



CFIB

Research



Skilled in Training

Results of CFIB Surveys on Training

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Growing labour shortages in recent years have required small- and medium-sized enterprises (SMEs) to become creative when it comes to fulfilling their labour needs. Over the past ten years, CFIB has conducted numerous surveys on the incidence and depth of labour shortages. As training is part of the answer to labour shortages, the Federation has conducted a series of surveys on this issue in 2002.

Based on the most recent survey, SMEs try to find alternatives within their reach to deal with hiring difficulties. Among these alternatives, the most common ones are hiring under-qualified people, passing responsibilities onto other employees within the firm, or hiring temporary help (Labour Pains, CFIB, 2003). For each of these solutions, a firm must provide some training to its employees.

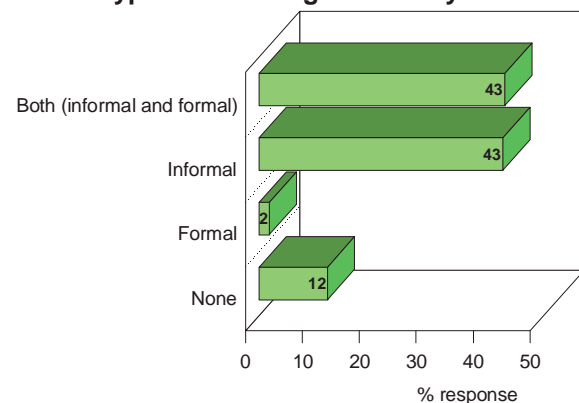
Training in a small firm is conducted in different ways than in a larger one. Most SMEs have to deal with various constraints such as a limited number of people that they can train at one time, insufficient resources, inadequate sources of information on training, etc. Yet the vast majority of them provide training to all types of employees, whether it is up-front training to new employees or on-going training to long-standing employees. The training process occurs under various forms, but the most often seen type is informal training or a mix of informal and formal training.

SMEs' willingness to provide training comes from the strong belief that it is their responsibility to train and upgrade the skills of their workforce. Government's major role is to encourage more internal training by lowering payroll taxes and other taxes such as EI and to provide information on available training programs. Government's help is welcome in particular by start-ups and mini-businesses in fulfilling their training needs.

Types of Training Offered

The most recent training survey offers unique insight into training within the SME sector. The survey, completed between end of September and November 2002, by 6,740 business owners from across Canada, provides a wealth of information by province, industry, business size and age on matters such as types, costs and time of training.

Figure 1
Types of Training Offered by SMEs

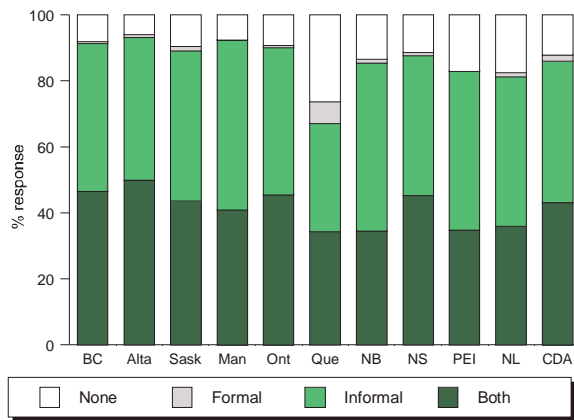


Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

The vast majority of SMEs provide training to their employees in various ways (see Figure 1). Slightly fewer than half of them (43 per cent) provide a mix of formal and informal training. Formal training is often seen as classroom classes, seminars, and workshops, while informal training consists of on-the-job training, tutoring and mentoring. An equal proportion of respondents provide only informal training. Less than two per cent provide only formal training, while about one in eight SMEs (12 per cent) do not provide any form of training.

SMEs based in the Western provinces are more inclined to train their employees compared to those in Eastern Canada. Manitoba and New Brunswick are more likely than the other provinces to offer informal training; while Alberta is most likely to offer a mix of informal and formal training.

