IMPROVING THE STIMULATION OF PROFESSIONAL TRAINING FOR STAFF

Vasyl Savchenko

ScD in Economics, Professor, Professor Department of Theoretical and Applied Ukrainian State Employment Service Training Institute, https://orcid.org/0000-0002-5836-1277, e-mail: savchenko.vasyl@gmail.com

Abstract.

Relevance: the article is devoted to strengthening the stimulation for continuous vocational training of employees in the workplace by the social partners as an effective measure to overcome the economic crisis to ensure economic growth.

Aim: substantiation of measures to develop an effective organizational and economic mechanism to stimulate staff training in a stagnant and crisis economy and create on this basis the preconditions for economic growth.

Methods: general philosophical, general scientific and special research methods, which include methods of comparative analysis, deduction, concretization and formulation of actual issues, principles of development and historicism.

Results: The analysis of labor costs by enterprises of Ukraine in 1999-2018 identified the reasons that constrain the vocational training of staff. The role of social partners in the process of social dialogue in the implementation of continuous training of employees for the introduction of innovations and high technologies is determined. Measures have been formulated to develop the effective organizational and economic mechanism to stimulate employers and employees to strengthen their interest in learning. The role of the state and other social partners in improving the regulatory and legal support for staff development is substantiated. It is proposed to provide greater tax benefits, dotations and subsidies to organizations that feel the need to train employees.

Conclusions: it is proved that economic growth is possible due to the introduction of the latest high technologies, robotics, digitalization and the introduction of continuous training of employees. However, the existing organizational and economic mechanism doesn’t meet these requirements. The proposed mechanism must provide greater tax benefits, dotations and subsidies to businesses for staff training.

Keywords: training, stimulation, organizational and economic mechanism.

Introduction. Changes in the market, global competition and the introduction of new technologies lead to increased requirements for staff competence. Therefore, overcoming the current economic crisis and achieving Ukraine's economic growth is impossible without continuous training of employees. Its goal should be to improve the quality of human capital and the competitiveness of enterprises. The importance of these problems is exacerbated by the digital economy, which requires talented professionals, innovators in almost all types of economic activity. Meanwhile, not enough attention is paid to improving the incentives for staff training in Ukraine. Moreover, the situation with the financing of on-the-job training has deteriorated in recent years, and many companies don’t have sufficient funds for continuous staff development. Under such conditions, the aims of the study are to substantiate the conceptual foundations of an effective organizational and economic mechanism to stimulate training of employees in the workplace in a stagnant and crisis economy. This determines its scientific novelty. This determines the relevance of increasing the effectiveness of stimulation for staff training by state, employers, employees and other social partners.

Materials. Problems of stimulating the professional staff training attract the attention of foreign and domestic scientists. The theoretical basis of the article is the scientific works of: M. Armstrong, S. Shekshni, V. Gesskov, J. Phillips, G. Dessler, N. Nychkalo, V. Radkevich, L. Pukhovskaya, V. Savchenko, M. Martynenko, V. Brych etc.
M. Armstrong, substantiating the system of wages for the level of competence, notes that this system is aimed at competence, so the increase in wages is tied to the assessment of the level of competence acquired by employees (Armstrong, 2007, p. 596). According to S. Shekshnya, for the system of salary for knowledge is crucial to establish specific knowledge, for the acquisition of which the organization rewards employees (Shekshnya, 2002, p. 281). However, despite the formation of the knowledge economy, pay systems for competence are of limited application in practice.

V. Gesskov’s position on the factors hindering learning due to the nature of the market economy deserves attention. Among these factors, he points to the lack of funds for enterprises for training (Gesskov, 2000, p. 8). According to V. Savchenko’s research, in Ukraine this reason plays an important role in deterring employers from spending money on employee training (Savchenko, 2015, p. 479).

