A Study On Retraining In The Light Of Technological Changes & Up Gradation From A Global Perspective With Special Emphasis On The Chinese Economy

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INTRODUCTION

A logical method to begin understanding why employers retrain would be with prior findings about retraining, but there is very little there. However, apart from proscriptive arguments, actual reports of employer practices are limited and suggest considerable diversity in the choice between hiring employees with new skills and retraining the ones they have (Bartholomew 1997).

Case studies in Europe, where the retraining option would seem to be advantaged because of greater restrictions on layoffs, find that recruiting new employees seemed to work better for employers than attempts at retraining existing workers in part because it delivered the new skills so much faster (JEIT 1995).On the other hand, where labor shortages are severe and outside hiring more difficult, employers seem more inclined to retrain current employees, as was the case with the introduction of client/server technology in information technology where 96 percent of firms surveyed engaged in some retraining (Melymuka 1995). In other contexts, however, information systems groups seemed particularly inclined to hire rather than retrain (see, e.g., Moad 1990).

Other reports show that firms consider outsourcing as an alternative to retraining (Hoffman 1995), which is another form of buying skills on the outside market. Reports like these highlight the importance that labor markets play in shaping the decision to retrain because they shape the relative merits of the alternative to retraining, which is outside hiring. Prior research related to the more general concept of employer training may offer more insight.

Some part of the explanation about retraining no doubt turns on simple cost issues, beginning with the fact that retraining spares the employer the costs associated with hiring. Understanding the retraining decision should, therefore, consider the relative costs of hiring as compared to training.

Another cost factor that would seem to be relevant in deciding which approach is cheaper is the relative wage of the retrained workers as compared to that for new hires from the outside market. But this factor ends up being endogenous to the employer's decisions and therefore, is difficult to evaluate.

While the **market price** of workers who can perform a given job is exogenous to the employer, the employer may decide to pay its retrained workers something other than the market wage -- possibly less, at least during the training, to recoup the training investment but quite possibly more, if pay policies in the firm incorporate seniority provisions or other arrangements that cause the wages of individuals to differ within the same job.

The wage of retrained workers relative to new hires, therefore, is very much a function of the employer's internal wage policies. Unless driven by some outside factor such as union contracts, these wage decisions appear to be part of the employer's choice set along with retraining decisions.

Organization-level studies of employer-provided training take a different approach, emphasizing the possible synergies between the decision to train and other practices.

Becker's (1964) now famous work on the financing of employer-provided training asserts that employers would find it difficult to provide any training, let alone retraining, where the skills required for the new or alternative jobs are general skills also useful to competitors, at least without mechanisms to have the employees share the costs. One would ,therefore, not expect employers to retrain for general skills when they could hire those skills on the outside market.

Where the new skills required are specific to the employer, the employer has to provide them because the option of buying such skills on the market does not exist. But whether the firm- specific skills should be provided to new hires

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or to otherwise redundant employees- that is, whether the employer should hire and train or simply retrain - is unclear.

NEED FOR THE STUDY

Until the 1990s, retraining ruled at companies like IBM. Big Blue, which promised lifetime employment to its workforce, moved its employees every few years and when it did, it taught them new jobs. It was looked upon as a trend followed by the big corporates. However, the emergence of globalization, technical advancements, telecommunication revolution and growth of knowledge based workforce & intense competition; mandate the transformation of the training function in organizations. The decade between 1991-2000 showcased a very different scenario. **Retraining is the process of learning a new skill or trade, often in response to a change in the economic environment. The current study will help in understanding the retraining needs for employees in adapting to these ever-pressing demands of the economic environment with special emphasis on the Chinese economy.**

OBJECTIVES OF THE STUDY

The following are the objectives of this study:

❋ To understand & study the concept of retraining from a global perspective.

❋ To study retraining in the light of technological upgradation with major emphasis on the Chinese Economy.

RESEARCH METHODOLOGY

❋ **Research Design:** The research design is an **Exploratory Research** since the aim is to bring an improvement in the existing system. **Exploratory Research is often conducted because a problem has not been clearly defined. It allows the researcher to familiarize him/herself with the problem.**

or concept to be studied.Exploratory Researches are not usually useful for decision-making by themselves, but they can provide significant insight into a given situation.