Figure 2
Types of Training SMEs Offer, by Province



Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

In Quebec, the only province that levies a payroll tax associated with training, SMEs are twice more likely than the other provinces not to provide training (see Figure 2). However, when Quebec SMEs offer training they are three times more likely to provide it in a formal way than in the rest of Canada.

Medium-sized firms prefer formal training, while smaller firms, with fewer than five employees, opt for informal. The larger or the older the firm, the more likely it is to combine both options.

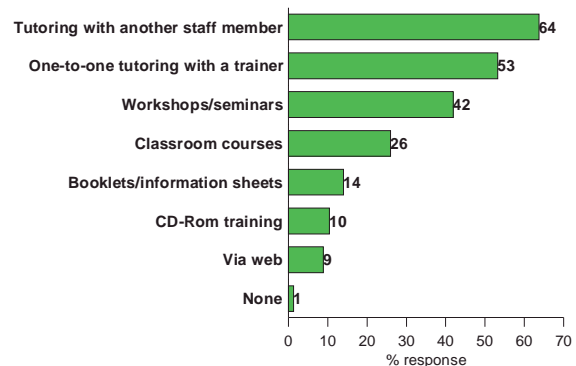
Firms in all industry sectors prefer informal training or a mix of informal and formal to the purely formal approach. Nevertheless, industry needs such as requirements for certification or accreditation, drive some firms toward formal ways of training. For example, SMEs in the transportation and communication, primary and finance sectors are more inclined to use classroom courses; while businesses in the agriculture, manufacturing and hospitality sectors prefer on-the-job training. More than half of businesses in the primary and the finance sectors prefer a mix of training approaches as their first choice.

SMEs that expect to increase employment within the next three years are somewhat more likely to increase

the amount of formal and informal training provided; whereas firms that expect to maintain about the same level of employment indicated they would increase only the amount of informal training.

Another CFIB survey on training indicated that the most effective types of training for SMEs are tutoring with another staff member, and one-to-one tutoring with a trainer (see Figure 3). Workshops and seminars appeal to four-in-ten firms, while classroom courses are considered by about one-in-four as most effective. A small proportion of business owners, close to ten per cent, see web training as most effective.

Figure 3
Most Effective Types of Training



Source: CFIB, *Survey on Training*, 1,367 responses, March-April 2002

E-training, defined as training using any electronic medium with the goal of conducting business more efficiently, is not yet largely used among SMEs. However, there is a strong interest in it, in particular among businesses using the Internet. The potential market for e-learning is about one-third of all SMEs using the Internet.

When asked for the reasons indicated for not using e-training, most firms cited that this type of training is not applicable to their business, or they are not aware of these methods; less often cited were technical problems or high e-learning costs.

Duration and Intensity of Training

A small business spends on average **113 hours per year informally training a new employee**. This time represents the equivalent of about three full-time 40-hour weeks. Firms in Alberta and Manitoba are likely to provide longer training periods (see Table 1).

The results are highly consistent by size of business. Older businesses tend to provide longer periods of

training than very young ones. Business owners in manufacturing and construction are likely to provide longer training periods as well.

A small business provides *formal training to a new employee for about 23 hours per year* or the equivalent of close to three 8-hour workdays. Businesses in the finance or in the primary sectors are likely to provide longer periods of formal training.

Table 1
Time Spent Training a New Employee
(Number of hours per year)

	Informal	Formal
British Columbia	111.4	21.4
Alberta	130.8	30.4
Saskatchewan	105.4	24.6
Manitoba	128.9	22.5
Ontario	112.7	22.7
Quebec	104.0	22.4
New Brunswick	116.9	20.3
Nova Scotia	102.9	22.1
Prince Edward Island	100.8	16.1
Newfoundland and Labr.	90.9	27.5
Canada	113.1	23.4

Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

In terms of intensity of training, half of SMEs prefer a medium intensity, which translates into a medium number of training hours per day. About a third favour a high intensity of training. These latter firms choose training methods that require short durations with the maximum number of daily training hours. For about one-in-five SMEs low intensity, long duration learning, with a minimum number of hours per day, works the best.

