

Supporting skills development in small- and medium-size enterprises

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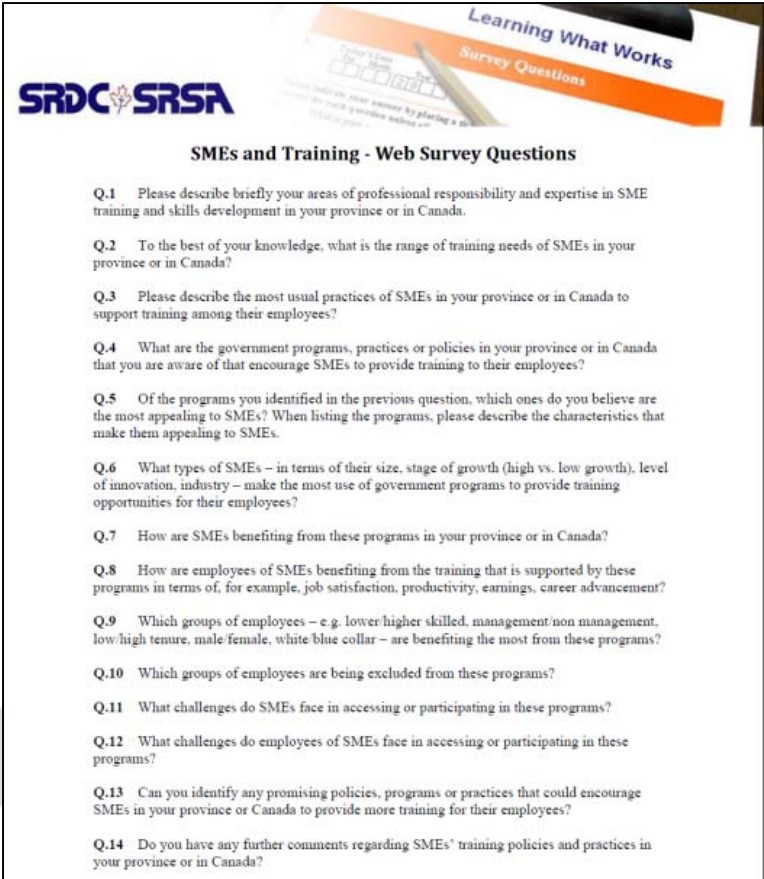
THE RESEARCH MANDATE

1. Review of provincial programs, policies, and practices to promote skills development among SMEs
 - Review of the literature on the extent and nature of the challenges SMEs face in supporting skills development
 - Overview of programs, policies, and practices in four provinces: British Columbia, Alberta, Quebec, and Nova Scotia

THE RESEARCH MANDATE

2. Consultation with experts via Web-based survey

- Provincial government representatives (13)
- Business and labour representatives (7)
- Practitioners and service provider representatives (6)
- Researchers (4)



SRDC SRSA

Learning What Works
Survey Questions

SMEs and Training - Web Survey Questions

Q.1 Please describe briefly your areas of professional responsibility and expertise in SME training and skills development in your province or in Canada.

Q.2 To the best of your knowledge, what is the range of training needs of SMEs in your province or in Canada?

Q.3 Please describe the most usual practices of SMEs in your province or in Canada to support training among their employees?

Q.4 What are the government programs, practices or policies in your province or in Canada that you are aware of that encourage SMEs to provide training to their employees?

Q.5 Of the programs you identified in the previous question, which ones do you believe are the most appealing to SMEs? When listing the programs, please describe the characteristics that make them appealing to SMEs.

Q.6 What types of SMEs – in terms of their size, stage of growth (high vs. low growth), level of innovation, industry – make the most use of government programs to provide training opportunities for their employees?

Q.7 How are SMEs benefiting from these programs in your province or in Canada?

Q.8 How are employees of SMEs benefiting from the training that is supported by these programs in terms of, for example, job satisfaction, productivity, earnings, career advancement?

Q.9 Which groups of employees – e.g. lower/higher skilled, management/non management, low/high tenure, male/female, white/blue collar – are benefiting the most from these programs?

Q.10 Which groups of employees are being excluded from these programs?

Q.11 What challenges do SMEs face in accessing or participating in these programs?

Q.12 What challenges do employees of SMEs face in accessing or participating in these programs?

Q.13 Can you identify any promising policies, programs or practices that could encourage SMEs in your province or Canada to provide more training for their employees?

Q.14 Do you have any further comments regarding SMEs' training policies and practices in your province or in Canada?

