Boom or bust: Is the training industry in crisis? (May 08)

As the credit crunch bites hard into the UK economy, Verity Gough investigates whether the training sector is starting to feel the pinch.

At the beginning of May, the Learning Skills Council announced employer training hit a record high at £38bn. But it could be short-lived as new research due to be published later this month suggests budget cuts are now being made as a result of the economic downturn.

The first crack that appeared was the announcement that Carter and Carter, one of the largest training providers in the UK, had gone into administration. This was followed by news that IT, business and training solutions provider Parity Group has suffered poor first quarter results. But does this point to a possible recession and, if so, what can trainers do to ensure they are able to weather the storm?

"The war for talent isn't going to go away," says Julia Middleton, chief executive of leadership development organisation Common Purpose, one of the company's sounding the alarm. She believes that while training budget cuts are indicative of a recession within the industry, firms need to maintain their commitment to staff development and training. "If we retreat at the first skirmish, it is a pretty clear message to the talent (rising stars) that the commitment to their development is wafer thin."

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John Blakey, UK International Coaching Federation

Conversely, the Chartered Institute of Personnel and Development (CIPD) believes talk of recession is just a storm in a teacup. Adviser of training, learning and development, Martyn Sloman, explains: "If a drop in government-run schemes such as assisting people back into work was reported, I wouldn't have cause to doubt it as such schemes are always affected by a variety of issues surrounded by government policy. But as for the credit crunch affecting training generally in organisations, I find that hard to credit."

But for Parity, the signs of a subdued market are evident. Managing director Rick Firth first noticed a shift in buying decisions at the start of 2008 when during the first quarter a number of key customers delayed projects and decisions. Figures for its overall training activity were also down.

However, he believes the talk of recession only goes to show that training providers must not sit on their laurels: "organisations are starting to realise that key critical business projects and activities have to be progressed – a fundamental element of helping promote efficiency and business improvement. This is likely to become a key metric for 2008".

He adds that for organisations with key business change and performance improvement agendas, stalling on investment is a false economy. "Those who can demonstrate clear added value and an effective delivery process should remain in demand," he says.

The knock-on effect

So are the supposed cuts in training budgets materialising solely within the public sector or should organisations in the private sector be looking to protect their own interests? The rise in popularity of coaching has prompted an increase in the number of independent providers on the market, but there is a question mark over whether this buoyant sector is noticing any ill-effects from the fluctuating economy.

"The reality right now is that everyone is holding their breath to see what impact the 'credit crunch' will have on the demand for executive coaching," says John Blakey, director of brand development at the UK International Coaching Federation and co-founder of coaching practice 121partners.

Most coaches have reported business is progressing as normal with one exception: the financial services sector. Maybe not surprisingly, it appears organisations have delayed coaching assignments and shifted the focus on coaching investments.

"There will be some inevitable nervousness in the market over the next six months," Blakey admits. "But there will also be an increase in demand for coaching focused on business performance improvement and coaching that facilitates change management initiatives, such as reorganisations, mergers and cost reduction programmes."

Clearly it is difficult to gauge the market. Petra Wilton, head of public affairs at the Chartered Institute of Management (CIM) believes that when the market plateaus, it's time for concern.

"Change is one of the biggest drivers of the need to assess skills," she says. "We have seen a growth in qualifications and whether or not that is driven by individuals trying to make themselves 'recession-proof', the demand for portable, transferable skills is on the increase."

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David Pardy, ILM

David Pardey, senior manager, policy and research at the Institute of Leadership and Management (ILM) agrees that while there are signs of a tightening market, this is more likely to prompt employers to look even more carefully at the bottom line impact of training. "Training that is seen as only making a peripheral contribution or which is more about long-term career development is less likely to be supported," he warns.

Firth adds: "what customers need right now and what providers have to offer is clear, demonstrable value-for-money learning solutions and to keep focusing on core strengths where the best returns are available."

Recession-proofing

While it is naive to presume the training sector will be immune to a slowdown in the economy, it is a critical part of an organisation's long-term development strategy. "In a skills-based economy, continuous skills improvement is the difference between success and failure, so any downturn is likely to be relatively short term," says Pardey.

"Don't worry about the people you train who then leave, worry about the people you don't train who stay."

Whatever the future holds for the training sector, it seems the best advice is ensure you are offering training aligned and tailored to your clients. This includes being able to demonstrate the impact on efficiency and effectiveness, as well as helping employers monitor that impact.

The bottom line is trainers will always be needed, perhaps more so during times of economic turbulence when individuals need to be prepared for the challenges of an increasingly competitive talent market. And surely, that can only be good news for the industry.

The TUC has criticised the £38bn estimated spend on training.

Make yourself recession-proof

* Check that your own qualifications are up to scratch - could you benefit from a refresher course?

* Ensure that you are aligning your training to the client's needs to ensure they are getting the maximum return on investment

* Demonstrate the impact of training on efficiency and effectiveness, and help employers monitor that impact

* Short courses can offer opportunities for individuals to build credit towards a qualification, building confidence in the capability of the provider and making the offer more attractive to the participants

* Training that is needed to build or maintain technical capacity, support specific organisational developments or address identified areas of weakness, is most likely to take preference over long-term solutions or peripheral training

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