Investment in Training

More than half of SMEs have registered an increase in their training costs, in terms of time and money, compared to three years ago. For one-third of firms, the costs have remained at the same level. For less than two per cent of firms, training costs have decreased, while eight per cent do not know.

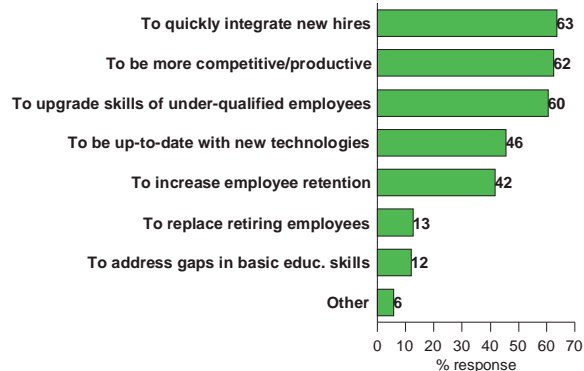
Firms in Manitoba and Alberta are more likely to have seen an increase, while businesses in PEI, Quebec and British Columbia more likely to cite a similar level. The larger or the older the firm the more likely it is to indicate an increase in its training costs.

Reasons for Conducting Training

There are various reasons businesses are interested in promoting training among employees. The most common reasons, as indicated by two-thirds of respondents, are integrating new hires more quickly, being more competitive, and upgrading the skills of under-qualified employees (see Figure 4).

Upgrading skills is becoming more important, as other CFIB research (Labour Pains, CFIB, 2003) reveals that 56 per cent of SMEs are turning to hiring under-qualified employees due to the shortage of skilled labour. SMEs recognize that training is part of their responsibility in addressing the shortages of labour. In fact, half of SMEs are ready to invest in skills upgrading to partly answer the growing shortage of labour (Labour Pains, CFIB, 2003).

Figure 4
Reasons for Conducting Training



Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

About half of SMEs need to train their employees to be up-to-date with new technologies. Employee retention is another important reason a firm trains its personnel. About one-in-eight respondents cited that replacing retiring employees and addressing gaps in basic education drive them to train.

Upgrading skills to deal with new technologies is less often cited in Quebec and PEI. This reason is far more important in Manitoba and British Columbia than in the rest of the country. Addressing educational gaps is seen as more important by businesses in PEI, Manitoba and Ontario.

The reasons for conducting training are consistent by size and business age. Upgrading skills of under-qualified people is more often indicated as a reason in the manufacturing and construction industries.

Training to become more competitive is perceived to be more imperative in the manufacturing and the retail industries. Integrating new hires is more likely to be mentioned in the hospitality sector, while employee retention is more likely to arise as a reason for the education, health and social services sector. Upgrading skills to deal with new technologies is more likely to be indicated by firms in services such as finance, business services and education. Replacing retiring employees is most often seen as the reason in businesses in the manufacturing and the construction industries. The gaps in basic education are most often quoted as a reason for training in the agriculture and manufacturing sectors.

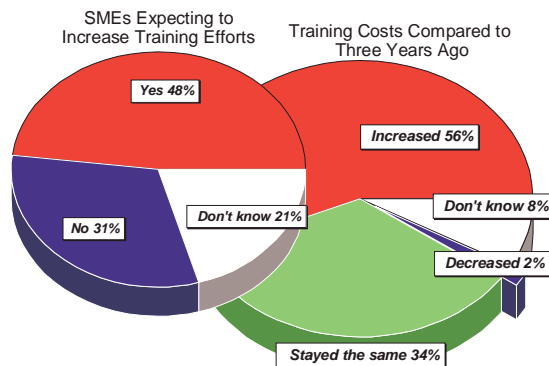
Difficulties in Training

For a small business, training has a major impact at the moment it occurs. Close to two-thirds of the respondents to the Survey on Training indicated that they couldn't afford to have employees take time off for training. Approximately half of small businesses have difficulty training due to its high costs. Another major reason for about four-in-ten businesses is the lack of institutions in their area that would provide the specific type of training the business needs. Among the other reasons that may impede a firm in its training plans are the employees' unwillingness to put in time for training, or the employees' high salary expectations after training, as cited by 27 per cent and 15 per cent of business owners respectively. About ten per cent businesses have some difficulties because they do not know how to provide formal training.

