last decade, with significant job losses during the period of the economic downturn. Specifically, in 2008, when the British economy entered the recession, the local economy experienced a significant decline in employment rates, as total workforce jobs fell from 2,579,000 in 2007 to 2,552,000. The decline in employment continued until 2010, with the regional economy experiencing 43,000 job losses in total between 2008 and 2010. The next year the Yorkshire and the Humber saw a slight increase in its employment rates, however further job losses were noted in 2012, which coincided with the British economy re-entering the recession. The main picture to emerge from 2013 and onwards is one of year on year employment growth, with the regional economy experiencing an increase of approximately 200,000 jobs up to date. These changes in employment reflect the negative impact that the recent recession had on Yorkshire and the Humber and its economy, whilst the employment growth from 2013- which is when the British economy officially came out of the recession- until today denotes the increasing confidence of employers in the region in investing again in their businesses.

Figure 4.1: Employment change between 2007 and 2016 in Yorkshire and the Humber region



Source: Nomis

According to projections from the UKCES, employment in the public sector is forecast to grow over the next six years, strengthening even more the already important role that this sector plays within the region as a major employer. The growth of the service sector is expected to continue, with the wholesale and retail, accommodation and food, and professional services being key sources of employment. In addition, the construction industry along with the information and communication industry are forecast to grow even further over the next six years, whereas the manufacturing sector is expected to contract until 2022, albeit it will continue to be an important part of the regional economy. Overall, the growth of employment in the region for the time period between 2017 and 2022 is projected at around 74,000 jobs (UKCES, 2015a) (Table 4.2).

Table 4.2: Projections of employment in Yorkshire and the Humber 2017-2022

Industries	Changes in Employment 2017-2022 (000s)
Agriculture, Forestry and Fishing	-1
Mining and Quarrying	0
Manufacturing	-17
Electricity, Gas, Steam and Air Conditioning	0
Water Supply; Sewerage, Waste Management	1
Construction	11
Wholesale and Retail Trade; Repair of Vehicles	5
Transportation and Storage	9
Accommodation and Food Service Activities	8
Information and Communication	5
Financial and Insurance Activities	4
Real Estate Activities	1
Professional, Scientific and Technical Activities	9
Administrative and Support Service Activities	6
Public Administration and Defence	5
Education	0
Human Health and Social Work Activities	26
Arts, Entertainment and Recreation	1
Other Service Activities	1
Activities of Households as Employers	0
Total	74

Source: UKCES, 2015a

As noted in the literature review, SMEs play an important role in the British economy, as they constitute key sources of innovation, competitiveness and job creation. This seems to be reflected in the economy of Yorkshire and the Humber, as SMEs appear to have a significant presence in the regional economy. In particular, the population of SMEs in the private sector within the region, at the start of 2015, was estimated at 97,525 businesses (excluding one person businesses) against only 495 large firms (with 250 or more employees). The role of SMEs in the region is also important in terms of employment and

turnover, as they employ overall 869,000 employees and have a turnover of approximately £99.3 million (Table 4.3). The presence of SMEs is very strong within the service sector, including wholesale and retail, professional services and accommodation and food, as well as in the construction and manufacturing industry of the region (BIS, 2015b).

Table 4.3: Presence of SMEs in Yorkshire and the Humber

Firm size	Number of businesses	Employment (in thousands)	Turnover (£ millions)
Micro (1-9 employees)	78,890	301	29,263
Small (10-49 employees)	15,975	312	34,289
Medium (50-249 employees)	2,660	256	35,801
Total (of SMES)	97,525	869	99,353
Large (250 or more employees)	495	875	108,459

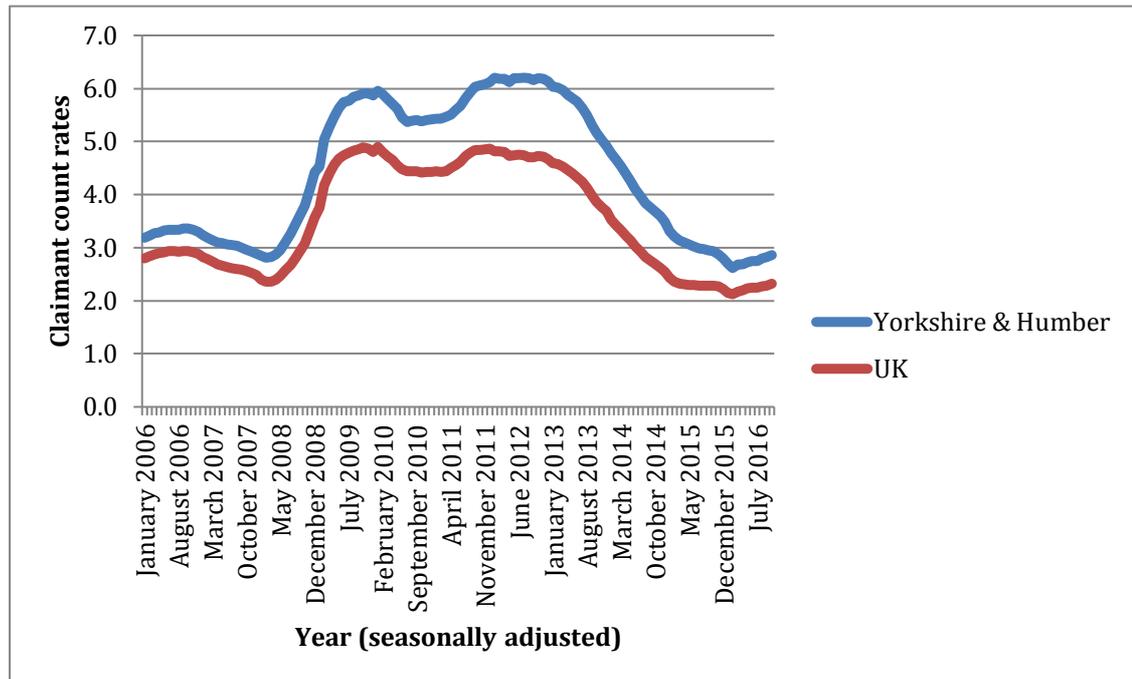
Source: BIS (2015b)

4.3 The Yorkshire and the Humber in recession

The figures on employment trends in the section above postdate the recent recession and indicate that the local economy has started to recover. Yet, the recession impacted severely on the Yorkshire and the Humber region, which has been clear from the increase in unemployment trends. Specifically, over the period between 2008 and 2010, Yorkshire and the Humber experienced the largest percentage increase in unemployment (80%) compared to any other region in England and the UK (Campos et al., 2011). The severe impact of the recession on unemployment in the region was also evident in the increased number of people claiming Job Seekers Allowance (JSA), with the Yorkshire and the Humber region being above the national average in claimant count rates (ONS, 2016b). As we can see from Figure 4.2, the regional claimant count rate increased by 2.8 percentage points from 2006 to 2010, reaching its highest level in 2012 (6.2%) against a national backdrop of 4.8 per cent at this point in time. From 2013 and onwards, the claimant count in the region has experienced a year on year decline, reaching its lowest level in a decade

in 2016 (2.9%). This decline indicates that the regional economy is recovering from the recession and, thus, more employment opportunities are available. Nevertheless, the claimant count rate in the region is still higher than the national average, which currently stands at 2.3 per cent.

Figure 4.2: Change in claimant count rate in Yorkshire & the Humber and the UK (2006-2016)



Source: ONS, 2016

Evidence from the Office for National Statistics (2011) suggests that the manufacturing and the wholesale and retail industry groups showed the most job losses in most UK regions, including the Yorkshire and the Humber, as a result of the recession. Other sectors in the region that were particularly hit by the recession included the construction and the professional services industries. Given the important role that the manufacturing, the wholesale and retail and the construction industry play in the regional economy, as it was outlined earlier in the chapter, along with the great impact of the recession on these sectors, redundancy rates would be expected to be particularly high in the region. Indeed, the Yorkshire and the Humber experienced the second largest increase in redundancies, after the West Midlands, with the rate of redundancies rising from 6.4 to 14 per thousand employees in 2009 (Campos et al., 2011).

The great impact of the recession on the Yorkshire and the Humber might have been expected to be reflected in lower levels of vacancies. Evidence from NESS 2009 for England suggests that employers in the region accounted for a slightly lower share of England’s vacancies than its share of employment. However, when vacancies occurred, employers were more likely than the national average to experience difficulties in filling these job vacancies (26 per cent of job vacancies in the Yorkshire and the Humber were hard to fill, compared with 22 per cent nationally). Such evidence reflects low levels of applicants in the region with the required skills, qualifications or work experience (Shury et al., 2010) (Figure 4.3).

Figure 4.3: Vacancies and hard-to-fill vacancies density measures by region, 2007- 2009 comparison

	Vacancies as a % of employment		HtFVs as a % of employment		HtFVs as a % of vacancies	
	2007	2009	2007	2009	2007	2009
	%	%	%	%	%	%
Overall	2.8	1.7	0.8	0.4	30	22
Region						
Eastern	2.8	1.9	0.8	0.5	30	26
East Midlands	2.3	1.6	0.7	0.3	30	18
London	3.3	1.8	1.0	0.4	32	22
North East	2.3	2.1	0.7	0.5	30	24
North West	2.6	1.5	0.6	0.3	25	20
South East	3.2	1.7	1.0	0.4	31	21
South West	2.7	1.7	0.9	0.4	35	22
West Midlands	2.6	1.4	0.6	0.3	24	20
Yorkshire and the Humber	2.4	1.5	0.7	0.4	28	26

Source: Shury et al., 2010:67

In terms of skill-shortage vacancies, NESS 2009 suggests that there was a large decrease nationally between 2007 and 2009. These lower levels of skill-shortage vacancies suggest both reduced levels of recruitment activity and the fact that employers were facing less difficulties in filling these vacancies because of skill shortages. However, in Yorkshire and the Humber, skill-shortage vacancies seemed to remain unscathed by the recession, with their levels being the same as prior to the recession (at 19 per cent) (Shury et al., 2010).

4.4 Education and skills within the region

A key component of every economy is the level of skills contained in its workforce. The higher the level of skills, the greater is the ability of the economy to attract and create higher-level jobs and, therefore, help to assist the economy's growth (DCLG, 2013). In that respect, as the evidence suggests, the Yorkshire and the Humber region has to put more effort in order to increase adult skills levels and improve the educational attainment of young people.

The qualification profile of the local region does not compare favourably to the rest of the UK. The labour market is characterised by a high proportion of the population with low skills, while the proportion of the regional population attaining higher level of skills is considerably low. The region systematically indexes lower than the national average in relation to qualifications and skills attainment at all levels. Specifically, 83.1 per cent of the population aged 16-64 hold a Level 1 qualification and above, lagging behind the national average (84.7 per cent). The proportion of the population that has attained a Level 2 qualification and above is 70.1 per cent, while just 51.3 per cent hold a Level 3 qualification and above. The region's higher-level skills profile is equally challenging, with just 30.6 per cent of the population holding Level 4 qualifications and above and, as such, lagging behind the national average by 6.3 percentage points (Table 4.4).

Table 4.4: Qualifications in Yorkshire and the Humber region and in the UK (%)

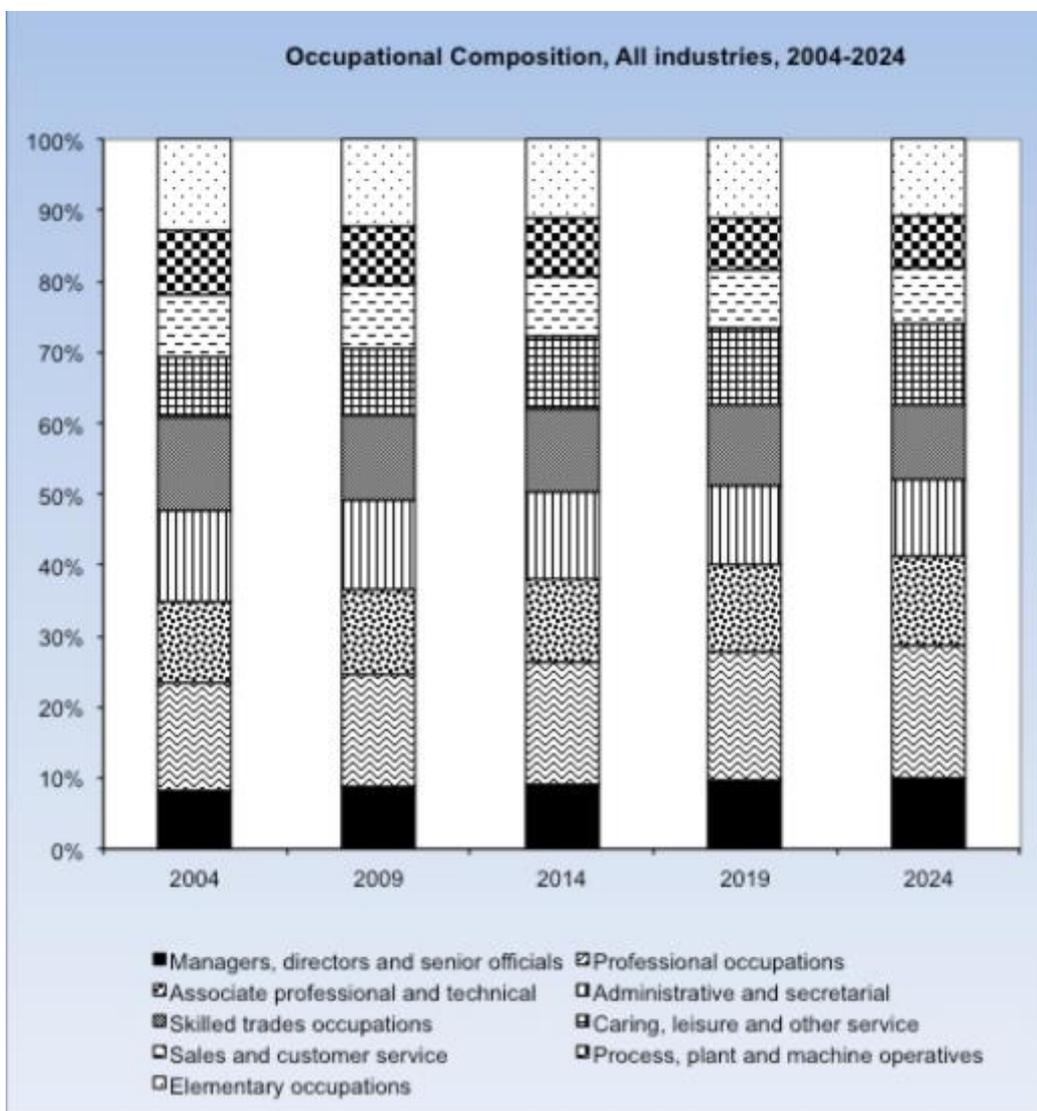
	Yorkshire and the Humber (%)	United Kingdom (%)
NVQ4 And Above	30.6	36.9
NVQ3 And Above	51.3	55.5
NVQ2 And Above	70.1	73.4
NVQ1 And Above	83.1	84.7

Source: Nomis, 2016

With regards to the occupational composition of the region, professional occupations have predominated in the local economy over the last decade, while administrative and secretarial, associate professional and technical and skilled trades occupations claim a significant share of the working population. Occupational forecasts predict that

professional occupations will experience the highest increase by 2024 and they will continue to account for the largest occupation by volume in the region. Skills in demand will also include caring, leisure and other services, associate professional and technical, managers, directors and senior officials and elementary occupations. However, the demand for administrative and secretarial occupations will experience the highest decline by 2024, followed by a significant decline in skilled trades occupations and process, plant and machine operatives. The demand for sales and customer service skills is forecasted to remain at approximately the same levels (Figure, 4.4) (UKCES, 2016a).

Figure 4.4: Occupational composition in Yorkshire and the Humber 2004-2024

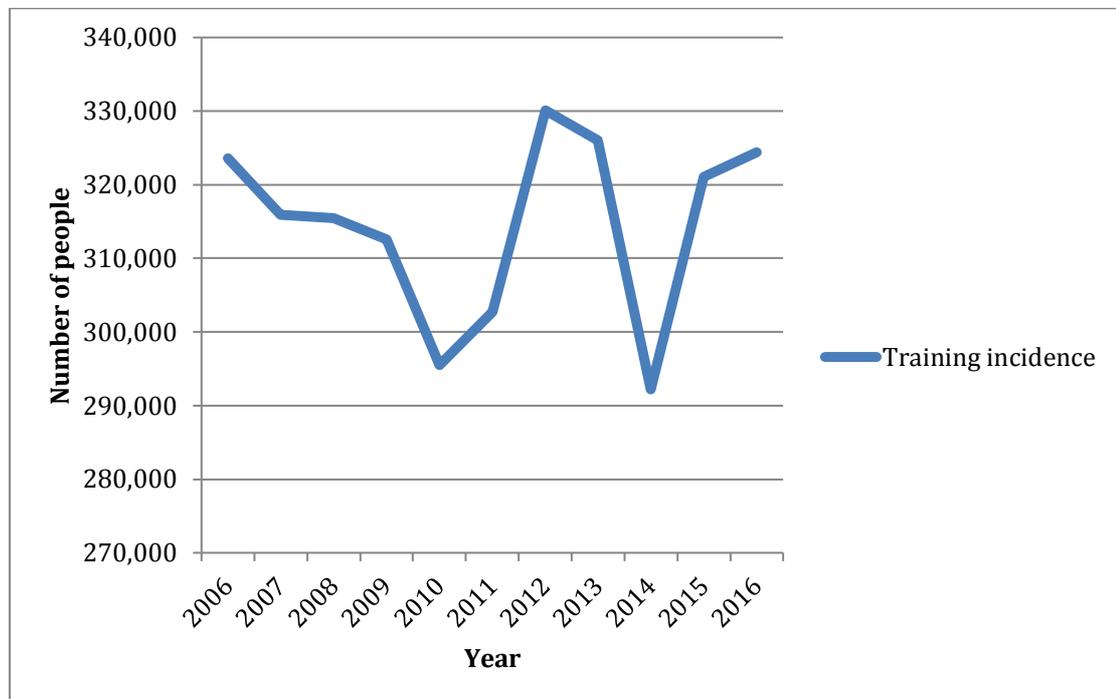


Source: UKCES, 2016a

With regards to levels of training provision, the UKCES Employer Skills Survey 2013 reveals that training investment in the region equals the national average, with two-thirds of employers (66 per cent) investing in the training of their workforce. Although the evidence suggests that the average of British employers is characterised by an unmet appetite for training, employers in the Yorkshire and the Humber region are unmoved to invest more in the training and skills of their workforce. Specifically, of those employers that provide training, 41 per cent want to train more, lagging behind the national average (47 per cent), while 32 per cent of those that do not provide any kind of training want to train. Overall, 62 per cent of employers in the region have no desire for more training, compared to the national average of 58 per cent (Winterbotham et al., 2014; UKCES, 2015b). Furthermore, the evidence suggests that internal training is used more than external training, with 54 per cent of employers making use of internal training, 32 per cent providing external training and 29 per cent of employers providing both internal and external training (UKCES, 2015b).

Training investment in the region has been characterised by significant fluctuations in the last decade. As we can see from Figure 4.5, the levels of training investment have experienced a considerable decline, which predates the recent recession. Specifically, the working age population (16-64) in the region that received job-related training in the last four weeks in 2007 contracted by 7,700 compared to the previous year. The decline in the training investment continued during the recession, with the data suggesting that overall the training incidence in the region fell by 8.7 percentage points between 2006 and 2010. The following year the levels of training activity experienced a slight increase, whilst in 2012 training investment reached its highest level in the last decade (330,100 people received job-related training in the last four weeks). This significant growth could be explained due to the year on year training decline that characterised the previous years, which resulted in skill shortages in the region and, thus, there was an increased need for training in order to cover the skill needs of the workforce and the region as a whole. The following years the training incidence fell again, reaching its lowest level in a decade in 2014, whilst the last two years it has been noted a significant increase in the training investment, which currently is higher than it was in 2006. The increased levels of recruitment and employment in the region could explain the growth in training activity that currently takes place within the region.

Figure 4.5: People (aged 16-64) that received job-related training in the last 4 weeks in the Yorkshire and the Humber between 2006 and 2016



Source: Nomis

From the figure above, it is evident that the recession was not the only factor that had a negative impact on the training investment in the region. The data shows that the training incidence experienced a decline before the recession hit, as well as two years after the end of the recession. Such evidence suggests that a significant proportion of employers in the region seems unconvinced regarding the need for training and its benefits. According to the UKCES (2014), this implies lack of management knowledge in relation to training and its benefits or could suggest that managers consider more the costs rather than the benefits of training. However, even in the case where employers would like to do more training, they might encounter a number of obstacles including lack of resources and high costs, difficulty in accessing suitable training and short-term firm planning processes. The results of these obstacles may be that employers find it challenging to move their firms towards high value services and products due to lack of skills, expertise and technical knowledge. At a macro-level, this leads to a vicious cycle for the economy as the demand for skills remains low, resulting in limited productivity and growth.

4.5 Conclusions

This chapter examined the regional setting within which this research study was located. In particular, it discussed the economic and social background of the Yorkshire and the Humber region highlighting its main weaknesses, including lower employment rates and lower levels of qualifications and training investment against the national average. Yorkshire and the Humber is a medium-sized region, representing 8.4 per cent of the UK population. Against a backdrop of manufacturing decline, the regional private sector economy mainly relies on the service sector, with the wholesale and retail and the accommodation and food industry offering the highest levels of workforce jobs in the region. Furthermore, the construction and the professional services industry constitute an important part of the local economy. However, the course of the recent economic downturn has placed an increased focus on rebalancing the local economy and, thus, a renewed emphasis has been placed on advanced engineering and manufacturing industries in the region. According to projections, the service sector will continue to grow over the next years, whereas the manufacturing sector is forecasted to contract even more. Apart from the industrial structure of the regional economy, the present chapter also examined the presence of SMEs in the region and their role to the local economy. As such, small and medium-sized enterprises are dominant within the region of Yorkshire and the Humber, with a significant contribution to the local economy in terms of employment and turnover.

Within such an industrial structure, the regional economy was affected by the recession to a great extent, with the region indexing higher than the national average in terms of unemployment rates. This significant impact of the recession on the region could be explained due to the fact that the industries that the regional economy relied on, namely wholesale and retail, manufacturing and construction, were severely hit by the recession. Therefore, this was translated into a considerable amount of redundancies within the region and low vacancy rates. Despite a significant fall nationally between 2007 and 2009 in skill-shortage vacancies, the evidence suggests that this fall did not occur in the region. This makes it evident that the region was facing issues of skill-shortages in recruitment even in the years before the economic crisis.

The analysis suggested that, although the Yorkshire and the Humber region has a strong economy, it lags behind other successful UK regions on training and qualifications and willingness to provide training, suggesting that the region's tradition over training and

skills development is not as strong as in other regions in the UK. Specifically, the data suggested that the region lags behind the national average on the attainment of qualifications at all levels. Specifically, the great majority of adults of working age have few qualifications and the region has fewer skilled people than the more successful British regions. This big concentration of the population with Level 1 and 2 skills denotes that the region is stuck in a “low-skills equilibrium”, while at the same time there has been a high demand for higher-level skills. This was evident from the predominance of professional occupations in the local economy, as well as from the high levels of future demand on professional occupations and managers, directors and senior officials. The oversupply of low skills in the region along with the demand for higher-level skills suggested that significant skill shortages could arise in the region, and, therefore, more emphasis should be placed in the acquisition of high-level skills in order to drive local economic growth and competitiveness. In terms of the levels of training provision, it was revealed that training investment in the region was at the same levels as the national average, with internal training being the most frequently used method of training amongst businesses in the region. The latter could be explained due to the recent economic recession that the region has experienced. Employers, in an attempt to reduce costs and retain their investment in the training of their workforce, turned to more cost-effective ways of training. Nonetheless, training investment in the region has fluctuated considerably over the last decade, with the training incidence experiencing a significant decline in the years before the recession as well as in the more recent years. Employers in the region seemed unwilling to invest more in the training of their workforce, lagging behind the national average. This could be explained due to the lack of management knowledge regarding the benefits of training, lack of financial resources and difficulties in accessing training tailored to the needs of their business.

The subsequent chapters analyse and discuss the findings derived from the survey and the interviews. The empirical findings follow in descending order from the national level, to the local level and then to the company level. Therefore, the next chapter presents evidence drawn from the interviews with peak-level organisations, which have regional and national coverage. These interviews enabled the researcher to explore the SME sector and identify skill issues that SMEs were facing during and after the recent recession and to assess the policy measures adopted in order to encourage training provision within SMEs. The following chapter provides the evidence derived from the survey in order to capture

the extent of the impact of the recession on SMEs within the locality. The final empirical chapter presents and analyses the findings drawn from interviews with SME owners/managing directors in order to explore the impact of the recession on SMEs at an individual company level.

Chapter 5: SMEs in recession: training responses and evaluation of state support

5.1 Introduction

This chapter aims to explore the impact of the recent recession on training and skills development within SMEs and the extent of state support towards SMEs during recession. As noted in the literature, while there are some theoretical insights in relation to the likely impact of an economic downturn on training, there is a lack of empirical evidence on how training within the SME sector has fared in the recent recession that the UK experienced. Within such a context of economic uncertainty, it is crucial to investigate the state support in terms of encouraging and promoting training and development within SMEs. While extant research and policy interventions have focused on the supply-side of skills of SMEs, there is a dearth of empirical evidence focusing on the demand-side and the challenges such establishments face in order to engage with state support. Against this backdrop, the chapter presents and analyses the data collected from interviews with the senior managers or managing directors from seventeen peak-level organisations, including four trade unions, the Trades Union Congress (TUC), four private training providers, one membership organisation for training providers, two Sector Skills Councils (SSCs), two Local Enterprise Partnerships (LEPs), one Chambers of Commerce (BCC), the Confederation of British Industry (CBI) and the UK Commission for Employment and Skills (UKCES) (Table 5.1). The aim of these macro-level interviews was to explore the interplay between training and skills development and the economic downturn within the context of SMEs and investigate the state support towards SMEs and the training problems they encountered.

Table 5.1 Responding organisations

Name of Organisation	Description
GMB	General trade union
Unite the union	General union
USDAW	Union of Shop, Distributive and Allied Workers
UCATT	Union of Construction Allied Trades & Technicians
TUC	Federation of trade unions
WYLP (West Yorkshire Learning Providers)	Membership organisation of learning providers
City Training Services	Training provider
Textile Centre of Excellence	Training provider
Y & H Training Services	Training provider
Aire Vocational Training	Training provider
SEMTA	Sector Skills Council for Science, Engineering and Manufacturing
Construction Skills	Sector Skills Council for the Construction industry
Leeds City Region Enterprise Partnership	Local Enterprise Partnership
Humber Local Enterprise Partnership	Local Enterprise Partnership
Leeds Chambers of Commerce	Chambers of Commerce- Leeds office
CBI Yorkshire and Humber	Confederation of British Industry- regional office
UKCES	Publicly funded organisation providing advice on employment and skills issues

The chapter begins with an examination of the perceptions of key informants around the effects of the recession on SMEs and their training behaviour, while the development of training and skills in the post-recession period is explored in the subsequent section. The chapter continues with an evaluation of the support provided by the state in order to encourage training provision and tackle the general underinvestment in learning and skills development within the SME sector, and investigates whether this support has proved to be effective. The chapter also examines the nature of industrial relations within SMEs and

explores the way they influence their training and skills development. The final section presents, analyses and discusses the policy measures implemented in the Yorkshire and the Humber region in order to encourage SMEs to invest in the training of their workforce. The chapter concludes by summarising and discussing the key findings of the interviews.

