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Skills and Training Survey 2007

Summary Report

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DISCLAIMER

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ABOUT THE SKILLS AND TRAINING SURVEY

Skills and training are critical to business success. Because of this, Business New Zealand (and its predecessor organisation)¹ has run semi-regular surveys of business training practice and motivations since the 1990s. These surveys provide detailed snapshots into how and why New Zealand businesses train their staff.

Since 2003, the Skills and Training Survey has been run in conjunction with the Industry Training Federation, the national representative body for Industry Training Organisations (ITOs).

The 2007 version of the Survey was website-based, and distributed through Business New Zealand's founding members (the Employers' and Manufacturers' Association (Northern), the Employers' and Manufacturers' Association (Central), the Canterbury Employers' Chamber of Commerce, the Otago-Southland Employers' Association) and through affiliated industry associations.²

This summary report presents the "headline" findings of the 2007 Skills and Training Survey.

Who responded to the Survey?

536 enterprises responded to the 2007 Survey, a 12% increase on 2003 numbers. Just over two-thirds (70.5%) of respondents were private limited liability companies. 8.6% of respondents were self-employed or sole proprietors (up from 1.5% in 2003). 68% of respondents had been in operation for longer than 10 years.

Respondents were spread across industry sectors, with the top three places occupied by retailers (18%), firms in agriculture, forestry and fishery (14%), and manufacturers (13%).

19% of all respondents were based in Canterbury and the West Coast, 18% were based in Auckland and 17% operated across the country.

The median number of staff employed by respondents was 13.5. The total number of people employed by the respondent firms was 63,906.

1. The New Zealand Employers' Federation, which in 2001 joined with the New Zealand Manufacturers' Federation to form Business New Zealand.

2. The Bus and Coach Association, Federated Farmers, the Food and Grocers' Council, the Forestry Industry Contractors' Association, Horticulture New Zealand, Independent Tertiary Institutions, the Meat Industry Association, the Motor Trade Association, the New Zealand Institute of Management, the New Zealand Screen Council, the Registered Master Builders' Federation, the Retailers' Association of New Zealand and the Tourism Industry Association of New Zealand



KEY FACTORS

90% of firms that responded to the survey had provided some form of training to their staff in the past 24 months. The industry groups where training was most common were Manufacturing, Construction, and Infrastructure (97%) and Government, Education, and Health (100%). 44% of firms had increased the numbers of employees receiving training over the past 24 months; only 5% had reduced numbers in training.

Larger firms were more likely to provide training to their staff – 72% of firms with 0-5 employees reported providing training, compared to 100% of firms with 100 or more staff. Firms that required higher levels of skill in the workplace were more likely to train than those with low levels of skill requirements.

The median amount of training provided per employee was 2 days. Firms reported spending a median of 2.5% of their payroll costs on training.

What skills are most important to firms?

The group of skills most commonly cited as important by firms was specific technical and trade skills – in other words, the particular skills that an individual firm needs – with 71% of respondents identifying this as

important, and 44% seeing it as the most important skill group. After this, respondents most commonly identified communication skills (67%) and literacy and numeracy skills (49%) as important. This remained relatively consistent between the different skill “level” required by most staff at the respondents’ enterprises (“Very high/complex”, “Moderate”, “Low”, or “Mixed”).

What kinds of training do firms offer?

The single most popular form of training offered (73% of firms) was external courses and programmes – that is, training provided or developed by people or organisations from outside of the business.

Just under three-quarters of respondents (73%) provided training so that their staff could gain specific technical and trade skills. About half (54%) trained staff to gain health and safety skills, while 43% trained to improve their employees’ computing skills and 40% for better management skills. These top four skills were the same as those identified by firms in the 2003 Skills and Training Survey.

Most training appeared to be informal (in other words, not tested or assessed). Just under half of all respondents used formal training for 0-30% of their total training efforts.

What organisations or people provided training to businesses?

The most popular provider of training (56% of respondents) was in-house line staff, such as supervisors and line managers. Private training providers / consultants (54% of respondents) and Industry Training Organisations (52%) were close behind.

The proportion of firms using polytechnics or universities for training dropped between 2003 and 2007.

What business objectives were firms or employers trying to achieve through training?

80% of respondents said they were looking to improve basic product and service delivery through training. Other popular business goals were improved customer satisfaction (69%), increased productivity (61%) and higher staff retention (59%).

How well did employers and firms think these objectives were achieved?

The majority of firms felt that training had a positive effect on many business goals. The most highly rated business goals were:

- Quality of output (84% of respondents felt that training had a positive impact on this aspect).

- Productivity / motivation of staff (76%); and
- Enabling business growth (74%).

Interestingly, firms and employers had more mixed views about the impact of training on innovation and staff retention. 31% believed that training had a “mixed impact” on innovation and 30% agreed for retention. In addition to health and safety, these were also the only business aspects where a noticeable proportion of respondents felt that training had no impact (18% for health and safety, 14% for innovation, and 13% for staff retention). In both cases, however, over 50% of respondents still felt that training impacted positively on these aspects.

