Human capital development in Belarus via in-house investment

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The subject of this research is the process of organising in-house training of employees and the efficiency of in-house investment in its framework. The purpose of the study is to determine the specificity of the organisation of in-house training in order to increase the efficiency of in-house investment of human capital resources in Belarus. The article presents a comparative analysis of approaches to the organisation of in-house training of employees in Russia and Belarus. The analysis was performed in the directions of identity assess the structure, objectives, principles and objectives of the in-house training of staff. It is possible to reveal the specifics of the institutional features and in-house training of employees in enterprises of Russia and Belarus, to evaluate innovative tools of in-house training for different categories of staff, taking into account the age and length of service.

Key words: in-house training, human capital investment, employee, employer, efficiency of economic activities, the effectiveness of investment

There is a demand on the labour market for competencies acquired during training or retraining; these competencies have a higher production value, since in them there is a specific formation and development of the human capital, which largely determines the efficiency of economic activities. The gap between the consistency of motivational attitudes of workers and the elements of personnel policy aimed at in-house training, the evidence of disparities in vocational labour market interaction and the entity’s internal labour market indirectly point that the effectiveness of regulation is not based on the systems of national vocational education. Taken together, this is a “brake” in the creation of an innovative personnel system that meets the needs of technical modernisation of the national economy.

Specificity of the organisation of in-house training leads to the fact that the passage of training has no significant effect on the career move and the employee wages in the organisation, with the exception of young workers. It determines the effectiveness of investment in the human capital of young people. The investment of firms in employee training is positively related to the size of an organisation and its economic situation, the category of employees (manager, specialist, worker) and, in a negative sense – to the age and experience of the employee (The Russian worker:
education, occupation, qualification, 2011; Ehrenberg, Smith, 1996). Given the high mobility of young workers, and especially of labour relations institutions, employers are not actively seeking to finance in-house training of this category of workers, which negatively affects the formation of human resources innovation potential.

In this regard, updated problems are associated with the analysis of the structure, objectives, principles and objectives of in-house staff training; with identifying the institutional features and specific in-house training of employees in enterprises of Belarus; with the assessment of innovative in-house training tools for different categories of staff, taking into account the age and length of service. The solution of these problems will not only effectively use the experience of in-house training, but will also identify the institutional features and specifics of these processes. This will supplement the missing elements in the study of human capital investment system in post-Soviet economies.

The purpose of the study-house training process is to identify the institutional features of the training, the identification and assessment of staff development opportunities through investing into in-house training.

As the objectives of the study, the following are highlighted:
• the substantiation and analysis of in-house staff training structure;
• the definition of institutional peculiarities and specifics of employees of in-house training as part of an in-house investment process;
• the study of innovative tools of in-house investment in the human capital of workers based on their age and length of service.

Staff development, its professional and personal qualities – this is considered to be the key of development and positive changes in an organisation, with those being one of the most important conditions for the competitiveness of modern companies.

Contemporary global and Belarusian experience shows that once-obtained vocational education is not sufficient for the heads and specialists to carry out their duties in a company. In most professions, for new technologies as well as the integration of Belarusian companies into the global economic infrastructure, a particular training of specialists, the development of new technologies and working methods were all required. Without a significant increase in competence and an improvement of the performance of all categories of staff, one cannot achieve real and sustainable development of the company.

The necessity to establish and improve the systems of in-house staff training is due to several reasons:
1. The influx of labour from the labour market with workers who have already lost most of their knowledge, skills and work abilities during the recession (crisis) production.
2. The gap between standards of educational services provided by educational institutions and standards of professional requirements.
3. The increase in customer requirements for the quality of goods and services.
4. The increasing competition of goods and services both on the external and domestic market.

A holistic understanding of the process of learning is a systematic process of pur-
poseful change of knowledge, skills, abilities and motivation of behaviour.