The situation is changing in countries with innovative economies with a high share of the fifth and sixth technological devices, where significant investments are made in human capital. Determining the effectiveness of these investments is an argument for motivating employers to train employees, choose forms and methods of training. According to J. Phillips, determining the return on investment in training is important for practitioners who provide training; for managers of customer organizations that approve training budgets; for researchers who develop and analyze the effectiveness of learning (Phillips, 2003, X). It is important to transfer the acquired knowledge and practical skills to the workplace. However, according to G. Dessler, less than 35% of trainees transferring what they have learned in the process of training to their jobs a year after graduation [Dessler, 2017, p. 241]. These problems are also relevant for Ukraine.

In Ukraine, sufficient attention is paid to theoretical and methodological issues of vocational training of the adult population. N. Nychkalo considers that the labor market and the development of vocational education and training affect a significant complex of problems, so their research should be based on an interdisciplinary approach (Nychkalo, 2013, p. 24). V. Radkevych to the conditions of realization of abilities for workers in high-tech manufacture refers their interest in the profession, and also effective motivation concerning development of the personnel from the enterprise (Radkevych, 2014, p. 40).

The experience of staff development in the countries of the European Union is reflected in the manual of L. Pukhovska, A. Vorachev and S. Leu. This applies, in particular, to the financial mechanisms for regulating on-the-job training, distributed expenditure on vocational education and training (Pukhovska, Vorachev and Leu, 2015, pp. 107-147).

Among the areas of development the system of organizational knowledge a prominent place is occupied by competence-oriented training of staff. M.V. Martynenko notes that the development of professional knowledge has become relevant not only for representatives of the high technology industry, but also for all other sectors of the economy, including industry (Martynenko, 2016, p. 172). The publications pay attention to the formation of dynamic models of employee training management. V. Ya. Barych and L. Y. Bilous propose to introduce development technologies and diagnostic materials to stimulate staff to learn (Brych, Belous, 2017, pp. 178-180).

However, many issues of staff training incentives remain unresolved. They are mostly viewed from the standpoint of material and intangible incentives for employees in isolation from its stimulation by other social partners. This causes to the continuation of research in this area and the choice of the topic this article.

The article aim is to substantiate measures to develop an effective organizational and economic mechanism to stimulate staff training by the social partners in a stagnant and crisis economy and to create on this basis the preconditions for economic growth.

Methods. The theoretical and methodological basis of the study is general philosophical and general scientific methods. In the process of research used: dialectical method, comparative analysis and synthesis, specification and formulation of the problem, analogies and other methods. During the analysis of the reasons constrain continuous professional training in Ukraine for 1999-2018, the historical-logical method was applied. The use of the problem-solving method allowed justifying measures to develop an effective organizational and economic mechanism to stimulate employers, employees and other social partners to strengthen their mutual interest in staff training. The research is based on the theory of social partnership, concepts of human capital and lifelong learning.

Results. The study found insufficient impact of tax legislation on employers' interest in vocational training. Prior to the adoption of the Tax Code of Ukraine, incentives for enterprises to train employ-
ees were regulated by the Law of Ukraine "On Taxation of Enterprise Profits". According to this Law, the taxpayer's expenses for training were included in the gross expenses in the amount of 3% of the salary fund of the reporting period (Law of Ukraine, 2005, pp. 4-5). Such legislation didn't encourage employers to train employees, didn't comply with the practice of advanced domestic and foreign companies.

To increase the interest of organizations in investing in human capital, the Tax Code has weakened restrictions on their training costs (Tax Code, 2010, pp. 136-137). Article 140 of the Tax Code defined the procedure for recognizing dual-use expenses related to training, liability of a person in case of violation of the obligation to work on the taxpayer after graduation and obtaining a specialty (qualification) for at least three years. The taxpayer's dual-purpose expenditures included expenditures only on training on occupations of workers. The inexpediency of these restrictions was due to the fact that in rapid change, employers also needed to train managers, professionals and professionals. Therefore, Article 140 § 1.3, was deleted.