Almost no respondents felt that training had an overall negative impact on any business aspect. The only area where over 1% of respondents identified a negative impact was on business costs (4%). Even here, only 10% of those who identified training as negatively impacting on cost also viewed it as impacting negatively on productivity, and 40% of these respondents believed it still had a positive impact on this area.

In total, 54% of firms felt that training “significantly improves performance” and a further 40% believed that it “slightly” enhanced business outcomes. Respondents from the Primary industry group were the least likely to feel that



training significantly or slightly improved performance (86%), while those in the Trade, Accommodation, and Transport and Government, Education, and Health were the most likely (97% of both groups). Although very few (1%) respondents felt that training had no impact, 6% were unsure of its impact – rising to 12% of respondents in the Primary group, and 10% of those in Cultural, Recreation, Personal & Other Services.

How did firms and employers test the value of training?

Businesses used a wide range of tools and approaches to test the value of their training investments. Staff feedback was the most popular, with 71% of firms using this method. 52% reported using productivity increases, 50% used cost savings, 49% reduced errors/reworking and 48% used customer feedback. Only 19% of firms did not evaluate the value of training in some way.

What did firms and employers think about the relevance of training on offer?

Firms were asked to rate the relevance of training provided on a scale of 1 (very poor) to 5 (excellent). The most highly-rated providers were in-house line staff (92% of respondents gave them a score of 3 or higher), followed by private training providers / consultants (88%) and Industry Training Organisations (87%).

Modern Apprenticeship Coordinators and universities received the highest proportion of “very poor” scores, at 25% and 19% respectively.

What sorts of training materials did firms and employers use?

The most popular form of training material was in-house training materials (61%). The use of online and computer/CD-ROM based training materials increased between 2003 and 2007.

Did employers and firms believe that there were literacy and numeracy skill gaps in their workforces?

Yes. 35% of all respondents said that at least some of their employees had difficulties with literacy and numeracy. The industry that reported the highest levels was manufacturing, construction and infrastructure, where 54% of firms reported literacy and numeracy issues.

No firm stated that literacy needs were “very widespread” in their workplaces, but 40% of those firms that had reported literacy problems felt that they were “moderately widespread” – in other words, they affected a “noticeable proportion of employees” and had “some impact on firm operations.”

Where did firms and employers get information about training?

Three-quarter of firms and employers reported getting information on training options from training consultants. 68% sourced information from Industry Training Organisations or industry associations, and 59% learned about training from the Employers and Manufacturers' Associations, Canterbury Employers' Chamber of Commerce or Otago-Southland Employers' Association.

What did firms and employers think about Industry Training?

38% of respondents had employees currently in industry training, while a further 10% had previously (within two years) had employees in such training. With the exception of "Other", the most commonly cited reason (56%) for not having employees in industry training was that ITOs and/or Modern Apprenticeships did not exist or weren't relevant to the enterprise. These were followed by a lack of information about such training (11%), lack of employee interest (8%), and concerns about affordability (8%).

51% of respondents either agreed or strongly agreed with the statement that "Industry Training and Modern Apprenticeships make an effective contribution to meeting the skill

development and/or employment needs of my enterprise." Only 16% disagreed or strongly disagreed. Unsurprisingly, support was very strong amongst respondents who currently had employees in industry training, with 82% agreeing or strongly agreeing with the statement. Support was also particularly strong among larger firms (100+ employees), 67% of whom agreed or strongly agreed that Industry Training was making an effective contribution.

Future training intentions

Only 3% of respondents said they would not provide any training over the next year. 59% said they would maintain current training levels, 35% intended to increase training rates and 3% were going to reduce training in future.

For those firms looking to increase their training levels in future, the most common motivations were skills shortages (48%), the desire to improve efficiency (43%) and the availability of relevant courses (37%). Conversely, the most common motivations for reducing or offering no training in the future were affordability of training (40%), not enough relevant training (33%), lack of information about training (32%), and that training requires too much staff time off work (31%).



ISSUES AND POLICY IMPLICATIONS

In conducting the Skills and Training Survey, Business New Zealand and the Industry Training Federation are seeking not just to understand business training practice but also to identify areas in which there is a need for further research or policy work.

Three key issues worthy of further investigation emerged from the 2007 Survey.

Modern Apprenticeships

A key theme in tertiary education policy over recent years has been 'relevance' – namely, the extent to which education and training programmes reflect the needs of the economy and key stakeholders such as employers. A great deal of effort has been expended by Government agencies to encourage tertiary institutions to better align themselves with industry and the labour market.

The relevance scores given by firms and employers in this Survey raise some interesting questions, particularly the lower rates of satisfaction expressed in polytechnics, universities and the Modern Apprenticeship scheme.

To some degree, this is to be expected. As amply demonstrated in this and previous Surveys, many employers invest in training primarily to ensure their staff have technical

and trade skills that are often specific to the firm or industry. In-house staff and training units and industry-driven training bodies like ITOs are better placed than more 'academic' institutions to provide training that employers see as directly relevant to their business.

