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Do training agreements reduce failure rates in University provided management development courses?

Introduction

Student completion rates in higher education are currently a hotly debated topic. The so called 'flunk rates' have become a key performance indicator of higher and further education with Universities and Colleges now publicly 'named and shamed' by media reporting of league tables of completion and drop out rates. Student completion and dropout rates are thus an increasing cause for concern for many Universities (Johnes and Taylor, 1989). The concern surrounding low (and declining) student retention rates in UK higher and further education has stimulated a flood of recent research seeking to examine its causes and consequences (Audit Commission 1993; Martinez, 1997). A number of significant factors have emerged in the explanation of student turnover including: academic and quality issues, financial difficulties, accommodation problems, and a range personal factors such as personality, level of commitment to higher education, the problems of personal adjustment and student academic ability (see Tinto, 1987). A wide range of theoretical frameworks to aid understanding (Mackie, 1998) and "solutions" (Noel, 1997; Rickson and Rutherford, 1995) to the problem of student retention have been put forward.

However this burgeoning research output has largely concentrated on full-time undergraduates and the problem of part-time student dropout from higher education has been rather neglected. Here different sets of factors are likely to influence student dropout and persistence. Frequently a new stakeholder – the employer – is interested and may significantly influence the outcome. In particular an ignored aspect of this debate – and the concern of this paper - is the impact of formal training agreements between the employer and the employee.

Training agreements are legal devices that establish the conditions under which an employer is prepared to fund the training of an employee. They typically impose a financial penalty on the voluntary termination of a trainee's employment within a defined period (usually 1-3 years). The construction of most training agreements specifically commits the employee to successfully complete the training as well as to remain in employment for a specific period (or reimburse the training costs incurred by the employer). For example, the standard training contract of local government employers commits the employee to endeavour to obtain the qualification at the earliest opportunity and to repay some or all of the funding received if the employee fails to make satisfactory progress, withdraws from the course or leaves the organisation. Interest in training agreements in the HRD literature has centred on their legality (Davies, 1996), efficacy to deter the poaching of trained employees (Cann, 1993) and where this fails, to facilitate the recovery of training costs by the employer (Du-Feu and Williams, 1991). A neglected aspect of the use training agreements has been their effect on encouraging trainees to successfully complete the training programme undertaken. Drawing from a review of these hitherto unconnected literatures the following hypothesis is proposed:

Hypothesis: Employees undertaking training under a formal training agreement will be incentivised to complete the programme.

In the remainder of this paper we report the methodology and findings from a study of management trainees that sought to test the hypothesis.

Methodology

The research was conducted in two main stages. Phase one of the study employed a postal questionnaire to examine the incidence of training agreements amongst managers and professionals attending university management development courses. Here we sought to identify the types of organisations which used training agreements and to gather data on their effects (see Story and Redman, 1997). Respondents were asked who initiated the idea to attend the course, how the course was funded and whether a training agreement had been signed. A group of practising managers was invited to participate in the research in March 1995. These were participants of the executive management development programmes (Certificate and Diploma courses in Management Studies, Diploma in Personnel Management, and MBA programmes) at the University of Teesside. Some 420 questionnaires were sent out and usable replies received from 267 representing an acceptable response rate of 63.6%.

As the sample is not statistically derived, it is useful to examine its nature to help the interpretation of results. The majority of our respondents (83%) are employed in large organisations (200+ employees), predominantly in the not-for-profit sector (66%) and reasonably distributed according to gender (51%). The sample had been employed by their organisations for an average of 8.5 years. Because the sample was largely drawn from generalist management studies programmes a broad range of managerial functions were represented. The sample was highly qualified with 40% percent possessing degree level or professional qualifications. The response base is thus slightly skewed towards larger organisations, the non-for-profit sector, and better-qualified managers. This makes the results that we obtained perhaps less representative than the “average” manager. However, although the survey is based on a convenience sample it is also one in which we could expect a high incidence of training agreements. In particular, factors such as the high relative direct costs involved for the training (over £4000 for the MBA), demanding time commitments, and that well trained managerial employees are a much sought after and highly mobile group make such a sample an ideal one to study training agreements.

Stage two of the research employed two main methods of gathering data. Firstly, in order to gain more insight into the effects of training agreements on employees undergoing training, a series of focus groups were conducted with some 25 managers attending management development courses at the University who had signed such agreements for their current course. Here the main focus was on the managers' experience of undertaking training subject to a contractual funding arrangement. What did the contracted employees feel about receiving conditional funding for training?

Was it justifiable and fair? What effect, if any, do agreements have on their attitudes and behaviour, in particular their commitment to the course?

Secondly, in March 1999 we tracked the course completion rates of our postal survey respondents from 1995. The aim was to examine whether course completion rates were higher for employees who were subject to training agreements. Our hypothesis suggests that the financial penalty imposed on non-completion would encourage employees to persevere with their programme, failed modules would be repeated until success was achieved. The biggest differences for completion rates between the contract and non-contract trainees are expected to be found where the assessment “hurdles” to be crossed are the highest, i.e. the completion rates for the DPD (externally set professional exams) and MBA courses (individual masters level dissertations). Therefore it was necessary to examine the student’s determination to successfully complete rather than the initial pass rates of each programme. This extended 4-year period of tracking student completions was necessary to accommodate the time officially allowed for the completion of Masters dissertations and in the case of the personnel course for undertaking externally set exams by the professional body.¹ Completion in this study was operationalised as the successful achievement of the award studied for within the defined four-year period.