Tax Code of Ukraine for 2020 Article 165 § 1.21 stipulates that the amount paid by a legal entity or individual in favor of domestic higher and vocational education institutions for an individual may not exceed three times the minimum wage established by law on January 1 of the reporting (tax) year. This is 14,169 hryvnias for each full or incomplete month of training or retraining of such an individual (Tax Code, 2020). It retains the rule that income that is not included in the calculation of the total monthly (annual) taxable income includes the amount of expenses of the employer in connection with training (retraining) of the taxpayer in accordance with the law (Tax Code, 2020).

The Law of Ukraine "On Education" should promote vocational training. It stipulates that the amount of funds allocated from the state budget for advanced training of pedagogical and scientific-pedagogical employees of state educational institutions may not be less than 2% of the salary fund of these employees (Law of Ukraine, 2017, p. 17). However, the requirements of this law aren't taken into account when adopting state budgets. Until recently, the exception was only individual employees, including medical employees. The intensification of the economic crisis has led to the fact that these funds are no longer provided in the state budget for 2020.

Public-private partnerships should foster organizations' interest in staff training. The government has set the amount of state aid for training that can be provided to reimburse economic entities for training costs, within 50% of such costs. This value may increase, but not more than 70%. In the case of state aid for the training of employees working in the maritime transport sector, the maximum amount may not exceed 100% of the amount of such costs (Cabinet Resolution, 2018). However, the provision of state aid for training is not massive due to limited state resources. Non-implementation or partial implementation by the authorities of regulations on training, insufficient motivation of employers in investing in human capital doesn't allow increasing the volume and quality of training of employees and ensuring the growth of their productivity labor.

The low level of profitability or unprofitability of many enterprises restrains the increase in the cost of training employees. They cannot fund adequate training. The presence of outdated material and technical base and technologies that don't require employees upgrading or retrain doesn't stimulate employers to develop staff. Domestic enterprises, not having the necessary funds, focus mainly on in-house training in some cases to the detriment of external training of employees in leading domestic and foreign educational institutions, internships abroad. This limits employees' access to the achievements of the world's leading companies in the field of new technologies.

Given the technological backwardness of many sectors of Ukraine's economy, this policy in the field of personnel development is a factor hindering the introduction of high technology. Moreover, due to the coronavirus, companies have to increase the cost of expensive distance and e-learning, which will require significant costs. However, it is difficult for companies to do this due to lack of sufficient funds. Periodic layoffs or absences personnel service from many companies also have a negative impact.

From 1999 to 2018, the State Statistics Service of Ukraine conducted representative sample surveys of enterprises on labor costs. According to the methodology of these surveys, the costs of vocational training include the cost of training employees in educational institutions under agreements between educational institutions and the organization; payment of scholarships to students of preparatory departments, students and graduate students who are trained on a full-time form in the direction of the organization; costs for the maintenance of educational and material base of the enterprise, rent and training and methodological support for training of employees and other costs (Labor costs, 2019, pp. 8-9).
The low motivation of employers to train employees is evidenced by the decrease in the enrollment of students to higher education institutions at the expense of legal entities. Over the past 10 years, the number of such students in Ukraine has decreased threefold and currently does not exceed 0.1% of the total number of first-year higher education institutions admitted. The cost of professional training of employees also includes the payment of trainers who are not in the staff of the organization. However, the payment of trainers who are in the staff of the enterprise, are referred to other groups of labor costs. This underestimates the cost of training.

The results of surveys of enterprises on labor costs in Ukraine for 1999-2018 are shown in Table 1.

