



LESSONS IN LEARNING

Canada's biggest economic
challenge: Improving workplace
learning in Canada

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A decade ago the biggest economic challenge facing Canada was creating enough jobs for our workers. Within the next decade, our biggest challenge will be ensuring that we have enough workers and that they have the skills and knowledge they need. Without a strong commitment to and investment in workplace learning, there is no certainty that Canada will be up to this challenge.

The issue – Why workplace training matters

Demographic shifts and the emergence of the global knowledge economy are driving critical shortages in the Canadian workforce. In a few years, it is likely that Canada will not have enough workers and many workers will lack the skills and knowledge that the global economy demands. Workplace training is key to addressing these shortages.

Canada, like most countries around the globe, is facing the aging of its population as the baby-boom generation moves into retirement. At the same time, the next generation of young workers that will soon be coming into the labour force will be a smaller one. In fact, more than half of Canada's workforce of 2015 is already in the labour force and, within the next few years immigration will become the source of all net growth in Canada's labour force.

We are already experiencing labour and skill shortages in some regions of the country and sectors of the economy, and these will continue and intensify. A survey by the Canadian Federation of Independent Business (CFIB) reported in late 2000 that up to 300,000 jobs were vacant in Canada because of a lack of suitable skilled workers.¹ At the same time, the Conference Board of Canada projected a shortfall of nearly one million workers in Canada within 20 years.² Skill shortages now rank among the top five concerns of managers; over half of private-sector managers are reporting occupational shortages or anticipating shortages within two years.³

At the same time, the demands of the knowledge economy and the transformational nature of information technology mean that skill requirements will rise rapidly and change constantly. New products, new firms, new industries and new technologies are emerging all the time, as are new ways and processes of working. Skills are quickly becoming dated and new ones are required.

Canada obtains only a mediocre rating when it comes to making employee training a priority.

Conference Board of Canada⁴

Table 1:
Selected Organisation for Economic Co-operation and Development (OECD) countries – Participation in non-formal job-related education and training

OECD countries	Participation
Denmark	46%
Sweden	45%
United States	44%
Finland	44%
Switzerland	41%
United Kingdom	34%
Canada	29%
Austria	24%
France	23%
Germany	14%

Source: OECD. Education at a Glance (2005)

All this points to an imperative for employers to invest in developing the skills, knowledge and talents of their current workforce. Unfortunately, this does not appear to be happening—at least not to the extent that it is required.

How is Canada doing?

Canada slipped from 12th place in 2002 to 20th in 2004 in terms of the priority employers place on employee training.⁵ Fewer than 30% of adult workers in Canada aged 25–64 participated in non-formal job-related education and training in 2002, compared to 44% in the U.S. We also lag behind European countries such as Sweden and the U.K. (see Table 1).

Levels of employer-sponsored training in Canada have been stagnant in recent years. Despite a modest increase in overall participation rates, the rates for employer-sponsored training remained virtually unchanged between 1997 and 2002. And while seven out of every 10 training participants received support from their employer in 2002, this proportion has declined since 1997, from 79% to 72%.⁶

In monetary terms, Canadian firms' spending on training is lower than that of many of our competitors. By any measure, spending in Canada is substantially lower than in the United States and is falling even further behind over time (see Table 2).

In Canada training is highly concentrated among certain categories of workers, firms and industries—leaving other workers behind.⁷

- Participation in training is highest among younger workers and declines with the age of workers. Some 42% of workers aged 25–34 participated in formal job-related training in 2002, compared to 34% of workers aged 45–54, and only 23% of workers in the 55–64 age group.
- Participation in training is greater for workers who have higher levels of education. Slightly over 50% of workers with university credentials participated in formal job-related training in 2002, compared to only 18% of workers with a high-school education or less.
- Workplace training in Canada is highly concentrated in larger firms. Firms with over 500 employees had a participation rate of 37.2% in formal training in 2002, compared to 25.1% for firms with 20–99 employees, and 18.5% for firms with less than 20 employees.
- Participation in training varies considerably across sectors and industries. In 2002, 50% of public-sector employees participated in formal job-related training, compared to 28% of private-sector employees. While 38% of employees in service-producing industries participated in job-related training in 2002, just 25% of employees in goods-producing industries did so.
- Overall, almost one-third of Canadian workers report unmet training needs relating to their job.