Exploratory Research often relies on secondary data such as reviewing available literature or qualitative approaches such as informal discussions with consumers, employees, management or competitors and more formal approaches like in-depth interviews, focus group, etc.

❋ **Data Collection:** The type of data collected has been majorly **Secondary** in nature. For the purpose of collecting this data, the author went through various books, magazines, journals, and websites.

WHY RETRAINING?

Why are some employers willing to retrain workers who are at risk of layoff for new jobs in their organization while others "churn" their workforce through layoffs and outside hiring? The question seems central to understanding why some employers and some jobs are "good" while others are not and, more generally, for understanding employment security. The arguments below use data to examine this question and find that the retraining option is associated with preserving the social capital among current employees. Employers who make greater use of work systems that rely on social capital are more likely to retrain their workers.

Alternative explanations claim that retraining is an employee benefit associated with employee friendly policies or are part of overall strategy of investment in training.

Interest in understanding why some jobs are insecure is a central topic in the social sciences and dates back at least to the reform movements of the early days of industrialization (see, e.g., Webb & Webb 1965; Commons 1964). In the contemporary context, **Corporate Restructuring** has become the main driver of job insecurity. An American Management Association survey, for example, finds 66 percent of the employers responding that downsizing in their companies during the 1990s was driven by internal restructuring and reengineering, in contrast to more traditional explanations that relate job loss primarily to business cycles (AMA 1997). And roughly, a third of all companies reported that they were hiring new workers during layoffs in order to get the new skills they need to accommodate their restructuring plans (AMA 2000).

This process of restructuring by laying off and hiring -- "churning" the workforce - externalizes the costs of restructuring to the laid-off employees and increases the demands on other providers of skills in society.

Retraining is in many ways the opposite approach to restructuring in that it internalizes restructuring costs, stabilizing employment and expanding overall skill levels in the process. Because of these very different consequences, the decision to “churn” or retrain is increasingly central to discussions about the responsibilities that employers have to workers and society.

The **Robert's Dictionary of Industrial Relations (1986)**, which draws its definitions from usage in previous research studies, defines **retraining as fundamentally *different* skills made necessary because of some exogenous change in skill requirements.** A major drawback to this definition is that it can be very hard to distinguish retraining from the more general skill upgrading that happens routinely in the modern workplace when jobs change. How different the new skills have to be before regular skill upgrading becomes retraining is arbitrary, making the distinction less than completely helpful.

For the last several decades, the growing integration of the world economy into a single, huge marketplace has increased the intensity of competition in the world market to cut costs and increase profits in a wide range of manufacturing and service industries (Hill, 1994). Only the most efficient and best-managed organizations can survive. Money, benefits, and many different forms of compensation have been used to attract, retain, and motivate employees and achieve organizational goals in the USA and around the world. However, the ability of an organization to invest in retraining is an area of wide disparity.

For the purpose of further study, we have selected Chinese Economic Trends from the period of 1991. There has been a significant change in the T&D function with more prominence laid on retraining.

The reason as to why China was an appropriate choice for this study is that China is also a BRIC nation & we can learn from the experience of theirs for a better tomorrow in our country.

CHINA

For several decades since 1949, China's state-owned enterprises (SOEs) have employed 57.4 percent of the entire urban labor force and possessed 52.2 percent of total investment in industrial fixed assets. However, SOEs' share in China's total industrial output has declined from 77.6 percent in 1978 to 28.8 percent in 1996. More than 45 percent of the SOEs in China lost money in 1996. **The "iron rice bowl" *(tie fan wan)* (a lifetime employment regardless of performance) is fading away (Tang and Tang, 2001). Since 1978, the People's Republic of China has abandoned the socialist economic model in favor of a capitalist market economy. In order to attract more foreign investment and strengthen economic collaborations with other countries, the PRC established special economic zones at Shenzhen, Zhuhai, Shatou, and Xiamen in 1980, along with 14 other coastal cities (Hannan, 1995), and opened to foreign companies and sparked economic development.**