**Table 1**

<table>
<thead>
<tr>
<th>Structure of labor costs by enterprises of Ukraine in 1999-2018 per employee in full-time equivalent, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator</strong></td>
</tr>
<tr>
<td>The actual cost of labor</td>
</tr>
<tr>
<td>Including</td>
</tr>
<tr>
<td>Direct wages and salaries</td>
</tr>
<tr>
<td>Payment for unworked time</td>
</tr>
<tr>
<td>Premium and irregular payments</td>
</tr>
<tr>
<td>Wages in kind</td>
</tr>
<tr>
<td>Payment for housing</td>
</tr>
<tr>
<td>Social security of employees</td>
</tr>
<tr>
<td>Vocational training</td>
</tr>
<tr>
<td>Maintenance of public services</td>
</tr>
<tr>
<td>Expenses not included in other groups</td>
</tr>
</tbody>
</table>


According to surveys of enterprises' labor costs, payment and social security costs prevail. At the same time, there are very small employers' costs for vocational training. After Ukraine's exit from the protracted economic crisis in 1999 and 2001, these costs remained relatively low, accounting for only 0.3% of total expenditures per employee.

The situation with the costs of enterprises for professional training of staff hasn’t changed for the better in the subsequent years. It deteriorated significantly during the economic crisis of 2014-2015. The share of organizations' training expenditures per employee decreased to 0.1%. For comparison, in the countries of the European Union in 2012 this figure averaged 1.0% (Labor cost). Based on the size of labor costs, a number of EU countries spend on training dozens of times more.

The situation with the financing of staff training didn’t improve in Ukraine in 2018, even in conditions of economic growth. The share of employer expenditures on training on average per employee was only 0.1% of the total labor costs. The absolute value of the average monthly cost of vocational training of one full-time employee increased from hryvnia 6 in 2014 to hryvnia 14 in 2018 (Labor costs, 2015, p. 37; Labor costs, 2019, p. 36). Taking into account the growth of the price index, it actually decreased. The increase in training costs took place mainly among servicemen of the Armed Forces of Ukraine and some other law enforcement agencies.

In the current crisis, funding for staff training has deteriorated. The low level of competence of employees as a result of insufficient funding for their professional development leads to a decrease in productivity, product quality, hinders the development of innovative models of enterprises. This doesn't meet the requirements of the knowledge economy, the spread of digital technologies, the introduction of technologies of the fifth and sixth technological devices, complicates the way out of the economic crisis.

M.D. Gemma, revealed the impact of the total number of employees who upskilling in Ukraine during 2004-2014 on the gross domestic product.
The obtained dependence is close to linear, and more precisely to piecewise-linear (the presence of a close linear correlation between variables is evidenced by close to 1 value of the correlation coefficient \( r = 0.83472 \)). The value of the coefficient of determination \( R^2=0.69677 \), and the actual value of Fisher's criterion \( F (1,8) = 18,382 \) exceeds the critical \( F_{crit.} (1,8) = 5,317 \) (Gemma, 2019, pp. 156-157).

By types of economic activity in Ukraine in 2018, higher training costs were found at enterprises producing pharmaceutical products and pharmaceuticals and in organizations for professional, scientific and technical activities. Pharmaceutical and pharmaceutical companies are growing rapidly, and high-tech manufacturing requires innovation, so they have spent more on training. Regarding organizations for professional, scientific and technical activities, the very innovative nature of their staff, the need to meet the latest advances in science and technology determine the cost of training.

The amount of funds spent on staff training is influenced by the size of enterprises. According to the survey of labor costs in 2018 among enterprises with 10-49 employees, the average monthly training costs per full-time employee was hryvnia 9, while in enterprises with 1,000 or more employees this figure was - hryvnia 21 (Costs to work, 2019, p. 40). There are organizations, in particular IT companies, that spend per employee not just a few thousand, but more than 10,000 hryvnia per year.

Among medium and small enterprises, a significant part doesn’t provide staff training. This is due not only to the lack of sufficient funds, especially in small businesses and lack of time for employees, but also to the lack of understanding of investing in human capital due to the lack of corporate culture of the self-learning organization.