5.2 Impact of the recession on SMEs and their training practices

The impact of the recent economic downturn on training and skills development was intensively felt amongst firms in the SME sector, confirming the conventional wisdom that training follows the business cycle and tends to fall during times of recession. There was a generally shared view that SMEs had experienced an overall decline in their training practices, irrespective of the sector that they operated in. As the respondent from the Chambers of Commerce noted:

“Just everybody stopped (training). Companies just stopped. And it wasn’t just training actually, it was any unnecessary spending that just got stopped, almost overnight. When it was announced that we are officially in recession the world just stopped”.

Similarly, a training provider noted:

“I think all sectors were hit by the recession. I don’t think there is any question on that. And training was affected to a high degree. Generally, across most sectors there was a major impact to existing workforce in the decline in employers looking at training for their staff at that point in time” (City Training Services).

Although there was an overall inclination of SMEs to make cutbacks in their training provision across all business sectors, it was revealed that the impact of the recession on training was largely dependent on the industrial sector in which SMEs operated. There was a general view that industrial sectors played an important role in determining the impact of the recession on the training activity of SMEs. This finding seems to be supported from previous research conducted by Eurofound in 2011 on the impact of the recession on SMEs within national economies across Europe. According to this research study, the impact of the economic downturn was more sector-specific and it was characterised by variations across different industrial sectors. These findings suggested that the impact of the recession was more intensively felt in the construction and the manufacturing sector (Broughton, 2011).

Different sectors experienced the economic downturn at different times. As a respondent from a Sector Skills Council elaborated, “Initially, when the recession started some people were okay for the first year or so. It could be a year or so before it specifically affected them. So, I mean it affects different people at different times” (Construction Skills). Particularly, businesses from the accommodation and food services sector were amongst the businesses that felt the impact of the recession immediately. The limited demand in the market forced businesses within that particular industry to quickly respond to the recession by making cutbacks in their workforce. However, firms that operated in the construction sector experienced the impact one year after the recession hit. The reason attributed to this belated impact was the fact that construction companies were still busy at the start of the recession, as demand was still there. The construction industry felt the impact of the recession a year later, with the most prevalent reason for that being the fact that during that one-year period a lot of people working in the industry became self-employed, resulting in more construction businesses in the market and higher competition and, thus, less work available for the increased number of businesses in the market.

Some sectors, such as construction, manufacturing, hospitality and the financial sector, were hit harder than others. The extent of the impact of the recession in these sectors resulted in cutbacks in recruitment and, therefore, in lower levels of training provision. This finding seems to confirm evidence from previous research that businesses operating in the aforementioned industries were hit harder by the recent recession compared to other industries within the private sector (Van Wanrooy et al., 2013). However, the respondents highlighted the issue of recovery, suggesting that, despite the degree to which these sectors were affected by the recession, it is of great importance to consider the time that takes different sectors to recover. As such, it was revealed that the hospitality and the financial sector were characterised by a shorter recovery time than the manufacturing sector. The quicker recovery time for the hospitality and the financial sector was attributed to the low skill requirements that characterise such sectors, suggesting that it takes less effort and time to fill such vacancies when the economy recovers, whereas the slower recovery time that characterised the manufacturing sector was attributed to the long time that is required in order to invest in the skills of such a workforce. As one of the training providers noted:

“All sectors were hit by the recession. There are the obvious sectors such as the financial sector and hospitality but the recovery in those sectors is very swift. They adopt very quickly and have the ability to recover better than some other sectors. Low skill sectors, like hospitality, were badly hit so people were being laid off. But once the economy starts to increase some more, the hospitality sector can respond very quickly. But then some sectors have a slow return because it takes time to invest such as the manufacturing sector” (Y & H Training Services).

Supply chains were also seen as an important factor in shaping the supply of skilled workers. Extant research has shown that individual SMEs should not be viewed in isolation (Hendry et al., 1995; Cassell et al., 2002). Such firms are often part of a supply chain and, hence, they are largely dependent on others within the supply chain. For instance, the findings of the current study showed that some SMEs were heavily dependent on their supply chain for the recruitment and provision of skilled workers, suggesting that cutbacks in training during a recession by their supply chain could have a great impact on the skills development of their workforce. In other words, skills shortages could ripple through the supply chain. Therefore, the findings highlighted the importance of the supply chain in the training provision of SMEs. As one respondent explained:

“The process industries are heavily dependent on their supply chain. So, if in the recession the supply chain is sort of a pool of skilled workers and can’t recruit at that point, then at the point when the recovery comes and they need those skilled workers, the supply chain won’t have the skilled people because they’ve not recruited. So, there’s a knock-on effect” (WYLP- Membership organisation for learning providers).

Overall, the respondents shared the view that training was one of the first casualties in times of such an economic hardship and, thus, cutbacks in training were inevitable. As Chapter Two illustrated, many general and specialist commentators have repeatedly expressed this assumption of the impact of the recession on training (Charlton, 2008; Eyre, 2008; Kingston, 2009). Similarly, a respondent from a Sector Skills Council stated: “Whenever companies, particularly small companies, look at their budgets their training budget is always the first to be cut or one of the first to be cut” (SEMTA).

However, the respondent from TUC cast some doubt on this position and suggested that employers had learnt from the mistakes of the past and had realised that the way out of an economic crisis was through training and skills development in order to survive the crisis and be more competitive in the upturn. Employers had realised that retaining training constituted a way to remain functional during a recessionary period and be even more

profitable when the economy recovers. However, no evidence was given to support this argument. As they noted:

“There’ll be publications around that will repetitively lead us to believe- and have done for a number of years- that employers immediately in recession cut their training. That’s not true anymore because the clever employers see that the way out of recession needs training, re-training and advancement. Now, I have no evidence of that other than the feeling and feedback that I get from the trade union learning reps in the workplace that to improve and stay alive during recession an employer sees that training of their workforce in a competitive market is some of the answer to stay functional during the recession. And when you come out of it then hopefully you’ll become even more profitable”.

This finding seems to contradict the general perception amongst the respondents that training did get cut during the recession. This could be explained due to the fact that the finding for no cutbacks in training derived from unionised workplaces. Existing evidence has shown that union recognition and the presence of ULRs within the workplace promote learning (Stuart et al., 2013) and are associated with higher levels of training provision, even during times of recession (Stuart et al, 2015). Another explanation that could also be given to this contradiction is the fact that some SMEs do not provide training besides the training that is imposed by legal requirements and which has to be implemented in order for the business to operate. Such training has to be maintained regardless of the economic situation.

The most important barrier to the provision of training during the recession proved to be the financial constraints that SMEs faced. Respondents highlighted the cash-flow difficulties that SMEs experienced, suggesting that, although the appetite for learning was still there, the cost of training had often proved to be unbearable. As a union respondent explained:

“It is a financial reason more than any other. It’s just the austerity. I don’t think there has been any reduction in the appetite. People are still interested in learning things but it is either very expensive or it is not available any more” (GMB).

The same perception was echoed by the respondent from the Chambers of Commerce: “Cash-flow was an absolute killer for companies and you know if you are spending money that you don’t deem as necessary, why train people if there is no customer’s spending? It is pretty much the view I’ve heard”.

The time constraints imposed by the financial austerity was an additional reason for the lower levels of training provision within SMEs. Previous research has identified the inability of companies to spare staff time for training as an important barrier especially for small-sized businesses, where the number of employees is limited and, thus, time away from work is of great importance (Shury et al., 2010). As a training provider stated:

“One of the biggest reasons actually is having the time to let your staff go away somewhere to do training; it’s a massive issue. It’s a real barrier for small companies. You know if you employ 10 people and you want to send one or two on a training course it is 10 or 20 % of your workforce. So, to lose somebody even for a day it’s quite impactful” (Aire Vocational Training).

Another interviewee noted:

“Businesses have been so strapped for cash, are now so lean, there's no time. There's only enough people to get through the work on all over the production level so there's less time for training because they had to let some of their staff go because they are not making the same level of profit that they might have had a few years ago. So, becoming much leaner and fitter, as the government puts it, will lead to less time that employers have got to teach people extra things” (WYLP-Membership organisation for learning providers).

Poaching of trained staff by competitors was also seen as an additional reason for cutbacks in training. Previous research has identified the fear of poaching as an essential reason for lower levels of training provision in SMEs compared to their larger counterparts (Finegold & Soskice, 1988; Marlow, 1998; Stevens, 1999). However, the respondent from the CBI expressed doubts about whether the risk of poaching affected the provision of training or it was provided as an excuse by employers in order not to train their workforce. As the respondent explained:

“It is also the fear that you know you may train someone and then they leave. That’s a genuine fear yeah, but is it true? Because if someone is going to leave they are going to leave and it’s a real fear particularly for the companies that made an investment in somebody’s training and they move on. I mean actually is it a genuine reason or is it just an excuse not to spend money?”

There was also evidence to suggest that firms cut back on recruitment during recession and the reduction in the number of new recruits led to lower levels of training investment. New recruits typically need higher levels of investment in training than established staff, and hence this contributed to an aggregate decline in training provision. This finding seems to be in line with previous research conducted by Majumdar (2007), according to

which the reduction in recruitment that has been noted in past recessions could lead to lower levels of training provision. As one of the respondents noted: “If you are recruiting new staff quite often the first thing you need to do is train them up on your systems. So, when they cut back on recruitment, they cut back on training as well” (City Training Services). Similarly, the respondent from a SSC explained: “They didn’t recruit additional workforce so if they’re not recruiting additional workforce it’s not necessarily the need for any acquired training for those new employees” (SEMTA).

Although the general perception was an overall decrease in the training practises of SMEs, it appeared that some specific aspects of training within the SME sector had been untouched by the recent recession. This type of training imposed by the law has been identified in the literature as “training floors” (Felstead et al., 2012), was indispensable and had to be implemented irrespective of the general economic environment. As one respondent explained:

“There’s some aspects of SME type training that hasn’t possibly been affected. It’s where it’s driven by the law. So, if you have to have a food hygiene safety certificate, you will go and get that type of training because you have to have it. So there’s certain things I think, where it’s been legislated, the law says, that supersedes whether there’s a recession or not a recession” (Textile Centre of Excellence).

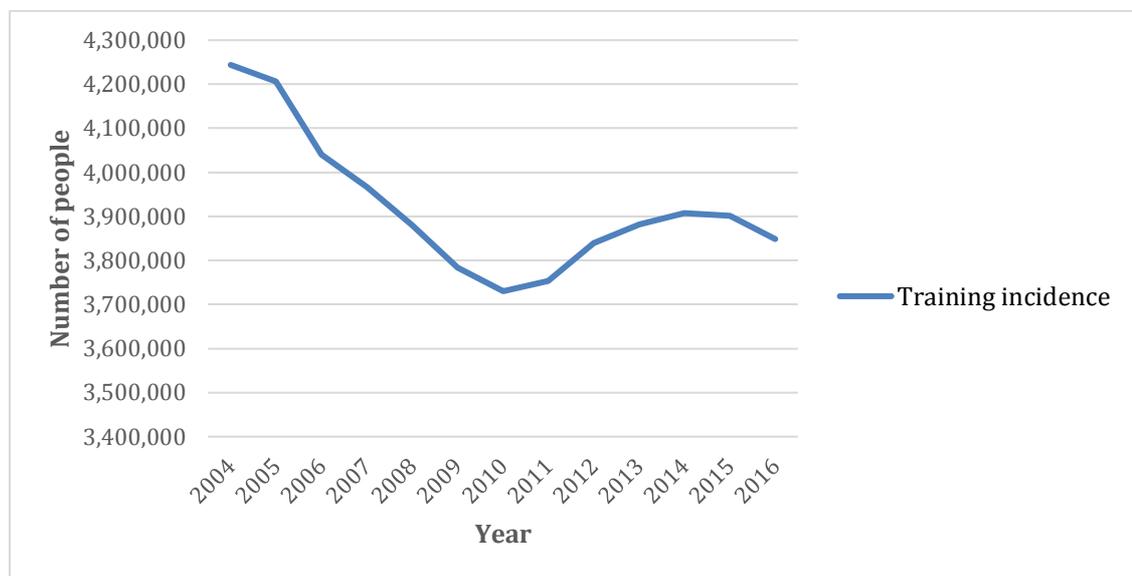
As another respondent noted:

“My view is that they are just filling the legal requirements so they can get on the job as fast as possible. That’s now the case in every workplace but I would imagine the smaller you get the more that applies” (Unite the Union).

Although the findings revealed that training provision within SMEs has been decreased as a result of the recent recession, national statistical evidence suggests that the decline in training investment in the UK has started well before the recession hit. As we can see from Figure 5.1, the working age population (16-64) in the UK that received job-related training in the last four weeks between 2004 and 2007 contracted by 277,800. These low levels of training investment continued during the years of the recession, with the training provision experiencing a further decline of 149,400 between the time period 2008-2010. The years following the recession saw an increase in training provision, with investment in training reaching its highest level in 2014 since the recession started (3,907,300 people received job-related training in the last four weeks that year). This growth could be explained due

to the increased employment rates in the UK, as well as due to the increased skill needs that businesses were experiencing as a result of the limited training that was taking place during the previous years. However, this growth did not last, as further reductions took place, with training investment currently standing at lower levels than when the recession started. Such evidence mirrors the general problem of underinvestment in training that characterises the UK. Although the recent recession did have a negative effect on training provision, it seems that investment in training is a longstanding problem in the UK.

Figure 5.1: People (aged 16-64) that received job-related training in the last 4 weeks in the UK between 2004 and 2016



Source: Nomis

The findings so far suggest that training provision within the SME sector has been adversely affected by the recession, with the most prevalent reasons being the financial and time constraints. Although existing evidence suggests that the decline in training investment in the UK predates the recession, it is evident that the recent economic downturn intensified the declining training provision in the UK. The next section looks at the impact of the recession on the employment of apprentices within SMEs. Previous research has shown that apprenticeships constitute the most familiar government initiative amongst British firms, with SMEs being more likely to make use of apprenticeships (relatively to the proportion of their workforce) than larger firms (Shury et al., 2010).

5.2.1 The impact of the recession on apprenticeships

Existing research evidence has shown that apprenticeships within SMEs have decreased as a result of the recent recession (Shury et al., 2010, 2012). Likewise, the current study revealed that the impact of the recession was apparent in the employment of apprentices within the SME sector. The evidence suggests that there had been a significant decline in the number of apprenticeships during the recession; indeed, a number of apprentices had been made redundant. As one training provider noted: “We saw a decrease in the amount of SMEs that wanted to take apprentices on and the amount of young people that wanted to apply for training”. Another respondent from a trade union stressed:

“Funding for training was seen as a soft target. Many apprentices were made redundant during the recessionary period and, in relation to our approach to that, we’ve obviously tried to fight back to that and ensure that employers continue to train and recruit apprentices but there has been a detrimental impact over the period of the recession” (USDAW).

Although the majority of the respondents shared the view that the take-up of apprentices experienced a significant decrease during the recession, the level of decrease varied across different sectors. Specifically, while the number of apprenticeships in the engineering industry had declined only slightly, there had been a much larger decrease in the hospitality sector. As one trade union respondent explained:

“The take-up of apprenticeships... decreased during the recession. But I would say that that has been in specific areas. For example, engineering has pretty much reached the plateau so, although it hasn’t increased, it hasn’t decreased much. But in catering and hospitality they’ve seen a big decrease. So, for engineering in Hull in particular-it’s a very industrial city- so, although we have had a recession, employers -particularly SMEs- do see a value of apprenticeships and they have maintained that in engineering” (Unite the union).

The respondents pointed mainly to financial constraints and less work for the reduced levels of apprenticeships, suggesting that SMEs, within such an economic context, were not in a position to cope with the expenses that apprenticeships involved. As one training provider explained:

“If you were talking to somebody who didn’t do apprenticeships they would say: “yes it was the expense of it”. For us that deliver apprenticeships when businesses said: “no we can’t take them” it’s because they haven’t got business because of the recession. So obviously it is a cost fact, they just haven’t got the cost to invest in that” (Y & H Training Services).

There was a generally shared view that SMEs are not familiar with “hiring and firing” techniques. Such establishments are traditionally caring towards their staff and they are taking people on board only when they are certain that there is a potential of keeping them. Within such a context of economic uncertainty, it was revealed that SMEs were experiencing difficulties in taking on apprentices as they were uncertain about their future. As the CBI respondent noted:

“They won’t take them because they can’t see a clear view to obviously keeping them. You know, I mean obviously you get reputations of businesses that they just get people to get rid of them and there are maybe some businesses that apply to it. I find that SMEs only want to take somebody on board if it’s certain they can keep them at least for the length of the apprenticeship and often most of them are willing to keep them a bit longer. So, SMEs tend to keep the people, develop the people”.

5.2.2 Redundancy and labour hoarding during recession

An interesting trend that emerged from the analysis was that SMEs were driven to either redundancy or labour hoarding practices during the recession. Specifically, some businesses, being more reactive to the economic downturn, had to lay some of their workforce off in order to reduce their expenses and, thus, survive the crisis. On the other hand, some others, thinking rather more proactively, responded to the recession by retaining their skilled workforce in order to be more competitive in the upturn. Although the latter was perceived as a high-risk practice, it could guarantee that the talent would be available to the business for when growth resumed. Such companies would, as a consequence, be less exposed to skills shortages. As one training provider explained: “There was an element of shedding of workforce and an element to try to protect and retain an existing workforce because of the talent in that workforce to help post-recovery situation. So, it’s an interesting mix that we saw in the training arena” (City Training Services).

In terms of redundancy, it was revealed that SME employers had to lay off some of their workforce, with the redundancies aimed mainly at lower-skilled employees. As one respondent from a Sector Skills Council noted: “Some lower-skilled workers were being shed at that point because of businesses reacting to the recession and the workload that they had at that point” (Construction Skills). Despite this, there was a widely accepted view that redundancies during the recession were limited. The explanation provided for

this was the fact that the employers had already learnt from the mistakes of previous recessions and they were acknowledging the fact that making people redundant was a temporary solution with no benefit to them and their business in the long run. This finding is supported by the literature, as existing research conducted by the Workplace Employment Relations Survey (WERS) in 2011, regarding the impact of the recent recession on British workplaces, found that 14 per cent of all workplaces had made compulsory redundancies as a response to the recession (Van Wanrooy et al., 2013).

As noted, the analysis revealed that practices of labour hoarding had also taken place amongst SMEs in order to retain their skilled workforce during the recession. The respondents characterised the emergence of the labour hoarding practice as an unusual effect of the recession, arguing that businesses had adopted a more long-term approach in order to be more competitive and productive in the upturn. As the respondent from the Leeds LEP noted:

“It clearly has been an unusual recession that a lot of people haven't laid people off. They've kept them on more than they should really. I think there's a difference in behaviour that businesses, that might otherwise have needed to reduce the headcount because of their sales and income dropping, have actually chosen to keep people on because they know they've invested a lot in skills previously”.

Although this finding seems to confirm previous research, according to which the practice of labour hoarding was very popular across European countries in response to the recession (Bosch, 2010), previous UK evidence suggests that this practice is not very common amongst British companies. For instance, Lloyd's (1999) study, regarding skills development in the aftermath of the 1990's recession within the French and British aerospace industry, shows that British companies were less likely than their French counterparts to introduce practices of labour hoarding. The limited state support along with the short-term requirements that characterise the UK economy forced businesses to make a significant amount of redundancies and, thus, reduce the pool of skilled people in their workplace. Nevertheless, there was a consensus amongst the respondents that labour hoarding was more popular during the recent recession than it was noted in the past. Firms seemed to have realised the importance of retaining their talented and skilled workforce, as it would enable them to be more competitive in the upturn. Therefore, SME employers, instead of making redundancies, found alternative ways in order to reduce their expenses,

while retaining their skilled workforce, such as reduced working hours or pay. As the CBI respondent explained:

“By just simply making them redundant it's much harder, it has consequences. So, more businesses realise now that if there are ways of avoiding that through reducing hours or reducing pay or other measures, if they can keep the people they've invested a lot in on their books for when the upturn comes back that is a sensible business decision”.

It should be noted, however, that labour hoarding was more prevalent in some sectors than others. Specifically, labour hoarding was more pervasive in construction and manufacturing, as in both sectors significant investments had been made in skills in previous years and companies did not wish to lose their investment or skilled employees. This was less likely to have happened in sectors that tended to hire lower skilled staff. Thus, industries characterised by low skill levels, such as accommodation and food services, were less likely to adopt labour hoarding practices simply because the level of skills of their workforce was too low, suggesting that it would be easier to find this kind of skills on the open market when the economy recovered. As a training provider explained:

“Employers tried to cope with the recession by trying to retain their workforce even if they were underemployed because they didn't want to lose those skills that the workforce had. If you look at manufacturing or construction, you will find that employers wanted to try and retain their highly skilled workforce even if they were under capacity at that point in time and therefore they were sort of saying “we still want to keep these highly skilled workers” (Aire Vocational Training).

This section has shown that, as a consequence of the recession, SMEs have been driven to redundancies (although limited), in an effort to reduce their expenses, and to labour hoarding practices in order to retain their talent. The next section explores the way training within the SME sector has been shaped and evolved in the post-recession period in the UK.

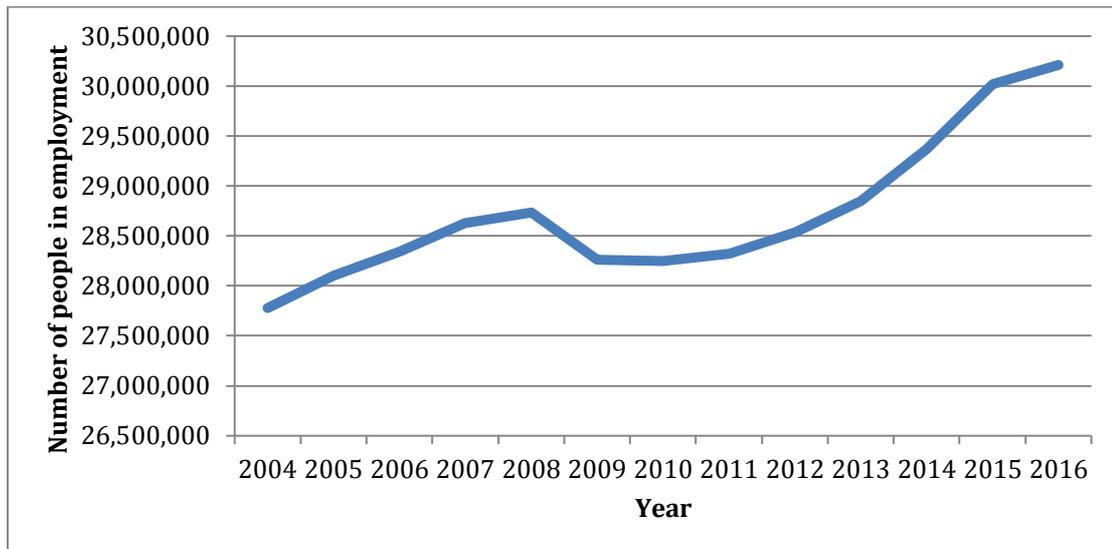
5.3 Training and skills development in the post-recession period

There was a generally shared view that there had been a slight increase in investments in training amongst SMEs in the post-recession, suggesting that training had started to pick up again. As one training provider noted: “It has definitely picked up again. People are now prepared to invest some of their time, their own money, where money is needed, in starting to train people. It's getting better all the time” (City Training Services).

Similarly, the respondent from the Chambers of Commerce argued that there had been an increase in the confidence of employers, which had also been reflected in the levels of investment in training. This argument was supported by evidence from the Quarterly Economic Survey that has been released from the Chambers, according to which during the last quarter of 2015, training investment in the manufacturing sector had increased. Investment in training amongst service sector companies had slightly slowed, yet net balances for training remained positive, indicating a growth in training investment. Although this survey was measuring only the training expenditure of businesses, excluding internal training investment, it offers a general direction that companies had started to feel more confident in terms of investing in training again (British Chambers of Commerce, 2016).

The main reason for increasing levels of training investment was the growth in recruitment and employment levels. As the respondent from the Humber LEP explained, “All the data on recruitment and unemployment figures and those kind of indicators are all going in the right direction again now so you would assume that some of that will bring with it training for people”. National statistical data available confirm this growth, as employment in the UK in 2016 reached a record high in more than a decade, with the number of people being in employment currently standing at 30,211,000. As we can see from Figure 5.2, the recent recession did have a significant effect on employment rate, with the British economy experiencing 489,800 job losses between 2008 and 2010. The main picture to emerge from 2011 and onwards is one of a year on year employment growth, with the UK experiencing an increase of approximately 1,900,000 people in work up to date. Such evidence confirms the assertions that the British economy has started to recover from the impact of the recent recession and, as a consequence, there is an increasing confidence amongst British employers to start investing again in the training of their workforce.

Figure 5.2: Employment rate (aged 16-64) in the UK between 2004 and 2016



Source: Nomis

Although the majority of respondents shared the view that training investment had started to increase, a minority argued that training and skills development were still impacted by the crisis. Although there had been an increase in the confidence of businesses, their training behaviour had not yet been improved mainly due to the financial uncertainty that businesses were still experiencing. As one training provider noted, “No, things have not improved in terms of training. We’ve seen an increase in confidence from employers, especially SMEs, but we’ve still seen that it’s quite difficult for the moment to encourage people to get back into training” (Textile Centre of Excellence).

Similarly, another respondent from a trade union shared the view that the British economy had not seen any signs of improvement, which was also reflected in low levels of training investment. Although official statistics suggest increasing employment levels, this respondent argued that these data did not reflect the real economy, arguing that higher levels of self-employment and/or the fact that people were in unstable jobs could explain the rise in employment figures. As the respondent noted:

“I don’t see any evidence of it (training) picking up. In fact, the economy doesn’t seem to pick up. We hear lots of “we are out of the recession” but I don’t see any evidence here. You know, the unemployment figures for example are rolling down considerably, but our evidence is that these people are either going self-employed because being on the dole is too much hassle or they’re off the unemployment register but not in secure jobs. I don’t see any evidence of training picking up at all” (UCATT).

The analysis also revealed that there have been some signs of skill-shortages in SMEs and most notably in the manufacturing sector. The respondents pointed mainly to the ageing workforce that dominated the manufacturing sector rather than the recession for perceived skill-shortages. As the respondent from the Chambers of Commerce noted:

“There’s another overarching issue that’s worrying for SMEs more than the recession and that’s the ageing workforce. And that’s particularly noted in the manufacturing sector, where you know it’s not atypical in a manufacturing company to have an average age of the workforce over 50. You know I speak to one of my directors here and very regularly the average age on his site is 55. When he does his shut down, his factory shut down for maintenance 2 weeks, the average age goes up to 67”.

Although the ageing workforce is a longstanding problem for the manufacturing industry, the CBI respondent attributed this partly to the decreased number of apprenticeships due to the recession, which inhibited the introduction of young people into the industry. As the respondent noted: “The apprentices are limited, so there’s no young people coming in with those sorts of maintenance type skills, engineering skills, it’s a very real concern for manufacturers”.

However, the respondent from a trade union suggested that there could be signs of skill-shortages because of the recession, although there was no evidence to support this argument. As the respondent noted:

“It’s not the first time we’ve been through recession. And in the recessions I can remember before there was a skill-shortage after the recession. People don’t hang around being unemployed, if they can’t help it they will leave, find work elsewhere, go abroad, re-train. It’s only then, when the economy picks up, you realise there’s actually a skill-shortage” (GMB).