Training Expectations for the Next Three Years

Despite the rising costs, close to half of SMEs (48 per cent) expect to increase the amount of training offered in the next three years. One-third of respondents do not anticipate an increase and another one-fifth doesn't know (see Figure 5).

Figure 5
Evolution of Training Costs in the Last Three Years and Training Plans for the Next Three Years



Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

The results are very consistent across the country. Firms in the finance and primary sectors that train mostly formally are slightly more likely to provide more training. Firms in the business services sector are somewhat less likely to increase the amount of training provided. The larger the firm, the higher the expectations to increase the amount of training. Very young businesses are also more likely to train more than currently during the next three years.

Businesses that plan to increase employment have a greater propensity to increase the amount of training provided. This may be the owner's way of dealing with labour shortages.

Training Time Needed to Reach Full Productivity

New employees need training to familiarize themselves with the workplace, the processes and the work flow at minimum; some also need training to use machines and equipment particular to that business. On the other hand, long-serving employees need training to upgrade or learn new skills. Firms train new employees for various lengths of time depending on the complexity of job and the skill set required (see Table 2).

Table 2

Skill Set Required	Most Likely Duration for Training a New Employee
Management	months or a year or more
Technical	a year or more
Intermediate	months
Basic	days or weeks

Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

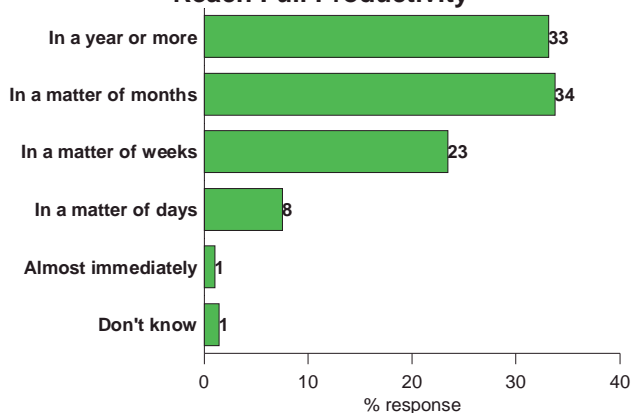
More than two-thirds of SMEs report hiring people with technical and basic level skills, followed by about one-fifth that are looking for intermediate level skills. Two per cent of respondents said they are looking most often for people with management level skills.

For the type of skills that the firm hires most often, fully one-third of SMEs provide training for a couple of months to bring *new employees* to full productivity. Another one-third of respondents need to train new employees for a year or more (see Figure 6). For about one-fifth of SMEs, a new employee needs training for a couple of weeks, while for less than 10 per cent a new employee reaches full productivity in a matter of days or almost immediately.

For firms in Eastern Canada, new employees are more likely to reach full productivity in a matter of days or weeks compared to the West, where employees are more likely to reach it in a year or more.

Smaller firms are slightly more likely to have their new employees reach full productivity in a matter of days or weeks, whereas larger firms tend to have their employees reach full productivity in a matter of months. The flexibility of work and interchangeable responsibilities may be among the factors that help new employees more quickly understand the workflow in a smaller firm than in a larger workplace.

Figure 6
Training Time Needed for a New Employee to Reach Full Productivity



Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

Agriculture and hospitality businesses are more likely to have their new workers reach full productivity in a matter of days or weeks respectively. The majority of industry sectors need months, such as education, transportation and communications, primary and

manufacturing; or a year or more in sectors such as construction, finance, business services and wholesale trade.