Table 2:
Employer spending on training in
Canada and the United States

Spending on training	Canada	United States
Per employee (2003)	\$824 CAN	\$1,135 US
As a percentage of overall payroll (2001)	1.57%	1.90%
As a percentage of overall payroll (2003)	1.55%	2.34%

Source: Conference Board of Canada. Learning and Development Outlook (2005)

According to international survey data, nine million Canadians aged 16 to 65 (42% of working-age Canadians) lack the literacy skills considered necessary to live and work in today's society, virtually the same number as a decade ago.⁸

Yet, basic-skills training lags far behind professional, management, technological and firm-specific training as a priority for firms, with only 2.2% of all training expenditures going for basic-skills training.⁹

We know that investing in workplace learning pays off

A significant return on investment has been demonstrated for employers who support workplace training and skills development for their employees. Training, education and stronger skills have positive impacts on productivity, innovation and economic success.

For example, manufacturing firms in the U.K. that spend more heavily on staff training enjoy 47% greater productivity than firms that spend little.¹⁰ In the services sector, the productivity increase is 13%. In the U.S., the equivalent of one extra year of schooling can raise productivity by between 4.9% and 8.5% in the manufacturing sector and between 5.9% and 12.7% in the services sector.¹¹ Additionally, training investments in the U.S. have been positively linked to higher total stockholder returns.¹²

Staples Business Depot's learning and development program

Staples' learning and development program is designed to attract, develop and retain competent employees in order to respond to changing customer expectations and a dynamic environment of fierce competition and high staff turnovers and transfers.

Key features:

- Every position has a learning and development plan, with a statement of identified competencies and required training courses/programs to attain them;
- An internal portal provides easy access to information and is regularly updated;
- Employees are aware of internal opportunities and next career steps;
- The company has a comprehensive resource library, designed for various learning styles;
- There is a well-balanced blend of e-learning and classroom training, as well as on-the-spot coaching;
- Market trainers are local experts;
- Product training is co-financed by the vendors of those products;
- There is a strong focus on measuring results;
- There is a strong link between the company's focus on customer satisfaction and responding to clients' demands for enhanced levels of product knowledge and service.

Presentation to Canadian Council on Learning – Canadian Policy Research Networks Forum on Employer Investment in Workplace Learning (November 2006)

Canadian studies have documented close linkages between innovative firms and employer-sponsored training, as well as between training and the introduction and use of new technologies. New firms that place greater emphasis on employee training are also more likely to succeed.¹³

The link between overall education and literacy levels and economic performance is also well established. For example, a recent Statistics Canada study of 14 OECD countries estimated that a country with 1% higher-than-average literacy and numeracy skills would achieve labour productivity 2.5% higher than other countries, and GDP per capita 1.5% higher on average. In the long run investment in human capital, such as education and skills training, can be three times as important to economic growth as investment in physical capital.¹⁴

Diavik employee skills upgrading

Diavik Diamond Mines Inc., based in Yellowknife, Northwest Territories, operates unique community-based training programs tailored to the needs of the company and the situation of the local community.

Key features:

- Community involvement and mobilization;
- Partnerships with local institutions, governments and others;
- Direct link between training and skills needed on the job;
- Combination of classroom and hands-on training;
- Practical training on projects that benefit the local community;
- Training includes both technical and essential workplace skills;
- On-site Workplace Learning Centre;
- Two-weeks on/off-site rotation, with training continued in community during off-site time;
- Release time allows workers to participate;
- Essential-skills focus customized for employees and grounded in work context.