There was also revealed a shift in the way businesses delivered training in the post-recession period. SME employers had been induced by the recession to use alternative, more cost-effective ways of training that seemed to be retained even in the post-recession period. Specifically, it was revealed that the time and money that businesses could afford to spend on training had been reduced, and, as a result, they tried to find less time-consuming and more cost-effective ways of training delivery. This finding seems to confirm evidence from previous research, according to which, businesses, in order to meet their training requirements, have been using “smarter” ways of training delivery compared to the pre-recession period such as in-house training, e-learning and training that is

completely focused on business needs (Felstead et. al., 2012; Shury et al, 2012). As the respondent from the UKCES noted:

“Employers are training a bit smarter. The duration of training is dropping. So, we are not entirely clear why that is but employers are getting smarter at what training is needed to deliver that training, what training works best. So, in the past they might have been training less efficient than they are now and the recession has kind of helped them or pushed them towards that. There might be something around technology as well which helped them to train smarter and more efficiently. So, we are not entirely clear why but that seems to be a general pattern”.

A significant change in the training of the workforce in the post-recession period was also evident, suggesting that businesses had been focusing more on the overall training of their workforce rather than the individual training, as opposed to the pre-recession period. SMEs were still offering training to their workforce, however this training aimed more at developing the entire workforce or a specific group of employees rather than training individual workers, as they could see a bigger return on that. As one of the training providers explained:

“There was a change really to training that was noted just after the recession, so we're talking about the period 2011. And what many employers were doing at that period in time in our experience they were certainly training their workforce, but a lot of that training was any requirement to train the entire workforce or a group of workforce. But the investment in individual training has decreased. That is seen as a consequence of the post-recession, where businesses are coming out of that recession and now having to up-skill their entire workforce on some areas as opposed to pre-recession where they would maybe invest in more individual training for individual key employees” (City Training Services).

5.4 Evaluation of state support

Respondents were also asked to evaluate state support towards SMEs in terms of training during and after the recession, in an effort to identify whether the support provided by the state had proved to be effective. Although recognising the fact that there has been an intensified effort from the state to support SMEs and raise levels of training and skills development, the analysis revealed a number of barriers that inhibited the use of state-funded training initiatives. Therefore, the high volume of bureaucracy and red tape involved in a lot of initiatives proved to be an inhibitory factor in the take-up of such support by SMEs. The respondents attempted to explain this by arguing that SME employers did not have the time to deal with all this bureaucracy that these initiatives were accompanied with. This finding seems to be supported by the literature, as previous

research has found that the complexity and bureaucracy involved in state-sponsored training initiatives are the main reasons for their limited use amongst SMEs (Cox et al., 2009; Shury et al., 2012).

As one training provider explained:

“The UK seems to continually bring new policies in which they believe will stimulate more employer involvement in training and, by and large, is not always successful because many employers see government funded schemes as more bureaucratic than doing them themselves. And it's a shame in that respect but it's quite tricky. Certainly, smaller employers see the risk of getting involved in such schemes, with the bureaucracy that comes with that for an employer that basically doesn't have the time to do it. We have to almost process all the paperwork and government requirements for them because if you left it to the employer to do it they would say "I haven't got the time to do it"” (Y & H Training Services).

The training providers taking part in the interviews shared the view that problems of bureaucracy and complexity could be eliminated with input by experts. This group of respondents pointed to the important role that training providers could play in order to help SMEs to overcome these issues and, thus, to make more use of the initiatives available. Specifically, the training providers argued that they could navigate small employers through all the different initiatives available and help them to choose the support that responds best to the needs of their business. In addition, one of the training providers stressed the important role that they can play in the apprenticeship programmes, suggesting that without their help apprenticeships would not be able to work effectively. As one training provider explained:

“All employers always moan about bureaucracy and red tape and so on. But to be honest is not that bad and it's solvable. If you're relying on experts you know what they are doing. That is why you need professional training providers to navigate the ways through government-funded programmes. So, for example, there's half a million apprentices out there now. So, it's available so they need to be made aware of it and convinced, which is what we do. If they were relied on the public sector and FE colleges, it just wouldn't happen” (City Training Services).

The fluctuations in regulation that characterise such training initiatives have proved to be another factor for the lower levels of usage amongst SMEs, suggesting that the continuous changes made it difficult and far too complex for small businesses to keep pace with them. This finding seems to support evidence from previous research, according to which the rapidity of change in state-funded training initiatives, programmes and procedures makes it difficult for businesses to navigate, resulting in a decrease of awareness, understanding

and interest in training and skills development (Green & Martinez-Solano, 2011). As a training provider explained:

“One of the problems with the government is they keep changing things and they keep bringing different names out for different initiatives. All these different names is an alphabetical soup. So, if you are a small employer, there's massive confusion of different government initiatives. They just turn off and take out. I understand what it's all about because I am in the business but the initiatives are far too many. The government needs to simplify what it offers to businesses and make it quite clear, quite simple and feed it through training providers or other organisations so that people understand it and can explain it to employers” (Aire Vocational Training).

Similarly, the Leeds LEP respondent pointed to the simplification problem such initiatives have, suggesting that it was an “off-putting” factor for small businesses. To this end, the respondent argued that the development of an infrastructure, which would be accessible to everyone, would enable SMEs to become more aware of the support available and, thus, raise the levels of usage of these initiatives. As the respondent explained:

“There has to be a simplification of the business support landscape. Even I can't keep up with all the different products and schemes that are available for businesses and it's supposed to be my job. So how business can do it, God only knows. So, the idea is to develop an infrastructure at some level, probably virtual, that is an access point for all the support and information”.

Despite the various initiatives available to SMEs, the poor participation rates amongst SMES were also attributed to the lack of responsiveness of these initiatives to the needs of small employers. Specifically, it was revealed that these training initiatives were characterised by a lack of focus and, thus, did not respond to the actual needs of SMEs. As the respondent from the Chambers of Commerce explained:

“These programmes usually don't respond to the needs of small businesses. They lack the focus, you know. If you are going to give money to the skills agenda let those that know their local economies, give them more, give them more freedom. Trust them to invest in wisely”.

The main reason provided for this lack of responsiveness to state support was the mismatch between the parties involved in the training process. The respondents pointed to the problem of both supply of, and demand for, skills that characterises skill formation in the UK, suggesting that a more holistic approach towards training and skills development would enable a more targeted support to the needs of small businesses. This ties with the

evidence provided in Chapter Two, according to which the British economy is characterised by a chronic problem of demand for, and supply of, skills, which is responsible for the general underinvestment in training and skills development in the UK. As the respondent from the Humber LEP explained:

“One of the key things that comes out of our information is that for the training supply-side, so training providers, FE, private providers, have provided what they think employers need rather than what employers need. So, there's a kind of mismatch in terms of what they provide to employers or what's available to employers, which means that employers are finding it difficult to get the skills that they need. And that's only my call to businesses, be more demanding of the system. If it does not give you what you want tell it what you want but don't say nothing. By saying nothing you know you are just compounding the problem”.

Similarly, a respondent from a Sector Skills Council noted:

“There is a mismatch between what provision is available and what employers want. You've got to understand what the sector actually needs and show both sides that is worth getting involved with or putting the money into it. So, I think a lot more could be done in relation to listening to employers and the workers before taking a strategic approach and I am sure government would say “well we don't just do it like that” but it appears to be like that” (SEMTA).

One of the major critiques of state support that emerged was the lack of focus of training initiatives and resources on higher-level skills, suggesting that the focus of such initiatives on lower-level skills could prevent the growth of the economy. Although the development of a high-skill economy is at the heart of the Government's skills agenda in order to achieve higher levels of employment and productivity, with a great emphasis being placed on leadership, management and innovation within SMEs (BIS, 2010a; Shury et al., 2012), the evidence suggests that this did not constitute a reality. As the respondent from the Chambers of Commerce explained:

“There's lots of research out there which points to the fact that one of the things holding back growth in the economy is poor leadership and management skills. The problem with a lot of government funding is that you can only use it on skill levels up to NVQ 1 and NVQ 2. I understand why, there is staff with very poor skills and they try to move them up. And the natural knock on effects in government's mind is if they've got better skills, they are more employable or they might get paid more. Does that really help the economy there? I don't think it does and I think you still need to do it but you need to do other things as well.”

The same thoughts were echoed by another respondent from a Sector Skills Council:

“One of the biggest gaps we’ve got is that any public sector funding that’s going into training and skills is all aimed at a lower level. So that higher-level technical, supervisory, management degree level you know nobody’s mentioned that. So, you can have a skilled, low-skilled, workforce who need to progress but there isn’t any incentive, there is no incentive for them to do so because nobody wants to particularly get into debt now with the degree or whatever” (Construction Skills).

The short-term approach that the British government has towards training and skills development was also identified as another drawback, suggesting that such an approach inhibited business growth as well as the growth of the wider economy. This short-term horizon was not perceived as providing businesses with the freedom and the flexibility to grow. This finding seems to confirm evidence from previous research, according to which this short-term approach towards training and skills development provides the advantage of a rapid response to demand and change, but it prevents businesses and the wider economy from being competitive in the long-run (Claydon & Green, 1994; Hillmert, 2002). As the TUC respondent explained:

“I don't think politicians understand necessarily what needs to be done here. Politicians don't understand that the big problem with this country is that there's no long-term, everything is on a short-term basis. Look at Germany, same education system for years, they probably just keep improving it. They don't change things or they just improve on the processes they've got that work well. The new government say "Labour did all this, put this money into it so we need to get rid of it and pay millions out in redundancy. It doesn't help businesses to grow (this short-term philosophy), it doesn't give them freedom and flexibility to grow”.

The general view was that the government should adopt a more strategic approach towards training and skills development, suggesting that a more joined up approach should take place amongst state, employers and the intermediary parties. Such an approach along with the simplification of the training process would increase the levels of usage of state support amongst the SME population. In addition to the above, a number of additional measures that the state could introduce were suggested, such as tax incentives, in order to encourage the engagement of SME employers with the training initiatives introduced by the state. As one of the training providers noted:

“We believe very strongly that the government needs, first, to have a proper strategic approach as a country to learning, training and skills. We need a much more joined up approach, we need to simplify it so that employers wishing to engage with the FE sector or learning, training and skills in general and promote that within their own organisations. We need to rationalise the learning and skills landscape because it is too complex, we need to see a government to provide tax incentives, maybe even national insurance contribution break for the individuals or companies if they're engaging with training” (City Training Services).

Similarly, the respondent from the Leeds LEP recognised the fact that indeed there was a gap regarding the support towards SMEs, suggesting that more could be done in order to assist training provision within such workplaces. However, the respondent recognised the general difficulty in engaging with SMEs and responding to their needs. As the respondent noted:

“It’s very hard to engage SMEs. I mean, I am not trying to defend government but there’s 106,000 SMEs in our area, we can’t possibly ask all those businesses what they would like through business support. But I think it’s definitely a gap, it’s definitely something that could be done a lot more and could be done a lot better”.

5.5 Industrial relations within SMEs

Although a number of previous studies have shown that trade unions may have a positive effect on levels of employees’ training (Green et al., 1995, 1999; Booth et al., 2003), there have been speculations that this effect may have diminished more recently (Hoque & Bacon, 2008). Given the recent recession that the UK has experienced, the present section attempted to explore industrial relations issues within SMEs and examine the impact of trade unions on training provision in SMEs under such an economic context. The interviews with trade unions along with key people from peak-level bodies revealed that the presence of trade unions within SMEs was low irrespective of the sector and the general economic climate, with that number decreasing as the size of the firm decreased and vice versa. Although it was noted that individual union members did exist in small workplaces, it was revealed that SMEs lacked union recognition. This ties with a number of previous studies, which have shown that the SME sector is generally characterised by low levels of union recognition (Storey, 1994; Cully et al, 1998; Eurofound, 1999; Forth et al., 2006). As the respondent from TUC elaborated:

“Historically, there is low membership and I think the lower the figure of employees the lower the membership. In a general SME, where 250 people work for example, the chances of having a union are about 20%. If you get down to 10 or 20, I would imagine is less than 5% chance. There may be individual members in these workplaces but they don't have recognition.”

A number of reasons have been provided for the low levels of union recognition amongst SMEs. The main reason identified were the difficulties in recruiting and organising trade unions within such workplaces. This finding seems to come in line with previous research conducted by Eurofound regarding the industrial relations in SMEs across the EU countries, where it was found that the difficulties faced by trade unions in recruiting members were, amongst others, one of the reasons for the low levels of trade union membership in the SME sector (Edwards & Ram, 2006).

A trade union respondent pointed to the difficulty of unions organising, as the main reason for the low levels of unionisation within smaller workplaces. Specifically, it was suggested that unions lacked the resources to recruit union representatives and, subsequently, to organise within SMEs:

“It's very difficult to organise in these places. Historically, most people were covered by collective agreements. Now that's not the case anymore. It's about resources that unions haven't got really in terms of being in a position to physically recruit reps because you know you can do as much organising as you can, stand outside and say "would you like to join the union?". If you haven't got representatives of the union on site, it very quickly falls away. They might become members but they might not be active. And therefore, if they are not active, there's very little need for the employer to negotiate anything. So that's the reason” (GMB).

The close working relationship between employer and the workforce were also attributed to the low levels of trade union membership amongst SMEs. This finding seems to confirm evidence from previous research, according to which the direct communication that can take place between employers and employees within a small workplace renders the presence of trade unions unnecessary (Storey, 1994). As such, a trade union participant noted:

“The people who run these companies very often do look after their staff because they need them, they need them to be flexible. So, the kind of relationship between the employer and the worker in smaller firms tends to be more of a combined effort and sometimes that creates loyalty. I know friends who've got small companies; even when they've not got work they keep paying their lads because they want to keep them. So, it's that kind of relationship and you know why would

they join a union to be fair? They are like a family and they help each other” (USDAW).

The high levels of mobility and turnover that characterised these workplaces were also identified for the low levels of unionisation within SMEs. Previous research has shown that unionised workplaces are associated with lower rates of labour mobility and turnover, as opposed to non-unionised workplaces, suggesting that trade union membership provides benefits that could be realised through job tenure (Elias, 1994). As such, a trade unionist noted:

“The tradition in the sector is that it's not very union friendly and a number of SMEs and micro companies are difficult for unions to organise in because of the high level of mobility within the workforce and the employer cohorts. I think they've probably got a lot of turnover and the people switch companies more often” (GMB).

Although SMEs' union recognition was generally low, it was revealed that employers were not opposed to the presence of trade unions as they did recognise the benefits that unions could bring to their business. This finding seems to be supported by previous research conducted on WERS (2004) within the SME sector, where it was found that the degree of direct opposition of employers to trade unions was relatively low. However, positive support towards trade unions was generally absent amongst SME employers (Forth et al., 2006). As such, a trade union respondent noted that a lot of small employers, although reluctant at the beginning, usually recognised the benefits of having trade union recognition in their workplace and stressed the fact that both employers and union shared the same goal- that was the business profitability. As the respondent explained:

“Where we have a forward thinking employer that understands the concept, they grasp it very quickly and work with us. When they do the maths on it and understand the benefits and read reports that show the benefits they very rarely derecognise us, and they could do but they don't because we have convinced them then, by the way that we professionally act and approach them, that our interest ultimately is the same as theirs. It is not in our interest to have a non-profitable employer. What we do want is the profitable employers to pay the right rate from the profitability” (UCATT).

Regarding the impact of trade unions- where they were present- on the provision of training, it was revealed that trade unions had the ability to influence the training activity within the workplace and enhance the provision of training and skills development. In this vein, there has been a wide body of research to suggest that trade union presence and

involvement could positively affect the provision of training (Green et al., 1995; Heyes and Stuart, 1998; Stuart and Robinson, 2007; Stuart et al., 2015). For instance, Stuart et al's (2015) work around the effects of trade unions on training provision within British businesses suggests that union learning representatives (ULRs), union recognition and membership presence are all positively associated with training provision. In addition, the study shows that in unionised workplaces, unlike non-unionised places, training incidence could mitigate the negative effects of an economic downturn, like the recent one, on organisational performance and job security.

Therefore, in the question whether the presence of trade unions could influence the provision of training, it was revealed that unions could positively affect the provision of training within SMEs through the development of learning centres and learning agreements and by informing the training activity. Yet, the willingness of the employer to work with the union was a prerequisite for the union involvement in training. As a trade union respondent explained:

“That can vary depending on how civilised the employer is. With a civilised progressive employer, unions can be involved in health and safety through health and safety representatives and on safety committees and at that level they can inform the training of staff and activity around health and safety. In relation to training and skills unions can often set off a steering group or established learning agreements which will form part of the steering group's activity and in some cases also set up learning centres on site that link to workforce development and community developments and at that level they can have more of an involvement” (GMB).

Similarly, the TUC respondent stressed the important role that unions could play within small businesses, suggesting that the absence of HR departments and specialists in such workplaces could enable trade unions to fill this lacuna in order to promote training and skills development. As the respondent explained:

“Across the UK at all industrial sectors around 48% of employers don't offer any form of training at all to any of the staff. Mostly because the smaller SMEs or micro companies don't have HR departments, training departments and training offices but where we can we do try and influence that training activity. And we always try to have consultation with the employer with regards to the business needs of the training in the future that they may think they need”.

In addition, the important role of union learning representatives in the training and development of the workforce was emphasised by the union respondents. Given the

generally low presence of unions within the SME sector, the findings showed that the presence of ULRs within SMEs was equally low, with ULRs being more likely to be present and active in workplaces with a strong union. However, the respondents were confident that the presence of ULRs within the workplace could promote learning and simplify the training process. Indeed, previous research conducted by Stuart et al. (2013) on the potential gains that union-led learning can have for individuals, employers and unions in Britain has shown that ULRs could promote learning and stimulate demand for training within the workplace. As one union representative explained:

“It’s a benefit to have a union learning rep. The union learning rep understands how that system works, numbers-talk, the trade union is the catalyst to small-medium enterprises because we have invested an interest in them all, so we want to help them all. An SME that doesn’t know another SME can’t bring the two groups of candidates together for training, a ULR in an SME and a ULR in the other one can. So, we can share the work and the cost with the provider” (Unite the union).

Although it was revealed that the presence of unions and ULRs within SMEs could positively affect the provision of training, the analysis could not provide any evidence for the relationship between the recession and training in unionised workplaces. Specifically, the respondents had no evidence on whether unionised places provided higher levels of training during the recession than non-unionised places. Nevertheless, they argued that unionised workplaces might have provided higher levels of training during the recession, given the more generally positive association between training and presence of trade unions. Such perceptions are indeed confirmed by the analysis of the Labour Force Survey (LFS), which revealed that there was a positive association between unions and training provision during the recent recession- although this survey did not look exclusively at SMEs (Stuart et al., 2015).

5.6 Policy measures towards training and skills development in the region of Yorkshire and the Humber

Investment in training and skills development have been at the forefront of the British Government’s strategy in order to stimulate growth and enhance the economic recovery of the UK (BIS, 2010a). The interviews revealed a number of policy initiatives taken so far within the region aimed at boosting the levels of training investment amongst local SMEs. British governments in recent years have placed a great focus on apprenticeships in order to promote skills development and tackle the underinvestment of training within the SME

sector. In that respect, a number of notable training initiatives have been identified in the region aimed at increasing the take-up of apprenticeships within local SMEs.

One example of a state-sponsored training initiative designed to raise apprenticeship levels was the Apprenticeship AGE Grant, which was introduced in 2012. Although the programme has a national coverage, for some areas- including West Yorkshire- the grant is managed locally and the eligibility is different from the criteria applied to the rest of the UK. As such, this apprenticeship programme was available to businesses in the area of West Yorkshire with up to 249 employees and it was funded by the Skills Funding Agency. The Apprenticeship AGE Grant programme aimed to support employers to recruit individuals between 16 to 24 years old by offering 1,200 pounds to the business for every apprentice, whilst a “top-up” grant of 800 pounds was available to businesses that offered further incentives. Amongst the eligibility criteria to receive the grant was that employers should have not enrolled an employee into an Apprenticeship programme in the 12 months prior to the start of the Age Grant programme (Leeds City Region Enterprise Partnership, 2016).

A minority of the respondents shared the view that the Apprenticeship AGE Grant programme had proved successful in boosting training in SMEs during the recession. As one training provider noted: “The take up of those grants is significant, so it has been successful. So, for a small business any incentive in the way of a financial support to take on a new employee, to train a new employee, I think it’s welcome” (City Training Services). However, the general view was less optimistic. The rationale of the programme was perceived to have been laudable in terms of providing support for SMEs, but its full potential was not seen to have been realised. A key reason for this was the general decline in capacity experienced by SMEs during the recession. With less work available in such firms there was less space for training activity. As the respondent from a Sector Skills Council explained:

“The take-up of the Age Grant hasn’t been what it should be. Originally it was started for one year and it’s been extended for two years and probably it’s going to be extended for the third year because it hasn’t been fully utilised. What I found when I’ve been speaking to employers is that, although there’s a 1,200 pound grant to support an apprenticeship wage, there’s no point in taking on a young person if there isn’t enough work to keep them busy. So, yes it is helpful if they have a full order book but it’s not helpful if they are still going to be stood around” (SEMTA).

Furthermore, there was some concern that the money for the programme could be misappropriated in some ways, with employers taking the funding but stopping the apprenticeships as soon as they received the money. While there was some evidence for this, it seems to have been limited. As one training provider argued:

“You always get the odd one until you know they abused that. We had one or two that have taken it and as soon as they’ve got the money they didn’t want the young person anymore. We’ve just stopped dealing with them. But this is a very small minority” (Y & H Training Services).

The Leeds City Region Local Enterprise Partnership (LEP) Apprenticeship Hub programme was another training initiative that had been introduced under the apprenticeship umbrella. This programme, which was funded through the Government’s City Deal initiative, was targeted at SMEs that had not taken an apprentice before or during the last 12 months and provided free advice and guidance regarding the benefits and practical steps in recruiting an apprentice aged 16-24 years old. In addition, this programme could offer financial support in order to cover some of the costs of the training and could help the employers by reducing the bureaucracy that was involved in the programme. The aim of the Apprenticeship Hub was to drive engagement with SMEs and boost apprenticeships in key sectors for the region such as advanced manufacturing, engineering, business and financial services and law (Leeds City Council, 2015).

The take up of this initiative amongst SMEs appeared to have been high. Indeed, when asked if employers were willing to participate in the programme, one respondent argued: “Yes definitely. It’s getting their perceptions that you know they are going to get good people, young people coming through” (Construction Skills). Furthermore, the fact that this programme was focused on SMEs that had not taken an apprentice before or had not employed an apprentice during the previous 12 months was perceived as of great importance, as it facilitated the engagement of small employers with apprenticeships. The respondents argued that such businesses would be more likely not to employ apprentices without the financial assistance that this programme offered. The Apprenticeship Hub programme enabled employers to bring into their business young people and invest in them in terms of training and skills and, thus, it enabled businesses to meet their skill needs and tackle their skill shortages.

Apart from the initiatives aimed at increasing the recruitment of apprentices within the SME sector, the respondents identified additional funding resources and training initiatives that have been introduced by the state in order to support and stimulate training and skills development within SMEs. As such, Skills Support for the Workforce (SSW) Yorkshire was included amongst these training initiatives. This programme was introduced in 2013 and it was funded by the European Social Fund (ESF) and the Skills Funding Agency (SFA). It was an 11 million pounds investment within the region and had been designed to meet the local skills needs identified by the regional Local Enterprise Partnerships (LEPs). The aim of this project was to offer fully funded training to SMEs within the region and help local employers improve their skills in order to ensure future business growth. The Skills Support for the Workforce project was delivered in partnership with local colleges and training providers and eligible for this programme were businesses within the region employing no more than 250 employees and businesses that had employees with no Level 2 qualification and above (SSW, 2013).

However, the take up of SSW Yorkshire appeared to have been very low, mainly due to the bureaucracy involved in this programme and the limited awareness of the project amongst the SME employers. As the respondent from the Chambers explained:

“Nobody is taking it up or very few businesses are taking it up. I think it is mainly down to awareness actually, but I also think there isn’t elements in there of you know “where is the catch”. Like all government schemes it comes with paperwork, which a lot of small businesses find off putting”.

Similarly, a training provider pointed to the inflexibility and the bureaucracy that characterised the programme for the low levels of usage amongst the SMEs in the region:

“11 million pounds. Can’t spend it, quote me on that. I’ve been doing some work on that and you know it’s so inflexible, there is so much paper work involved that SMEs turned off as soon as you know. I had to complete 25 learners’ packs, I think there’s 4 packs of forms for each learner, which have to be completed, signed by the employer, myself, the learner. So that took a whole day in one firm. One company wanted to do 10. That’s a lot of time out of the business for that company. So that money is swishing around” (Y & H Training Services).

Another initiative introduced by the Leeds City Region LEP was the so-called five three one (531) plan. This initiative, which was launched in 2012, constituted a business-to-business campaign aimed at tackling the general underinvestment of skills and helping businesses, particularly SMEs, to grow. “Five things you can do, three reasons to do them,

one positive outcome” comprised the mantra of this campaign to businesses. The businesses that decided to join this initiative had to take one or more actions from a list of five things including the development of a skilled workforce, building links with education, the provision of an apprenticeship, the provision of work placements and mentoring to a budding entrepreneur. The three reasons provided by the campaign to commit to one or more of the above actions were the improved business performance, the increased productivity and profit, and the success of the business. Finally, the campaign aspired that all the above would lead to one positive outcome, which was the growth of the economy (Leeds City Region Enterprise Partnership, 2015).

The five three one plan was more of a self-help campaign, relying mostly on social media. The employment and skills panel of the Leeds City Region LEP wanted to do something to persuade businesses to invest in skills but there were hardly any resources. Therefore, they felt it needed to be a self-help campaign and the businesses that they were working with on that panel suggested that they should have a “hearts and minds” type of campaign in order to demonstrate to other businesses and enhance them to invest in skills. As the respondent from the Leeds LEP noted:

“The ones that are doing excellent work in things like apprenticeships or mentoring could set an example to others and encourage the businesses to follow. So it is conceived as a business-to-business campaign. It’s a long-term type of “hearts and minds” campaign. We don’t really have any sort of team or staff to go out and implement that. So, we are relied on social media and on what we can do on the website. You know there is hardly any resource to support it”.

Despite this lack of support, the five three one initiative attracted a significant number of businesses- the majority of which were small businesses-, resulting in a substantial contribution to the growth of the local economy, which was the ultimate aim of the programme. More specifically, over 300 businesses signed up to the campaign, with the added value to the economy of all the extra businesses that have been created or apprentices that have been started from that campaign being up to seven million pounds. This was a prime example of how a small help or intervention could actually assist businesses and the local economy as a whole. As the respondent from the Leeds LEP explained:

“So, this can show that a little, a small amount of intervention or persuasion really can actually help those businesses to add a lot back into the economy. And all really we’ve been able to do with them is to introduce them to other people who are

already running these programmes and say "here's a business, they are prepared to take on an apprentice or they are prepared to have a work placement" gives to somebody a chance who is unemployed to bring him to the business or whichever of the 5 it is and because often those small businesses find it difficult to work out how to do that".