**Discussion.** Ukraine hasn’t created a favorable institutional environment to stimulate continuous staff training. This has led to a reduction in funding for employee training and coverage of their on-the-job training. As a result, the advantages of having a relatively cheap and still highly skilled labor force to attract investment in high-tech economic activities haven’t been used. The exception was mostly the IT industry.

Employers’ interest in training highly skilled employees is reduced the caution about investing in the training of those who already have integrated high-tech occupations, due to fear of employment such persons in another employer. The lack of effective social dialogue between the social partners regarding the training of enterprise personnel also plays a significant role.

The General Agreement on the Regulation of Basic Principles and Norms for the Implementation of Socio-Economic Policy and Labor Relations in Ukraine for 2019–2021 provides for the development of mechanisms to stimulate the participation of employers in training staff (General Agreement, 2019). However, it doesn’t reveal the essence of this mechanism. Therefore, when adopting general and sectoral agreements, the social partners should develop specific measures to encourage employers to train staff. It is expedient to involve trade unions in the development of mechanisms to stimulate training in order to take into account the wishes of employees in the framework of social dialogue. This will balance the interests of the parties in this area.

Significant is the reluctance of individual employees to undergo training at the initiative of the employer or at their own expense. These are shortcomings in the organization of wages, when the amount of wages doesn’t always depend on the level of training of the employee. An important role is played by the lack of prospects in the employee to get a highly qualified job after training or fear of losing their own funds for training or retraining due to dismissal from the company at the initiative of the employer. The lack of own funds for training in employees at their own request, their dissatisfaction with the organization and content of training, hostility to the trainer, the desire to be released from the company of their own volition, etc. can reduce the motivation to undergo training.

Hence, it is important to develop conceptual principles an effective organizational and economic mechanism to stimulate the social partners in their interest in lifelong learning. This mechanism should be based on the concept of balanced development of vocational, higher and postgraduate education. The provisions of the concept must be taken into account when amending the current Tax Code and Budget Code of Ukraine, the Laws of Ukraine "On Professional Development of Employees" and "On Employment", etc. This mechanism should take into account foreign experience in providing tax benefits to employers who train employees. Providing such benefits to support business must play an important role in overcoming the effects of the economic crisis. The current norms of the Tax Code are insufficient to encourage companies to train staff.

The introduction of larger discounts on corporate income taxes in the Tax Code and the Law of Ukraine “Professional Development of Employees” should be regulated by the procedure for determining the upper limit of the cost of training services for organizations. To do this, it is necessary to develop
guidelines for the procedure for determining the amount of funds by organizations for training of employees in the production. If the requirements are met, companies will have the right to reduce their taxes. This will avoid corrupt abuses in the field of employee training. If the cost of training the tax liabilities of the organization is exceeded, it should be entitled to receive compensation due in the form of dotations. Insufficiently profitable, social and non-profitable enterprises should be provided subsidies for their training of employees.

It is important to increase the interest of employees in their on-the-job training, either on the initiative of the employer or at their own expense. In this regard, the tax rebate for training for the taxpayer, a one-time voucher for training for certain categories of the population must be supplemented by individual training accounts of employees. Funds should be transferred to these accounts by the social partners: the state, employers and employees. This will increase financial opportunities for quality education. To this end, it is necessary to make changes to the Budget Code of Ukraine that would allow the social partners to create special funds for staff training in the production (Savchenko, 2015, p. 484).

Conclusions. Overcoming the effects of the economic crisis and ensuring economic growth is possible through the introduction of the latest high technologies, robotics, digitalization and continuous training of employees. However, the existing organizational and economic mechanism doesn’t meet these requirements. Its shortcomings are manifested in the low percentage of coverage of employees with vocational training, low expense of employers for these purposes. It is advisable to use the mechanisms of social dialogue, public-private partnership to finance the development of occupational standards, preparation of new and renewing existing educational standards. It is necessary to renew the annual report on labor statistics № 6-PV (annual) "Report on the number of employees, their quality and professional training." To increase the efficiency of spending money on employee training, it is necessary to conduct sample surveys of labor costs once every two years, rather than once every four years. In these surveys, it is advisable to clarify the components of the group of costs for training. To strengthen the interest of the social partners in the implementation of lifelong learning, it is important to deepen research to determine the economic and social effectiveness of staff development in the workplace.