During the post-1949 "iron rice bowl" employment policy era, **Chinese people have developed their own industrial relation system based on a combination of the Soviet model and the direct urban labor allocation.** The system was intended to protect skilled workers. *"Any discussion of China's dramatic changes since the death of Mao Zedong in 1976 must also take into account Deng Xiaoping's policies of the `Open Door' to the West (and Japan) and the Four Modernisations' (of Agriculture, Industry, Science, and Technology, as well as Defence) which first got off the ground in 1978-1979"* (Warner, 1996a, p. 196). Dengist reform was to introduce greater efficiency into the system by the use of market mechanisms. Naughton (1995) also has explained the Chinese approach to economic transition that is based on maintaining elements of the planned economy while concentrating economic growth in the market-oriented segments of the economy, outside the government plan. The Chinese experience shows that gradual change away from a command economy is feasible.

From 1979 to 1983, the transfer of self-government to enterprises marked the first stage. Material rewards have become more predominant. The second phase was from 1983 to 1986. The focus was to create fair competition among enterprises. In 1986, the third phase of responsibility system reform started. By 1987, about 80 percent of "China's enterprises had adopted the Director Responsibility System and their output value had risen by 13 percent and profits and taxes by 16 percent" (Wang, 1990, p. 196). Since the 1992 enterprise reforms, this approach has been further extended to selected SOEs and by 1995, to all large and medium-sized ones (Warner, 1996a, b).

In the 1990s, the most popular wage systems in China were the rank fixed wage for enterprise employees and the structured wage system based on positions for employees at universities and government organizations (Wang, 1990). The equalitarianism in wage management systems has been maintained. In 1995, pay in foreign firms was about 33 percent above that in SOEs and more than double that in township firms. The average financial compensation in international joint ventures (IJVs) is considerably higher than that in local firms (Lu and Bjorkman, 1998). Chinese regulations stipulate that the wage level of a joint venture is to be set at 120-150 percent of that of state enterprises in the same line of business and same locality (Tsang, 1994).

Chinese people also prefer to distribute rewards equally (egalitarian) when the amount to be allocated is perceived as unlimited, but prefer to distribute rewards based on contribution (merit) when a constant sum is to be divided (Hui et al, 1991). Thus, one can expect that Chinese people value bonus, individual bonus, and merit.

KEY ECONOMIC CHANGES OF THE PAST THREE DECADES

❋The amount of foreign direct investment (FDI) increased from US$1.12 billion in 1978 (Chi and Kao, 1995) to US$4.37 billion in 1991, and to US$90.30 billion in 1995 (Mulrenon, 1997).

❋The total foreign capital inflow increased from under 11 percent to over 38 percent between 1978 and 1991 (Chi and Kao, 1995).

❋There were over 2,000,000 foreign invested or joint venture agreements and the foreign invested firms in 1994 grew by 95.6 percent each year (Warner, 1996a,b) and 37,011 approved contract agreements (with 20,455 joint ventures, 4,787 contractual joint ventures, and others) in 1995.

❋According to China Monthly Statistics published in October 1998, from January to June 1998, there were 3,732 contract agreements involving US$8.33 billion of foreign capital (China Statistical Information Consulting Center, 1998).