In-house training is a system of training carried out in the territory of the enterprise (or corporate training centers) with the involvement of their own or external teachers and is being developed in solving the problems that are specific to a particular organisation.

The interest for in-house training systems originated long before the emergence of the concept of strategic management personnel. For the first time, from the point of view of the scientific approach, the development of this system was offered by G. Becker in human capital theory (Becker, 1964; 1962). G. Becker first pointed to the important distinction between the general human capital, which can be applied in any organisation, and specific human capital, suitable for a particular company. General skills training improves worker productivity in many alternative jobs. If a current employer will not pay the employee for its full value at the end of training, then he may lured to work for another employer.

Another situation arises when investments are made in specific human capital. An individual employee does not benefit from such investments when changing jobs, as they increase his productivity at one workplace.

G. Becker saw no point in state regulation of a vocational education investment system, since there are objective incentives, such as investment (Becker, 1962).

Modern empirical studies have shown that learning by firms is widespread, and much of it is aimed at developing a general human capital of workers having no narrow profile directivity (Steedman, 1993; The Russian worker, 2011).

In Germany, large companies are investing in apprenticeship programs heavily. For example, in 1991, net expenditure for these purposes amounted to 7.5k DM per student (Steedman, 1993).

Similar studies in other countries also confirm significant costs on firms and in-house apprenticeship training in a workplace (Ryan, 1980; Barron, Berger, Black, 1999; Booth, Bryan, 2002).

There are a number of works that explain why the employer pays not only for a specific set of skills, but also for the general competence. Competition in the labor market is imperfect, which makes an employer monopsonist and allows him to receive rent (the difference between labour productivity and wages). This makes it possible to fund employee training: imperfect competition limits the mobility of workers in the labour market and allows them to pay the training company for performance, which gives an unambiguous return on investment in general training.

Foreign researchers assessed the impact of training in order to determine whether employers receive rent from investment in the training of its personnel. Most of the studies confirmed that the workplace training increases wages, while productivity grows faster than wages. Barron, Berger and Black (1999) concluded on the data that in the US, the gap is appreciated 10 times, which confirms the benefits of in-house training firms.

Booth and Bryan (2002) showed that training funded by employers increases the wages of workers in the following companies of their decision rather than the firm that provided the training.

Conti (2005) commented on the data of Italy for 1996–1999. It showed that a positive learning effect exists only for
the performance, but not for wages. This confirms the hypothesis that most of the in-house training benefit goes to the employer (company) and not the employee.

Thus, modern empirical studies show that in-house training provides general skills and must be paid for by firms. Labour Market Imperfections allow employers to retain skilled workers and to receive a return on investment in their training.

The UK Employment Department offers us to resist the typical understanding of in-house training (1981). “In-house training – is the systematic development of knowledge, skills and attitudes for professional work required employee of the company to ensure proper performance of his duties and solve problems arising in the process his professional activities.” (Booth, Bryan, 2002).

The key elements of this definition are indications of “a systematic development of the” qualities of each employee of the company and focus on providing the appropriate level of performance of official duties. However, this definition excludes from consideration the aspect of group and team learning.

In another definition, D. Hinrichs (The Russian worker, 2011) reflects the typical American approach to in-house training. Last better fit into the concept of strategic development of human resources. “In-house training by D. Hinrichs – a process initiated and organized by the company, aiming at stimulating the professional development of its employees, in order to increase their contribution to the achievement of maximum efficiency of the company.”

The key points of this definition are an indication that in-house training should be seen as a “process, organized and initiated by” the responsibility for learning outcomes distributed between the company and each trained worker that “contribute to the achievement of maximum efficiency of the company”, which is considered as the main purpose of in-house training; it is seen as a formed integral contribution from the contributions of each employee as a result of increasing productivity and efficiency at every workplace.

Analysis of the interpretations of the nature and internal training purposes allows to draw conclusions:

Firstly, it is not a one-time act as a continuous process.

