

6 July 2005

Training x Training

Retraining- a viable option

Every organization trains its new employees, but how many retrain existing employees to refine and update their skills? Retraining is a simple and effective process to increase efficiency and keep employees abreast of new technologies and developments.

Corporate restructuring and downsizing pose new challenges. In the 1990s, 66 percent of employees stated that restructuring drove downsizing. After laying off employees whose skills did not meet requirements, many organizations actually hire new ones. An effective HR alternate would be to retrain employees.

Defining retraining

The *Roberts Dictionary of Industrial Relations* defines retraining as ‘Fundamentally different skills made necessary because of some exogenous change in skill requirements.’ This definition, however, doesn’t exactly distinguish retraining from the routine skill upgrading that takes place in any organization when jobs change.

Therefore, retraining in the contemporary context can be defined as ‘the decision to invest in the skills of workers who would otherwise be at risk of losing their jobs.’ When labor shortages are severe and hiring difficult, employers seem more inclined to retrain.

A new angle

Change in the present economy is more dynamic than ever, and training managers recognize the need to continually update skills. The question now is, should an organization reinvest in old employees or hire new ones? According to Wharton’s management professor Peter Cappelli, employers who recognize the value of ‘social capital’ remain committed to retraining.

The role of social capital

Retraining is closely related to the practices that generate social capital. Social capital emphasizes the value of relationships between individuals as a resource. In simple terms, it is a tight network of relationships within a workplace. Social capital is an asset that exists between individuals rather than within them. That’s why companies choose to retrain.

Social capital could also mean that the organization is a network of well-functioning teams. These teams go beyond sharing jokes on the intranet and fetching tea for each other. They offer their teammates practical advice and tend to know each other’s competencies well.

Researching social capital

Most research on social capital reveals the benefit of social relationships to individuals and their positive effect on organizational functioning.



TenStep Supplemental Paper

Research shows that group performance is higher when there are more cross-group friendships. Also, employee tenure is related to social capital. Social networks facilitate trust, making it simpler for individuals to define and pursue organizational goals. Moreover, internal knowledge transfer becomes easier. Simultaneously, advice about tasks to be performed is passed along social networks.

From an economic perspective, retraining preserves social capital. It is a fixed investment, so the organization would have to invest less in hiring new employees. Hiring new employees could disrupt existing social networks.

To retrain or not to retrain?

The conventional reasons for retraining are avoiding high hiring costs, employee-friendly policies and top management that encourage lots of training. However, employers who offer health insurance, family leave and other such benefits to encourage retention too often refrain from retraining.

Retraining is more common where employees perform tasks that rely on social capital. Organizations that rely on bureaucratic management and have rigid rules and policies are the least enamored by social networks. On the other hand, work systems based on teamwork and empowered groups try to reinforce their social relationships. Employees in areas from advertising to construction depend significantly on social ties.

Hiring costs or dismissal costs, such as severance pay, should encourage organizations to retrain. Retraining is an ideal option for organizations where employment costs are high. Organizations where employers have paternalistic ideals retrain employees, as they believe it would improve employee morale and attitudes. Some organizations retrain as a general policy of progressive employment practices. Retraining also promotes firm-specific skills.

Taking stock

Employers offer stock options to reduce employee turnover. Such organizations could reinvest in old employees even if their job-specific skills are obsolete.

Some analysts, however, point out that organizations might prefer to lay off people with options to avoid giving them their shares. Organizations who do so would ruin their reputation in the labor market.

Retraining hurdles

Organizations choose or opt out of retraining employees for various reasons. For one, it may not be possible for an organization to retrain without changing the way it operates.

Another roadblock in retraining is the embarrassment that employees face when targeted for retraining. Most employees regard the initiation into retraining as an indication that their current work output is substandard. Hence, organizations must have effective public relations systems. Group retraining is another viable option. The best solution, though, would be to have an ongoing retraining program.



TenStep Supplemental Paper

Retraining is time-consuming, as existing skills first need to be unlearned and then new ones relearned differently. Although organizations have the option of outsourcing training programs, in-house trainers do most task specific training. Training sessions should be scheduled at regular work times.