OECD. Skills Upgrading: New Policy Perspectives (2006).¹⁷

What keeps employers from investing in training?

Many factors influence a firm's decision to invest in workplace learning. Training costs play an important part in this decision. These costs include the purchase and delivery of training and time spent not working, or worker replacement costs.

In order to make a decision to invest in training for their workers, employers need to know with confidence what their specific training needs are, what kind of training is available, how best to organize and provide it and how effective the training will be. If they lack adequate information in these areas employers may decide to invest their limited dollars in other ways, such as the purchase of machinery and technology or improvements in the physical plant, where they may feel that the payoff will be greater, or at least more immediate.

The Dexter Institute of Heavy Construction: The power of partnerships

Facing skill shortages and a lack of qualified applicants at the same time as the company was in a period of growth and adopting new technologies, Dexter Construction partnered with the Nova Scotia Community College to design a two-year diploma program to meet its skills and labour needs.

Key features:

- Mix of classroom learning, practical experience and paid work;
- Guarantee of employment on graduation and tuition reimbursement for those who stay with the company;
- Strong senior management support for the initiative and buy-in from supervisory staff;
- Use of relevant training materials. Flexible design in training program;
- Demonstrable benefits for both the company and students.

Presentation to Canadian Council on Learning – Canadian Policy Research Networks Forum on Employer Investment in Workplace Learning (November 2006)

'Poaching' and 'free-riders' are concerns for many employers. Other firms can hire away newly trained workers and workers, once trained, can seek out other employment opportunities. These concerns can lead employers to invest only in firm-specific training for their workers, to cut back on their spending in training or to avoid investing in training altogether.

Small and medium-sized enterprises (SMEs) face special challenges when it comes to investing in workplace training. They may lack the economies of scale that can make training more feasible for larger firms. They may also have fewer funds to invest in training and encounter greater difficulties in obtaining financing for such investments. The decision to train is often linked to technological change.

Smaller firms, however, tend to be less likely to adopt new technologies than larger ones, and so may not feel the need for training as much as larger firms do. Smaller firms, more than larger ones, may also feel that they cannot afford to have workers take the time away from their work. Fears about 'poaching' appear to be even stronger among smaller businesses, which tend to have higher employee turnover rates.

Lessons in learning: What works in workplace training?

Canadian and international research and experience provide a number of important lessons, as well as promising directions for the future.

Training works best when it is linked to a firm's priorities and culture

Training is most effective when it is linked to a firm's business strategy and integrated with its plans and priorities in order to address challenges and opportunities. Training has to make business sense and be clearly related to business and market realities, such as the need to respond to market changes and shifts or to introduce new technology, products, services and/or processes.¹⁵

Increasingly, as well, there is recognition of the potential of high-performance workplaces or learning organizations, firms that integrate learning into their overall management and culture, linking it to other workplace practices such as recruitment and retention of talent, employee satisfaction, job design, organization of work, work-time arrangements and workplace well-being.¹⁶

Clear goals, easy access and the right delivery method

Firms that are successful in making learning and training integral to their workplaces have clear and specific objectives, link training to job requirements and career progression, ensure training can be easily accessed by employees, and use a variety of teaching methods suited to the needs of the firm and of individuals. The learning and development program implemented by Staples Business Depot provides a good example of this approach.

Flexibility and local solutions are key

Training works best when it is customized and firm-specific, rather than a generalized program for everyone. Local solutions that are geared to specific local issues and needs will be much more effective than general programs.

Case studies in Alberta and the Northwest Territories, undertaken for the OECD, emphasize the importance of customization and flexibility in the application of assessment tools around essential skills. The community-based training programs implemented by Diavik Diamond Mines provides a good example of this approach.

Partnerships, pooling resources and sharing risks and costs

Sector-wide strategies can be used effectively to identify industry-wide skill and labour requirements. Such partnerships can also reduce costs and allow for the resources necessary to research issues, design appropriate training programs, develop standards and results measures. Many observers have noted the value of sector councils and of sectoral approaches in encouraging workplace learning in Canada.

