

Why Now Is a Great Time  
to **Train Your Employees**





## THE IMPACT OF TRAINING ON EMPLOYERS AND EMPLOYEES

### Summaries of studies' findings

A mega-study called “What We Know About Employer-Provided Training: A Review of Literature” makes this statement, “When proportionate rates of wage and productivity growth during the first year or two of tenure on a job were regressed on time spent training the individual, productivity effects are many multiples larger than wage effects.” It later says, “Incumbent worker training that is provided by employers raises worker productivity and wages. Formal and informal training appear to have roughly equal effects on productivity. Probably because it is better signaled, formal training has significantly larger impacts on wages than informal training . . . from society’s point of view, employers and workers under invest in employer provided training. These findings suggests [sic] that incumbent worker training should be stimulated by inducing employers to provide or sponsor more of it.”<sup>1</sup>

A study titled “An Evaluation of the Massachusetts Workforce Development Programs,” which focuses mainly on the impact of training on low-income adults says, “Participation in a Massachusetts workforce development program has sizable and statistically significant impacts on the quarterly and average earnings of program participants.”<sup>2</sup> This applies to both men and women. The study goes on to say, “We also find significant program effects on average quarterly employment rates of roughly 5 percentage points.” This shows that surrounding communities are positively impacted by these training programs as well.

Does training really improve employees’ productivity and retention for their employers? Does training really help employees improve their wages? The answers are no longer a matter of opinion, anecdotal reporting or wishful thinking. According to several studies, the answer to both questions is clearly yes.

Across all types of training—formal or informal, skill-specific or general, on-the-job or off-the-job—training has specific positive impacts on productivity, retention and wages. Although training is a true “win-win” initiative for employers, employees and the community, employers should note that productivity gains resulting from training are generally significantly higher than wage gains—making training a better investment than they may have known.

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A paper called “The Impact of Training on Productivity and Wages: Firm Level Evidence,” which studied training in 170,000 businesses from 1997 to 2006 says, “. . . we find that training boosts marginal productivity of an employee more than it increases its wage. More precise [*sic*], our results indicate that the productivity premium for a trained employee is on average around 23% while the wage premium is only 12%.”<sup>3</sup>

## WHY TRAIN EMPLOYEES NOW?

Simply put, it’s a good business decision. The documented return on investment from training in terms of increased productivity makes it one of the most prudent actions an employer can take to improve its bottom line quickly.

To be most effective, training should be targeted for specific outcomes that are directly beneficial to your organization. And that is where SkillPath can help you. We provide a wide range of business skills training from communication to leadership and technical topics that will improve your employees’ productivity and your profitability almost immediately.

And we can deliver it in a blended approach of training methods from instructor-led (using our trainers or yours) to computer-based that is flexible to your schedule, on-target and affordable.

For more information and training on managing today’s workforce, visit us at [www.skillpath.com](http://www.skillpath.com).

- 1 “What We Know About Employer-Provided Training: A Review of Literature”; John H. Bishop; Cornell University; 1996.
- 2 “An Evaluation of the Massachusetts Workforce Development Programs”; 2003.
- 3 “The Impact of Training on Productivity and Wages: Firm Level Evidence”; Jozef Konings and Stijn Vanormelingen; 2010.





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