List of references

Брич, В. Я. та Білоус, Л. Й., 2017. Формування динамічної моделі управління навчанням робітничого персоналу. Український журнал прикладної економіки, 2 (1), 175-183.
Гемма, М. Д., 2019. Удосконалення професійного навчання працівників на підприємствах (на прикладі стивідорних компаній). Кандидат наук. Київський національний економічний університет.
Закон України «Про внесення змін до деяких законодавчих актів України (у сфері вищої освіти)», 2005. Урядовий кур’єр. Орієнтир, 9, 4-5.

Ничкало, Н. Г., Радкевич, В. О., Щербак, О. І. та ін., 2013. Професійне навчання дорослого населення: теоретико-методологічні засади: монографія. Кіровоград: Імекс-ЛТД.

Пуховська, Л.П. ред., Ворначев, А.О. та Леу, С.О., 2015. Професійний розвиток персоналу підприємств у країнах Європейського Союзу: посібник. Київ: ІПТО НАПНУ.

Радкевич, В. О. ред., Аніщенко, В. М., Кулаєва, Н. В. та ін., 2014. Професійне навчання кваліфікованих робітників в умовах високотехнологічного виробництва : теорія і практика: монографія. Київ : Тов. «НВП Поліграфсервіс».

Савченко, В. А., 2015. Розвиток персоналу: підручник. Вид 2-е, перероб. і доп. Київ : КНЕУ.


Translated & Transliterated


Hemma, M.D., 2019. Udoskonalennia profesiinoho navchannia pratsivnykiv na pidprijemstvakh (na prykladi styvidornykh kompaniy) [Improvement of the vocational training of employees at the enterprises (on an example of stevedoring companies)]. Kandydat nauk. Kyivskyi natsionalnyi ekonomichnyi universytyet, [in Ukrainian].


Professional Pedagogics/2(21)'2020 89


Мета: обґрунтування заходів щодо розробки ефективного організаційно-економічного механізму стимулювання навчання персоналу в умовах стагнаційної та кризової економіки і створення на цій основі передумов для економічного росту.

Методи: загальнофілософські, загальнонаукові та спеціальні методи дослідження, які включають методи порівняльного аналізу, дедукції, конкретизації та постановки актуальних питань, принципи розвитку та історизму.

Результати: Аналіз витрат на робочу силу за підприємствами України у 1999-2018 рр. визначив причини, що в стримують професійне навчання персоналу. Визначена роль соціальних партнерів в процесі соціального діалогу у здійсненні безперервного навчання працівників для впровадження інновацій та високих технологій. Сформульовані заходи щодо розробки дієвого організаційно-економічного механізму стимулювання роботодавців і працівників для посилення їх зацікавленості у навчанні. Обґрунтована роль держави та інших соціальних партнерів з вдосконалення нормативно правового забезпечення розвитку персоналу. Запропоновано надання більших податкових пільг, дотацій і субсидій організаціям, що відчують потребу в навчанні працівників.

Висновки: доведено, що економічне зростання можливе завдяки впровадженню новітніх високих технологій, роботизації, цифровізації та запровадженню безперервного навчання працівників. Однак наявний організаційно-економічний механізм не відповідає цим вимогам. Запропонований механізм має надати більші податкові пільги, дотації та субсидії суб’єктам господарювання для здійснення навчання персоналу.

Ключові слова: стимулювання, навчання, організаційно-економічний механізм.

Received: 25 August 2020
Accept: 25 September 2020