The Skills Enhancement Fund constituted another initiative, which was not introduced as a result of the recent recession. This initiative, which was launched in 2008, aimed to engage employers in training and skills development and raise the skills levels across the region of Yorkshire and the Humber by subsidising the training cost for employers. The Skills Enhancement Fund was managed by the Calderdale College and was co-financed by the European Social Fund (ESF) and the Skills Funding Agency (SFA). The Fund could provide a variety of training support including bespoke training, non-accredited training, training to achieve level 1-5 qualifications and other industry-specific accredited qualifications. Businesses of all sizes and types could have access to the initiative, which was available to employers through different routes that could follow in order to receive assistance (Skills Enhancement Fund, 2012). Although this initiative had been characterised as very flexible and responsive to the emerging needs of employers and the local economy, the levels of take up amongst SMEs appeared to have been quite low. The key reason for this was the bureaucracy involved in the Skills Enhancement Fund. The fact that specific sectors tended to bear themselves the costs of their training was an additional reason for the low levels of take up. As one respondent from a Sector Skills Council explained:

“It is very flexible but it’s quite bureaucratic. So, employers, especially SMEs, can’t be bothered, haven’t got the time to do this. And there’re certain sectors that are so used to pay for their own training that it doesn't even hit them at all, makes no difference to them” (Construction Skills).

A great emphasis was also placed upon the Apprenticeship reform plan, which will be ready for implementation during the academic year 2017/2018. The apprenticeship plan will entirely change the way apprenticeships are taking place and, thus, it is worthy of mention. The aim of the Apprenticeships reform programme is to make apprenticeships more rigorous and responsive to the needs of employers and their business and, therefore, improve workforce development and enhance productivity. According to this reform plan, apprenticeships in the future will be based on standards that will be designed by the employers themselves in order to meet their needs, the needs of the sector they operate in and the needs of the wider economy. The new Apprenticeships will remain an all-age

programme, their duration will be a minimum of 12 months and they will be designed to lead to the acquisition of new skills rather than the accreditation of already existing skills. The role of the state will be to set a number of criteria that the new Apprenticeship standards should meet in order to ensure that Apprenticeships have a high quality. In terms of the funding system, although it has not been completely set out yet, it is based on the idea that apprenticeships should be a joint investment between the employer, the apprentice and the government. Specifically, employers will be required to make a direct financial contribution towards the cost of training, with the price of the training or the assessment being set by the market between employers and training providers. The government will contribute to costs related to the external training and assessment required in order to meet the apprenticeship standards (BIS, 2013c; BIS, 2014).

A minority of the respondents seemed to support the government's effort for a more employer-led apprenticeship system, suggesting that it will give more power to the employers in shaping the skills agenda and, thus, respond better to the needs of their workforce and their business. However, the general view was against the Apprenticeship reform plan, suggesting that such a reform would lead to a decrease in the number of apprenticeships as smaller employers would not be in a position to deal with all the different requirements of the new apprenticeships due to lack of time. Amongst these requirements included the fact that employers had to take part in the design of the apprenticeship standards and the active role of employers in the assessment process. As one of the training providers explained:

“I think it will be disastrous because the whole point of what we do here is we offer a service so small-medium sized companies, you know we do all the advertising of the vacancy, we get all the CVs together, we interview young people, we arrange the interviews with the employer, we arrange the day release at college, we monitor them at college, we do all the health and safety checks and we do all the funding here. And employers say to me "if this comes to us, we have no time". It's going to be disastrous. So, we are to see apprenticeships significantly reduced if this government initiative takes place and it's been severely challenged at the moment, we have very strong challenge. But it will decimate, it will be disastrous” (Aire Vocational Training).

The fact that SMEs will have to fund apprenticeships themselves was perceived as an inhibitory factor for the success of the new apprenticeships, given the financial constraints that SMEs faced. Although the new funding reform in relation to apprenticeships aims to empower employers and provide them with a greater incentive to demand relevant high-

quality training for their apprentices and good value, there was some concern that such a reform would result in decreased levels of apprenticeships within SMEs. As a training provider explained:

“The government are going the opposite way of actually helping SMEs with the Apprenticeships reform plan that has been introduced at the moment. I think they are going to make it less appealing for employers, especially SMEs, to look at training with the mandatory funding contribution from SMEs. So rather than support them financially, they are saying that companies will only value training if they physically pay for it. And a lot of SMEs are just not in a position to be able to do that with cash-flow being quite tight at the moment” (Textile Centre of Excellence).

5.7 Conclusions

This chapter explored, through a number of qualitative interviews with key informants from peak-level organisations, the perceptions of the respondents towards the impact of the recession on training and skills development within SMEs, and examined the state support in order to encourage training investment within the SME sector. In general, it was suggested that there was an overall decline in the training provision of SMEs during the recent recession, as the majority of businesses were in a survival mode as they attempted to cope with the economic downturn. Cut backs in this context were seen as inevitable, including cutbacks in training, as this was often seen as an expense that was not essential. Although previous research suggests that the impact of the recent recession on the training practices of British SMEs was not as severe as could have been anticipated, with large businesses making more training cutbacks than SMEs (CIPD, 2009a), the findings of this chapter revealed a different picture. Despite the apparent impact of the recession on training and development in SMEs, existing evidence suggests that training investment in the UK has been in a declining mode well before the start of the economic downturn, which masks the chronic problem of underinvestment in training that characterises the British economy.

However, the analysis revealed sectoral differences regarding the experience of the recession across SMEs. Specifically, variations amongst sectors were suggested with regards to the time period that businesses experienced the recession, the extent of the impact of the downturn and the recovery time. It was revealed that businesses in the accommodation and food industry experienced the impact of the recession immediately, whereas construction firms felt the recession around a year after the recession began.

Different sectors also experienced the effect of the recession to a different extent, suggesting that the sector that the companies operate in could affect their training behaviour. Therefore, sectors such as the construction, manufacturing, hospitality and the financial sector were hit harder by the recession and, thusly, their training provision was affected to a greater extent compared to other sectors. Finally, in terms of the recovery time, businesses coming from the hospitality and financial sector appeared to have a shorter recovery time than the manufacturing sector, suggesting that sectors characterised by low-skill requirements need less time to recover from an economic downturn, whereas the high-skill needs of other sectors require more time for the skill investment to come to fruition. In addition, it was revealed that the supply chain can affect the training provision of SMEs, suggesting that sectors that relied on their supply chain had to comply with their supply chain's training requirements irrespective of the general economic climate and vice versa.

A number of factors were identified for the lower levels of training provision during the recent recession, most notably the financial and time constraints that SMEs were facing at that point in time, the lower levels of recruitment and the fear of trained staff getting poached by competitors. However, the majority of SMEs maintained some specific types of training during the recession, the so-called "training floors", which were imposed by the law and had to be implemented independent of the general economic uncertainty.

The findings revealed that redundancies were not popular during the recent recession amongst SMEs, whereas there was an increased use of labour hoarding. Specifically, SME employers seemed to avoid practices of the past, such as laying off their workforce, and instead were more likely to retain their highly skilled and trained workforce in an attempt to survive the crisis and be more competitive in the upturn. Although previous evidence suggests that labour hoarding is not as popular in the UK as in other countries, the findings revealed that more employers adopted this labour hoarding practice during the recent recession. This could be attributed to the fact that businesses have learnt from the mistakes of the past and have adopted more proactive practices during difficult economic times in order to be more competitive when the economy recovers. This finding was nuanced however, as labour hoarding was linked to the nature of the business and its occupational profile. Firms with higher skilled employees were more likely to hoard labour, as it was

more costly to lose them and risk the open labour market during recovery, whereas firms that employed lower skilled workers were more likely to lay them off.

Regarding the way that training is developing in the post-recession period, the analysis showed that overall there had been a slight increase in training investment amongst SMEs. Increased levels of recruitment and employment were the main reasons attributed to the increased training activity. Signs of skills shortages were also reported, which is a common effect after a recessionary period. Yet, this phenomenon could be attributed to the ageing workforce that characterises some sectors, such as the manufacturing sector, rather than the recession per se. In addition, the findings identified a shift in the way training was performed and delivered in the post-recession period, with alternative, more cost-effective ways of training delivery taking place within the workplace and with employers focusing more on the training of the workforce in general rather than the individual training.

The chapter also evaluated the extent and effectiveness of state support for training in SMEs. Although a number of initiatives had been introduced by the state in order to unlock investment in training within the SME sector, the majority of the initiatives have been characterised by low take-up due to mainly the high volumes of bureaucracy and red tape involved in these programmes, the lack of simplification and the continuous fluctuations in regulation, which made it difficult for SMEs to keep pace with all these changes, and the general unresponsiveness that characterised these programmes, as they did not respond to the needs of SMEs. The findings also suggest an overall decrease in the take-up of apprenticeships during the recession, with the main reasons provided for this lower take-up being the financial constraints faced by SMEs at this point in time and the less demand for work.

Without disregarding the effort of the state to support SMEs and their training provision, the respondents argued that state support had not been as effective as they wished to and that more could have been done in order to promote and stimulate training in the SME sector. Apart from the barriers in the use of state-funded initiatives, there was a perceived lack of responsiveness to employers' needs that characterised this kind of support along with the short-term strategy that the UK traditionally adopts towards training and skills, as the main factors inhibiting the effectiveness of the support provided by the state. The insufficient state support was also attributed to the mismatch between the parties involved

in the training provision, giving rise to the chronic problem of supply of, and demand for, skills that the UK has been experiencing. To this end, it was revealed that a more joined up approach towards training would enable a more targeted and successful training support. In addition to that, it was revealed that the simplification of the state support along with the provision of training incentives would stimulate the demand and promote investment in training.

The chapter also examined the industrial relations within the SME sector and the way they could affect the provision of training. It was revealed that the level of union recognition amongst SMEs was very low in all industries. The analysis of the findings suggests that the recent recession has not affected in any way the otherwise low presence of unions within SMEs. The difficulties in recruiting members in such workplaces along with the close relationships between employer and the workforce and the high levels of labour mobility and turnover that characterise SMEs were the main reasons identified for the low levels of unionisation. Although previous evidence suggests a positive association between union and training within workplaces affected by the recession (Stuart et al, 2015), there was a lack of evidence in order to assert that the unionised businesses that were negatively affected by the recession provided higher levels of training than the non-unionised workplaces.

Finally, the chapter examined a number of initiatives that were introduced within the Yorkshire and the Humber region in order to encourage local SMEs to invest in the training and skills development of their workforce and, therefore, tackle skill-shortages and enhance local economic growth. Some of these initiatives were aimed at increasing the levels of take-up of apprenticeships in the SME sector, including the Apprenticeship AGE Grand, the Leeds City Region LEP Apprenticeship Hub programme and the Apprenticeship reform plan. The Skills Enhancement Fund initiative and the five three one plan introduced by the Leeds City Region LEP were designed in order to encourage SME employers to invest more in training and skills development of their workforce.

The analysis revealed that not all of these initiatives had proved to be successful. Arguably, state-funded training initiatives could be seen as the most important source of training and development for the SME sector. Yet, the interviews identified poor levels of participation in some of the initiatives available in the region. Although the Apprenticeship Hub programme and the five three one plan proved to have a significant

impact in the region in terms of tackling skills shortages and promoting local economic growth, the Apprenticeship Age Grant and the Skills Enhancement Fund initiative were characterised by low levels of take up. The limited awareness amongst the local SMEs along with the bureaucracy that characterised these programmes and the lower levels of work were the main reasons identified for the low levels of engagement amongst the SMEs in the region. Such evidence raised concerns over the applicability and usefulness of such initiatives to the needs of employers, individuals, the SME sector and the region as a whole. Concerns were also expressed about the apprenticeship reform plan and its effectiveness. Although the new approach will require greater employer involvement in the design and implementation of apprenticeships in order to better meet their business needs, it appeared that the state has not taken into account the limited time and resources available to SMEs, suggesting that a more thorough consideration should take place before the actual implementation of the new apprenticeships.

Overall, the body of evidence in this chapter suggested a general inclination of SMEs to make cutbacks in training as a result of the recession. However, it was revealed that the impact of the crisis across SMEs was different depending on the industry they operated in. The evidence seems to suggest that the industry is an important factor determining the extent and the intensity of the impact of recession on SMEs. Consequently, the training behaviour of such establishments during an economic downturn seems to be largely dependent on their industrial sector. One of the most interesting findings of the chapter was the fact that the state support towards SMEs has been insufficient, with the respondents pointing mainly to the unresponsiveness of the training initiatives available to the needs of SMEs.

The wide range of training initiatives available in the region suggests that a great emphasis has been placed by the local economy on the supply of skills, yet the low levels of engagement with some of these initiatives raise some concerns regarding the actual demand for skills. Although previous research has shown that in times of economic uncertainty and high unemployment the usage and effectiveness of training policies are increased (Lechner & Wunsch, 2006), the respondents of the current study seem to suggest otherwise. The low participation rate in these programmes stresses the need for the introduction and implementation of more discerning training policy initiatives that would emphasise exclusively on the actual needs of SMEs and their workforce. The regional

context should also be considered, given the different skill needs that each region has. Although there are signs of a greater emphasis on the demand side, such as the new apprenticeships, there were concerns in relation to its effectiveness mostly due to the increased responsibilities for the SME employers, given their limited time. As several commentators have argued, the link between supply of and demand for skills plays a key role in the success or failure of training policies (Keep & Mayhew, 1996; Ashton & Sung, 2006). This could explain the failure of the state to support SMEs and their training provision, as the link between supply and demand is very weak. It was evident that the state places a great emphasis on the supply of skills, while neglecting the skill needs of the SME sector. Focusing on the supply of skills might be a necessary precondition for the SME sector to encourage its training investment, but it has been proved that it is not sufficient enough; the demand for skills is equally important.

Therefore, a more integrated approach is required in order to meet both the supply of, and the demand for skills. Such an approach would be more likely to succeed in tackling skill shortages and encourage training provision within SMEs, and, thus, improve the competitiveness of the SME sector. Given the vital role of SMEs in the British economy for employment and economic growth, the evidence seems to suggest that there is a lack of a clear skills strategy aligned with the skill needs of the SME sector. A shared responsibility between employers, training providers, unions and the state would increase the participation rates of SMEs in training policies and enhance their training provision. In addition, the evidence highlights that a greater emphasis should be placed in the acquisition of higher-level skills, since most of the current initiatives aim at the lower-level skills. Such an approach would facilitate the growth of the economy.

The employer demand for skills is further examined in the next chapter through the analysis of data derived from the survey with SMEs in the region. Taken into consideration the industrial structure of the region and its tradition in lower levels of investment in training and skills compared to other regions, Chapter Six attempts to identify the way SMEs in the region approach training and skills development, and assess the extent of the impact of the recession on their training provision. In addition, the state support towards the SME sector is investigated in order to identify whether this support has been effective in addressing the training and skill needs of such establishments.

Chapter 6: The impact of the recession on the training practices of SMEs: Survey evidence from the Yorkshire and Humber region

This chapter reports evidence of a survey of small and medium-sized enterprises across the Yorkshire and the Humber region. A copy of the questionnaire, along with the covering letter that accompanied it, is presented in the Appendix. The survey explores the nature of training within the SME sector in an attempt to ascertain the degree to which firms adopt a systematic approach towards training provision, and examines the way training activity within SMEs has been affected by the recent economic crisis. Given the emphasis of the state on the SME sector as a vehicle for future economic growth, the survey also examines the provision of training support by the state and assesses the extent of awareness and usage of the support available by the responding firms. Overall, the survey sought to generate an aggregated pattern of the key features of SMEs in the region.

The chapter is structured as follows. First, the characteristics of the firms taking part in the survey are explored. The second section examines the training activity of SMEs prior to the recession in order to capture the nature of their training provision under normal economic conditions. The third section provides an assessment of the impact of the recent recession on training and development in SMEs, including the reasons lying behind their training behaviour and the way training was developed in the post-recession period. In the fourth section, the level of state support towards training is examined, while the fifth section provides an assessment of the impact of union recognition on training provision. The final section draws upon the evidence and makes some summary observations.

6.1 Characteristics of the responding SMEs

The questionnaire was administered to 936 owners/managing directors of small and medium-sized enterprises across the region of Yorkshire and the Humber during July-October 2014. One hundred and thirty four useable questionnaires were returned, generating a final response rate of 14.3 per cent. The 134 SMEs sampled represent a significant and meaningful sample size, as it is comparable with postal questionnaires conducted for doctoral theses in work and employment relations (Knell, 1996; Forde, 1998; Stuart, 1999) and given the challenges that researchers face in accessing and sampling SMEs, as noted in Chapter Three. As shown in Table 6.1, the survey sample comprises 23 small firms and 111 medium firms. The survey used the European

Commission (EC) definition of SMEs, according to which small firms are employing between 10 and 49 employees and medium-sized firms are employing between 50 and 249 employees.

Table 6.1: Survey sample by company size (number of employees)

Size of Company	Number of companies	% of companies
Small (10-49 employees)	23	17
Medium (50-249 employees)	111	83

n=134

The sample was based on the UK Standard Industrial Classification 2007 (SIC 2007) and comprised independent and privately owned SMEs. However, the distribution within the industries was made on a random basis. The largest proportion of the responses were received from manufacturing companies, representing 38 per cent of the survey sample, with nearly a quarter of the replies coming from companies in the wholesale and retail sector. Construction companies represented 13 per cent of the SMEs, with the same percentage of responses representing companies operating in the professional services sector. Finally, 10 per cent of the replies were received from companies in the information and communication industry and 4 per cent from transportation and storage companies. As shown in table 6.2, the representation of sectors in the survey was in line with the regional and national distribution, with the only exception being the manufacturing industry. Manufacturing companies were over-represented in the survey (38%). This could be explained due to the higher distribution of manufacturing businesses in the region, in relation to its total business population, compared to the national figures, as it was illustrated in Chapter Four.

Table 6.2: SME population by industry sector (SIC 2007) in the survey, in Yorkshire and Humberside and the UK

Industry (SIC 2007)	Survey (% of responding firms)	Yorkshire and Humberside		UK	
		Number of SMEs	% of total businesses	Number of SMEs	% of total businesses
Manufacturing	38	7,830	15.2	80,360	11.6
Wholesale and Retail	22	17,410	33.9	213,165	30.7
Construction	13	9,940	19.3	130,680	18.8
Professional Services	13	10,065	19.6	165,020	23.8
Information and Communication	10	3,400	6.6	71,375	10.3
Transportation and Storage	4	2,835	5.4	33,100	4.8
Total	100	51,480	100	693,700	100

Source: own calculations from ONS, 2015 (businesses with no employees were excluded from the calculations)

In terms of business activity, the majority of the respondents (46%) operated in the national market, whereas only 10 per cent and 11 per cent distributed their products to the local and regional market respectively. However, if we aggregate the percentage of their product distribution within each market, 67 per cent of the responding firms operated within the UK, with the remaining third (33%) representing companies operating in international markets. The latter comprise all medium-sized enterprises, apart from two small firms. The majority of companies (84%) had been in operation for over 20 years, with only five firms reporting that their business had been active for less than ten years.

In terms of ownership, just over half of respondents (52%) operated as sole traders, whereas 48 per cent constituted part of a larger organisation. The latter was more likely to be the case for medium-sized enterprises, with only 14 per cent of the businesses owned by a larger organisation being small firms. Furthermore, in the majority of the cases (72%)

the owner, along with the appointed managers, had been responsible for running the business, while in 18 per cent of the companies the owner along with his/her family was responsible for managing the enterprise. Only 10 per cent of the responding firms reported that the owner alone was responsible for running the organisation, of which all were medium-sized firms.

The next section looks at the training policies and practices of the surveyed SMEs in an attempt to identify the degree of formality devoted to their training and skills development. As previous research has shown, a structured approach towards training, with the existence of a formal written training plan or a budget dedicated to training and the use of formal types of training, could indicate a positive attitude and commitment of the business towards the training and skills development of its workforce (Keep, 1989b; Heyes and Stuart, 1996; Stone, 2002).

6.2 Training policies and practices within SMEs

In order to ascertain whether there was a “formal” approach towards training, the SME owners/managing directors were asked whether they had a specified training budget and a formal written training plan. For training plans the results were mixed, as just over half of companies (51%) claimed not to have a plan dedicated to their training provision, whereas 49 per cent of the firms reported to have a formal written training plan. Despite the mixed picture, if the above percentages are dis-aggregated by the size of the firms, an interesting trend emerges. The larger the enterprise, the more likely the presence of a formal written training plan, as only 39 per cent of small firms claimed to have a formal training plan whereas for the medium-sized companies the percentage was just over half (52%) (Table 6.3). This finding is supported by the literature, as research has shown that there is a linear relationship between firm size and the level of formal, structured training (Storey and Westhead, 1997; Shury et al., 2010). This finding was not, however, statistically significant, when tested by Chi-square.

Table 6.3: Formal written training plan by firm size (% percentage)

		Firm size		Total
		Small	Medium	
Does your business have a formal written plan?	Yes	39	52	49
	No	61	48	51

Previous research has shown that the absence of a formal written training plan and the lack of a general formal strategy towards training within the SME sector is due to financial costs and the lack of expertise within small businesses (Vickerstaff, 1992; Storey, 1994; Storey and Westhead, 1997). However, when the respondents of the present survey were asked to provide the reasons for the absence of a training plan, most of them (57%) claimed that the lack of time to formulate a plan towards training was the main reason. The second most frequently cited reason (55%) was the lack of any perceived need, with the lack of knowledge and expertise to formulate a training plan representing just 17 per cent of the companies. A small minority of SMEs (10%) selected the option “other”, where the majority of the respondents claimed that the financial cost was the main reason in preventing them from having a formal training plan, with the second most cited response being the fact that their training needs changed regularly.

The findings also revealed that the level of formal, structured training is influenced by the ownership profile of the business. In particular, it was revealed that companies with no formal written training plan were more likely to be the ones where the firm was the only establishment in the organisation and the owner with his/her family was responsible for running the business. This finding seems to be consistent with the literature, as previous research has shown that firms that are family run are less keen on structured, formal training provision than non-family firms (Cromie et al., 1995). Finally, the industry that businesses operate in proved to be another factor that influenced the level of formality devoted to training within SMEs. Companies operating in the manufacturing and construction sector were more likely to have a formal training plan, whereas the majority of firms in retail and wholesale, professional services and in the information and communication sector stated that there was no formal written training plan for their business.

Turning to training budgets, just over half of respondents (56%) claimed to have a separate budget dedicated to the training needs of their business, whereas 44 per cent of respondents reported no specified budget for training. The training budget was not influenced by factors such as the firm size, the ownership profile of the firm or the industry sector, as opposed to the formal written training plan. However, this could be the result of the general economic uncertainty and, thus, the findings regarding the training budget should be treated with caution.

The above findings have revealed that there is a moderate degree of formality³ dedicated to training within the SME sector. Half of all SMEs claimed to have a formal written training plan and, similarly, the firms with a specified training budget were just over half, representing 56 per cent of the sample. In addition, the findings revealed an association between training plan and budget, suggesting that firms with a formal, written training plan were more likely to have allocated a budget towards training. This finding seems to support evidence from the UK Commission's Employer Perspectives Survey (UKCEPS), where it has been revealed that there is a positive relationship between training planning and budgeting (Shury et al., 2012).

The participant firms were also asked to determine who was responsible for the learning and development needs of the business as a whole. Senior managers and line managers were the most popular responses, representing 76 per cent and 47 per cent of the firms respectively. In addition, 39 per cent of SMEs reported the HR department, while in 26 per cent and 24 per cent of the cases employees/learners and the owner respectively were responsible for determining the training needs of the organisation. Finally, the least popular responses were the "learning, training and development specialists" (13%) and the "external consultants" (6%). The latter were all from medium-sized enterprises.

The survey revealed that on-the-job training and learning by doing were the main types of training that companies were using in their site before the recession hit. In particular, the findings showed that on-the-job training was "always" used by 31 per cent of the respondents and "most of the time" by 46 per cent, while learning by doing was "always"

³ Regarding the degree of formality of SMEs towards training, a composite variable was created, which had three different responses: high formality (when both training plans and budgets were present), mixed formality (when either a training plan or a budget was in place) and low formality (when no training plans and budgets were in place).

used by 30 per cent and “most of the time” by 40 per cent of the respondents. In contrast, off-the-job training and the use of external training providers presented a particularly high concentration in the “sometimes” response, where off-the-job training represented 62 per cent of SMEs and the use of external training providers 55 per cent. Finally, six per cent of the survey sample (that is 8 firms) reported using “other” methods of training in their site, with e-learning and apprentices being the most prevalent responses (Table 6.4).

Table 6.4: Types of training used before the recession (% of firms)

	Always	Most of the time	Sometimes	Rarely	Never
On-the-job training	31	46	22	1	0
Learning by doing	30	40	26	4	0
External training provider	10	15	55	19	1
Off-the-job training	8	15	62	15	1

The main picture to emerge is that SMEs tended to have a less strategic approach towards training and skills development. Although there was evidence that a degree of formal and structured training was implemented, there was a strong preference towards more informal training practices. This was evident from the absence of training plans and/or budgets in half of the surveyed workplaces, the limited presence of HR departments and learning specialists in such establishments and the preference towards less formal training methods, such as on-the-job training and learning by doing. Such evidence could suggest that this preference towards a less formal training provision is more functional within the SME context and serves better their skill needs.

6.3 Training in the context of recession

The purpose of this section is to explore the impact of the recession on the training practices of SMEs. More specifically, it explores the way participants value training under difficult economic times through a number of statements and assesses the impact of the recession on various aspects of training such as methods of training, training programmes and new ways of training delivery.

6.3.1 Perceptions of training

Respondents were asked to indicate their degree of agreement or disagreement with the perceived wisdom across the advanced industrialised world that investment in training and skills development constitutes a way to economic growth (Ashton & Green, 1996; Crouch et al. 2004). This is explored in Table 6.5. The findings revealed that the great majority of firms (90 per cent) seemed to be particularly positive regarding this view. The view that "...businesses that do not invest in talent are two and a half times more likely to fail, whereas those that carry on training will recover more quickly" (CBI, 2008 cited in Neild, 2008:4) was also examined. Again, the vast majority (75 per cent) of respondents "agreed" or "strongly agreed" with the statement "Businesses that invest in training are less likely to fail". Regarding the statement "Businesses that invest in training during a recession will recover more quickly", 57 per cent of respondents claimed to agree or strongly agree, whereas 39 per cent neither agreed nor disagreed. It has to be noted that none of the respondents "strongly disagreed" with any of these two statements, whereas in both cases the percentage of the people who disagreed was very low (4 per cent in each case). In terms of formality, cross-tabulations revealed that SMEs supporting both the viewpoints above tended to adopt a mixed approach towards training and development, where a formal written training plan was present but no budget was allocated towards training or vice versa.

The respondents were also asked to express their degree of agreement around the view that training is one of the first casualties during a recessionary period (Charlton, 2008; Kingston, 2009). There was a small majority support for this position. Specifically, 56 per cent of respondents agreed or strongly agreed, 22 per cent appeared to be uncertain and 19 per cent disagreed. The percentage of the respondents who strongly disagreed was very low (2%). The responding companies supporting the above viewpoint tended to be small-sized, with the majority of them operating as part of a larger organisation rather than as sole traders. Furthermore, these companies were characterised by a medium degree of formality, as in most cases there was a budget dedicated to training but no training plan in place, and the senior managers and/or line managers were responsible for determining the training needs of the organisation.

Finally, in terms of the respondents' views around the broad perception that training is an easy expense to be cut during a recession, the majority of the firms (67 per cent) "agreed"

or “strongly agreed”, with 11 per cent being uncertain and 19 per cent disagreed. Only 3 per cent “strongly disagreed” and these were only medium-sized firms. Firms operating in the transport and storage sector and the information and communication industry all seemed to “agree” with this viewpoint. Cross-tabulations revealed that SMEs with low levels of formality, with both training plans and budgets being absent, were more inclined to view training as an easy expense to be cut during a recession.