Secondly, it is a process, initiated and managed by the company itself, based on the pursuit of the common interests of each individual employee and the company as a whole.

From a functional point of view, there are several types of in-house training:

1. Education of newcomers to the organisation of workers, which includes professional and socio-psychological adaptation of workers to the new conditions, the production of them to its line of organisational behavior. In this case, it is imperative to inform new employees about the company’s organisational structure, its mission and the main aspects of the corporate culture.

2. Training to improve the level of competence. It is necessary in two cases: when the employee’s competence does not allow him/her to effectively and fully implement one’s competence; when the very competence is partially changed due to career development in transition to a new level of the hierarchy.

3. Re-training for the purpose of rotation, or the development of new activities. Retraining involves mainly the mastery of basic and professional knowledge and
skills necessary for the development of other activities.

As part of these types of in-house training, it is advisable to allocate three directions, each of which is linked to the policy of development of human resources of the organisation:

Pillar 1: the so-called necessary training, which contains the minimum that is necessary for effective professional activity in the ongoing competence.

Track 2: focused training – it is of strategic nature and is designed for a certain contingent, with creativity which the organisation connects its plans for future development.

Area 3: development programs covering those wishing to develop their potential, learn more, not narrow professional knowledge, develop communication and management skills which are not mandatory for the professional activity in the current period. These programs are of the nature reserve, forming and enhancing the overall educational level of workers; in parallel, they perform a social role, creating the conditions for development and self-expression.

Forms and directions of in-house training define its shape. The following are usually allocated forms of in-house training (Solodova, Pryadunets, 2014):

1. Education in a workplace in the course of work (on-the-job training). This form of training is the most effective way, that is to ensure a close relationship directly with the process of the employee. Usually, this form is realised through mentoring and coaching techniques with increasingly complex tasks addressed to gain experience, production instruction, rotation, employee use as an assistant and delegating authority – roles and responsibilities.

2. Training with the separation from work (off-the-job training). This form of learning can be implemented as follows:
   - Training in the territory of the organisation, carried out by internal experts of the organisation.
   - Training in the territory of the organisation, carried out by external invited experts.
   - Training on the territory of foreign educational organisation.

These forms of in-house training use the following teaching methods:

- Mentoring, carried out by the line manager or an experienced colleague;
- The planned participation of workers in the activities of other divisions of the enterprise;
- Internal training courses (such as the use of information technology);
- External courses – spread are two main types of training programs in external organisations:
  - Short-term programs with a margin of professional activity – usually carried out consulting and training companies, business schools;
  - Long-term training programs regulated by state standards, the result of which is to obtain qualification – usually carried out with a partial separation from occupational activities; are offered by universities and business schools.

Under the mechanism of in-house training of staff, one should understand the process of serial connection (or organisation) of all elements of the training activities of the enterprise.

The house training mechanism can be schematically represented as follows:

1. Management determines the overall development strategy and monitors the
implementation of this strategy.

2. The employees of personnel services define the strategy for the development of human resources of the organisation, the organisation is carried out in-house training.

3. Functional heads identify training needs of employees of structural units, monitor the learning process, encouraging its participants and evaluating the results.

Implementation of the in-house training process through a series of mandatory steps:

Step 1: Identification of training needs;
Step 2: Formation of training budget;
Step 3: Definition of learning objectives - define the criteria for assessing its effectiveness;
Step 4: Determination of the programs and the choice of forms and methods of training;
Step 5: The process of learning;
Step 6: Implementation of professional skills and knowledge;
Step 7: Evaluating the effectiveness of training.

The effectiveness of in-house training of staff is the ratio of the resulting economic benefit to the resource costs to provide the effect of this in the first place, resulting in more productive activities and trained staff. Economic efficiency is expressed by the ratio of the amount of costs to the economic effect of the changes in the effectiveness of trained workers, through the identification of ways to comparing the costs (expenses) and outcomes (benefits), given to a single point in time (Naumov, 2011).