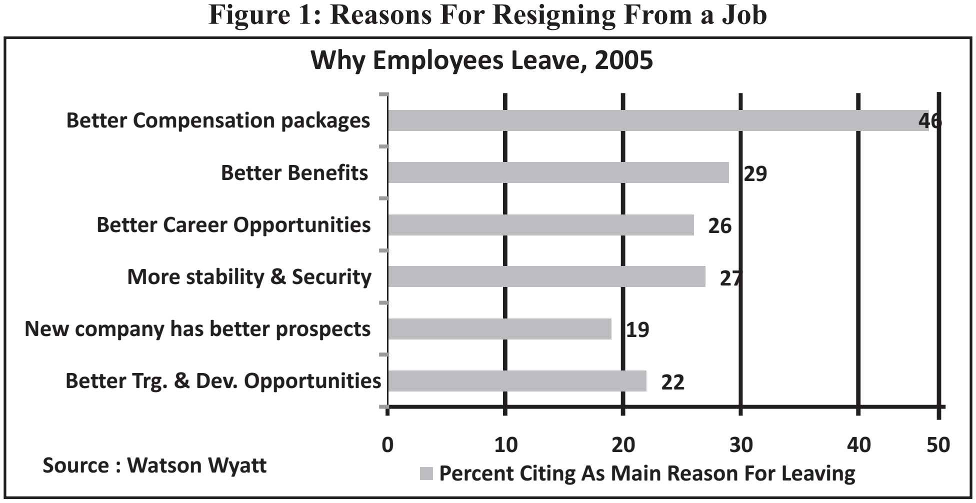
❋GDP grew in real terms at 11.6 percent and the industrial growth rose by an annual average of 19.9 percent from 1990 to 1994, peaking at 27.7 percent in 1993 (Warner, 1996a, b).

❋In 1995, 58.2 percent of the PRC's foreign investment came from Hong Kong, and about 80 percent of Hong Kong manufacturers have set up production facilities in the PRC (Almanac of China's Foreign Economic Relations and Trade, 1995).

Statistical data provides backup, thereby further emphasizing the transformation that took place in the training function. China Business review tried to capture this aspect with the help of Watson Wyatt Survey that featured in the March-April 2006 edition of the magazine.

As per a survey conducted by **Watson Wyatt in 2005**, Training & Development opportunities ranked as an important criteria as to while employees think of leaving an organization. This will directly have an effect on the attrition rate of the organization. The Figure 1 depicts the percentile break-up of the various reasons due to which the employees would want to leave an organization.

Figure 1: Reasons For Resigning From a Job



Ref: China Business Review (March-April 2006)

Apart from good compensation packages, better training & development opportunities also rank in the major reasons for employees to seek other jobs.
Because of the insatiable demand for a limited number of qualified professionals, management & business leaders in companies, China had to make a larger investment in retention strategies than they do in other parts of the world. Companies must carefully cultivate their image as good employers. Employers have to show qualified workforce so that candidates can choose their company over others & display reasons for them to stay with the employer for longer durations.
On the other hand, the reason for employees to retain with their employers is also good training & development opportunity. In a very strange but realistic manner, retraining became the need for the hour in order to avoid obsolence of the current skills of the workforce & also to retain them in the organization.

CHINA'S DECISION TO RETRAIN

During the transition from plan economy to market economy, the Chinese government has launched massive retraining programmes. Employee reorientation is just one part of a larger plan needed to anticipate the rapid change of technology before obsolescence sets in.
According to CHINA WORKFORCE MARKET INFORMATION WEBSITE, in 100 cities of the whole country, vocational vacancy proportion in the primary , secondary and tertiary industries were 2.2% , 31.6% and 66.2% respectively up to the fourth quarter in 2003. They also started a Re-employment Training Program Titled: **"Ten Million in Three Years".**
Below is the summary of the retraining activity planned by china for a tenure of five years.

Table 1: Table Of China Retraining From 1998 To 2002 (10 Thousand)

Year	Planned Number Of Received Training Counted	Actually Number Of Received Training	Number Of Reemployment	Reemployment Rate
1998	357	386	281	73
1999	500	614	376	61
2000	365	358	226	63
2001	463	457	262	57
2002	411	518	294	63
Totally	**2096**	**2333**	**1439**	