The above findings revealed that investment in training was perceived to be particularly important amongst SMEs. The majority of the respondents shared the view that investment in training constitutes a way to economic growth and that it can decrease the failure rates of a business. In terms of the training provision during a recessionary period, the great majority reported that training was an easy expense to be cut. Similarly, just over half of SMEs (56%) agreed that training is one of the first casualties during an economic downturn, confirming the conventional wisdom that training is vulnerable during a recession. However, a small majority agreed with the view that training during the recession can help businesses to recover more quickly, which contradicts the previous point that training is one of the first to be cut in a recession.

Table 6.5: Perceptions of training investment (% of firms)

	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
Investment in training constitutes a way to economic growth	30	59	8	2	1
Businesses that invest in training are less likely to fail	21	54	21	4	0
Training is an easy expense to be cut during a recession	5	62	11	19	3
Businesses that invest in training during a recession will recover more quickly	13	44	39	4	0
Training is one of the first casualties during a recession	10	46	22	19	3

6.3.2 Impact of the recession on training

While such general perceptions are of interest, it is more useful to examine just how SMEs fared during the recession. This is explored in Table 6.6. Respondents were asked to consider how their organisation had been affected by the recent economic downturn. The main impact of the recession amongst SMEs was the fact that planned projects had been delayed or cancelled, with 68 per cent of respondents indicating their “agreement” or “strong agreement” with that factor. Additional important effects of the recession were the loss of turnover/profits (62%) and less work/low demand (58%). The impact of the recession was also significant on recruitment, work organisation and redundancies, as 1 out of every 2 firms reported having made redundancies/staff reductions and putting a moratorium on recruitment, while the same percentage claimed to have changed their work organisation. The recession proved to have a moderate impact on the training provision of SMEs within the region, as 38 per cent of respondents claimed to have made cutbacks in their training as a result of the recession, followed by cash flow difficulties. Finally, salaries seemed to have been affected the least by the recession, with 65 per cent of respondents reporting to “disagree” or strongly disagree” with the impact of the economic downturn on salary cuts.

Table 6.6: Impact of the recession on SMEs (% of firms).

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
Projects delayed or cancelled	10	58	10	16	6
Loss of turnover/profits	14	48	11	20	7
Less work/low demand	13	45	14	19	8
Recruitment freeze	8	42	14	28	8
Made redundancies/ reduced staff number	11	39	6	25	19
Change work organisation	13	37	19	24	7
Cutbacks in training	4	34	23	29	10
Cash flow difficulties	7	23	25	34	11
Salary cuts	3	19	13	49	16

Cross-tabulations revealed that firms with a mixed degree of formality were less likely to report having made cutbacks in training during the recession. As table 6.7 shows below, a small majority (50%) of firms with a mixed approach towards their training and skills development disagreed with cutbacks in their training as a result of the recession. The percentage for firms with a high degree of formality was a little smaller, with 46.6 per cent of such firms reporting to disagree with cutbacks in training. The level of disagreement for firms with a low degree of formality towards training was considerably low (22.9%), suggesting that such firms were more inclined to cutbacks in training during the recession. However, a chi-square test conducted to look at the association suggested that there was no significant relationship between the degree of formality and cutbacks in training because of the recession. In that case we can only talk about a trend and not a relationship. Therefore, the evidence suggests that cutbacks in training during recessions tend to be more popular amongst SMEs with low formality compared to firms adopting a mixed or high degree formality towards training. Further research is required in order to verify whether this relationship is significant or not.

Table 6.7: Cross-tabulation- Formality* Cutbacks in training

		Cutbacks in training					
		Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree	Total
High formality	Count	6	14	10	12	1	43
	% within formality	14.0%	32.6%	23.3%	27.9%	2.3%	100.0%
Mixed formality	Count	6	22	8	18	2	56
	% within formality	10.7%	39.3%	14.3%	32.1%	3.6%	100.0%
Low formality	Count	3	5	13	12	2	35
	% within formality	8.6%	14.3%	37.1%	34.3%	5.7%	100.0%
Total	Count	15	41	31	42	5	134
	% within formality	11.2%	30.6%	23.1%	31.3%	3.7%	100.0%

Analysis of findings revealed that firms that were characterised by low formality were more likely to experience loss of their turnover and less work as a result of the recession. Cash flow difficulties and cuts in salaries were also included in the effects of the recession amongst the firms where training plans and budgets were absent. However, SMEs with high formality appeared to be more inclined to freeze their recruitment, change their work organisation and delay/cancel their projects as a result of the recession. Finally, redundancies/reducing staff numbers were more popular within firms characterised by a mixed formality towards their training.

The above findings revealed a moderate impact of the recession on the training practices of the SMEs surveyed, as approximately four out of ten businesses reported cutbacks in their training activity. However, previous research evidence has shown that such an approach was not that popular amongst British employers. Specifically, evidence derived from the WERS, regarding the impact of the recent recession on British workplaces—although not looking at SMEs per se—, revealed that only one in every six workplaces (16%) made cutbacks in training as a response to the recent recession. In contrast, the most common responses to the recession amongst these workplaces were to freeze wages (42%), delay recruitment (28%), change the work organisation (24%) and postpone expansion plans (21%) (Van Wanrooy et al., 2013).

The key reasons for the lower levels of training provision were the financial constraints, the lack of human resources and the limited time available. As table 6.8 illustrates, the great majority of respondents (88%) considered the cost of training as the most important factor, suggesting that training is an easy expense to be cut during a recession. A further two-thirds (66%) attributed the lower levels of training to the lack of human resources available, as this could pose difficulties in covering the position of those taking time off for training, while a similar proportion of SMEs (65%) reported that they simply lacked the time to provide training to their workforce. A wide range of reasons were seen as less important, such as the lack of need for training, the lack of information, the fear of poaching and the lack of suitable training. Specifically, two-thirds of respondents (66%) considered the lack of need for training as the least important reason for the lower training provision, while a further 64 per cent did not perceive the lack of information about the training available as an important barrier to the provision of training. A significant percentage of SMEs (59%) did not consider the fear of poaching staff by competitors as a

major issue in preventing training investment, while 43 per cent reported that the lack of suitable training available did not have a negative effect in the provision of training.

Table 6.8: Reasons for preventing training provision as a result of the recession (% of firms)

	Very Important	Important	Unsure	Not very Important	Not Important
Cost of training for employers	12	76	10	2	0
Not enough people in the workforce to cover others taking time-off for training	15	51	12	20	2
Lack of time	10	55	21	12	2
Unsuitable training available	0	27	30	28	15
Fear of poaching by competitors	3	14	24	52	7
Staff is fully proficient/don't need it	0	15	19	59	7
Lack of information about available training	3	7	26	50	14

Amongst the SMEs that did not report cutbacks in training as a result of the recession, the top three reasons for continuing to invest in training were customer quality requirements, the competitive market and the external labour market. More specifically, around three quarters of respondents (74%) noted that customer expectations of high quality products and service meant that cutting training investment was not an option. Similar percentages of SMEs reported that the competitive nature of the markets they operated in (73%) and the wider external labour market (72%) militated against any cutbacks in training investment. An additional 49 per cent of SMEs posed the need for product development as another important reason that prompted training investment, though these were all medium sized firms. Union pressure was identified as the least important reason, with 83 per cent

of firms reporting that unions did not play an important role in encouraging training provision. Other less important reasons for prompting training investment were considered to be government legislation (47%) and external financial resources (38%). It has to be noted that two per cent of the survey sample (that is 3 firms) reported that staff dissatisfaction regarding the training they received along with the need for internal efficiency and high levels of productivity were some additional reasons for prompting investment in training during the recession (Table 6.9).

Table 6.9: Reasons for prompting training provision as a result of the recession (% of firms)

	Very Important	Important	Unsure	Not very Important	Not Important
Customer quality requirements	22	52	22	2	2
Competitive market	10	63	21	5	1
External labour market	24	48	18	10	0
Product development market	8	41	42	8	1
Government legislation	4	22	27	22	25
External financial resources	4	17	41	33	5
Union pressure	0	1	16	26	57

The respondents were also asked to reflect on the impact of the economic downturn on various aspects of training, such as the type, intensity and levels of provision. The majority of respondents reported that there had been no change at all in a number of aspects, such as the distribution of training among the workforce, the use of off-the-job training, the use of in-house, off-the-job training (classes, demonstrations etc), the duration of training and the number of requests for training from the workforce. However, there were some sizeable minorities who reported an increase in the recruitment of apprentices and new trainees (31%). This finding seems to contradict existing evidence, according to which the number of apprenticeships within SMEs has been decreased as a result of the recent recession (Shury et al., 2010, 2012). This could be explained due to the fact that the majority of these firms had made no cutbacks in training as a result of the recession, suggesting perhaps, a deliberate strategy to continue investments in training

during the recessionary period. In addition, a slight increase (30%) was noted for on-the-job training, whereas there was a noticeable decrease in the use of external providers (32%) and the training expenditure per head (31%). The latter evidence indicates that firms adopted a cost-cutting approach during the recession, which was characterised by lower levels of use of external providers and the reduction of the training spending per head, and the adoption of more cost-effective ways of training, such as on-the-job training (Table 6.10).

Table: 6.10: Impact of the recession on types, intensity and levels of training (%)

	Increase	No Change	Decrease
Recruitment of apprentices and new trainees	31	43	26
Use of on-the-job training	30	69	1
In-house off-the-job training (classes, demonstrations etc)	24	66	10
Requests for training from the workforce	19	77	4
Duration of training	18	67	15
Use of off-the-job training	10	72	18
Use of external providers	9	58	33
Distribution of training among the workforce	7	76	17
Training expenditure per head	4	65	31

n=134

6.3.3 Impact of the recession on training programmes and methods of training delivery

The evidence so far suggests that training investment amongst SMEs was adversely affected to a moderate degree. This section attempts to look more closely at the way SMEs responded to the recession in terms of training programmes and methods of training delivery. Table 6.11 presents evidence of the impact of the recession on a number of different types of training programmes. Overall, the vast majority of SMEs reported no impact. Specifically, 85 per cent of respondents reported no change on equal opportunities training. This finding was expected, given the fact that this would seem to be an area where training floors are pertinent and, thus, such training had to be implemented regardless of the financial circumstances. A further 66 per cent stated that the recession

had no impact on induction training for new recruits. In addition, the participants reported that training for new working methods (64%) and training on information technology skills (63%), along with training for business strategy (indicated by 56% of the firms) remained untouched by the recent recession. Training on quality standards and health and safety experienced no change as a result of the recession, however some sizeable minorities reported an increase of 39 per cent and 38 per cent respectively in the use of these programmes. This suggests that an increased emphasis was placed by SMEs on the training for quality standards and health and safety compared to the period before the recession.

Table 6.11: Impact of the recession on training programmes (% of firms)

	Increase	No Change	Decrease
Training on quality standards	39	53	8
Health and Safety	38	59	3
Business strategy or planning	30	56	14
Induction training for new recruits	29	66	5
Information Technology Skills	27	63	10
Training for new working methods	26	64	10
Equal opportunities	11	85	4

n=134

The question regarding the methods of training that have taken place as a result of the recession raised the highest levels of uncertainty so far in the present survey. The majority of participants reported to “neither agree nor disagree” with the use of a number of training methods as a result of the recession, such as the use of action learning sets, formal education courses, external conferences, e-learning and coaching by external practitioners. These high levels of uncertainty could be explained due to the fact that the aforementioned training methods were already in use before the recession hit or simply because their use is not linked to the recent recession. However, the top five new ways of delivering training as a result of the recession were the use of experienced staff, coaching by line managers, in-house development programmes, internal knowledge sharing events and the use of job rotation. The most significant was the use of experienced and skilled staff to train other employees, with a small majority (53%) of respondents citing this as an example for new

practice or at least a new emphasis. The second most frequently cited new way of delivering training was coaching by line managers (49%), while 43 per cent of SMEs reported the use of in-house development programmes. A further 37 per cent of respondents reported the use of internal knowledge-sharing events, with job rotation, secondment and shadowing taking place in 32 per cent of the workplaces surveyed. In contrast, the least favoured training method was the use of audio tapes, videos and learning resources, with 31 per cent of SMEs citing this as the least important new way of delivering training as a result of the recession (Table 6.12).

Table 6.12: New ways of training delivery as a result of the recession (% of firms)

	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
Use of experienced and skilled staff to train other employees	6	47	39	7	1
Coaching by line managers	5	44	39	11	1
In-house development programmes	4	39	43	13	1
Internal knowledge-sharing events	4	33	47	14	2
Job rotation, secondment, shadowing	4	28	45	20	3
E-learning	2	27	49	22	2
Coaching by external practitioners	2	24	43	29	2
Formal education courses	1	23	52	22	2
External conferences, workshops and events	1	22	50	24	3
Audio-tapes, videos and learning resources	2	10	57	27	4
Action learning sets	1	5	66	25	3

n=134

Although a large percentage of respondents tended to be rather ambivalent about whether they had adopted new modes of training delivery, the findings do nonetheless suggest that at least a significant minority of SMEs have shifted their focus towards an emphasis on

alternative, more cost-effective methods of training delivery. Firms within the SME sector appeared to be more inclined to use in-house training by using internal skills as a result of the recession. Furthermore, the majority of firms (82%) reported that they have retained these new ways of training delivery in the post-recession period. Such evidence confirms the findings of the study conducted by Felstead et al. (2012), who identified a number of new ways of training delivery that had taken place as a result of the recession - the so-called “training smarter”- in order to minimise the cost of training but retain its high quality at the same time. Felstead et al.’s study also suggested that firms were willing to persist in the use of training smarter in the future.

6.4 Awareness and use of state-funded support towards training

Previous research has shown that although the awareness of state-funded training initiatives amongst SMEs is quite high, the actual levels of involvement and take-up are low (Ottens & Taylor, 2000; Kitching & Blackburn, 2002). Against this backdrop, this section explores the awareness of SMEs in relation to state-funded training initiatives available and their actual usage during and after the recession. It also examines respondents’ views towards the state support available to SMEs.

The respondents were asked to identify whether they were familiar with a number of state-sponsored training initiatives. Levels of awareness were highest with regard to apprenticeship initiatives, with the great majority of SMEs (96%) being aware of such provision, while 64 per cent of SMEs reported that they were aware of National Vocational Qualifications. Similarly, respondents identified the GOV.UK website (previous Business Link), with 64 per cent of SMEs reporting being familiar with this service, which provides guidance and advice to businesses. A further 51 per cent of SMEs were familiar with the National Skills Academies, while the now defunct Skills Pledge was identified by 19 per cent of firms. Finally, seven per cent of the respondents reported being aware of the Union Learning Fund. Only three per cent of respondents reported that they were not aware of any of these training initiatives.

Turning to the actual usage of state-funded training initiatives, a different picture emerges when compared to general levels of awareness. Previous research has shown that the use of state-funded support decreases as the size of the firm decreases (Cox et al., 2009). The present survey confirms this latter finding, as nearly two-thirds (65%) of respondents

reported that they had made no use of the training initiatives available. Just over a third (35%) reported they had used some types of training support from the state in response to the recession. Amongst the latter, a dis-aggregation of the findings by sector revealed that companies from the construction and the transport and storage industry were more likely to have made use of government funded training initiatives. Regarding the type of support that the above firms used, the most frequently cited training schemes were apprenticeships and NVQs, representing 68 per cent and 30 per cent respectively. In contrast, a very small proportion (2%) of firms reported making use of the Skills Pledge. In addition, the majority of firms (77%) reported that their business had not been accredited with the Investors in People (IiP) standard. Cross-tabulations revealed that SMEs with a high degree of formality towards training and development were more likely to be accredited with the Investors in People standard.

Table 6.13 illustrates some of the key reasons why SMEs made limited use of state support for training. The top three reasons were to some extent all administratively related. Nearly two thirds of SMEs (63%) reported that accessing state support for training was either too bureaucratic or too complex. A similar proportion (62%) suggested that they simply lacked information about the programmes to be able to make informed investment decisions, while just over half (52%) reported that they simply did not have enough time to engage with state sponsored training initiatives. Such evidence suggests that, unlike previous research (Johnson & Winterton, 1999; Hoque et al., 2005), it is not simply the case that training initiatives are seen as irrelevant to SMEs. Rather it is administrative bureaucracy and lack of time that are the key barriers. The next three most significant reasons for not engaging with state supported initiatives related to the wider financial state of firms or the available time they may have. Specifically, 42 per cent of SMEs reported that the financial costs attached to such programmes prevented them from engaging with these initiatives, given the financial constraints that they were facing due to the recession. A further 37 per cent reported that they did not engage with these programmes due to the uncertainty regarding future funding, while 34 per cent reported that they lacked the time to keep pace with the fluctuations in regulation. A wide range of other factors were seen as less important reasons, such as employers were not willing to give time off for training, the fear of losing work through committing time in advance, the need to focus on the survival of the business rather than the growth and the fact that there was no need for external advice. For these five factors, around four in ten respondents did not see them as

very important reasons for not taking up state support at all. Twice as many respondents saw cutbacks in training budgets as non-important reasons why firms did not take up state support as did see such cutbacks as important. The lack of need for external advice was considered as a non-important reason by 39 per cent of SMEs, while a further 40 per cent reported that the need to focus on the survival rather than the growth of their business did not affect their decision to not take part in state-funded training initiatives. Furthermore, 43 per cent of respondents did not perceive the fear of losing work through committing time in advance as an important factor, while a small majority (48%) saw the fact that employers were not willing to give time off for training as a non-important reason why SMEs did not take up state-funded support.

Table 6.13: Reasons for limited use of state support (% of firms)

	Very Important	Important	Unsure	Not very important	Not Important
Too much bureaucracy and complexity of these programmes	21	42	28	7	2
Lack of information about the training initiatives available	9	53	23	14	1
Lack of time to get involved	10	42	33	13	2
Financial cost	5	37	44	13	1
Uncertainty regarding future funding	5	32	45	15	3
Lack of time to keep pace with the fluctuations in regulation	6	28	45	18	3
Cutbacks in our training budget	3	17	42	32	6
Employers not willing to give time off for training	3	16	33	36	12
Fear of losing work through committing time in advance	3	16	38	33	10
Need to focus on the survival of the business rather than growth	2	16	42	33	7
No need for external advice	2	16	43	33	6

The great majority of respondents (92%) shared the view that the state should be doing more in order to help businesses invest in training during difficult economic circumstances and, thus, increase the levels of usage of training initiatives. For the great majority of firms (81%) the state should provide clearer information, while further three-quarters argued that there should be more financial assistance/support available to businesses. In addition, 65 per cent of firms argued that the state should provide more initiatives, while 53 per cent of the firms claimed that more training courses should be available.

6.5 Industrial relations within SMEs

The survey also examined the extent of union recognition amongst the survey sample. This was included as there is a long-standing research, which suggests that training take up/effects vary according to union presence and involvement. While union recognition is generally low amongst SMEs, there is evidence to suggest that unionisation may be associated with higher levels of training formality and training incidence. As expected, the findings revealed that union recognition was very limited within the SME sector, with 85 per cent of respondents reporting that their organisation was not unionised. The remaining 15 per cent of the firms, who confirmed the presence of a trade union within their business, were all medium-sized firms and most of them presented a high degree of formality to training.

Amongst the unionised firms in the survey, 83 per cent reported that there was no Union Learning Representative (ULR) at their workplace. Amongst the workplaces where a ULR was present, 75 per cent of SMEs reported no cutbacks in training during the recession. Although such evidence could suggest that ULRs may have a positive impact on training and development during recession, it is too difficult to reach into safe conclusions as the number of the responding firms with ULRs was too small. Regarding the potential trade union impact on training decisions, the great majority of the respondents reported a little (52%) or no involvement at all (43%) (Table 6.14). However, almost half of respondents (45%) reported that they consulted with the union over training and development issues. Cross-tabulations revealed a positive association between the involvement of trade unions in training decisions and the consultation of unions towards training.

Table 6.14: Impact of trade unions on training decisions (% of firms)

	A lot	Little	None
Involvement of trade union in training decisions	4	52	43

N=20

As for the reasons for no union presence at the workplace, the majority of the respondents (81%) reported that there was no need because of the close relationships between employer and employees. However, the respondents appeared to be uncertain on whether the difficulties in recruiting and organising trade unions and the fact that they did not agree with the presence of trade unions in their firm were the reasons for the absence of unionisation within their business.

Despite the low levels of union recognition within the responding SMEs, the evidence revealed a significant relationship between unionisation and firm size, suggesting that the likelihood of trade union recognition in the workplace increases as the size of the firm increases. This finding seems to confirm evidence from previous research that trade union recognition and firm size are positively correlated (Machin, 2004). Furthermore, the findings revealed a small effect of trade unions on training, as a small majority (52%) of respondents reported that trade unions had a little impact on training decisions. Although previous research conducted by Stuart and Robinson (2007) based on Workplace Employment Relations Study (WERS) 2004 data has shown a consistent association between unionised workplaces and higher levels of training provision, it is difficult to assess in the present survey whether unionised workplaces provided higher levels of training than non-unionised places due to the limited number of union recognised firms taking part in the survey.

6.6 Conclusions

This chapter has explored the nature of training and skills development within a sample of 134 small and medium-sized enterprises across the region of Yorkshire and the Humber and has assessed the impact of the recent recession on their training practices.

A number of factors were examined in order to ascertain whether there was a strategic approach towards training amongst the responding firms, such as training plans and budgets, types of training methods and who was responsible for training activities. In terms of the existence of a formal written training plan and a separate budget dedicated to training, the findings revealed a moderate degree of formality devoted to training amongst the responding SMEs. Specifically, nearly half of SMEs (49%) claimed to have a plan devoted to training and just over half (56%) reported that there was a specified training budget. The findings revealed a positive relationship between training plan and budgeting, suggesting that SMEs with a training plan are more likely to have a budget dedicated to their training provision. Although the existence of a training budget did not seem to be affected by other factors, the provision of a planned approach to training appeared to be influenced by firm size, the ownership profile and the industry that firms operate in. As such, medium-sized firms, operating in the manufacturing and the construction industry and being part of a larger organisation, were more likely to provide planned training.

The training methods used by the responding firms point to a less strategic approach towards training, as there seemed to be a preference for more informal learning and training methods amongst the respondents. Specifically, on-the-job training and learning by doing were the predominant ways of training delivery, with off-the-job training and training by using external providers receiving limited use. In addition, the limited number of firms that have achieved the Investors in People (IiP) accreditation along with the lack of specialists responsible for the learning and development needs of the business enhance the evidence of an informal, unstructured approach towards training amongst SMEs. However, as it has been noted in the literature, this less strategic training approach seemed to be more functional within the SME sector and it by no means suggests lower levels of training provision than its larger counterparts (Ashton et al., 2005). After all, the fact that the respondents value training could be supported by the strong belief, which exists amongst the firms, that training constitutes a way to economic growth.

The degree of formality adopted by SMEs towards their training provision seemed to be related to their perceptions around training during the recession. The survey findings suggest that SMEs characterised by a moderate degree of formality, with either a training plan or a training budget in place, were more likely to share the view that “businesses that invest in training are less likely to fail, whereas those that carry on training during a recessionary period will recover more quickly”. In addition, these companies were more likely to believe that training was one of the first casualties during a recession. The view that training is an easy expense to be cut during a recession seems to be quite popular amongst the majority of the responding SMEs, with those characterised by low formality being more inclined to such a belief. As such, the evidence shows that SMEs adopting a more informal and unstructured approach towards training tend to believe that training is vulnerable during a recessionary period, suggesting that such an informal approach does not insulate training against difficult economic circumstances. However, a great majority of the respondents shared the view that training is a way to future economic growth, suggesting that the degree of formality devoted to training does not reflect the way firms see and value training.

Turning to the impact of the recession, the findings revealed a moderate impact of the recent recession on the training practices of the responding SMEs, with the projects being delayed or cancelled and the loss of turnover/profits being the most frequently cited effects of the recession. The degree of formality devoted to training and development has proved to be important in the way SMEs respond to the recession in terms of training. Specifically, the findings revealed that SMEs with a less formal, unstructured approach towards training were more inclined to cutbacks in training during the recession. Regarding the reasons for the cutbacks in training as a result of the recession, the findings pointed to financial and time constraints as the most important reasons, with the least popular cited reasons being the fear of poaching by competitors and the lack of suitable training. In contrast, amongst the firms who appeared to have made no cutbacks in training because of the recession, market forces seem to be responsible for prompting training provision including factors such as customer quality requirements, competitive market, external labour market and the product development market.

This moderate impact of the recession on training is enhanced by the fact that the majority of the respondents reported no change on various aspects of training as a result of the

recession. The majority of the training programmes used by the participant firms have been untouched by the recession, with only an increase in the use of training for quality standards and training regarding health and safety. Similarly, the duration of training along with the training distribution amongst the workforce and the use of off-the-job training have seen no change because of the recession. However, there has been a noticeable decrease in the use of external providers and training expenditure per head, whereas recruitment of apprentices and new trainees and the use of on-the-job training have experienced an increase since the recession. Thus, arguably there has been a focus on less costly forms of training.

In accordance with the latter finding, the evidence suggests a shift in the training approach of the participant firms as a result of the recession. In particular, the majority of the respondents reported increased use of in-house training such as the use of experienced staff to train others, coaching by line-managers, in-house development programmes and internal knowledge-sharing events. As such, there has been a shift towards alternative, more cost-effective methods of training delivery as a result of the recession, with the majority of the respondents reporting retention of these training methods in the post-recession period.

Turning to the awareness and use of state-supported training initiatives, although the awareness regarding apprenticeships and NVQs was particularly high amongst the participant firms, the actual usage proved to be limited. This limited use of training initiatives enhances the evidence provided earlier of a less strategic approach towards training amongst the participant firms. The bureaucracy and complexity of these programmes along with the lack of information and the lack of time to get involved were the most frequently cited reasons for the limited use of state-funded training initiatives. In contrast, amongst the least favoured reasons were included the reluctance of employers to give time off for training and the fear of losing work through committing time in advance. As such, the majority of the respondents argued that the state should be doing more to help businesses invest in training during these difficult economic times, with clearer information and more financial support available being the most popular suggestions for improving state support.

Finally, the survey found very limited levels of unionisation within the participant SMEs and, thus, the impact of trade unions on training provision and training decisions is

difficult to be assessed. The limited number of respondents (15%), who reported union recognition in their workplace- of which were all medium-sized manufacturing firms and were more likely to have a formal approach towards training-, reveals minor impact of the trade unions on training decisions and provision, as in the majority of the cases the union involvement was little or none. As for the reasons regarding the absence of trade unions, the most prevalent reason appeared to be the lack of need because of the close relationships between employer and employees.

This chapter offered a general picture of the skills formation in SMEs and the impact of the recent recession on their training provision. In this respect, it showed that SMEs tend to adopt a less strategic approach towards training and skills development. Specifically, the absence of training plans in more than half of the surveyed workplaces suggests that SMEs tend to respond to their training needs on an ad hoc basis, with limited forward planning. Such evidence suggests that SMEs' approach towards training is fairly piecemeal and reactive rather than proactive, systemic or holistic. Although SMEs appeared to value training and its importance for economic growth, the findings highlight a strong preference towards informal training provision. This more informal, unstructured nature of training and skills development in SMEs has been attributed to a number of factors, including the absence of training plans or budgets in half of the surveyed SMEs, the predominance of on-the-job training and learning by doing and the limited presence of HR departments and learning specialists. Yet, this apparent preference for a less formal approach towards training denotes that it is seen as an efficient approach by SMEs, as it serves better their business needs and is more compatible with the SME context.