It is necessary to distinguish between:

A) the psychological effectiveness of in-house training – matching the training model of professional development on the evaluation criteria of personal qualities of the individual after training, the acquisition of new knowledge in the quality of learning and satisfaction with the participation in the learning process. The psychological aspect includes evaluating the changes in the socio-significant parameters: productivity, status, salary increase.

B) Social efficiency of intra-strengthening as a result of study of connections and relationships between the employees of the organisation that affect their interaction in practice.

Types of costs related to in-house training of personnel should be reduced to the following:

- Direct costs: the costs of purchasing educational services, training costs and the implementation of the learning process;
- Indirect costs (costs): the costs of paying wages to workers undergoing training; the costs associated with reductions in the effectiveness of the learning process; the costs of paying wages to employees of the organisation of personnel services, conducting training needs analysis and organisation of the learning process; costs associated with the use of training facilities and material resources.

Modern economic development points to a direct correlation level of the employee’s income from its level of education and by subsequent increments of professional competences through the in-house training system (Ehrenberg, Smith, 1996). This article attempts to assess the level and efficiency of investment in human capital through a system of in-house training organisations in Belarus. To this end, it is advisable to identify the factors (specific to Belarusian enterprises), affecting the ef-
ficiency of investment in human capital in the framework of in-house training by using sociological methods. The theory of human capital and labour economics were used as a methodological framework for this research. This allowed us to determine the methodological basis of the principles of effectiveness of investment in human capital.

The content of the questionnaire allowed us to estimate the opinions of the respondents (96 organisations, experts were the representatives of top management) about the relationship management of the organisation to the in-house training; qualitative and quantitative characteristics of enrolled employees; organisational principles of in-house training; purposes of training within the organisation; a set of competences of employees, which are directed at in-house training; the quality of training programs; motivating workers for in-house training; problems arising in the course of training, etc.

The characteristic of the respondents participating in the survey is as follows:
- The widest range of the respondents represented organisations of private ownership (JSC and LLC) – more than 57%. A significant number of respondents represented government (unitary) enterprises (over 28%). Other respondents represented production cooperatives, educational institutions and the Ministry of Internal Affairs of Belarus;
- The degree of autonomoy (including economic) in the organisations of respondents is as follows: a fully self – 62.5%, branches of companies (Russian and foreign) – 12.5%, budget organizations – 8.3%;

More than half (64%) of the respondents are in the stage of economic stability. This allows to obtain more representative assessment of in-house training and investment in human capital, as these processes are manifested and effective in a period of economic stability. A further justification of this statement is the distribution of the respondents that assessed the level of economic efficiency: 43.8% – profit organisations, 25% – 20.8% and breakeven – unprofitable.

The respondents’ opinions presented in the questionnaire allow us to give a general description of the factors affecting the effectiveness of teaching. Thus, among these factors are included the following: the ratio of the organisation’s management to in-house training and, in general, to the development of employees; skill level; availability of material and technical base for the organisation of training; target training activities.

The ratio of management of the organisation to learn is the factor that determines not only the effectiveness of training activities and the development strategy of the organisation’s personnel. Of more than 54% of the organisations, respondents indicated that the organisation of in-house training is an important activity. Moreover, 27.1% indicated a high degree of importance of the organisation activity. However, 20.8% of respondent organisations have expressed a more reserved opinion (useful, but not the most important area of work with the staff) in regards to in-house training. A quarter (25.1%) of respondents indicated that the organisation of workers training is a necessary measure, which takes time and money. In the conditions of economic instability and changes in the conditions of this opinion it is a negative signal for top management.

In general, it should be stated that positive attitude towards the organisation of in-
house training, while taking into account the fact that a significant proportion of the respondents do not see any sense in this kind of activity. A proper understanding of the significance and role of in-house training allows organisations to develop a strategy for human resources work which occupies a special place for staff development.