THE ROLE OF SMEs IN THE ECONOMY

- SMEs represent a major contribution to the economy:
 - 6.7 millions of workers from the private sector worked in firms with fewer than 500 employees in 2009, which is 64% of the total employment in the private sector
 - 39% worked in firms with fewer than 50 employees
 - SMEs accounted for over 60% of all net job growth in 2008-2009
 - SMEs also constitute the largest source of employment for new entrants on the labour market

SMEs AND SKILLS DEVELOPMENT

- In general, SMEs provide fewer opportunities for employees' skills development than larger businesses
- SMEs also tend to invest more in informal, on-the-job training
 - About one quarter of SME's training budget is spent on formal training (*CFIB, 2008*)

Proportion of establishments supporting training activities, by size of establishment

N = 4,189

Size of establishment	Structured training (1)	On-the-job training (2)
Small establishments	49.2	69.8
10–19 employees	39.0	63.8
20–49 employees	53.8	74.0
50–99 employees	79.2	86.4
Medium-sized establishments	86.3	90.4
100–299 employees	85.2	90.0
300–499 employees	93.1	93.2
Large establishments		
500 employees or more	96.1	94.9
Total	51.9	71.4

Source: Statistics Canada, *Workplace and Employee Survey*, 2001.
From: Rabemananjara and Parsley (2006).

SMEs AND SKILLS DEVELOPMENT

- But when SMEs do invest, they do so with as much intensity
 - Lower formal training expenses in SMEs are explained by lower incidence, not lower intensity
- Firms that pursue innovation and growth strategies, and those that use technology more intensively, invest more in skills development, *regardless of their size*

Intensity of training in establishments supporting structured training (percentage)

N = 2,995

Size of establishment	Proportion of employees having taken training	Spending on structured training relative to operating revenue
Small establishments	39.3	0.20
10–19 employees	44.2	0.24
20–49 employees	38.1	0.20
50–99 employees	38.2	0.19
Medium-sized establishments	41.7	0.26
100–299 employees	39.5	0.23
300–499 employees	47.3	0.34
Large establishments		
500 employees or more	41.4	0.22
Total	40.6	0.22

Source: Statistics Canada, *Workplace and Employee Survey*, 2001.
From: Rabemananjara and Parsley (2006).

WHERE DOES QUEBEC STAND?

- A survey from the Canadian Federation of Independent Business of 8,077 business owners in Canada with fewer than 500 employees suggests that:
 - Quebec SMEs tend to invest less in training than the other provinces.....
 - but that investment in structured or formal training is higher than the Canadian average.

SMEs' annual training expenses, by province

	Training hours per employee	Total expenses (\$)	Per employee expenses (\$)
British Columbia	133	55,938	3,115
Alberta	177	92,569	4,685
Saskatchewan	169	51,221	3,483
Manitoba	115	54,527	2,500
Ontario	116	40,594	2,681
Quebec	73	26,157	1,568
New Brunswick	88	28,357	1,972
Nova Scotia	94	28,071	1,786
Prince Edward Island	95	15,700	1,870
Newfoundland and Labrador	70	19,104	1,269
Canada	123	44,919	2,703

Source: CFIB calculations based on *Training in Your Business Survey*, June 2 – July 11, 2008.

Training incidence, by province (% response)

	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL	Canada
Formal	6.8	7.0	10.2	9.5	9.2	12.5	9.6	10.8	9.0	12.8	9.5
Informal	49.6	42.2	46.6	44.3	47.1	39.7	43.2	49.1	56.4	49.6	45.3
Both	40.3	47.9	39.9	42.5	39.3	34.2	37.9	34.6	28.2	32.0	39.1
None	3.4	2.9	3.3	3.7	4.4	13.5	9.3	5.4	6.4	5.6	6.1
Incidence	96.6	97.1	96.7	96.3	95.6	86.5	90.7	94.6	93.6	94.4	93.9

Source: Canadian Federation of Independent Business, *Training in Your Business Survey*, June 2 – July 11, 2008.

THE BENEFITS

- Known positive impacts on key business-level outcomes, including:
 - firms' profitability, productivity, and competitive advantage
 - adoption of innovative practices
 - introduction of new technology
 - service delivery and customer satisfaction
 - employees' retention rates (reduced turnover)
 - staff sense of belonging to the workplace

- Surveyed experts generally support this view, but researchers point out that the link between training and firm performance is somewhat equivocal.

THE BENEFITS

- Positive impacts on worker-level outcomes, including:
 - productivity
 - job satisfaction and motivation
 - potential for career advancement
 - workers' self-confidence
 - health and safety at the workplace
 - competent use of technology
- Surveyed experts support these findings.

WHO GETS TRAINING?