In this context, the recent recession affected the training provision of SMEs in the region at a moderate degree, with the delay or cancellation of projects and the loss of turnover being amongst the most important effects of the recession. As such, the survey findings contradict the conventional wisdom that training is one of the first casualties during a recessionary period. Although the survey evidence suggests that there is no significant relationship between the degree of formality towards training and cutbacks in training due to the recession, the findings indicated a tendency amongst the responding SMEs with a less structured approach towards training to make more cutbacks in training as a result of the recession compared to firms adopting a more structured training approach. The

interviews with SME owners/managing directors in the next chapter attempt to further explore this issue.

One of the most interesting findings that derived from the survey concerns the awareness and usage of government-funded training initiatives amongst SMEs. The survey data seem to highlight a contradiction between the desire of the state to support SMEs and their training provision through the supply of a number of training initiatives and the poor levels of take-up of these initiatives by SMEs. Although the state introduced a number of policy initiatives in order to assist SMEs, the respondents claimed that the state support was inadequate and that more could be done in order to help SMEs and their training provision. The apparent preference of SMEs for informal training practices seems to discourage their engagement with state-funded training initiatives, as most of these programmes promote formal training practices, such as off-the-job training and external courses. Therefore, a more targeted approach towards training within SMEs seems to be required; an approach that would take into consideration the SME context and its skill needs.

The survey findings offered a general insight regarding the nature of training and skills development within SMEs and identified the extent of the impact of the recent recession on their training provision. The next chapter, through a series of interviews with SME owners/managing directors attempts to investigate more in-depth the notion of workplace training and to better explore how training and development in SMEs was affected by the recession and why. Therefore, the factors that determine the responses of SMEs to the recession in terms of training and skills development are more adequately assessed. In addition, the next chapter attempts to explore more in-depth the nature of industrial relations within the SME sector and their role in the training provision of SMEs during the recession.

Chapter 7: The impact of the recession on training provision in SMEs: qualitative evidence

7.1 Introduction

The survey indicated that the training provision of SMEs within the Yorkshire and the Humber region had been affected to a modest degree by the recent economic downturn. Those firms employing a less strategic approach towards training were found to be more inclined to make cutbacks in their training practices as a result of the recession. The interviews with high-peak level organisations offered a more in-depth analysis and revealed that factors such as the industry that SMEs operate in and their supply chains were very important in determining their responses to the recession in terms of training. The survey and the interviews with key informants facilitated the investigation of the training behaviours of SMEs at a more aggregate level, however they lacked the ability to get a deeper understanding of what happened at the level of the workplace. Against this backdrop, this chapter adopts a more disaggregated level of analysis by looking more closely at the experiences of individual SMEs in the region in order to get a more in-depth understanding of the nature of skills formation in SMEs and their training responses to the recent recession.

This chapter presents and discusses the findings derived from the data collected during the final stage of the research study, which involved interviews with SME owners/managing directors. Specifically, nine in-depth interviews were conducted with owners or managing directors of SMEs within the region across a wide range of industries. The primary aim of these interviews was to obtain a detailed account of the training policies and practices of SMEs and to gain a deep understanding of the way SMEs responded to the recent recession in terms of training and skills development.

The chapter presents the findings from the responding firms and pays attention to five broad themes, including: the general characteristics of the companies taking part in the study; the nature of their training practices; the impact of the recent recession on their training provision and the way training has evolved in the post-recession period; the awareness and usage of state-funded training initiatives; and, the relationship between formal employment relations and training provision. The final section concludes and discusses the key findings derived from the interviews.

7.2 Characteristics of respondents

The interviews were conducted with the owners or managing directors of SMEs within the region of Yorkshire and the Humber. Overall, nine privately owned companies took part in the study, of which five were small firms and four were medium-sized firms. The SMEs operated in a wide range of industries, including three firms operating in the manufacturing industry, two firms coming from the construction industry, two professional services companies, one firm operating in the information and communication industry and one firm from the wholesale and retail industry.

The aforementioned industries play an important role in the regional economy in terms of employment and future economic growth, as they represent 41.6 per cent of the jobs in the region in total (Nomis, 2016). Specifically, the wholesale and retail industry and the manufacturing industry constitute the two major sectors of the local economy after the public sector, as they represent 15 per cent and 10.2 per cent of the total jobs in the region respectively. Similarly, the professional services along with the companies coming from the construction industry constitute key sources of employment, as they represent 7.3 per cent and 6.8 per cent of the jobs in the region respectively, while the information and communication industry represents 2.3 per cent (Table 7.1). Although the latter represents the lower percentage rate of jobs in the region compared to the other industries taking part in the study, it is forecast to grow and become a key industry of the local economy mostly due to the great emphasis that the region of Yorkshire and the Humber has placed in such industries for future economic growth. Therefore, it is evident that the study has a very good representative spread of industries, which could yield a range of different insights on the way SMEs within these industries responded to the recent recession in terms of training and skills development.

Table 7.1: Total number of responding firms by industry and percentage of jobs in the region by industry

Industry	Number of responding firms	Yorkshire and the Humber- % of total jobs
Wholesale and Retail	1	15.0
Manufacturing	3	10.2
Professional Services	2	7.3
Construction	2	6.8
Information and Communication	1	2.3
Total	9	41.6

Source: Nomis workforce jobs by industry- seasonally adjusted (2016)

In terms of business activity, the majority of the firms taking part in the study operated in the national market, whilst only two small-sized firms distributed their products to international markets. This seems to be consistent with previous research, according to which smaller firms focus mainly on domestic markets (OECD, 2000). Although existing evidence suggests that SMEs have high failure rates (Storey, 1994), with only less than one-half of new small firms exceeding five years of operation (OECD, 2000), the firms of the current study have been in operation for more than 20 years. Regarding the ownership profile of the responding SMEs, the majority of the firms constituted part of a larger organisation, which was not larger than an SME. Only two small-sized companies operated as sole traders. In most of the cases, the owner along with his/her family were responsible for running the business, whilst one medium-sized company was managed by the owner along with appointed managers. The characteristics of the responding firms are summarised in Table 7.2. Overall, the sample seems to be consistent with the variation of firm size and industries within the SME sector. This will allow us to examine the responses of individual SMEs to the recession in terms of training and explore possible variations in these responses between firms of different sizes and industries.

Table 7.2: Characteristics of responding firms

Name	Description	Number of employees	Ownership	Sales Market
Manufacturing 1	Textiles Manufacturer	45	Sole-trader	International
Manufacturing 2	Textiles Manufacturer	51	Parent company	Domestic
Manufacturing 3	Furniture Manufacturer	230	Parent company	Domestic
Construction 1	Construction of houses, delivering restoration and renovation projects	45	Parent company	Domestic
Construction 2	Property developer and construction business delivering residential and commercial projects	86	Parent company	Domestic
Professional Services 1	Accounting activities	44	Parent company	Domestic
Professional Services 2	Marketing services	130	Parent company	Domestic
Information and Communication	Software developer	59	Parent company	Domestic
Wholesale and Retail	Wholesaler of vehicle parts	27	Sole-trader	International

7.3 Training practices within SMEs

This section looks at the training practices and policies employed by SMEs in order to explore the level of formality dedicated to their training and skills development. SMEs were asked whether a formal training plan and a specified budget dedicated to their training were in place. It was revealed that the majority of SMEs had a less strategic approach towards their training provision, as they had no formal training plans and no specified budgets dedicated to their training. The training needs of these businesses were served on an ad hoc basis, without any formal planning or budgeting. The main reason identified for this less strategic training approach was the lack of any perceived need. This finding seems to confirm previous evidence, according to which British SMEs tend to adopt a more reactive and ad hoc approach towards HRM rather than proactive, holistic or systemic (Cassell et al., 2002). As one of the respondents explained:

“We don’t have any training plans or budgets. No, not particularly. We do do various types of training when required but no we don’t do any planning or budgeting. It tends to be quite ad hoc. There’s no real need you know” (Manufacturing 1-S⁴).

Similarly, another respondent noted:

“To be honest with you we don’t have any. We are a small business, I mean our turnover is 16 million. The most amount of training we do is in line with the business needs and processes. All is very much ad hoc. So, no, we don’t have any fixed training strategy in place because in a company of that size we don’t really need it. It’s as and when it becomes necessary. And I think it’s very common in a company of that size” (Wholesale and Retail-M).

However, there was some evidence of firms taking a more formal and structured approach towards their training and skills development. These firms, which were medium-sized companies, tended to have a formal plan in place towards their training along with a specified training budget. Moreover, regular employee appraisals were conducted in order to identify the training needs of the workforce and a specified budget was allocated towards training in order to cover the training expenses for the whole year. As one respondent explained:

“Through employee appraisals we identify the training requirements of our staff at each area and each discipline and then we just go ahead and actually plan it. In

⁴ This indicates the firm size. S is for small and M is for medium-sized firms.

terms of budgeting, we do our budgets for the year. Our financial year is the 1st of October until the end of September, so we do our budget planning that starts typically July or August of the previous financial year. So, our budget for the year was 15,000 pounds on training spent” (Information and Communication Industry-M).

Apart from the training plans and budgets, the existence of performance appraisals further supports the formal and structured approach that these workplaces had adopted towards training and development. The conduction of regular employee appraisals enabled these firms to better identify the training needs of their workforce and act proactively, by planning all the necessary training. However, these firms attributed an element of training responsibility to the workforce as well. Specifically, it was argued that, along with the employee appraisals that were taking place, employees were expected to express their training needs, suggesting that the company was open to discussing and implementing any necessary training. These requests for training were well considered and assessed by the management. When there was a real need for training and the business was in a position to bear the costs of such training, the firm was more than happy to implement the training for the benefit of the employee and the business as a whole. As one respondent explained:

“Apart from the appraisals, in our training policy we do regard that the person themselves is responsible as well for their training. So, if they think they have a need they should make sure that they express it so that they don't just sit there just expecting us to think of what they need all the time, but at the same time we do informational training sessions that we believe are necessary for all, which is every quarter” (Construction 2-M).

The more formalised approach towards training that was observed amongst these firms could be attributed to their larger size. Previous evidence has shown that there is a linear relationship between formal training provision and firm size, suggesting that the provision of formal and structured training increases as the size of the firm increases (Storey & Westhead, 1997). Furthermore, the higher levels of structured training amongst these firms compared to smaller SMEs could be attributed to their position in a supply chain. Cassell et al. (2002) argue that SMEs should not be viewed in isolation, as they often form part of a supply chain, which could play an important role in the adoption and formation of HRM practices. As they argue, if for instance a large customer demands that the firm meets specific HR standards, such as Investors in People (IiP), the SME has to do so. This seems to also resonate with the finding from the interviews with high-peak level organisations,

according to which the supply chain was seen to play an important role in the provision of training in the SME sector, irrespective of the economic climate or other circumstances.

In most firms, the training responsibility was shared between the owner, the senior managers and the line managers. Yet, the final decision was taken by the owner alone. As one respondent explained: “We broadly agree on what training might be required but you know ultimately, I suppose it does come down to the owner of the business, which would be myself, to approve it and actually do it” (Manufacturing 1-S). Such decisions were made on the basis of how imperative was the need for training and whether the company was able to cover the training expenses. Regarding the firms that had adopted a more formal approach towards training, the responsibility and the final decision for the training and development of the workforce was seen as the responsibility of line managers. Specifically, line managers had the responsibility to identify the training that was required, through employee appraisals, and take the respective action. As one respondent explained: “Line managers on the appraisal systems identify what training might be required and, if they think that more training is needed, it’s up to them to send them on a course” (Information and Communication-M).

In terms of training methods, on-the-job training and learning by doing tended to predominate. This finding supported the survey evidence. As one respondent noted: “The training we do is very much on-the-job. People come and sit with others and they just learn from them. And they can ask for help from other people as well within the company” (Wholesale and Retail-S). The training practices were mainly focused on the essential training needs of their workforce and the training that was imposed by legal requirements and, therefore, it had to be implemented. The training was restricted to the training floor and no additional training was undertaken aimed at the skills development of their workforce. As one respondent noted: “Our training is very much focused on essential things like health and safety related training and essential qualifications needed, for example for truck licenses, you know we have to have licensed operators in the warehouse to operate trucks safely” (Manufacturing 1-S). The majority of these firms had generally a more informal approach towards their training provision, with most of their training being ad hoc and with no additional training taking place mostly because of its cost. As one respondent explained:

“It’s all very ad hoc. We do what’s necessary. There is no point in going beyond. So, once you’ve done the minimum we are quite happy because obviously there is a cost to it. We’ve got to be mindful of cash flow and so on, so less is better really if you can get away with it” (Professional Services 1-S).

However, a small minority of the respondents reported that, apart from on-the-job training, additional methods of training were taking place in their business before the recession hit, including, off-the-job training, e-learning and the use of external providers. These firms, which were all medium-sized, had a more strategic approach towards their training provision and additional training was also provided to their workforce apart from the essential training. The evidence also revealed that these firms had placed a great emphasis on the personal development of their workforce, with the achievement of NVQ qualifications being at the forefront of their training agenda. One respondent noted:

“Well it varies. Some of the training is on-the-job, some of it is off-the-job. We have external courses, we have courses situated at our offices, so for example if it’s software training we’ve got a dedicated room to be able to do that. Some of it is college based. We also do a lot of NVQs and we use a lot of e-learning, you know it’s accessible to everybody and it’s quite flexible. So, it varies. Through appraisals we identify the needs of our workforce and we do what’s best for the job” (Information and Communication-M).

7.4 Impact of the recession on training practices in SMEs

The impact of the recent economic downturn on training and skills development was not uniform, with SMEs in the region adopting different training responses in order to survive the recession. Some of the firms taking part in the study reported that their training provision had been negatively affected by the economic downturn, whereas others reported that their training and skills development had remained largely intact. Specifically, three out of the nine SMEs had made cutbacks to their training as a result of the recession. These were all medium-sized businesses and they had traditionally been using a more strategic approach towards their training provision. The remaining six firms that reported no impact of the recession on their training practices were all small-sized enterprises-apart from one medium-sized firm, which had also adopted a less formal approach towards its training and skills development. Such evidence, as opposed to the survey findings, suggests that a more structured and formal approach towards training does not always insulate training and skills development from cutbacks during recessions. Yet, it could be argued that medium-sized firms with a more formal training approach had

just simply more to cutback in terms of training compared to small-sized companies and to firms with a less strategic approach towards training.

Where firms had made cutbacks in training, these were not seen as dramatic. There was evidence to suggest that businesses did not completely abandon training but they continued to invest in some types of training, in an attempt to retain their skills during these difficult times and be more competitive in the upturn. Nonetheless, these cutbacks suggest that the formal approach that these firms adopted towards training did not succeed to fully protect training from the recession. The evidence seems to suggest that training, as part of a more sophisticated approach towards HRM, takes a more reactive role during the recession, with the core target of businesses being to make savings on firm expenses. As one of the respondents explained:

“You know training budget is usually the first thing to go during a recession. So yes our training was affected. We did cut our training budget, not cut it totally out but we did cut a considerable amount. We kept only what we thought was necessary until we saw that things were a bit picking up again. We were a bit slower if you like on the move on training while recession was still on because people were busy fighting to try and get business and get things moving again” (Construction 2-M).

Similarly, another respondent reported that a more conservative approach was adopted in terms of training expenses in the light of the economic uncertainty. The severity of the recession along with the uncertainty of its duration necessitated the adoption of a cost-cutting strategy, one of the victims of which was training. As the respondent explained:

“2008, 2009, 2010 were very tough years. We would have been careful in terms of our investment in training, so we would have been very conservative in terms of the spend. So, I think yes we didn't spend quite as much on training because I think our staff was aware, they could see from themselves the state of the economy and how it's affected them personally. You know, getting us back to 2009, we didn't think it would last for another 2 or 3 years. So, I think the requests, the demands to do training were sort of put in abeyance just by pure natural process. Times were tough. So, I think training investment would have been lower yes but it was conscious decision made to do” (Manufacturing 3-M).

The evidence so far suggests that where there is formality firms are more likely to take a considered cost benefit approach to their investment. Although the soft model of HRM suggests that a sophisticated approach towards HRM places a great emphasis on training, the evidence suggests otherwise. Training is seen more in cost terms and whether the business can afford it, and during the recession this means that cuts in investment occur.

However, the fact that firms did not cut training totally out and continued to invest in some types of training suggests that firms' provisions more generally may be above the floor level of legal requirements. Previous research evidence confirms the vulnerability of the soft model of HRM during times of recession. For instance, Lahteenmaki et al's (1998) work in 987 Finnish companies during the deepest recession that post-war Finland had experienced at that point in time, shows that the economic situation can have a strong impact on the relationship between HRM and business performance, with training and HRM in general being vulnerable to external factors. The findings of their study suggested that the recession resulted in a poor HRM amongst most firms, with labour cuts, salary reductions and the withdrawal of employee development plans being amongst the most significant consequences.

As noted above, the firm size proved to be an important factor in influencing the training provision of firms during the recession. However, apart from the size, the sector that firms operated in also played a key role in determining the impact of the recession on their training provision and their business as a whole. In that respect, the firms coming from the construction and the manufacturing sector were hit harder than others and, consequently, their training provision was adversely affected to a greater extent compared to other sectors. This ties with the findings from the interviews with key informants, where it was revealed that the construction and manufacturing sector were amongst the industries that were most severely affected by the recent recession.

Previous research has identified financial constraints as one of the main reasons for lower levels of training provision during a recessionary period (Davies et al., 2012). In the same vein, it was revealed that the aforementioned cutbacks in training were mainly due to cost-related reasons, suggesting that the financial constraints and uncertainty that their businesses were facing during the recession prevented investment in training and skills development. As one of the respondents noted:

“It was the financial austerity more than anything else. And in certain businesses where businesses aren't growing and the financial performance is flat or in decline then clearly we just have to be very careful in terms of the cost base and what the business invests in” (Construction 2-M).

The time constraints proved to be an additional reason for the lower levels of training provision. The SME owners/managing directors reported that the strategies adopted by

their business in order to cope with the recession, such as redundancies or less working days, resulted in less time available for the businesses to provide training to their employees. As one respondent explained: “We are drastically downsized. We had to lay off some of the staff you know because the numbers were going down. So, there was no time for extra training” (Manufacturing 2-M). Another respondent pointed to the fewer working days available for the lower levels of training provision. This company, in contrast, instead of making its workforce redundant, decided to make cutbacks in working hours in order to retain the skill and talented workforce and save costs at the same time. Although the firm could provide training during working time, the respondent argued that the reduction of working hours resulted in less time available for training. As the respondent explained:

“In some parts of the business, we had a 4-day working week as opposed to making people redundant because we didn't want to lose skills at the time. Times were tough you know, we run 4 days a week, we were unlikely to get the training signed off” (Construction 2-M).

This finding seems to be supported by previous research according to which one of the main barriers to providing training during the recent recession was the difficulty for managers in finding time to organise and provide training and the lack of time by employees to attend training courses mostly due to increased workload (Shury et al., 2010).

Despite cutbacks in training, there was a generally shared view amongst these firms that investment in training under conditions of economic uncertainty could prove to be advantageous in the long-term for the business, as it would enable employers to recoup the costs and reap the benefits themselves of such an investment. Based on this rationale, businesses did not cut their training totally out and continued to invest in some types of training even during the recession. As one respondent noted: “We didn't cut training totally out. We did cut some because we couldn't afford it but we did provide some training during the recession. If you are thinking long-term, it's a sensible business decision” (Manufacturing 3-M). Similarly, another respondent explained:

“Although the times were tough, we still invested in training during the period because we could see a return on that investment. And that's the main reason why we did it and we do this with lots of other things. So, for example if we buy more equipment in the business- a capital spend- is about returning that investment. So,

we didn't abandon training, we did do some training" (Information and Communication-M).

The training imposed by legal regulations was a further reason for providing training during the recession. This chimes with previous research that has shown that firms have to implement a range of "training floors", which are indispensable forms of training that have to be implemented in order for businesses to operate (Felstead et al., 2012). This type of training was therefore seen as necessary and had to be provided regardless of the general economic environment. As one of the respondents noted:

"Some of the training we do is health and safety related and we have to do it anyway. It's non-negotiable. With a recession or not, we have to do it. It's stupid not to. Obviously, we care about the people that work here. They are not going to get their fingers trapped in machines and they will be taught how to use it properly. It's just good sense. Somebody with less fingers it's going to be less efficient so we do it because it's the right thing to do, because it's legal requirements and insurance requirement" (Manufacturing 1-S).

The same thoughts were echoed by another respondent:

"We are bound by regulations for things like health and safety. So, for example anybody who's required to drive the forklift truck is required to have a forklift handling license and we will send them out and somebody will train them up. My point is that there is the legal side of it to satisfy the health and safety thing. And we have to do it anyway" (Construction 1-S).

Those firms that had made no cutbacks in training claimed that their investments in training provision had remained unscathed. The main reason for this was the fact that most of the training that these firms were providing to their workforce was the training imposed by the economy-wide legislation, the production itself and various occupational bodies. Therefore, the recession had no effect on their training provision as the types of training that these firms were providing to their employees were indispensable and had to be implemented. These firms were already providing the rock bottom minimum and, thus, no further reductions could be made.

As one respondent from the manufacturing sector elaborated:

"We were affected by the recession. We, at the moment, employ 45 people. In 2008 we employed about 100, so we drastically downsized. But our training wasn't affected because, you know, the training that we do is the training that we have to do anyway. We were not spending any significant amount on training before, only the essentials. So no, we had no cutbacks on training" (Manufacturing 1-S).

Similarly, another respondent noted:

“There was no cutbacks in training or anything like that. Our training is very much focused on essential things like health and safety related training and essential qualifications needed. We couldn’t really stop doing these things” (Wholesale and retail-S).

Despite the different ways in which SMEs experienced the impact of the recent recession on training and skills development, there was a generally shared view that the financial austerity had compelled businesses to seek new ways of training delivery. There was evidence to suggest that an intensified need for alternative, more cost-effective ways of training was prevalent amongst SMEs in order to continue to train their workforce under such conditions of economic hardship. This finding seems to be supported by previous research evidence, according to which businesses have adopted “smarter” ways of training delivery as a result of the recent recession. The aim of these “smarter” ways of training was to provide high quality contents in a more focused and cost-effective way (Felstead at al., 2012). As one of the respondents noted: “We had to reduce our training expenses you know as an added layer of security. We still wanted to train our staff but we had to spend less. So, we tried to find more cost-effective ways of training” (Manufacturing 3-M). The same thoughts were echoed by another respondent: “Our training has changed compared to prior the recession. We tried to re-define our training approach. So, we looked for alternative training, efficient training but less costly” (Professional Services 2-M).

The interviews identified a range of different ways of training delivery. Amongst these were included the increased use of in-house training, greater emphasis on the needs of the business and limited use of external providers, and external training courses. As one of the respondents noted: “Everything we do, all the training that we do is in-house now. And it’s done mostly by using internal skills simply because it costs less” (Construction 2-M). Similarly, another respondent noted:

“Our training is much more focused now. You know we had to be careful with our money so we did only what was necessary for the business. We’ve stopped sending people out on external courses. We pretty much do it in-house by using our skilled staff to train others. And there were times that you know we had to send people out for courses but we thought it was better, cheaper for us to bring the trainer on-site” (Information and communication-M).

The increased use of trained and skilled staff to train other employees has also proved to be another alternative way of training delivery. As one of the respondents noted:

“The gain is a business where we have employees who are regarded as experts in their field and have an ability to articulate their knowledge well. I’ll give you an example. Recently we had to invest in a very specialised training course that might have cost us many thousands of pounds. It was something like six or seven people needed that training. So, we ended sending two and asked those two people to come back and import that knowledge internally” (Professional Services 2-M).

7.5 Training in the post-recession period

The main picture to emerge regarding the investment in training and skills development in the post-recession period was that the economy had started to pick up again, which was also reflected in the training provision of SMEs. Employers seemed to be more optimistic about the future, mainly due to the apparent signs of improvements in the regional economy, which made SMEs more confident in terms of investing in training again. As one of the respondents explained:

“There are definitely signs of improvement in the economy. And there’s definitely more confidence in terms of training our staff. So yes I think we will be doing more training. You know now we are feeling a bit more optimistic about the prospects for the coming years” (Professional Services 1-S).

Similarly, another respondent noted:

“Things are definitely picking up now training-wise. Consciously we are doing more training to make sure that we are keeping our own people educated, up to speed and staff is valued. There’s an increased level of confidence in terms of investing for the future rather than thinking I wonder what’s going on around the corner” (Construction 2-M).

This increased training investment was evident mainly on the training budgets, which were significantly increased, compared to the period during the recession. Furthermore, the levels of training provision were higher, with firms identifying the training and development needs of their workforce and actually implementing the training required. Employers seemed to have shifted their focus from surviving the recession into growing their business again. There was an overall feeling of optimism amongst SMEs, which was mainly attributed to the increased levels of employment and recruitment in the region. As noted in Chapter Four, from 2013 and onwards, the local economy has been experiencing a year on year employment growth, reaching its peak in a decade in 2016. Given this apparent employment growth in the region, employers were confident that they would get

a return on their training investments, and that is why investments in training were increased. As one of the respondents explained:

“Yes, I think investment in training is higher now. Why? Because I think the economy of the UK is picking up. I don’t think we believe it’s as good as what the politicians will have us believe or the media will have us believe because capital expenditure is still quite low. But I mean certainly you know the unemployment is coming down and we are recruiting at the moment. So, I think it is because of the economy. I think people feel in business, people think more confident than twelve months ago and, therefore, you know there’s more confidence in terms of investment in training” (Information and Communication-M).

The findings also revealed a shift in the approach of SMEs towards training in the post-recession period. There was an increased focus on workforce training and skills development compared to prior and during the recession. In that respect, SME employers had decided, as a result of the recession, to invest more in the education and training of their workforce by increasing their training budgets and by organising more training events than the pre-recession period. As one respondent noted: “You know we felt that we’d spent a lot of money in the past on recruitment, recruitment fees and the agency costs but now we feel it’s better to spend the money with the individuals and their training” (Professional Services 2-M). Similarly, another respondent explained:

“We were not really spending any significant amount on training before, only the essentials. Our budget for this year would be 13,000 pounds, which is quite small but it wasn't even there, say prior to and during the recession times we didn't even have a budget in place and we probably spent around five to six thousand pounds a year in those days. Now we've already committed to spend 13,000 pounds, which we already have put half of that in other training for staffing, sales, development, management and leadership courses, account management courses” (Manufacturing 2-M).

This increased focus and investment on training amongst SMEs could be explained due to the fact that employers had realised that the only way to better cope with future recessions and meet business growth is through the investment in the education and training of their workforce. Furthermore, it could be argued that the skills shortages that businesses usually experience after the end of a recession, due to the lack of training provision during this time period, could be the reason for this increased training investment in order for the businesses to meet these skill shortages and be profitable again in the upturn. While there was no evidence to support the emergence of skills shortages because of the recession,

there was some concern that such shortages could arise, and, therefore, employers had to be alert.

7.6 Awareness and usage of state-supported training initiatives

Investment in training and skills development have been at the forefront of the government's approach to raise workforce skills and return the British economy to sustainable growth. Accordingly, a number of training schemes and initiatives have been introduced in order to boost investment in skills and stimulate the growth of the economy (BIS, 2010a). This section looks at the awareness and involvement of SMEs with state-funded training initiatives during and after the recessionary period.

