Supporting skills development in small- and medium-size enterprises

Jean-Pierre Voyer, SRDC
Canada-Manitoba Roundtable on SMEs and Skills Development, Winnipeg, February 10, 2011
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
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)
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
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

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

**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**

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

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

## Training incidence, by province (% response)

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

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
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
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