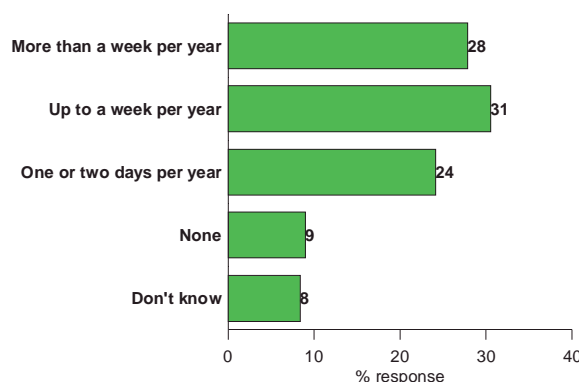
Training Time Needed to Maximize Productivity

Almost all SMEs need to offer some up-front and on-going training to their employees. Depending on the industry they are in and the training time needed for a new or a current employee, SMEs can be divided into three categories.

- ❑ SMEs that provide *major up-front training* to new employees, and also *major on-going training* to its long-standing personnel. Such SMEs are more likely to be in wholesale or the finance sectors.
- ❑ SMEs that provide *major up-front training* and *some or little on-going training*. These firms are more likely based in transportation, construction, manufacturing, business services or education.
- ❑ SMEs that provide *some training up-front* and *little on-going training*. Such businesses are more likely in agriculture or hospitality sectors.

For the type of skill hired most often, one-third of businesses need to train their *long-standing workforce* up to one week per year, while almost the same proportion tends to train for more than a week per year. One-quarter of SMEs train for one or two days per year (see Figure 7). Less than ten per cent do not need to provide any training to their current employees to help them maintain full productivity. The results are highly consistent across provinces.

Figure 7
Training Time Needed for an Existing Employee to Maintain Full Productivity



Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

By size of business, the results are quite surprising. Smaller or younger firms are slightly more likely not to need to train their existing employees. Yet, when smaller firms train, they are more likely to do it for longer than a week per year. The larger the firm, the higher the probability of training its existing employees for one or two days per year or up to a week per year.

Sectors such as transportation and education are more likely to need to train for about one or two days per year; while finance and business services need to train for up to a week per year, and wholesale for more than a week annually.

Similarly to the different lengths of training time required for a new employee, depending on the complexity of the job and the skill set required, the training time given for a current employee to maintain a high productivity level varies by type of skill (see Table 3).

Table 3

Skill Set Required	Most Likely Duration For Training a Current Employee
Management or Technical	Up to a week or more than a week per year
Intermediate	Up to a week per year
Basic	None or one or two days/year

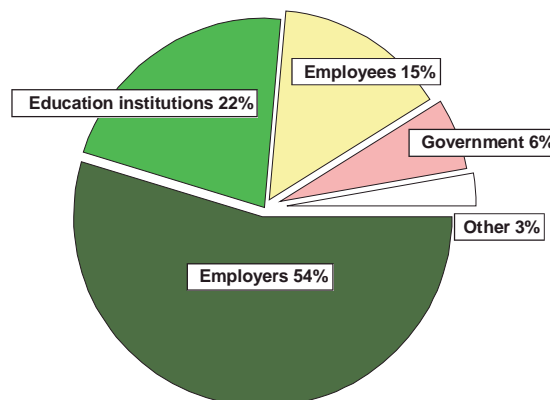
Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

Shouldering Training Responsibilities

More than half of SMEs think that, primarily, it is up to them to train and upgrade the skills of their workforce. One-fifth of respondents consider that educational institutions should be primarily responsible for training and skills upgrading, while about 15 per cent consider that the employees themselves should be responsible. Only six per cent see the government as primarily responsible for these activities (see Figure 8).

The smaller the firm, the more likely it is to see government, educational institutions and employees as primarily responsible. In contrast, larger businesses take more responsibility on their shoulders. Similarly, very young businesses are less likely to see training and skills upgrading as their responsibility.