- Firms tend to place greater emphasis on training some employees:
 - Employees with higher education
 - But not necessarily true for on-the-job training
 - Employees with higher tenure
 - Full-time, regular employees

THE BARRIERS

For employers:

- *Lack of resources:* Financial costs are disproportionately higher for SMEs than large enterprises
- *Lack of time:* Opportunity costs of releasing staff for training can be quite high among SMEs
- *Lack of information:* Lack of concrete evidence on the returns to training
- *Lack of appropriate infrastructure:* Lack of HR skills and specialized resources to plan and structure adequate and meaningful training activities

THE BARRIERS (BASED ON SURVEYED EXPERTS' OPINION)

For workers:

- Dependence on SME owners' willingness
- Lack of time
- Insufficient training leading to official certification
- Lack of essential skills

APPROACHES TO TRAINING IN THE WORKPLACE

- Approaches oriented toward employers
 - Taxes or levies
 - Tax credits or subsidies
 - Programs encouraging corporate social responsibility
 - Sectoral Councils
- Approaches oriented toward workers
 - Entitlement to training leave
 - Individual learning accounts
 - Support programs to learning and skilled trades
- Other
 - Labour market information and orientation services
 - Analysis framework for skills and needs evaluation

TRENDS IN CANADA

➤ Popular practices

- Tax credits for learning programs and skilled trades
- Sectoral Councils

➤ Practices of increasing popularity

- Linking of certification systems and professional standards with training
- Measure of needs and training related to literacy and skills in the workplace
- Networking

BRITISH COLUMBIA



Workplace Training for Innovation pilot project (WTIP)

- Provided employers with less than 50 employees up to \$5,000 to provide their employees with training
- Funding is provided with minimal paperwork for the employer and employee eligibility requirements are inclusive

SkillPlus

- Focused on essential skills training in the workplace in selected occupational sectors
- Flexible eligibility, flexible reporting, and reduced paperwork

ASPECT Small Business Employee Training Program

- Provides employers with support to choose the training (in an institution and online) best suited to meet the identified needs (up to \$900 per employee)
- Limited to 1,000 participants province-wide and to employees without a high-school diploma

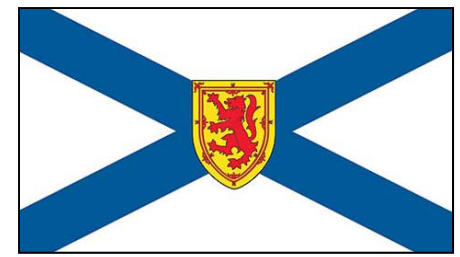
ALBERTA



Workplace Essential Skills Training Program

- Supports primarily SMEs that do not have the capacity to act successfully on their own to address workplace essential skill issues
- Partnership between employers, training provider, and Alberta Employment and Immigration
- For firms with fewer than 100 employees
- Funding of training and project management direct costs

NOVA SCOTIA



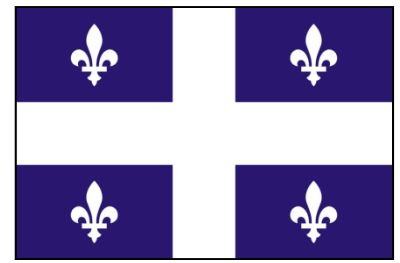
Workplace Education Initiative (WEI)

- Essential skills training in the workplace
- Programs are customized and delivered by instructors with the Association of Workplace Educators of Nova Scotia
- Training costs are covered by the program

Workplace Innovation and Productivity Skills Incentive (WIPSI)

- Encourages businesses to invest in employee and management skills development and adapt to the introduction of new technology and innovative processes
- Up to \$10,000 per employee in a cost-sharing system

QUEBEC



- **The 1% Training Tax**
 - New legislation (2007): tax now applies to all firms with \$1M and more payroll
- **Programmes d'apprentissage en milieu de travail (PAMT)**
 - Customized apprenticeship and one-on-one programming
 - Programs follow recognized professional qualification standards
- **Mutuelles de formation**
 - Consortia of SMEs
 - Provide training services to address common needs and skill gaps in a given sector or region
- **SERRÉ and SEMER**
 - Support SMEs experiencing cyclical downturn
 - Help maintain jobs during hard economic times while providing training to increase productivity once the economy recovers

PROMISING APPROACHES

- Efficient and flexible system of identification of required professional qualifications and training needs to acquire those qualifications
- Training programs that address SMEs' concrete and specific business needs
- Establishment of networking and consortia between SMEs (e.g., the "Mutuelles")
- Tools, supporting material, and other mechanisms to help employers see the value of their investment in training

PROMISING APPROACHES

- Online training extended to SMEs
- Promotion of a training culture within SMEs
- Skills training brokers program to assist SMEs access or establish training programs
- National tax credit to recognize formal and informal training