Worker–employer cooperation can also be effective in promoting greater workplace learning. Worker–employer councils are in place in many continental European countries.¹⁸

Pooling resources from different enterprises can also help address cost and other barriers to training investment, particularly among SMEs. For example, various models of training consortia and other mechanisms to pool resources are gaining momentum in several countries, including vertically-linked firm networks where larger firms help provide training to smaller firms in their supply chain.^{19,20}

Partnerships with local educational institutions have also been demonstrated to be valuable in tailoring training programs to meet specific needs while engaging community resources. The Dexter Institute is an example of a successful partnership between employers and educational institutions.

Distance learning and e-learning

Experience in Canada and internationally has shown that exploiting new technologies can be effective in addressing workplace learning needs. The Canadian Automotive Repair and Service Council has successfully used an interactive distance learning approach to implement a large-scale training program.

Interactive Distance Learning

The Canadian Automotive Repair and Service (CARS) Council established an interactive distance learning program in 1999. Today, between 600 and 700 automotive repair and service shops across Canada subscribe to the program. In 2004, over 11,000 workers wrote the program's exams.

Key features:

- Use of satellite technology to broadcast national learning modules for industry-required skills;
- Content developed based on the needs of industry and service shops and continuously updated;
- Reaches thousands of workers in "real time" and in their workplaces;
- Cost-efficient and effective, with important productivity gains when compared to off-site or classroom training;
- Financed through user service fees, with Government of Canada support through Sector Councils program to develop new curricula and courses;
- Industry-wide promotion of the program.

Conference Board of Canada²¹

Firms can benefit from investing in basic- or essential-skills training

Recent studies point to evidence that essential skills are critical for today's economy, including literacy and so-called soft skills such as communications, networking, and working in teams. Employers such as Syncrude Canada Ltd. have recognized the need to provide such training for their employees.

Syncrude Canada Ltd. essential-skills training

In the late 1980s, Syncrude recognized the need to increase essential skills, including literacy and numeracy, among its workforce. The company partnered with Keyano College in Fort McMurray, Alberta, to develop and put in place workplace literacy and numeracy programs tailored to their needs and work situation.

Key features:

- Program is strictly voluntary and completely confidential;
- One-on-one consultation and assessments;
- Choice of workshops;
- Reading materials used are authentic workplace materials;
- Effective Reading in Context (ERIC) focuses on workplace literacy;
- Syncrude Applied Math (SAM) develops the math skills of employees.

Skills Upgrading Initiatives in Canada: Evidence from Alberta and the Northwest Territories²²

A role for governments

Governments can use a wide variety of policy levers to facilitate employer investment in workplace training. Research and international experience have identified several key areas and ways in which governments can intervene successfully.

- *Framework policies and legislation are important.*

Overall government policies, legislation and regulations can help establish a climate that fosters competitiveness, productivity and investment in human capital.

- *Financial measures can be used to stimulate firm investment in workplace training.*

The OECD suggests that co-financing of workplace learning—among employers, employees and government—can be effective in encouraging workplace learning.²³

Financing Supports for Firms

- Profit tax deductions are used in many OECD countries, allowing firms to deduct the cost of training from profits when calculating tax;
- National training funds, grants based on payroll tax contributions, are used in Belgium, Italy, Japan, Korea, and Spain;
- Sectoral funds are used in Belgium, Korea, Denmark, the U.S. and France;
- Training grants financed from general government revenues are used in the EU (the European Social Fund), Korea, Mexico, Poland and the U.S.;
- “Employment Training Pilots” (ETPs) for SMEs are being tested in the U.K.