Figure 8
Who Should Be Primarily Responsible for Training and Skills Upgrading



Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

All regions and sectors see themselves as primarily responsible for training. Small firms in Central and Eastern Canada tend to give government and educational institutions more responsibility than businesses in Western Canada. Employers in Quebec and PEI are the least likely to see themselves as primarily responsible. SMEs in Western Canada, especially those in British Columbia, are more likely to think that employees should be primarily responsible for training.

Businesses in the construction sector are the least likely to consider training their responsibility, while primary, wholesale and hospitality are more likely to see training as their role. Other sectors such as agriculture, transportation or education, health and social services are more likely to see their employees as primarily responsible for skills upgrading and training. It is important to note that businesses that plan on increasing the amount of training in the next three years are more likely to see government and educational institutions as primarily responsible.

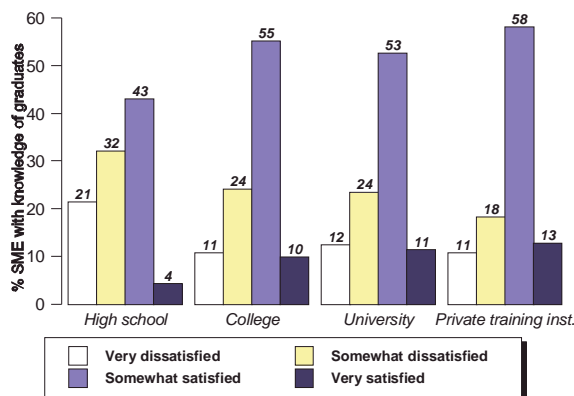
While SMEs providing informal or a mix of both types of training are more inclined to see themselves as primarily responsible, firms conducting formal training are predisposed to think that government and educational institutions are mainly accountable for training. Likewise, firms that do not offer training are less likely to take responsibility on their shoulders; they would rather see government, education institutions and employees responsible for skills upgrading.

Satisfaction with Education Institutions

Among the business owners that had experience in hiring graduates from various education institutions, the levels of satisfaction vary largely from 47 per cent for high schools to 71 per cent for private training institutes.

Most entrepreneurs had experience with graduates from high schools and colleges, and somewhat less experience in hiring university and private institute graduates. However, firms that did hire private training institute graduates were by far the most likely to be satisfied with the job done by the institutes, 71 per cent of respondents indicated they were satisfied. The proportion of business owners that were satisfied with the preparedness of their workers who had graduated from colleges was 65 per cent, followed closely by satisfaction with university graduates at 64 per cent. The lowest level of satisfaction was registered by owners who hired high school graduates; only 47 per cent indicated they were very or somewhat satisfied with the way their employees have been prepared for the work force by high schools (see Figure 9).

Figure 9
Satisfaction with Various Education Institutions



Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

Strategies to Encourage Training

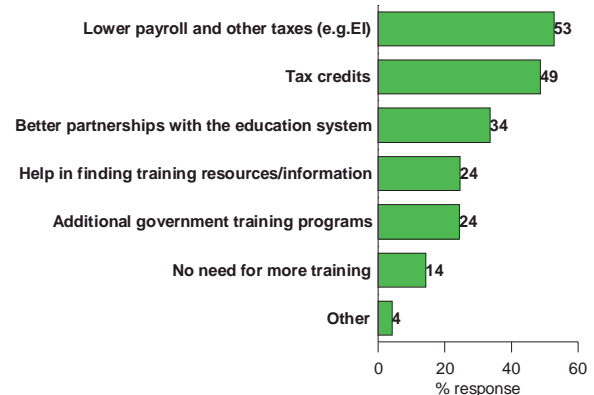
1. Tax Relief

The main incentives that would encourage half of the SMEs surveyed to provide more training are reducing payroll taxes and other taxes such as EI, and using tax credits (see Figure 10). Manitoba's businesses are more likely to increase the amount of training if government would lower taxes. Lower payroll taxes are reported as

the best incentive for businesses in hospitality services, and in transportation and communication.