The relatively poor performance of the Modern Apprenticeship Scheme – a policy that is explicitly designed to prepare young people for industry – is harder to explain. It may simply be that some respondents preferred to hire older, experienced workers and therefore did not see a need for Modern Apprentices. Yet the number and strength of some comments entered by employers suggest there may be deeper-set issues with the Scheme.

In the main, these comments centred around the need for more rigorous and in-depth vocational training in general, and dissatisfaction with the level of contact between the enterprise and the Modern Apprenticeship Coordinator. Several respondents expressed the sentiment that too great a burden was falling on them as employers – for example, one noted that *"we are training our 4th apprentice & have never received communication or visits from any support people/organisation ... We feel totally on our own with apprentice training & really want to understand if we are performing adequately with our training aspects."*

Similarly, another respondent complained that *“The modern apprenticeship coordinator never visits the apprentices on the afternoon and night shift...they wouldn’t even know who he is”*. As the Modern Apprenticeship Scheme is intended to provide more focused care for young people that are newly entering a particular industry, comments like these seem somewhat concerning.

These may, of course, be isolated examples – and it is worth noting that close to 70% of respondents who used Modern Apprentice Coordinators still rated the relevance of their training as “fair” or better. The findings do suggest, however, that further work should be undertaken into where the scheme is and is not working, why this is the case, and how

good practice can be promoted to ensure positive outcomes for apprentices and employers. In particular, while the survey did not explore the issue, it is worth noting the more positive opinions of ITOs as training bodies given that over 60% of Modern Apprenticeship Coordinators are not Industry Training Organisations.

Literacy and numeracy

As noted earlier in the report, there was a prominent gap between the proportion of firms that identified literacy and numeracy as one of their top three most important skills and the percentage of those that were providing literacy and numeracy training – *see below*:

	Respondents offering training in this area	Respondents identifying area as important
Specific Technical & Trade skills	72.8%	70.8%
Health & Safety	54.1%	17.1%
Computing Skills / ICT	42.9%	22.2%
Management Skills	40.1%	24.9%
Communication Skills	38.8%	66.7%
Team & Negotiation Skills	32.1%	28.3%
Supervisory Skills	31.7%	28.3%
Literacy & Numeracy	8.8%	49.3%
Other	8.2%	8.3%



There are a number of possible explanations for this gap. The first is that employers can employ enough staff with suitable literacy and numeracy skills. However, the fact that 35% of respondents stated that at least some of their employees had difficulties with literacy and numeracy suggests that the labour market is not supplying sufficient numbers of qualified staff.

The second possible explanation is that literacy and numeracy issues in the workplace weren't serious enough in the minds of employers to justify training expenditure. The Survey results suggest that this may well explain part of the training gap – 60% of those firms that had stated some of their staff had literacy or numeracy difficulties considered that these difficulties were “not very widespread.”

The two remaining explanations for the training gap are that:

- employers and firms could not locate suitable training providers; and/or
- they did not consider it their responsibility to train for literacy and numeracy.

The Survey did not ask explicit questions about either issue, although anecdotal evidence from other quarters implies both are likely to be barriers to training for some firms.

The Survey results indicate that the workplace literacy activities in the New Zealand Skills Strategy would do well to

begin by focusing on the manufacturing and food and beverage sectors. Awareness of literacy and numeracy difficulties was highest (54% of firms) in the grouped manufacturing, construction and infrastructure sector, while members of the food and beverage sector were more likely than others to see literacy and numeracy issues as being ‘very’ or ‘moderately’ widespread in their workplaces.

Promoting training demand

Over the past few years, Government-supported initiatives have attempted to encourage greater uptake of training by businesses to improve productivity or management performance, or greater involvement by business in tertiary education policy. The New Zealand Skills Strategy takes a similar approach.

Responses to the Survey suggest that direct communication from Government agencies on training options is not the best way to engage firms on capability development matters. Only 37% of firms reported getting their information on training options from Government departments, with just under half of respondents describing that information as “inadequate.”

The most frequently-cited source of information about training options is training consultants (75% of respondents). Co-opting this medium obviously creates difficulties, in that training consultants will

be primarily interested in promoting their own courses and resistant to publicising competitors' options.

Three other major sources of information for firms were Industry Training Organisations (68% of respondents), industry associations (68%) and business organisations (59%). Firms and employers also registered high levels of satisfaction with the information they received from these sources:

Information source	% of respondents who felt information was adequate
Industry association	86.9%
Business organisation	85.5%
Industry Training Organisation	81.8%

Working with private sector organisations that enjoy high levels of trust from firms and employers would seem the best way for Government to raise both awareness of, and demand for, training opportunities.

Interestingly, although less than half (49%) of respondents identified the internet as a source of information of training, it gained the highest level of firm/employer satisfaction – 87% described the information they received from the internet as adequate. This may imply that that firms and employers appreciate the breadth of coverage and independence of information that the internet provides.

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