The skill level of employees determines the need to organise in-house training. Reviews for the analysis of the distribution of the responding organisations indicated the following:

- The overall level of qualification of all categories of staff is high (from 42.7% for managers to 53.1% of the workers);
- A very high skill level is represented in the professional category (50.0%);
- An insufficient level of qualification (percentage estimates of the respondents – 11.5%) in the category of managers.

It must be assumed that there is a priority need for in-house training for category managers. While the overall statistics indicate that more in-house training are covered by workers’ organisations.

The presence of the material and technical base for the organisation of training substituted an important factor not only in the number of students in the organisation, but also in the technology-oriented training programs. The list for the material-technical base included the following: its own training center, full-time employees of the organisation, conducting of training, long-term contracts with educational institutions of secondary special and higher education, long-term contracts with educational institutions that provide services in the field of further vocational training, the presence of informal agreements with the abovementioned organisations.

A significant prerequisite for the organisation of in-house training is the availability of full-time employees that provide the arrangement and conduct of training activities. As these workers can act as full-time teachers and teacher-mentors (e.g., masters, foremen, etc.). Only 15.6% of all respondents indicated on such an important condition as having their own training center. It should be assumed that it is the organisation of respondents who have such a center, or those who have had experience of teaching on the basis of such a center.

Respondents represented a significant condition for the existence of agreements with centers and organisations that provide services to additional vocational training. Not relevant conditions were associated with the formal and informal relations on the organisation of training with professional (special secondary and higher) educational institutions.

Thus, the existence and preparation of their own nastavnikov-professionals is an important factor in determining the in-house training of employees.

In this regard, it is appropriate to make an analysis of the subjects of the training activity, who make the decision about its necessity.

Do the workers themselves feel there is no need for training? This situation is typical for the majority of organisations in Belarus. This is evidenced by a high degree of representativeness of the responses, as among the respondents were represented organisations of different size and shape of listed property. This distribution is almost independent of the efficiency of economic activity presented by the organisations.

Thus, a general description of the factors that influence the effectiveness of in-house
training suggests that these factors are ambiguous for the responding organisations. It must be assumed that their impact on training activities will also be ambiguous.

Economic theory of labor and human capital theory suggests that the greater is the amount of acquired knowledge and human capital investment, the greater is the return on it (Vankevich, 2014; Makovskaya, 2013).

The study attempted (for the first time in Belarus) to estimate the amount of knowledge acquired through an in-house training system. The volume of knowledge is expressed in the total number of hours of training programs for staff categories (workers, specialists, managers). Evaluation criteria included the duration of training programs following graduation:

- Up to 15 hours inclusive;
- From 16 to 40 hours;
- From 41 to 249 hours;
- 250 hours or more.

The evaluation result of respondents’ opinions revealed the following:

A) All categories of employees covered mainly training programs, the duration of which is not more than 15 hours of training;

B) The duration of training programs only category leaders include more than 250 hours (this was indicated by 12.5% of respondents);

B) The most popular for all categories of workers are also courses of up to 40 hours (the opinion of more than 20% of respondents).

Therefore, we must conclude that, through a system of in-house training, workers do not receive a large amount of professional knowledge. Partly, this system forms a specific part of the human capital of all categories of workers in Belarus.

Although the number of teaching hours of the program are not great, they are aimed at developing specific competencies for all categories of workers. Thus, workers with such programs form the following set: professional competence (59.4%), the ability to work in a team. For a professional, the following traits are part of characterisation: professional competence, work planning and decision-making autonomy. For managers: planning of work (63.2%) and willingness to change.

Here, we present an analysis of criteria for effective learning. The criteria are defined as follows:

- Universality, acquired knowledge and skills in the learning process;
- Lower risk of layoffs after training;
- Subsequent career advancement;
- Increase employee motivation;
- The acquisition of a new profession (or skill).

