



National Research and Development Centre
for adult literacy and numeracy



Research Review

The benefits to employers of raising workforce basic skills: a literature review

Synopsis

This review of the literature suggests that individuals benefit significantly from improving their levels of literacy and numeracy. The evidence on the benefits to employers of investing in basic skills training is very sparse, although some studies have indicated that such benefits may include increases in productivity, reductions in costs and enhanced customer satisfaction. A much larger body of research on the benefits of workforce training in general suggests that this has a positive impact on firm performance and that it is associated with lower staff turnover and higher levels of commitment to the organisation.

An important conclusion of the review is that there is a real dearth of studies on the effects of basic skills training in the workplace and, therefore, an urgent need for more research in this area.

Key Points

- ❑ Robust evidence from large scale UK surveys shows that poor literacy and numeracy skills have adverse effects on the earnings and employment prospects of individuals and that these effects cannot be fully explained by the fact that individuals with poor and good basic skills also tend to differ in their formal qualifications.
- ❑ The very limited UK evidence on the costs to employers of poor basic skills suggests that, in 1992, they were costing an average of £165,000 per year in companies employing more than 50

employees and up to £500,000 per year in larger companies. However, these figures have been criticised on methodological grounds and are also out-of-date.

- ❑ No evidence is available for the UK on the benefits to employers of investing in basic skills training. International evidence is also very limited but the few available studies have suggested that employer-provided literacy and numeracy courses can increase productivity, improve the use of new technology in the workplace, save time and reduce costs.
- ❑ Those employers who have sponsored basic skills training have on the whole found the experience positive, and there is no evidence to suggest that they have found it to be either burdensome or an unnecessary expense.
- ❑ Far more evidence is available on the benefits of training in general and its impact on firm performance. The literature suggests that workforce training is associated with improvements in productivity and with higher levels of innovation and/or better financial performance, as well as improvements in earnings.
- ❑ Despite concerns about the poaching of trained workers, the evidence in fact points in the opposite direction. Individuals who receive workplace training tend to have longer job tenure and be less likely to quit the firm, while, for the company as a whole, providing training is associated with lower staff turnover.



Background and rationale of research

The aims of this paper were to review and synthesise existing literature on the economic and wider benefits of basic skills improvements in the workforce, focusing in particular on the benefits accruing to the employer of providing basic skills training either through direct funding or through time off for study. We aimed to provide a theoretical framework within which the evidence could be placed and to identify gaps in the evidence. Among the benefits we aimed to consider in the review were increased profits, productivity, sales, turnover, growth and other direct benefits, as well as improved workforce flexibility, product quality, customer service and ability to seize new initiatives.

Because the evidence on basic skills in the workplace is still quite sparse, particularly with regard to the UK, the review also covers the benefits to individuals of improving basic skills and looks at the literature on the benefits of training for employers and employees more generally.

Main elements of research

The review was commissioned by the Department for Education and Skills in December 2002 and was completed in January 2003. Relevant research was identified through literature searches on topics including the benefits for individuals of higher basic skills levels, the benefits to employers and the wider economy of improvements in basic skills, and on the gains deriving from more general training. The review aimed to be as comprehensive as possible given the time available and covered academic literature, working papers, practitioner journals and internet sources; both case study research and large-scale survey evidence were included in the remit of the review. The main focus was on UK evidence but research from other countries was also reviewed where relevant.

Research team

Research Officers

Katerina Ananiadou
Andrew Jenkins

Director

Alison Wolf

References and further reading

- Blundell, R., Dearden, L., Meghir, C., and Sianesi, B. (1999). **Human Capital Investment: The Returns from Education and Training to the Individual, the Firm and the Economy.** *Fiscal Studies*, 20(1), 1-23.
- Bynner, J. & Parsons, S. (1997). **It doesn't get any better.** London: Basic Skills Agency.
- Dearden, L., McIntosh, S., Myck, M., & Vignoles, A. (2000). **The Returns to Academic, Vocational and Basic Skills in Britain.** London: DfEE.
- Greenhalgh, C. (2002). **Does an Employer Training Levy Work? The Incidence of and Returns to Adult Vocational Training in France and Britain.** *Fiscal Studies* 23(2), 223-263.
- Hollenbeck, K. (1996). **A framework for assessing the economic benefits and costs of workplace literacy training.** Paper presented at the Workplace Learning: The Strategic Advantage, Milwaukee, Wisconsin.
- Krueger, A., & Rouse, C. (1998). **The effect of workplace education on earnings, turnover, and job performance.** *Journal of Labor Economics*, 16(1), 61-94.

Contact for further information

Professor Alison Wolf
Bedford Group for Lifecourse and Statistical Studies
Institute of Education
20 Bedford Way
London WC1H 0AL

Telephone: 020 7612 6661
email: A.Wolf@ioe.ac.uk



The full report will be available from September 2003 in PDF and Word formats from NRDC's website at

www.nrdc.org.uk

Paper copies are available from:
Publications
NRDC,
Institute of Education,
20 Bedford Way,
London WC1H 0AL
Telephone: 020 7612 6476
email: publications@nrdc.org.uk