In 1998, the Chinese Government implemented the first phase of the "Ten Million in Three Years" plan of reemployment training (train 10 million of the laid- off workers and unemployed people in 3 years), which pushed the laid-off workers and unemployed people to participate in reemployment training through some effective measures such as mobilizing society training organizations, purchasing the fruit of training by government, etc.
From 2001 to 2003, more than 10 million laid-off workers and unemployed people were trained about reemployment. Among them, 4 million people were laid-off workers, more than 6 million people were unemployed people. The concrete plan was: -- Cooperate with laid-off workers who have reached the limit of assistance provided by the re-employment service centers, reemploy, plan to train 2,500,000 laid-off workers in 2001, 1 million people in 2002 and 500,000 people in 2003, totally 4 million people in three years.
Strengthening the training strength of unemployed people gradually for the sake of meeting the trend that enterprises changed the way of reducing the staff and the number of unemployed people increased. More than 1 million people received training in 2001, more than 2 million people received training in 2002 and more than 3 million people will receive training in 2003.
Further to it, in order to support its philosophy of bringing about a 'Big Bang" Change, China also went ahead and started the Employees Retraining Board. The Employees Retraining Board (ERB) is an independent statutory body set up under the Employees Retraining Ordinance, 1992. The main function of the ERB is to provide retraining to eligible workers to assist them to take on new or enhanced skills so that they can adjust to changes in the economic environment, and have their employability enhanced. Since its establishment, till end of September 2005, over

896,000 retraining places had been offered. In 2004-05, more than 100,000 retrainees graduated their studies.
Currently, China is posed as a threat to a lot of other Asian economies due to the retraining strategy adopted by the Chinese authorities on a nation-wide basis.

ESTABLISHING LARGE RETRAINING PROGRAMS

Structural adjustment and retrenchment by state-owned enterprises gave rise to an urgent need for large nationwide labor retraining programs for the massive number of displaced and laid-off workers. These programs, although substantial, have had limited success. Of the 12 million laid-off workers at the end of 1997, only 26% had found new work. Roughly 60% were still searching for work, and the remaining 14% were engaged sporadically in casual labor or had retired or otherwise withdrawn from the labor force. China needs a national strategy and policy framework for training and retraining to deal with:

❋ The extreme fragmentation and lack of coordination among education, labor, and industry in the provision and financing of training.
❋ The mismatch between skills supplied and those demanded by the market.
❋ The absence of policies for deregulating private provision and undertaking quality assurance.
❋ A wholesale change in focus and mindset is needed to meet requirements of an efficient distance learning.

Retraining programs need to be tailored to the job opportunities and to the ages and backgrounds of the workers to be retrained. For example, training needs for agricultural workers with little education will differ substantially from those for industrial workers with a strong secondary education. Only a flexible retraining system can quickly adapt to new skill demands generated by changing markets and technologies and deliver cost-effective training. But structuring this customized retraining was extremely complex.

Use of advanced information technologies is already leading to substantial changes in the Chinese education system. Innovative methods are being developed and used to deliver basic education, inservice training for primary and secondary school teachers, and training in communications and agriculture including cable television, satellite television (both broadcast and two-way, interactive modes), Internet-based cyberschools and online training (using computer-based, virtual classroom environments).

The Chinese government is very strict in regulating content, and the telecom administration bureau in the Ministry of Information Industry insists that the government retain control. Regulations of Internet Content Providers (ICPs) will be strict because of the government's intention to supervise Internet content by issuing new rules, 19 supervising Internet cafes (the primary access point for most young Chinese users), deliberately holding back private web development while selectively favoring government supervised web content.

FINDINGS

Retraining in China was a very important activity to sustain economic stability.

Some of the major findings are listed below:

1. China's international competitiveness was declining, so it had to improve its productivity by adopting a new strategy so as to diversify its goods and services by taking advantage of new knowledge.

2. There existed a need for integrating the education system with the labor demand in the country so that the right kind of skills may be imparted to the workforce.

3. Mass retraining initiatives taken up by the Chinese government led to easy diffusion of technology throughout the economy.

4. China has built a technology-based national learning framework. This framework provides rural and poor regions access to the modern distance education network at a very low cost. Greater use of these technologies would expand access for all people in China, helping to increase regional equity in education.

5. No country can grow without the help of information. In times where knowledge is power, enriching Chinese information content is a mandatory requirement. Knowledge disparity is visible across China.

6. Restricted / Controlled access to information has posed as a challenge to those wanting to expand their knowledge base. Content should not be restricted to Chinese languages or from sources only inside China.