One-third of firms would be encouraged by better partnerships between business and the education system. One-quarter of SMEs would provide more training if they were helped in finding training information and resources; while about the same proportion would be encouraged by additional government training programs.

Figure 10
Incentives that Would Motivate SMEs to Provide More Training



Source: CFIB, *Survey on Labour Availability and Training*, 6,740 responses, Sept. – Oct. 2002

About one in seven businesses consider that there is no need for more training. These businesses are less likely to have been hiring in the last three years, or if they hired, are less likely to have had difficulties hiring.

In Quebec, the training tax does not encourage businesses to train more; yet firms believe that government programs would help.

While tax relief would act as an incentive to increase training activity, the opposite effect has been observed with respect to Quebec's training law. The law, which has been applied since 1995, was meant to encourage employee training and skills upgrading in businesses of all sizes. It specifies that every employer with a payroll larger than \$250,000 per year has to invest in training at least one per cent of its total payroll or pay a tax equal to the amount that has not been used for training.

The law's goal was to promote flexibility and simplicity by allowing the employer to choose the best training program for his/her business needs. However, the requirement imposed on business to justify the training conducted creates such an administrative paperburden that Quebec SMEs prefer to pay the tax.

2. Training Tax Credits

Tax credits are seen as a real incentive by half of respondents and they are welcome equally by firms in all provinces. The larger the firm the more likely it is to want more training, and also the more likely it is to favour tax credits. Tax credits seem to be the best way to promote training for businesses in the manufacturing sector.

3. Training Information/ Government Programs

Help in finding training information and additional government programs would be more appreciated as a tool to promote training by businesses in Central and Eastern Canada than in the West. Firms in the transportation and communication sector would be more encouraged by additional help in finding information, while additional government programs would encourage businesses in the construction industry.

Conclusion

Small- and medium-sized businesses play a significant role in both the initial training and subsequent skills upgrading of employees. Informal preparation is preferred by a large majority of businesses, used either as the only type of training provided in the workplace or in addition to formal instruction.

Labour shortages and hiring difficulties drive SMEs to pursue alternatives such as hiring under-qualified personnel, passing on responsibilities to other employees or hiring temporary workers. Internal training is the bridge between the supply from the labour market and the ideal workforce needed by SMEs. Hence, training is increasingly becoming an important business tool.

Given the connection between training and productivity, training should be promoted in the workplace not as a goal in itself but as means to a goal. SMEs train because they benefit from employees' improved skills. They train because they want to be more productive. They train because they feel responsible for it.

Government, education institutions and employees have all a role to play. Government's main role is to encourage SMEs to train by increasing the pool of funds available to them. Reducing payroll and other taxes is the most important action path that governments could take. Tax credits follow in importance as a way of promoting training among

SMEs. However, one has to be mindful of the pitfalls of increasing paper burden and bureaucracy along with the introduction of tax credits. Quebec stands as example of a well-meant initiative, in principle, applied in a way that put SMEs at a disadvantage.

Excessive paperburden associated with participating in a government program or with benefiting of a tax break should be reduced or even removed to allow smaller firms to reap the full benefits of such programs. In addition, government training programs, access and resources should be promoted more openly to the business community.

Education institutions are the starting point of forming future skills. They should ensure that graduates are provided the foundation to readily adapt to the many challenges in the workplace. Schools should also focus more on building better partnerships with the business community to improve understanding of businesses' needs. Strategies such as encouraging students to go into trades or increasing the school time devoted to employment skills would be some of the results of such partnerships.

Moreover, effective communication between the business sector and the education community is essential to bridging the skills gap. Schools too should increase awareness of the existence of training programs and promote these programs to businesses of all sizes.

In conclusion, government should recognize that SMEs provide extensive training and should accept informal on-the-job training as an efficient and widespread type of training. Any strategy put in place to help businesses cope with labour shortages and with hiring difficulties should include a training component. These strategies should be flexible and be geared to respond to the needs of all businesses, large and small.