The data analysis revealed that SMEs were making use of apprenticeships during and after the end of the recession, with firms operating in the construction industry running more apprenticeship schemes compared to the other industries taking part in the study. This finding seems to support the National Employer Skill Survey for England 2009, where it was found that the construction industry had the highest proportion of employees undertaking apprenticeships (Shury et al., 2010). The analysis revealed that the responding construction companies were members of the Construction Industry Training Board (CITB), which was responsible for coordinating apprenticeships within the construction companies. As one respondent explained:

“We are members of the ICTB board and we pay a subscription and some of the money there is grant or fund from the government through these training boards. I think it's quite good value to be honest. You know the cost to us is modest for what you get. You get some good qualified engineers out of it and you know you pay CITB subscription and we get our apprenticeship grant, we get the tuition free and some of the expenses and some grants when they get through” (Construction 1-S).

However, the negative impact of the recession was evident in the recruitment of apprentices, as intakes of apprentices had been reduced as a result of the recession. This finding seems to be in line with previous research, where it was found that the number of apprentices and new trainees recruited had fallen due to the recent recession (Shury et. al., 2010). Nonetheless, while the number of apprenticeships during the recession had decreased, there was an increased take-up of apprentices in the post-recession period. Although the construction industry had been traditionally employing more apprentices than other industries, the increased number of apprenticeships in the post-recession period

was evident across all industries taking part in the study mainly due to the fact that the economy was picking up again and SMEs were getting busier again. As one of the respondents noted:

“Yes, apprenticeships have been affected by the recession. I mean we used to take on around five apprentices during the recession but we are taking a bit more now because we’re getting busier. But I could say that because we are getting busier, in an area where we’d probably need one apprentice now we need two. So, I mean before we had four or five and now we are running eight or nine apprenticeships” (Manufacturing 3-M).

The main reason identified for the use of apprenticeships was the prospect of a committed workforce. There was a generally shared view that apprenticeships could create a dedicated and loyal workforce, which would be beneficiary for both parties. As one of the respondents noted:

“We have actually appointed three apprenticeships in the business. We did that because, not necessarily of government support, but because we felt that if we could take some good quality school leavers on there’s a chance to, you know, we might can do something with those guys and you know gives us something back, back to society in some respect. And they have the potential opportunity that if we could kind of home-grown our people and we take on some of these apprenticeships, they might feel the sense of quiet deliberate loyalty and commitment to the business long-term and that would be good for both parties” (Manufacturing 1-S).

Furthermore, the fact that the state could cover, in full or in part, the costs of taking on an apprentice was perceived as of great importance, given the general economic uncertainty. As one of the respondents noted: “We’ve always taken on apprentices. You know the government helps us with some of the training costs so it’s quite good value to be honest” (Wholesale and Retail-S). Similarly, another respondent noted: “It’s a more cost-effective way to train our staff. So, we do run two or three apprenticeship schemes every year in our business” (Manufacturing 2-S). The demand for young people in the business was perceived as an additional reason for the use of apprenticeship programmes. As one of the respondents noted: “We know that we need young people so we’ve always taken apprentices on because they are necessary always” (Construction 1-S).

A great emphasis was also placed on the apprenticeship reform plan that is going to be launched in 2017 and the way it could affect their investment in apprenticeships. Overall, SMEs were not opposed to such amendments as long as they did not affect their

investment in apprenticeships. Although there was a perceived administrative burden of the new apprenticeships, few were able to predict whether it would be more effective for their workforce and their business. As one of the respondents explained:

“Well I mean it is what it is, isn't it? As long as we have apprentices we don't mind. It is different the way that they are gonna go about it and I think administratively, it's a little bit harder for companies from what I gather from the guy that's dealing with it. But if that's what they want to do, then that's what they're going to do. The main thing for us is having available talent to work with and to get the training going and that's it. That's what is the most important to us. If they want to alter the system because they think something else works better time will tell, won't it?” (Construction 1-S).

Although the majority of SME owners/managing directors was positive towards apprenticeships, there was some scepticism about the way apprenticeships were performed. Some of the respondents raised some concerns about the strong emphasis of the apprenticeships on low-skilled jobs, suggesting that a re-emphasis of the apprenticeships on achieving higher levels of skills would lead to a higher skills economy. This concern was also identified in the interviews with the key informants, as it was revealed that the lack of focus of the state support on higher-level skills and the emphasis on the investment in low skills could prevent the growth of the economy. As one respondent noted:

“I think they can do better because in Germany and in Europe they've been much more highly valued and I think they've got to lift the bar. It's all right getting degrees but that doesn't actually deliver money. We need kids that are doing something that's much more focused for particular job they want. I think we need to go more the German system, where apprenticeships are more highly valued. I think that's planned from what I gather, that seems to be in the manifesto, isn't it? To get more apprentices, and I am just hoping they're high valued ones not just words” (Manufacturing 3-M).

Apart from apprenticeships, SMEs were neither aware nor making use of any other training schemes and initiatives available by the state during or after the recent recession. The low levels of awareness and engagement with state-supported training initiatives were mainly due to the bureaucracy involved in these programmes, as the employers found it very “off-putting”. Evidence from previous research on skill issues and workforce development activities amongst UK employers suggests that the bureaucracy and red tape involved in training initiatives introduced by the state are the main reasons for the low take-up of such programmes (Shury et al., 2012). As one of the respondents elaborated:

“Bureaucracy is always the problem, isn’t it? And I think that is always the problem with Government-run initiatives. You suddenly find that it’s alright on paper but the administration etc etc become more cumbersome and it’s something you don’t really want, it’s something you shake your head and think “oh not another bit of red tape”. That’s common in business certainly, there’s too much red tape” (Manufacturing 2-M).

Similarly, another respondent noted:

“We don't use, we don't go through the government schemes. We've tried in the past but you know you have to fill a form that looks like the yellow pages for them to just turn around and say "oh there's no fund, this is no longer available, fill this form in now, fill this form in now". So, we do do it but we just support it ourselves" (Manufacturing 1-S).

The lack of time of SME employers was also perceived as an inhibitory factor for the take-up of training initiatives and schemes. The general view was that the engagement with such programmes was a time-consuming process mainly due to the complexity and bureaucracy that was involved, resulting in low levels of take-up amongst SMEs. As one of the respondents noted, their business did not have the time to get involved in such a long process:

I think then the long process to bureaucracy and all, it kind of puts a lot of people off because you know if you're running a business, it's your business, and you're kind of looking for the next opportunity or making sure that it's not a disaster or waiting in the corner for you and then you don't necessarily have the time” (Information and Communication-M).

Similarly, another respondent pointed to the lack of time that characterised the SME environment in general. Specifically, it was noted that SME owners due to a high workload lacked the time to explore the initiatives that were available. As the respondent explained:

“I think in the small-medium enterprise space most of the companies, you know the boss is the owner, and in today's commercial environment there's not a lot of fat and when I say fat there's not a lot of capacity in these businesses for people to afford or have the time to investigate what help and advice and guidance or funding they might get from the government or anywhere else” (Professional Services 1-M).

The complexity that characterised these initiatives, including the long time involved in order to identify, understand and get access to these programmes, was perceived as an additional inhibitory factor for the take-up of such initiatives. Consequently, businesses

were left to their own devices regarding the education and training of their workforce. As the respondent explained:

“We are not really aware of all the available government schemes. We tend to go it alone because the access ability of these schemes seems to be through agencies and you spend a lot of time talking to consultants and agencies before you can get to the schemes themselves and very often it’s the case “we’ve got there, it’s not been worthwhile, it’s not for us”. So, a lot of people don’t invest because they simply haven’t got the time to understand what are they and how they might get some help. So, we just do our own thing and we have, apart from the apprentice scheme, we’ve not really explored any other possibilities” (Wholesale and Retail-S).

The poor levels of engagement with training initiatives were also attributed to the perceived lack of need, suggesting that SMEs did not need the state support in order to train their workforce. As one of the respondents noted:

“We’re fortunate, we’ve built up our own cash reserves so we don’t borrow from banks so from a financial point of view we certainly weren’t in any need of any help or assistance from the government and I suppose the same would apply to the training. If we felt somebody was good and if we felt they needed special training then we would finance it ourselves” (Professional Services 2-M).

Similarly, another respondent pointed to the lack of need of state support towards training due to the fact that their business provided only the training that was imposed by legal regulations and, as such, no government support was required. As the respondent noted:

“We do only the legal side of things where we would spend money. So, when it comes to training on let’s say how to handle a forklift truck, it’s just an everyday business cost because you have to have it. Why would the government support you for something you legally have to have?” (Manufacturing 1-S).

The continuous take-up of these schemes from the same companies raised some serious concerns amongst SMEs. The evidence suggested that this could create an unfair competition amongst businesses, as firms with a record in applying for such initiatives would be more likely to participate in them. Therefore, a lot of businesses were repelled from engaging with state-funded initiatives. As one respondent explained:

“Some companies make a career of applying for loans and grants and systems on these training schemes and things like that, which gives them an unfair advantage for a year or two years or five years and it kind of distorts the market, it suppresses pricing and it increases competition” (Construction 1-S).

On the same grounds, another respondent noted:

“When you look into it you find that the same three or four companies, all the money that comes from funding goes to them. It just goes to them, there's never any left for people that don't apply for it all the time, that are in it all the time. And you know it's off putting” (Professional Services 1-S).

In the question whether the state support towards training has proved to be effective during these difficult times of economic uncertainty, the respondents provided a negative response. There was a consensus that state support had proved to be insufficient, suggesting that more could be done by the state in order to help SMEs and their training provision. As a starting point, there was a generally shared view that the state should make businesses more aware of the training initiatives available, and that the state support should be more targeted to SMEs and their training needs. However, such evidence indicates that there is a degree of contradiction between the poor participation rates of SMEs in training initiatives and the evaluation of state support. Although SMEs argued that they did not need state support, as they provided only the minimum of training that was needed, they seemed to have very clear views in terms of what more was needed in order for the state support to be more effective. As one of the respondents noted:

“I think where it needs more support I think it would be in terms of making businesses more aware of what is available rather than the businesses to go and find out there what is available. I think the government should be more proactive and make people more aware of what is available and be more targeted. And that's where I think the government and the industry needs to be improved. I think if people are more aware of that and made more aware then you can put in context. That's where I think the government could improve” (Information and Communication-M).

Therefore, there was some concern that the failure to communicate adequately was also responsible for the ineffective state support to SMEs. A better communication of the programmes available would raise the levels of awareness and, consequently, the participation rates in these initiatives. This communication could be realised with a better advertisement of the initiatives available to SMEs and the benefits they could bring to their business, and by helping SMEs to have an easier access to such information. The lack of focus that characterised the state support was perceived as an additional reason for the ineffective support, suggesting that a better coordination amongst SMEs, training providers and the state would improve the support towards SMEs. For instance, a joint action between business associations, governmental bodies, unions and training providers

would facilitate the development of initiatives and programmes tailored to the skill needs of SMEs and their industry. Such coordination would make the state support more proactive and targeted to the business needs and, thus, more effective.

Some of the respondents cast some doubts about the usefulness of training initiatives, arguing that the state could provide alternative, more effective ways of supporting SMEs and their training provision rather than the introduction of training schemes and initiatives. One of the respondents argued that businesses would have benefited more if the state was giving the money to the firms and not spending it on those initiatives. As the respondent explained:

“I've got a very kind of maybe unusual view or maybe not very helpful view but my view for the government is that they would do more for business if they get less. I think they would be better not spending that money on these schemes and spending less time meddling with business. I think it'd be better if businesses were left to their own devices and perhaps given the money that were spent on those training schemes and all of the government industry schemes would be better of put back into business by not taking of them in the first place” (Manufacturing 1-S).

This suggestion seems to fit with a more voluntaristic approach towards training and skills development, since such a perspective would leave SMEs to their own devices on how to invest the money available from the state, which is not too far away from what the state is doing at the moment. Although it was argued that such an approach would be more effective for SMEs, a number of studies have shown that a voluntaristic, employer-led approach towards training could lead to a general underinvestment in the education and training of the workforce (Finegold, 1991; Keep & Rainbird, 1995; Keep & Mayhew, 1998).

In addition, another respondent argued that the state should redefine the support towards SMEs and their training provision, suggesting that less of a focus placed on the training initiatives along with a more relaxed tax environment would be more beneficial for SMEs and their needs. Specifically, it was argued that the state should decrease the investment in all these initiatives and instead give the money to the employers. Such an initiative, along with less tax for businesses, would help the SME sector to invest more on the education and training of their workforce. As the respondent explained:

“The amount of money we pay over in tax to the government by far is off the scale compared to the amount of assistance we've ever received all of the years we've been in business. And these handouts coming from the government that's on the other hand taking money of us and if they didn't take the money of us in the first place we would have that money to spend it ourselves and, if we did, we might be doing more training, we might be employing more people but we can't do that because we've got to pay so much from our profits to the government because they say they know how to spend it better and I would say that that is not the case. So I strongly object to these handouts, I think we would of benefited greatly, and so with a lot of other businesses, if these handouts hadn't been available in the first place and if the money had been given back to the businesses that are actually paying the tax over” (Construction 1-S).

Yet, the above suggestion denotes the limited awareness amongst SMEs regarding the state support available in relation to training and development. The state has, indeed, introduced a number of tax incentives, such as tax reliefs and deductions, in order to encourage training investment within the SME sector. Such tax arrangements allow firms to offset the costs of training against profits in tax returns, and, thus, they can incentivise specifically small employers to invest in training. This lack of awareness indicates that the UK government should put more effort in making SMEs aware of the options available in order to promote training and development within such establishments.

7.7 Unionisation within SMEs

This section aims to explore the levels of unionisation within SMEs and the way they influence their training provision under the context of recession. As it was noted in the literature, previous research has shown that the SME sector is characterised by low rates of trade union recognition and density (Eurofound, 1999; Forth et al., 2006). In the same vein, the findings from the interviews revealed very low levels of union recognition amongst SMEs, with only two firms reporting to have trade union members within their workplace. As one respondent noted:

“We don't have any unions at our place. There might be, some of the guys might be in unions but we don't have a shop steward or recognised or anything like that. I mean we're not a unionised company but it doesn't bother us if somebody is a member of one. So, we don't know who is, although we do know two that might be a member of the union but we do not negotiate anything through unions at all” (Manufacturing 2-M).

Similarly, another respondent noted:

“We are totally non unionised. I see occasionally union fees going through but to be honest with you they are not even shop floor. It never really meant anything to us. In the industry that we are working there's not a strong union body representing people. I don't know of software services businesses that are unionised quite honestly. I think, I might be wrong, I think it's more traditional industries that are unionised and I think that union membership has declined over the years” (Information and Communication-M).

The key reason for the low levels of unionisation in these workplaces was the lack of need of union recognition within SMEs mostly due to the close relationships between employers and employees. SME employers seemed to be able to handle any issues related to the workforce, without the involvement of trade unions. This finding seems to come in line with the evidence from the interviews with key informants, where it was shown that the close working relationships between employers and their workforce limited the demand for trade unions within SMEs. As one respondent noted:

“Employees just don't consider it necessary. We have a fairly content workforce, we all get very well. It all seems to work fairly seamlessly, we all work together, and there are no real issues between management and staff, not like British labour in the seventies. There aren't any industrial disputes. Only very occasionally we may get a bleat where somebody has done something silly but generally there are no issues, and no conflict. We have a very good understanding of the needs of our workforce and we have good grievance policies. There's no real need for trade unions” (Manufacturing 2-M).

The same thoughts were echoed from another respondent:

“I think there's no real need for unions in such small places like our business. You know everyone knows everyone and even if situations can't be resolved immediately by talking to the other people at work and the colleagues and the managers, eventually things are resolved and everyone has a satisfactory position. There's no need and I don't think any union has been along to try and unionise but I don't think even if that happened there's much demand for it, I wouldn't of thought” (Construction 1-S).

Despite the low rates of trade union recognition, the owners/managing directors were not opposed to the presence of trade unions in their workplace. Employees had every right to be part of a trade union if they wanted to and employers could not prevent them from doing so. This finding seems to be in line with previous research evidence from WERS, according to which the opposition of British employers to the presence of trade unions was very low (Forth et al., 2006). As such one of the respondents noted:

“I think probably unions are not a bad thing, providing that they are constructive and I think that’s probably down to the individuals. I am not opposed to unions at all. So, I think, I mean, we say clearly that we can’t prevent it and we don’t prevent it or stop it. If our staff want to be part of it and join a trade union, they are more than welcome to do so” (Wholesale and Retail-S).

Similarly, another respondent noted:

“I am not opposed to trade unions. I am opposed to bad trade unions and bad practices. I mean there’s always good and bad. The principle of them is good. The application of it sometimes, the way that they are actually run and everything like that sometimes they are counterproductive. But no I don’t mind them” (Construction 2-M).

As noted earlier in the section, two firms reported to have trade union members within their workplace. These were medium-sized firms from the manufacturing and the construction industry, confirming previous evidence that the levels of union recognition increase as the firm size increases (Machin, 2004). However, it was revealed that these union members were not active. This meant that the companies did not consult with the union towards training and development issues and that the trade union members had no involvement in training decisions. The key reason for this was the lack of need, as employers claimed to be very well aware of the skill needs of their workforce and they were always open to discuss the skills demands of their employees. Therefore, no union intervention was needed.

From the results, it is evident that we could not reach into safe conclusions about the impact of unionisation on the training practices of SMEs, as trade union recognition was absent in the majority of firms. Even in the establishments where trade union members were present, they were not active. Therefore, it was not possible to investigate whether trade unions could affect the provision of training in SMEs and whether this relationship could be affected by the recent recession. Although there are industries, such as the construction, where trade unions traditionally play a key role in co-ordinating training, the present study could not reveal such findings. However, it could be argued that the general absence of union recognition along with the inactive role of trade union members in some workplaces could indicate the lack of need of union intervention in training matters.

7.8 Conclusions

This chapter has explored the nature of training provision within nine SMEs across the Yorkshire and the Humber region and has examined the impact of the recent recession on their training practices. The analysis revealed that a less strategic approach towards training and skills development was dominant within SMEs, as most firms had no formal planning or budgeting in place for training. The main reason identified for this informal training approach was the lack of any perceived need, with most SMEs reporting that their training needs were better served on an ad hoc basis. Formal planning or budgeting towards training provision was thus seen as unnecessary. Nonetheless, there was evidence to suggest that a degree of formal and systematic training had taken place in a small minority of firms, which was evident through the existence of a formal training plan and a budget dedicated to their training practices. These firms were medium-sized, suggesting that there was a positive relationship between the size of the firm and the level of formality devoted to training.

The informal approach towards training amongst SMEs was also evident in terms of the training methods employed. There was in general a learning culture that emphasised on-the-job training and learning by doing as opposed to formal training. These methods of training seemed to satisfy the needs of firms, since they provided only the essential training and the training that was imposed by legal requirements. However, a small minority of SMEs reported a variety of training methods that their business was employing, including on and off-the-job training, e-learning and the use of external providers. The analysis of the findings revealed that these firms had a more formal and structured training approach, with the provision of additional training and the investment on the personal development of their employees being their main focus.

Turning to the recession and its impact on the training practices of SMES, the interviews did not detect a dramatic decline in training and skills development within SMEs. It was revealed that some of the firms taking part in the study had to make cutbacks in their training provision as a result of the recession, whereas others (mainly small-sized) reported no impact on their training practices. Regarding the firms that were negatively affected by the recession, these were all medium-sized companies and had generally adopted a more strategic approach towards their training and skills development. The main

reasons identified for the lower levels of training provision within these firms were the financial and time constraints imposed by the general financial austerity.

Although the survey evidence suggests that SMEs with a less formal approach towards training are more inclined to cutbacks in training as a result of the recession, the present chapter suggests that a higher degree of formality towards training cannot always insulate training and skills development against times of economic uncertainty. Although the soft model of HRM suggests that sophistication towards HRM places a great emphasis on the training and development of employees, the evidence of this study suggests otherwise. Firms were more likely to view training in cost terms and, thus, cutbacks in training investment during the recession occurred. Therefore, the evidence suggests that soft HRM practices can become vulnerable during times of economic uncertainty, with firms adopting a more considered cost benefit approach towards their training investment mainly due to the pressures for short-term returns. The negative impact of the recession on the training practices of these firms could be attributed to the industry that these firms operated in. Specifically, two out of these three firms operated in the manufacturing and construction industries, which were hit harder than others by the recent recession, as it was also revealed in the interviews with high-peak level organisations. Therefore, the great impact of the recession on these businesses, despite having a more sophisticated approach to HRM, might have forced them to adopt a more cost-cutting business strategy in order to survive the crisis and, thus, cutbacks in training were inevitable.

The analysis also revealed that some SMEs had made no cutbacks in their training as a result of the recession. The majority of them were small-sized firms and had traditionally a more informal approach towards their training. The main reason identified for this lack of impact of the recession on their training was the fact that these firms provided only the training that was imposed by legal requirements and this training had to be implemented even during these times of economic uncertainty.

Despite the aforementioned different experiences of the recession amongst SMEs in terms of training and skills development, the majority of the firms adopted alternative ways of training delivery as a result of the recession, confirming the survey evidence of emerging, new ways of training delivery due to the economic downturn. Specifically, the interviews revealed that SMEs, in an effort to continue training even during these times of economic hardship, sought for alternative, more cost-effective ways of training delivery. Amongst

these included, increased use of in-house training, increased use of skilled and trained staff to train other employees and greater emphasis on the actual needs of the business.

The post-recession period has been characterised by a significant increase in the training investment, suggesting that the improvement of the economy was also reflected in the training and skills development. SMEs reported that the increased levels of recruitment and employment were the main reasons for the higher levels of training provision. Firms also had shifted their approach towards training in the post-recession period, suggesting that SMEs were more focused on the training of their staff and their needs than they have been prior and during the recession.

The chapter also sought to explore the levels of awareness and usage of the state support available within the SME sector. The interviews revealed that the majority of SMEs were making use of apprenticeships, with the firms operating in the construction industry making use of apprenticeship schemes at a greater degree than the other industries taking part in the study. Although the number of apprentices had declined significantly, SMEs were making increased use of apprenticeships in the post-recession period. The main reasons attributed to this were the prospect of creating a committed and loyal workforce, the fact that the state could cover some of the costs related to these schemes and the need for bringing young people into the business.

Although a number of training initiatives have been identified in Chapter Five, the interviews revealed that SMEs were not making use of any other initiatives supported by the state apart from the apprenticeships. The main reasons identified for this were the bureaucracy that characterised these programmes along with the lack of time to get involved, as it was a time-consuming process. An additional reason provided by the respondents was the lack of need, as in many cases the employers provided only the training that was imposed by legal requirements and, thus, there was no need to engage with any of the other initiatives introduced by the state.

The low levels of participation in state-funded training initiatives indicated that the state support had been insufficient, with SMEs reporting that more could be done in order to help SMEs in terms of training and skills development. SMEs suggested that making businesses more aware of the initiatives available would increase the take-up of these programmes and, thus, would make the state support more effective. Furthermore, a

restructuring of the apprenticeships, with a greater focus on higher-level skills, would increase the skill level of the employees and, thus, would lead to a higher skill economy. A support more focused and targeted on the training needs of the SMEs would enable the state support to be more effective in the future.

Finally, the chapter sought to examine the levels of unionisation within SMEs and whether the presence of unions affects training decisions. The interviews revealed that the majority of the firms taking part in the study were not unionised, although in some cases there were trade union members present but they were not active. The lack of need due to the close relationships between employer and employees was the main reason identified for the absence of trade unions in these workplaces. However, the analysis of the findings revealed that SME employers were not opposed to the presence of trade unions in their workplace. Although existing research suggests a positive association between unionisation and workforce training (Heyes & Stuart, 1998), the interviews could not support such evidence due to the absence of unions within SMEs. Nonetheless, this lack of unionisation could be a sign of the lack of need of union intervention in training matters within such establishments.

Overall, the interview findings seem to suggest that SMEs do not implement a formal human resource development approach. Although there was evidence that a degree of formal and systematic training had taken place, this was restricted to medium-sized firms. There seems to be a strong preference for unplanned training and for more informal learning and training methods amongst SMEs, as they seem to respond better to their needs. This finding was also supported from the survey results, which revealed the predominance of an informal learning culture amongst SMEs. Therefore, the current research study highlights the greater utility and relevance of informal over formal training in SMEs and denotes the fact that training within SMEs is not systematically organised. The fact that this informal approach of SMEs towards training and development remained intact by the recession further enhances the relevance and applicability of such an approach to the SME context and its skill needs.

In terms of the training provision of SMEs during a recessionary period, the chapter stresses the important role that the industry, which firms operate in, can play in determining the impact of the recession on SMEs and their training behaviour. Although the survey evidence revealed the degree of formality dedicated to training and

development as an additional factor influencing SMEs' training provision during the recession suggesting that a more formal training approach can protect training and skills under such difficult times, the interview findings suggest otherwise. Specifically, it was revealed that SMEs with a more systematic approach towards training had to make cutbacks in training, whereas firms with a less strategic training approach remained intact by the recession in terms of training and skills. Yet, it could be argued that firms in the former case might have had just more to cutback, whereas firms that reported no reductions in training provided only the training imposed by legal requirements and which had to be implemented in order for their business to operate. Nevertheless, this evidence does not cancel out the survey finding that a high degree of formality towards training and development can insulate training during times of economic uncertainty but rather it denotes the fact that a formal training approach should not always be seen as a panacea for protecting training and development during a recession. In the light of short-term returns that such conditions of economic uncertainty usually impose, firms might have to derail their sophisticated approach towards training and adopt more cost benefit approaches to their investment. Such evidence indicates the vulnerability of soft HRM practices during a recessionary period.

The preceding empirical chapters detected poor participation rates in state-funded training initiatives amongst SMEs and insufficient levels of state support towards SMEs and their training provision. Similarly, this chapter revealed limited levels of awareness and usage of initiatives available, which denotes that the state support has proved to be unsuccessful in stimulating and promoting training provision within the SME sector. There seems to be a mismatch between the state-funded initiatives on offer and the actual skill needs of SMEs. Although there are a lot of training initiatives available, as it was shown in Chapter Five, the interest and usage of these initiatives amongst SMEs was very limited. This mismatch between supply and demand seems to be more of a supply-side approach problem, as the state interventions appear to neglect the SME context and its skill needs. Current policy measures in relation to training and development in SMEs operate mostly on the supply-side and are based on a limited understanding about the skill needs of the SME sector. The interview findings revealed that if demand for skills within SMEs is to be met, there is a requirement for the state to seriously engage with the SME context and take into consideration the time and financial constraints the sector faces as well as its strong preference towards informal training practices. Such an approach would encourage

training investment within SMEs and, thus, would enhance the levels of success of the state support. This is unlikely to be met with bureaucratic state-funded training initiatives, aimed at firms of all sizes. In addition, the state should seek new ways to better communicate to the SME population the support available in order to increase the levels of awareness and, thus, the participation rates amongst SMEs. In the following chapter, the key conclusions and implications of the present study are discussed and the areas for future research are outlined.

Chapter 8: Conclusions

8.1 Introduction

The main objectives of the study were to assess the impact of the recent economic downturn on the training practices of British SMEs and examine the way they performed under recessionary conditions. To achieve this, the study examined the dynamics of skill formation in SMEs under the context of the recession at different levels of analysis, including the national, local and enterprise level. It has been argued that the British “market model” of VET can leave training provision extremely vulnerable to cutbacks during recessions, since it is characterised by a greater emphasis on short-term over long-term requirements (Hyman, 1992; Rainbird, 1993). Such concerns have been of particular significance for the UK, since successive British governments have placed a great emphasis on training and skills development for future economic growth and competitiveness. Although there is a small body of existing research in relation to the impact of the recent recession on training and skills, we are still relatively in the dark as to what happened to the training practices of British SMEs during the recession. Against this background, empirical research was carried out in order to meet the aforementioned objectives.