7. Retraining is an important tool for employee retention & employee re-orientation. It also helps to control the attrition rate. Employers who retrain workers preserve a worker relationship, which leads to harmonized industrial relations, thereby leading to higher productivity.

8. Retraining initiatives reduced the need to hire people from the market leading to reduced recruitment costs & reduced layoffs- thereby, resulting in avoiding huge spends in terms of layoff compensations.

9. Trends indicate that retraining has helped China in its reemployment programmes. Establishing the Retraining Board will help China to keep up to the policy of "Big Bang Change".

10. Retraining will help in reducing monotony at work, increases career advancement opportunities through job rotation.

11. Rigid & Conservative regulatory norms have posed as a hindrance to the economic growth of China.

12. Retraining strategy was adopted at a time when they started liberalizing i.e. at a time when there was a major shift in the policy.

THE INDIAN ADVANTAGE

1. Huge Workforce Count: India has nearly 500 million people under age 19 and higher fertility rates. That could be a source for instability, but a great advantage for growth if the government can provide education and opportunity for India's masses by mid-century.

2. India on the Fast Track: India is an economy witnessing fast growth & increasing wage rates. Even during the year 2009, India saw a decent GDP growth rate of 6.1%.

3. Government Policies: The governmental policies & regulations post liberalization favour FDI thereby, adding to the economic growth of the country.

4. Education Levels: With more than 30% of the population being more than 19 years old, the youth power is difficult to be sidelined. The youth of the nation will play a pivotal role in moulding the future of our country.

5. Dominant Knowledge Workforce: Primary success of the Indian firms is in knowledge based industries which face frequent obsolence of technology & knowledge base. Here, retraining helps to counter the above by providing fresh learning to the workforce.

6. Diminished Need For Retraining: India being abreast with the changing times has led to highly skilled & qualified workforce. This has further reduced the need for retraining and thereby helps reduce overall costs.

7. Outsourcing Hub: Due to a large English speaking population, India enjoys a very prominent position in the outsourcing market, wherein a large amount of revenue is generated through the BPO/KPO Industry.

RECOMMENDATIONS

Some of the recommendations for China are as follows:

- Diffuse new technologies throughout the economy by strengthening technical standards and related infrastructure, supporting new businesses and other agents of technology dissemination, and multiplying local support structures of information and technical assistance.
- Pursue reform of the economic incentive and institutional regime through the rule of law and its enforcement, property rights, a clearer regulatory framework, stronger economic competition, and extracting political influences from business management.
- Take steps towards further reform of the education system, starting with a nationwide evaluation of students' literacy adapted to knowledge economy requirements.
- Establish regulations that facilitate integration of the private sector into the formal education system and exploit opportunities for a learning grid based on information and communication technologies.
- Improve the regulatory framework for the information infrastructure, with an independent regulatory agency; promote greater competition in the monopolized basic telecom market; open up more broadly to foreign investors; provide greater freedom on the Internet and expand access to it.
- Use technology foresights to make informed choices with help from foreign and Chinese expatriate experts.
- Attract foreign investors in strategic areas, particularly service sectors; facilitate global technological alliances for Chinese enterprises; and intensify incentives for Chinese overseas to come home.

☸ Promote massive training of public officials to adapt the management of the economy and society to more knowledge-based development: the new party cadres and high-level civil servants, government program managers, and government officials from provincial townships.

CONCLUSION

"*A nation's treasure is its scholars*". According to this famous Chinese proverb, it is important that the knowledge repository of the country must be updated. Retraining thus, comes as a very handy tool. By retraining the employees, you are creating a brand image of a reliable employer thereby increasing the trust of the employees in the employer. Retraining itself is a boon to the individual as it will help the employee from losing his job & self worth. It avoids an individual's skills form becoming obsolete. Retraining employees at risk of layoff to handle new jobs represents an approach to organizational restructuring that is fundamentally different from one where employers "churn" their workforce, laying off existing workers with redundant skills and hiring new ones. It is comparatively a cost effective & less time-consuming option as compared to hiring new recruits. Thus, for an organization to sustain in this fiercely competitive global environment, retraining is a reliable option.

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