

The importance of informal learning at work

On-the-job learning is more important for workers' human capital development than formal training

Keywords: informal learning, human capital, learning by doing, knowledge spillovers, high performance workplace

ELEVATOR PITCH

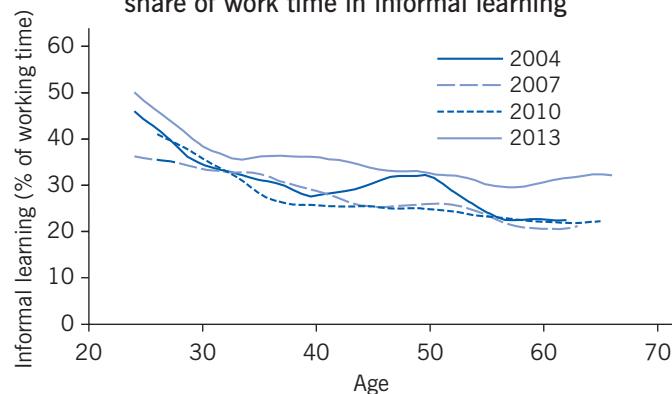
Although early human capital theory recognized the relevance of workers' experience, its focus was on education and formal training. Recent studies find that much of the performance of newly hired workers is driven by learning by doing or learning from peers or supervisors in the workplace. Descriptive data show that workers learn a lot from the various tasks they perform on the job. Informal learning at work seems to be relevant for all age groups, although it drives more of the performance of younger workers. Informal learning is far more important for workers' human capital development than formal training courses.

KEY FINDINGS

Pros

- + Informal learning is more important to workers' performance than formal training.
- + Learning by doing is often an automatic byproduct of productive work.
- + New hires have a steep performance increase in their first year of employment.
- + Knowledge spillovers between peers in the workplace contribute to firm productivity.
- + Keeping a worker's skills up-to-date through informal learning becomes more important when skill demands change frequently due to technological and organizational innovations and when mandatory retirement ages are raised.

Workers in the Netherlands spend a large and increasing share of work time in informal learning



Source: [1].

IZA
World of Labor

Cons

- The skills acquired through informal learning in one firm are less evident to other employers than those acquired through formal training.
- Informal learning involves costs when less proficient workers are less productive in their jobs.
- Most firms do not have adequate human resource management strategies to optimize informal learning in the workplace.
- The causal effects of informal learning on worker performance are still unclear.
- The economic literature on informal learning is underdeveloped.

AUTHOR'S MAIN MESSAGE

Steep performance increases among new hires and the large share of work time in which workers perform tasks that impart new skills indicate that informal learning is the main driver of human capital development in the workplace. Knowledge spillovers among co-workers are also an important part of informal learning. Rapidly changing skill demands and rising mandatory retirement ages make informal learning even more important for workers' employability throughout their work life. Policies tend to emphasize education and formal training, and most firms do not have strategies to optimize the gains from informal learning at work.