In this final chapter, a number of key conclusions are drawn based on the findings of the empirical work. Specifically, the chapter begins with a summary of the key findings of this research study around the way training within British SMEs was formed and performed under the context of a recession. The subsequent section outlines the main contribution to the training and skills development literature. The chapter concludes by identifying potential areas of future research.

8.2 Training and skills development within British SMEs during recession

This study has attempted to fill the knowledge gap in relation to the way training and skills development within British SMEs are shaped, and influenced, by an economic downturn. Through the employment of a multi-level approach, it has explored the impact of the recent recession on training and development in SMEs in the Yorkshire and the Humber region. Data were gathered from both quantitative and qualitative sources. The quantitative data were derived from a survey of SMEs in the region, while the qualitative

data derived from interviews with key informants from peak-level organisations and SME owners/managing directors. Each of these sources painted a slightly different picture in relation to the impact of the recession on SMEs' training practices. The interviews with peak-level organisations were suggestive of a significant decrease in the provision of training amongst SMEs. Firms were portrayed as in survival mode as they attempted to cope with the economic downturn and, thus, cutbacks in any perceived unnecessary spending were inevitable, including cutbacks in training. Against this backdrop, financial and time constraints were the most prevalent reasons for these cutbacks. In contrast, the survey evidence suggested that the recession had more of a moderate impact on the training provision of SMEs, with the projects being delayed or cancelled and the loss of turnover/profits being the most frequently cited effects of the recession. In this context, training cutbacks were seen as subject to a broader cost-cutting business strategy that SMEs employed in order to outlast the recession and be more competitive in the upturn. Finally, the interviews with SME owners/managing directors revealed contrasting experiences of the recession. Specifically, while some firms had to make reductions in their training expenses - although they did not cut their training to the bone - in other cases training remained relatively unscathed by the recession. The latter, however, were firms that traditionally provided only the minimum level of training, which was imposed by legal requirements and was regarded as indispensable for their business to operate.

These diversities of responses were explained by a number of factors that can influence training investment in SMEs during a recession. Firstly, the industrial sector that SMEs operate in can play a key role in levels of training investment during the recession. In particular, industries, such as the construction, manufacturing, hospitality and the financial industry, were severely hit by the recent recession, resulting in larger decreases in training expenses compared to other industries that were affected by the recession to a lesser extent. The degree of formality that SMEs adopt towards the training and skills development needs of their workforce, in terms of training plans and budgets, proved to be an additional factor influencing their training behaviour. SMEs characterised by a less strategic approach towards training were more inclined to cutbacks in training during the recession and vice versa, suggesting that a high degree of formality could insulate training from cutbacks during recession. The degree of formality towards training appeared to be related to the size of the firm, suggesting that small firms were less likely to adopt a formal training approach than medium-sized firms. Firm size was, therefore, an additional

factor that influenced SMEs' training provision, as they sought to respond to the economic crisis. Furthermore, the supply chain seemed to affect the training investment within SMEs, suggesting that firms had to comply with their supply chain's training requirements (where it was applicable) irrespective of the general economic climate.

The main argument of this study, therefore, is that the impact of recession on the training practices of SMEs is not universal. This point stands in contrast to popular assertions that training investment is one of the first casualties of recession. Although there appeared to be a decline in training investment, this was not as dramatic as some may have anticipated and it was mainly part of a general, cost-cutting business strategy. A number of factors seem to determine the extent and intensity of the impact of recession on SMEs and their subsequent training behaviour, including the sector that firms operate in, the degree of formality towards training and development, firm size and the supply chain. It is also important to reiterate that regional and national data have shown that the decline in training investment in the UK started well before the recession hit and continued during the recessionary period. Such evidence poses serious concerns as to how SMEs would respond to the recession in terms of training and skills development under circumstances of a more stable training investment in the pre-recession period.

The study brings fresh thought around the impact of a recession on training and development by revealing that training does not always follow the business cycle. The prevailing wisdom is that investment in training tends to fall during a recessionary period, especially in regulatory contexts like the UK, where investment in training is voluntary and the responsibility lies primarily with employers. In the light of short-term returns that such contexts impose, employers are encouraged to cease training during recessions (Lloyd, 1999). Nonetheless, it seems that the UK "market model" of VET has overall survived the recent recession, at least in relation to the SME sector, rejecting the conventional wisdom that existed before the recession. Such evidence suggests that economic downturns do not necessarily lead to disastrous cutbacks in training investment.

Turning to the current economic context, where the regional and national economy are improving in terms of recruitment and employment levels, investment in training within SMEs has started to pick up again, as employers seemed to be more confident in investing again in the training and skills development of their workforce. These increasing levels of training investment seemed to be followed by a shift in the way SMEs' training was

delivered. More specifically, SMEs turned to alternative, more cost-effective ways of training delivery because of the recession and appeared to retain them even in the post-recession period. Amongst these training delivery methods were included: in-house training; use of experienced and trained staff to train others; e-learning; and training focused more on the actual business needs. Although these measures were not new, the findings revealed a shift towards a greater and more systematic use of this approach.

Overall, the findings did not detect any significant changes in the nature of training of SMEs during the recession. The way SMEs approach training and skills development was reactive and ad hoc. Although the study found a degree of sophistication towards the implementation of training, which was more formal and more systematically organised, this was restricted to medium-sized firms. The findings pointed to a training culture within SMEs that encouraged on-the-job training and learning by doing, as well as working with others as opposed to formal training practices, with SME employers retaining these training practices during and after the end of the recession. Although more formal training provision was found in a large minority of medium-sized firms in the pre-recession period - with off-the-job training and external training courses taking place - there was a shift towards more informal training practices because of the recession. The implementation and retention of these informal training practices in the post-recession period indicates that this type of training serves effectively the needs of their workforce and their business. The current results confirm previous assertions (Ashton et al., 2005) regarding the functionality of informal practices of training in the small business sector, as they are more compatible with the context and the needs of the firms of this sector.

A key contribution of the study has been to highlight the utility and relevance of informal training practices to the SME sector. Aside from previous assertions that SMEs underinvest in training (Storey & Westhead, 1997) and that the lack of formal training in the SME sector is problematic (Marlow, 1998), this does not seem to be the case. The lack of formal training provision does not mean that SMEs do not train or that they provide inferior levels of training compared to their larger counterparts. SMEs do train and value training but they show a strong preference towards informal types of learning, as such practices are perceived as better helping them meet the skill needs of their workforce and their businesses. This is not to suggest that the SME sector only adopts informal practices. There are firms with more sophisticated and systematic approaches towards training. But,

rather, the key point to note is that it is necessary to understand the diversity that characterises the SME sector in order to address the skill demands of the sector.

Within such a context of economic uncertainty, a number of state-funded training initiatives had been introduced in the region in order to boost training investment within SMEs. The main policy response had been concentrated on measures designed to increase the supply of skills and qualifications within SMEs. Yet, these programmes appeared to lack the required relevance and flexibility to attract SME employers' interests, as these programmes did not seem to respond to the skill needs of the sector, and, as a result, the engagement with these initiatives amongst SMEs was rather low. Such evidence suggests that the state support towards training and development within SMEs has been inadequate, suggesting that more could be done in order to stimulate training investment in such workplaces.

As noted in Chapter Two, the chronic problem of underinvestment in training in the UK is a problem of demand and supply. The need for a holistic approach towards the training and skills development is vital, by placing a great emphasis on both the demand for, and supply of, skills. Similarly, the current findings suggested that the state support towards SMEs and their training provision was characterised by a mismatch between the initiatives and policies on offer by the state and the specific training and skill needs of SMEs. In particular, the study found that, despite the plethora of state-funded training initiatives available, the participation and engagement of SMEs with these programmes was rather low. Although the British state appears to acknowledge the importance of SMEs as a source of innovation and job creation, and the fact that a strong education and training system can lead to economic growth, it has failed to recognise the training needs of such workplaces. The focus of the British government on supply-side measures was more likely to have limited success, as such policies neglected SMEs' demand for skills relevant to their needs. Therefore, there is the need for a more integrated approach, by considering the skill demands of the SME sector and by offering support tailored to the needs of the sector.

The study questions the ability of the state to foster training and skills development within the SME sector and improve the levels of training provision within such establishments. Firstly, the state has considerably neglected the importance and functionality of informal learning within SMEs, as most training policy interventions tend to take the form of

formal training programmes, which do not respond to the needs of SMEs. The current evidence suggests that SMEs have a strong preference towards informal learning practices, with in-house training and learning by doing being the most commonly used methods of learning amongst SMEs. Unless the state engages with the issue of informal training and incorporates informal practices in the training initiatives aimed at the SME sector, state interventions will be doomed to failure. Existing evidence has shown that the majority of SMEs seem to be unwilling to get involved with and take part in these initiatives as they are viewed as inappropriate to the needs of their businesses and they are more suitable for larger firms (Johnson & Winterton, 1999; Hoque et al., 2005). Secondly, the lack of time and money that characterises SMEs has not been considered, with the majority of training initiatives introduced by the state being quite expensive and bureaucratic. The fact that SMEs were not, by and large, aware of the initiatives available is also an issue to be seriously considered by the state. A better communication strategy of the available training initiatives and policies to the wider SME population would be more likely to increase the levels of awareness and usage of these programmes amongst SMEs. Furthermore, the lack of compulsion that characterises the state-funded training initiatives has failed to engage SMEs with the state support available. Overall, the empirical evidence challenges the role and potential of the state to meet the needs and requirements of the SME sector, as the state has neglected the SME context and its needs, with most of the state-sponsored training initiatives being “sold” as stand-alone initiatives and not being introduced in the context of organisation support. A state support as generic and bureaucratic as the existing will continue to fail to recognise the skill demands of SMEs.

Overall, the empirical findings presented in this study have contributed to extant literature in terms of our understanding on how SMEs respond to recession and tailor their training investment to such economic conditions. The novelty of the study lies in its focus on the SME sector. Existing research evidence has focused on the impact of the recent recession on training and skills development in firms of various sizes, assuming that their findings can have universal applicability. This sectoral focus has allowed us to investigate the interplay of factors shaping skills supply, demand and acquisition within SMEs under recession.

8.3 Contribution of the study and policy implications

The study has presented a systematic analysis of training and skills development practices in British SMEs under the context of recession and in the post-recession period. It has provided evidence that training does not always follow the business cycle and it has shown the failure that exists between the supply-side policy agenda and SMEs demand for skills in stimulating training investment in such workplaces.

As noted in the literature review, our knowledge regarding the nature of HRM within SMEs is considerably limited, as most of the existing literature tends to focus on larger enterprises, assuming that their findings can have universal applicability. The limited research evidence available on this topic is rather ambiguous. Some of the existing research studies suggest that there is a poor state of HRM within SMEs, characterised by a lack of sophistication (Vickerstaff, 1992; Matlay, 1997; Carroll et al., 1999; Brand & Bax, 2002). Such firms often regard training and development as a cost rather than an investment, with the implementation of training aiming at satisfying short-term competitive business needs. However, some other studies have shown that the approach of such establishments towards HRM is more sophisticated than usually expected (Storey, 1995; Bacon et al., 1996; Julien, 1998). Within this approach, the training and skills development of the employees is an essential part of HRM in order to retain and motivate the workforce. This study has shown that there is no single picture regarding the nature and implementation of HRM within SMEs. Specifically, there are SMEs with a poor state of HRM, characterised by a lack of sophistication and informality towards HR practices, whereas in other cases SMEs adopt more sophisticated approaches.

However, the analysis presented here shows that, despite the degree of sophistication adopted by SMEs towards HRM, SME employers seem to value training and they regarded it as a “vital component” for the success of their business. This is evident from the fact that the large majority of the survey respondents agreed with the statements “training is a way to economic growth” and “businesses that invest in training are less likely to fail”. Although the findings point to a more informal training and learning practices employed in SMEs, such as on-the-job training and learning by doing, this does not mean that they do not value training or that they provide lower levels of training compared to their larger counterparts, where formal training practices predominate. SMEs do train but informal practices of training seem to better address their skills needs.

As noted in Chapter Two, extant research around HRM tends to operate under the assumption of a stable economic environment, neglecting what happens under conditions of economic austerity. Existing research suggests that HR practices are vulnerable during recessions, resulting in poor HRM; though these studies did not specifically look at SMEs (Lahteenmaki et al., 1998; Cook et al., 2016). This study argues that the impact of a recession on the implementation of training is not uniform and is subject to a number of factors. However, there might be cases, where sophisticated HR practices might fall victims to a wider cost-cutting strategy adopted by businesses. In such cases, investment in training might be seen as a cost. Although it was revealed that SMEs implement various policies in order to survive the recession, such as less work, recruitment freeze and redundancies, they do not just simply adopt “hard” HRM practices. “Soft” HRM policies are also implemented, such as labour hoarding practices and the retention of training. SMEs appear to try to balance “hard” and “soft” HR policies in an effort to address their short-term requirements but at the same time to retain their skills base, as they seem to recognise that this is the way to be successful when the economy recovers.

Another key contribution of this study is that it investigated the impact of the recent recession on the training practices of SMEs within a specific region, namely the Yorkshire and the Humber. Following a multi-methods approach, the study employed complementary empirical methods in order to explore the interplay of factors shaping the supply, demand and acquisition of skills within the SME sector during a recessionary period. The findings revealed the key factors shaping the training behaviour of SMEs under such turbulent economic conditions, and noted the difficulties SMEs faced in engaging with state-funded training policies and practices. This mixed methods approach enabled an analysis that was sensitive to context and allowed us to explore and understand the training strategies of SMEs in relation to the institutional and structural environment of the Yorkshire and the Humber region. As a consequence, the study explored the dynamics of training and skills development at different levels of analysis, namely at the national, the sectoral and the workplace level. Such an approach provided the benefit of exploring how policy is implemented within the context of the workplace and how workplace investment decisions are rooted in the particular context of the workplace, sector and national policy frames. This multi-methods approach stands in contrast to much of the existing literature in relation to training and skills development during recessions, as most of the research studies available tend to approach this topic quantitatively (CIPD, 2009a,

2009b; Kewin & Sanchez, 2009; Van Wanroy et al., 2013; Mason & Bishop, 2015; Green et al., 2016). This research study challenges studies that have adopted a mono-method design, as such approaches- at this aggregated level of analysis- do not facilitate a detailed exploration of the realities of training and skills within specific firms, sectors and regions. The multi-layered analysis of this study allowed exploration and understanding of the way training during a recession is shaped and performed within the environment of the SME sector, the local labour market and the workplace.

Another key contribution of the present study is that it challenges the logic and framework of current state support towards SMEs. The empirical evidence questions the ability of government agencies to foster training and skills development in the SME sector, as the emphasis is placed on the supply of skills, whilst neglecting SMEs demand for skills. The analysis has shown that, in the absence of compulsion, firms might train to the levels that are right for their business or provide only the training that is imposed by legal requirements and nothing more besides that. As a consequence, firms might invest in training less than they should or they could in their own longer-term interest, with their training practices aiming at satisfying shorter-term business needs. Such an approach stands in stark contrast to the Government's strategy for future economic growth and competitiveness, which partly depends on the skills upgrading of the workforce (BIS, 2010a). Therefore, whether this approach adopted by SMEs is an adequate competitive strategy in the long-term is an open question.

Such observations have major implications for the conduct of training and skills development policies. The training policy initiatives introduced so far have failed to effectively address the training problem that characterises the UK and help businesses improve the skill levels of their workforce. In this regard, the analysis questions the functionality of institutions and policy frameworks, as they encourage strategies with short-term benefits and they inhibit the development of a coherent and coordinated strategic approach towards training and development. The technocratic cures that have hitherto been introduced in order to tackle underinvestment in training within the SME sector seem not to take into consideration the factors underpinning the training structures and strategies of specific firms and industries. Analysis shows that training policy interventions have to be developed not in decontextualized environments and in isolation from the difficult realities that businesses face. The state has to take into consideration the

skill needs of individuals, employers, the SME sector and the local economies in order to stimulate investment in training and, thus, drive economic growth.

8.4 Implications for future research

This final section encompasses some recommendations for future research. The study explored the impact of the recession on the training practices of SMEs within a particular British region, namely the Yorkshire and the Humber. Although this region shares many features with the rest of the UK, there are two important differences: firstly, the skill levels of the region lag behind the national average; and secondly, the Yorkshire and the Humber is more biased towards manufacturing (a sector that was hit severely by the recent recession, along with the construction industry). As such, it would be beneficial to explore the impact of the recession on training in SMEs in other UK regions in order to get a more complete picture of what happened in the rest of the UK. Furthermore, in the light of Britain's decision to leave the European Union (EU), it would be worth investigating in future research the implications of Brexit for British SMEs and their training provision.

In addition, this study focused on a particular national setting, namely the UK, which is characterised by a voluntaristic approach towards training and a great emphasis is placed on short-term requirements. Clearly the way forward would be to investigate the impact of the latest recession on SMEs' training within different regulatory and institutional settings, such as Germany, France and Denmark, where the VET system is highly institutionalised and they emphasise more on long-term requirements. This would form the basis for insightful cross-country comparisons with the purpose of identifying similarities or differences on the way recessions influence training within SMEs in such contexts.

The study also attempted to explore the impact of unionisation on the training provision of SMEs under such difficult economic times. Previous research suggests that there is a positive association between unionisation and training provision (Stuart & Robinson, 2007); though this research study did not specifically look at SMEs. The firms taking part in the present study were, by and large, non-unionised, as it was too difficult to organise within such workplace. The presence of trade union members within the responding SMEs was limited and in most cases they were inactive. Therefore, conclusions were difficult to be made. However, the findings indicated that the presence of a strong and organised trade union within the workplace could influence positively the provision of training. The key

point to emerge here is that if unions are to make an impact in the training provision and the skills development of the workforce within the workplace they have to be active and strong rather than inactive and weak. Nevertheless, the limited number of unionised SMEs within this study necessitates future research. Therefore, it would be beneficial for future research to focus on unionised SMEs in order to explore whether the presence of trade unions within such workplaces assists and promotes training and skills development, especially within such turbulent economic conditions.

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Appendix 1: Survey covering letter

The impact of the recent recession on the training practices of SMEs: a Yorkshire and the Humber Survey.

I am hoping you can assist with research I am conducting as part of my Doctoral thesis at the University of Leeds. The study is supervised by Professor Mark Stuart, the Montague Burton Professor HRM and Director of the Centre for Employment Relations Innovation and Change. The research explores the impact of the recent recession on the training practices of small and medium-sized enterprises and how their training strategies are developing in the post-recession period. The main geographical focus of the study is the region of Yorkshire and the Humber.

Existing research in this area is very limited and the purpose of this survey is to identify the main problems and issues facing SMEs with regard investments in training and skills development under such difficult economic times. Your participation in the research is very important. A good response in answering the questions is vital as the results of this survey could assist companies and other interested parties in identifying key areas of need within the SME sector in the region, and could form the basis for the formulation of constructive suggestions on how firms could operate in terms of training during difficult economic times so that they can survive the crisis and be more competitive in the upturn.

I would be very grateful if you could spare some of your valuable time to complete the questionnaire. It should take no more than 10 minutes as most of the questions ask you simply to select the appropriate answer. The survey can be found here:

Follow this link to the Survey:

[Take the Survey](#)

Or copy and paste the URL below into your internet browser:

https://leedsubs.eu.qualtrics.com/SE?Q_DL=eEBcwGiLJE9TKO9_cvYnThRCjykU2BT_MLRP_0PWErLZndwWRCSH&Q_CHL=email

If you feel the survey would be best completed by another of your colleagues, please feel free to distribute. I am also happy for you to contact me directly if you'd prefer to complete by telephone on 07570779104.

All responses will be treated as strictly confidential and anonymous. Data from the survey will be analysed on an aggregate basis, thus individual firms will not be revealed in the results. All participating firms will be sent an executive summary of the findings.

Thank you very much for your help.

Kind Regards,
Angeliki Skondra

Leeds University Business School

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[Click here to unsubscribe](#)

Appendix 2: Questionnaire

The impact of the recent recession on the training practices of SMEs: a Yorkshire and the Humber Survey.

Thank you for choosing to participate in my survey. I value your opinion and honest feedback. The survey will take approximately 10 minutes and will be completely anonymous. Please click the Next button below to continue.

Q1. What industry do you operate in? _____

Q2. Including you and any working proprietors, how many are on the payroll at this establishment? _____

Q3. How would you describe the main market(s) for your organisation's product or services?

- Local
- Regional
- National
- International

Q4. Is this establishment...

- The only establishment in the organisation
- A part of a larger organisation

Q5. How long has your company been in business? _____

Q6. Who is responsible for running your company?

- Owner alone
- Owner with his/her family
- Appointed Managers
- Other _____

Q7. Does your business have a formal written training plan?

- Yes
- No

Answer If Does your organisation have a formal written training plan? No Is Selected

Why your business does not have a formal written training plan?

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strogly Agree
Lack of knowledge and expertise to formulate a training plan					
Lack of any perceived needs					
Lack of time					
Other					

Q8. Does your business have a specified training budget?

- Yes
- No

Q9. Who is responsible for determining the learning and development needs of the business as a whole? (Please select all relevant options).

- Owner
- Senior Manager
- HR Department
- Line Manager
- Learning, training and development specialists
- Employees/learners
- External consultants working for the organisation

Q10. What methods of training was this site using as before the recent recession?

	Never	Rarely	Sometimes	Most of the Time	Always
On-the-job training (training by the staff, and not the sort of learning by experience which could take place all the time)					
Off-the-job- training (training away from the individual's immediate work position, whether on your premises or elsewhere)					
External training provider					
Learning by doing					
Other					

Q11. Please indicate your degree of agreement or disagreement with the following statements.

Q12. Investment in training and skills development constitutes a way to economic growth.

- Strongly Disagree
- Disagree
- Neither Agree nor Disagree
- Agree
- Strongly Agree

Q13. Businesses that invest in training are less likely to fail.

- Strongly Disagree
- Disagree
- Neither Agree nor Disagree
- Agree
- Strongly Agree

Q14. Training is one of the first casualties during a recessionary period.

- Strongly Disagree
- Disagree
- Neither Agree nor Disagree
- Agree
- Strongly Agree

Q15. Training is an expense easy to cut during a recession.

- Strongly Disagree
- Disagree
- Neither Agree nor Disagree
- Agree
- Strongly Agree

Q16. Businesses that invest in training during a recession will recover more quickly.

- Strongly Disagree
- Disagree
- Neither Agree nor Disagree
- Agree
- Strongly Agree

Q17. How has your business been affected by the recent recession?

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Less work/low demand					
Cash flow difficulties					
Projects delayed or cancelled					
Cutbacks on training					
Made redundancies/reduced staff numbers					
Loss of turnover/profits					
Salary cuts					
Recruitment freeze					
Change work organisation					
Other					

Q18. Has the recent economic recession had a negative impact on the ability of your company to provide more or better training opportunities for your workforce?

- Yes
- No

Answer If Has the recent economic recession impacted on the ability of your organisation to provide more, o... No Is Selected

i).What are the reasons prompting your business to provide more or better training opportunities, as a result of the recession?

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
The competitive market					
External labour market (skill shortages)					
Customer quality requirements					
Product market development					
External sources of finance					
Union pressure					
Government legislation					
Other					

Answer If Has the recent economic recession impacted on the ability of your organisation to provide more, or better, training opportunities for your workforce? Yes Is Selected

ii).What are the reasons preventing your company from providing more or better training opportunities, as a result of the recession?

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Cost of training for employers					
Staff is fully proficient/don't need it					
Lack of time					
Unsuitable training available					
Not enough people in the workforce to cover others taking off for training					
Fear of poaching by competitors					
Lack of information about available training					
Don't know					
Other					

Q19. Has the recession been positive, negative or made no difference in the following areas?

	Negative	No Change	Positive
Training expenditure per head			
Distribution of training among the workforce			
Use of external providers			
Use of on-the-job training (training by the staff, and not the sort of learning by experience which could take place all the time)			
Use of off-the-job training (training away from the individual's immediate work position, whether on your premises or elsewhere)			
In-house off-the-job training (classes, demonstrations etc)			
Recruitment of apprentices and new trainees			

Q20. Are you now finding a change in the number of REQUESTS for training from people in your company, compared with before the recession?

- Decrease
- No Change
- Increase

Q21. As a result of the recession, has the duration of the training provided from your company been...?

- Decreased
- Stayed the same
- Increased

Q22. How have the following training programmes been affected by the recent recession?

	Decrease	No Change	Increase	Not Relevant
Training for new working methods				
Induction training for new recruits				
Training on quality standards				
Health and safety				
Information Technology Skills				
Business strategy or planning				
Equal opportunities				
Other				

Q23. Have any of the following learning and training delivery methods taken place in your business, as a result of the recent recession?

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree

In-house development programmes					
Coaching by line managers					
Job rotation, secondment and shadowing					
Coaching by external practitioners					
Action learning sets					
Use of experienced and skilled staff to train other employees					
External conferences, workshops and events					
Internal knowledge-sharing events					
Formal education courses					
E-learning					
Audio-tapes, videos and learning resources					
Other					

Q24. Is your company still making use of these training delivery methods, as we are in the post-recession period?

- Yes
- No
- Not relevant

Q25. Is your business currently accredited with the Investors in People Standard?

- Yes
- No

Q26. Which of the following schemes and initiatives have you heard of...? (Please select all relevant options).

- National Skills Academies
- GOV.UK website (previous Business Link)
- Skills Pledge
- Union Learning Fund
- Recognised Vocational Qualifications
- Apprenticeships
- None of these

Q27. Has your business been involved or made use of any training schemes and initiatives as a result of the recession?

- Yes
- No

Answer If Has your business been involved or made use of any training schemes and initiatives as a result of the recession? Yes Is Selected

Please name the schemes and initiatives your business has used.

Q28. Please indicate your degree of agreement or disagreement with the following reasons regarding the limited use of Government-funded training initiatives during the recent recession.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
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Lack of information
about the training
initiatives available

Financial cost

Lack of time to get
involved

No need for external
advice

Needs to focus on the
survival of the
business rather than
growth

Lack of time to keep
pace with the
fluctuations in
regulation

Uncertainty regarding
future funding

Too much
bureaucracy and
complexity of these
programmes

Cutbacks in our
training budget

Employers not willing to give time off for training					
Fear of losing work through committing time in advance					

Q29. Please indicate your degree of agreement or disagreement with the statement “Government should be doing more to help businesses invest in training during these hard economic times”.

- Strongly Disagree
- Disagree
- Neither Agree nor Disagree
- Agree
- Strongly Agree

Q30. What form the Government help should take?

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Financial assistance/support					
Clearer information					
Provide training courses					
More initiatives					
Other					
Don't know					

Q31 Is your organisation unionised?

- Yes
- No

If No Is Selected, Then Skip To question 32.

i). Is there a Union Learning Representative (ULR) at your workplace?

- Yes
- No

ii). How much involvement does the union have in training decisions?

- A lot
- Little
- None

iii). Do you consult the union towards training and development issues?

- Yes
- No

Q32. Why your organisation is not unionised?

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
I don't agree with the presence of trade union in the workplace					
Difficulties in recruiting and organising trade unions					
No need because of the close relationships between employer and employees					
Other					

Thank you very much for your co-operation in completing this questionnaire.