Versatility, acquired knowledge and skills should be understood as universal indicators, indicating to the knowledge and competence of a general nature (not the target, not tech, not specific to the management of the enterprise, etc.). The consequence of the universality of this knowledge will be the subsequent care that a worker who returns from this knowledge can get in other organizations.

The study allowed to form some idea of the universality of this knowledge and competence obtained after training in different categories of workers:

- Versatility, knowledge and competence observed in the category of managers. The respondents (42.7%) indicated that the knowledge gained can be used in virtually any organisation;
- On the receipt of knowledge and competence in training, no signs of flexibility
were observed in workers, since such knowledge may be used only within the framework of the specificity of technology in the enterprise;
• In the training of specialists, observed was in the obtained knowledge the universality of present.

Thus, the most effective process for producing highly specialised (and technological) knowledge in the learning process is observed in workers.

The evaluation of criteria of effective teaching as a low risk of layoffs after the training, the subsequent career advancement, increased employee motivation, the acquisition of a new profession (or skill) is also presented. Respondents evaluated in order of importance for the organization of these criteria in the financing of in-house training. Among the most important criteria that takes into account the expectation of an effective result, the subsequent career advancement is a trained worker.

**Conclusion**

In-house training is a process organised and initiated by the company, aimed at stimulating the professional development of its employees.

Forms and directions of in-house training define its shape. Usually there are two: training during the course of work (on-the-job training) and training with separation from work (off-the-job training).

These forms of in-house training use the following learning methods: coaching, carried out by the line manager or an experienced colleague; planned employee participation in activities of other divisions of the enterprise; internal training courses; external programs: short-term programs with a separation from the professional activity and long-term training programs regulated by state standards.

Under the mechanism of in-house training of staff, the staff should understand the process of serial connection (or organisation) of all elements of the training activities of the enterprise.

The effectiveness of in-house training of staff assumes the attitude resulting in economic benefit to the resource costs; it is aimed to provide the effect of this in the first place, resulting in more productive activities and trained staff.

It is advisable to allocate the psychological effectiveness of in-house training (compliance training model of professional development on the evaluation criteria of personal qualities of the individual after training) and social effectiveness of intra (as a result of the strengthening of education linkages and relationships between the employees of the organisation).

The main types of costs associated with staff in-house training can be labelled as direct and indirect costs. The direct costs are considered to be the following: acquisition costs of educational services, the cost of the preparation and implementation of the learning process. The indirect costs are concluded as the following: the costs of paying wages to workers undergoing training; costs associated with a reduction in the effectiveness of work in the learning process; the cost of the payment of wages to employees of the organisation of personnel services, conducting training needs analysis and organising the learning process, the costs associated with the use of training facilities and material resources.

Thus, in-house training is not a one-time act, but a continuous process, initiated and managed by the company itself, based on the
pursuit of the common interests of each individual employee and the company as a whole.

The resulting estimates of the human capital investment process through a system of in-house training organisations in Belarus allowed to formulate the following conclusions:

- As a whole, Belarusian organisations has a positive attitude towards in-house training. Proper understanding of the significance and role of in-house training allows organisations to develop a strategy for human resources work, which occupies a special place in staff development;
- An analysis of respondents’ opinions on the assessment of the qualification level for staff categories points out to the heads of organisations; there is a prioritised need for in-house training on the background of the fact that it is required for a greater degree of intra-trained workers category;
- An important criterion for the efficiency of in-house training in the Belarusian organisations is the availability of full-time employees that provide the arrangement and conduct of training activities, as these workers can act as full-time teachers and teachers-mentors (e.g., masters, foremen, etc.);
- Belarusian organisations do not identify among priority goals such measures as the effective in-house training: training employees to perform other functional responsibilities within a new profession, training new qualification program, which allows to implement the development strategy of the organisation;
- The most effective process for producing highly specialised (and technological) knowledge in-house training is concluded to be for a category of workers that demonstrates the effectiveness of investment in their human capital.

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