OECD Promoting Adult Learning²⁴

Financial incentives to firms to encourage investment in workplace training include subsidies and loans as well as tax credits and deductions. Subsidies can include national or sectoral training funds, take a targeted or general funding approach, and can incorporate a matching-funds element. Financial incentives must be carefully designed to maximize their leveraging potential and avoid deadweight costs and “substitution” effects (i.e. public financing for training that firms would have offered anyway). Subsidies should be used to target incremental costs and address issues of inequitable participation (e.g. SMEs and disadvantaged populations).

- *The jury is out on compulsory approaches.*

Some jurisdictions, including Quebec, have tried compulsory or mandated approaches to workplace training (e.g., training levies or mandatory training requirements); however, the effectiveness of such mechanisms has not been established. They can involve heavy administrative burdens and costs for firms and government; they tend to be more advantageous for larger firms than for SMEs; and may not adequately address inequities in workers' access to training.

Targeted approaches to such measures can be more promising. For example, using compulsory levies to finance specific training measures or for sectoral or intersectoral agreements, or tailoring programs to better accommodate SMEs.

- *Non-financial supports can be valuable for employers.*

Public support in the form of information, advisory and referral services can be very valuable. Other useful forms of non-financial support include national recognition, qualification and certification systems, including recognition of prior learning and foreign credentials; support for innovative practices and testing of innovative approaches; sharing and dissemination of best practices.

Some countries use arm's-length agencies to promote workplace learning, set standards, measure and report on progress, and undertake research and provide information.

Investors in People

The U.K. established the Investors in People (IiP) program in 1991 to encourage companies to invest in training.

Key features:

- Built on the recognition of good practices across the country;
- The IiP label is awarded after assessing a firm's performance against 12 indicators;
- One quarter of all employees in the U.K. now work in companies that have the IiP label;
- Over 70% of IiP companies report having achieved gains in customer satisfaction and productivity.

OECD Beyond Rhetoric: Adult Learning Policies and Practices²⁵

Conclusion

Many ideas have been suggested to improve workplace training in Canada. A comprehensive approach is required. Such an approach involves a tool box of supports and initiatives, with the flexibility to tailor their application to specific needs and circumstances.

Some have called for promotion and awareness campaigns, led by industry, as well as the need for compelling evidence to convince employers about the benefits of investing in workplace learning.

Many believe that enhanced public support to firms, both financial and otherwise, is necessary to help overcome barriers, provide incentive and leverage investment. Proposals include tax credits, matching training funds, training levies and initiatives targeted to SMEs. Other recommended supports include: sectoral initiatives and sector councils; stronger national recognition and qualification systems; action on basic skills and literacy; and better information and training-related tools.

Increasing employer investment in workplace learning and skills development in Canada is critical for Canada's future economic success. Canada is currently falling behind our competitors in ensuring the ongoing training and development of our workforce. While governments and others can provide support, action on the part of firms and employers is needed.

Some ideas that have been put forward to increase employer investment in workplace learning in Canada:

- A tax credit for firms to encourage investment in training, perhaps scaled to provide greater incentive for SMEs;
- A training fund, with matching contributions from firms and government;
- A national training levy;
- Job protection and right-to-leave for training;
- Increased support for sector councils and sectoral initiatives, and for the pooling of resources and expertise (especially for SMEs);
- Information dissemination and awareness on the return-to-investment of training;
- Active advocacy by business organizations to encourage a training culture;
- Provision of information, advice and tools, including "one-stop service" for individuals and firms, at community centres, business service centres etc.; and
- Greater government support for essential/basic skills and literacy training, as a public good. This could include support for sector council initiatives, development of tools and curricula, and cost-sharing of training.

Further reading

This Lesson in Learning draws significantly from a review of research and recent literature, as well as key informant interviews, undertaken in 2006 by Canadian Policy Research Networks (CPRN) on behalf of the Canadian Council on Learning. A CPRN report summarizing findings was published last September and served as a background document for a national Forum on the issue held in November 2006 with participants from the business, labour, research and academic communities and government. A report on the outcomes of the Forum was published in February 2007. Both documents are available from CPRN.

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