Findings

Postal survey.

Of the 267 usable questionnaires, 227 respondents (85%) received some funding from their employer, with 196 (73%) in receipt of a full 100% funding. A high number, 85, (37) % of those receiving funding) had signed a training agreement as a condition of the funding. Given the focus of this paper we can classify the respondents into belonging to two groups:

- Those funded by their organisation and subject to the terms of a training agreement- 85 respondents.
- Those self-funded and those unconditionally funded i.e. not covered by a training contract – 182 respondents.

The incidence of training agreements was much higher in the public sector. More than half (53%) of public sector funded students had signed a training agreement, compared with only 11% of the private sector. More than two thirds of the respondents, who had signed training agreements, worked in local government despite the fact that this sector represented less than one third of the total sample. Some 82% of local government funded employees stated that they had signed a training agreement. The education

¹ A change in exam regulations by the Institute of Personnel and Development acted as a final time limit for personnel students —no further successful completions under the assessment regulations existing at the time of the study could be obtained. Equally MBA students submitting dissertations after this point would not be successful as they were “timed-out” by the course regulations.

sector also appeared to be a major advocate of training contracts, however all ten of the respondents in this sector who claimed to have signed an agreement, worked in the university sector. The university and local government sectors accounted for 81% of the training agreements in the sample. In the private sector, a slightly higher incidence of training contracts was found among the smaller organisations, although the sample size was relatively small.

Focus group findings.

In this section we briefly report the findings from the focus groups of employees undertaking training subject to a contractual agreement. The general employee view of training agreements was that it was understandable and reasonable in principle for the employer to require a commitment from the employee in return for funding. Interviewees generally accepted the constraints it imposed.

Exploring the contradictions between individual members of the focus groups revealed the importance of the individual's personal aspirations and work environment in affecting their opinions. Those working in local government indicated that agreements of this nature are part of the culture in that they are "taken for granted" and thus rarely questioned. The large majority of interviewees felt that being required to sign the agreement had little impact on their initial decision to undertake the training. About half of the interviewees reported positive benefits of undergoing training under a TA. Here the incentive effect of having a financial penalty for dropping out of the course was strongly emphasised:

"I'm absolutely sure I would have packed it in if I hadn't had that financial commitment".

"It's a trap, but it's a good trap because it makes you get the qualification".

"If I hadn't signed that commitment I would have probably dropped out".

This constraint was viewed positively by all focus group members, whether or not they had experienced it personally. It seems the personal embarrassment and financial penalty of an employer recovering the costs for the non-completion of a university course was seen as being a significantly more powerful stimulant to persevere with the training than if the employee had paid personally for the course. Thus here we find some provisional evidence to support the hypothesis that employees who undertake training programmes subject to a formal training agreement will be incentivised to complete them.

Completion rates

In this section we report on our analysis of the course completion rates of the respondents in our survey. Here we test whether the incentive to complete reported by our focus group interviewees actually resulted in higher successful completion rates for those undergoing training under a formal training agreement. Table one reports the findings of our analysis of completion rates.

Table 1. Completion rates.

| Course | Students under contract: | | | Students free from contract: | | |
|---------------|--------------------------|-------------|-------------|------------------------------|-------------|-------------|
| | no. passing | no. failing | % pass rate | no. passing | no. failing | % pass rate |
| CIM | 40 | 1 | 98% | 77 | 3 | 96% |
| DMS | 19 | 0 | 100% | 34 | 0 | 100% |
| DPD | 14 | 3 | 82% | 24 | 8 | 75% |
| MBA | 8 | 0 | 100% | 29 | 7 | 81% |
| TOTALS | 81 | 4 | 95% | 164 | 18 | 90% |

Although we find that the completion rates are indeed higher for those students covered by a training agreement the difference proves not to be statistically significant. The Pearson Chi-square value is 2.06, $p = 0.151$. Thus we suggest that the research should be repeated with a larger sample.

Conclusions

Our previous research on training agreements found them to be relatively ineffective in improving employee retention (Story and Redman, 1997). However, the findings here suggest that the training agreement can be a relatively useful tool in achieving high completion rates for part-time University courses. The incentive effect of a training agreement appears to be greater the higher the assessment “hurdle” the trainee has to jump. Clearly more research is needed on the effects of training contracts to confirm these preliminary findings. Research using larger samples, on other occupational groups, in other countries where training agreements are also used (e.g. US) would be very useful to confirm (or reject) these preliminary findings. There may be some benefit to be gained from the wider adoption of training contracts to improve part-time student retention rates. There may indeed be some potential application of the principles involved to improve full-time student turnover. Consideration of these wider policy issues is beyond the boundaries of this short paper, suffice to say we believe that more research is merited.

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