Business NZ

Business NZ Skills and Training Survey 2003

Summary of Findings

This document provides a summary of the findings of the 2003 Business NZ Skills and Training Survey, details of which are contained in the full report.[1] This research was conducted by Business NZ and the Industry Training Federation, and was funded by the Future of Work research programme of the Department of Labour. Copies of the full report can be obtained from the Future of Work web site: http://www.futureofwork.govt.nz/, as well as the Business NZ and ITF web sites.

It is important to note that the respondents to the Business NZ survey are from the membership of Business NZ's regional associations, and as such are not necessarily reflective of the wider business community. The results of this survey provide information principally about those firms and enterprises that do engage in training, rather than those that do not.

Respondent profile

479 enterprises responded to the survey, with over 49,000 employees. 15% of these enterprises had 5 or fewer employees, while 21% had 100 or more employees.

77% of staff employed by the respondent firms were full-time employees. 18% of employees in the respondent firms had no qualifications, 31% had only a school qualification.

The majority of these organisations were private limited liability companies (65%), but the were also a significant number of incorporated societies and trusts (13%), public companies (9%) and government agencies (5%). 70% had been in operation for more than 10 years.

The respondents were spread across a wide range of industries, with the largest proportion (28%) being in the manufacturing sector. 12% also consider their firm to be in the Tourism sector.

Self-assessed performance of enterprise and employees

Respondents were asked to assess their enterprise's comparative performance with similar or competitor organisations, both currently, and over the last 2 years, on a scale of 1 (very much worse) to 7 (very much better). The mean assessment of current comparative performance was 4.89, implying that respondents felt that they were doing about as well, on average, as their competitors.

Similarly, respondents were asked to assess the productivity of typical new employees with that of the productivity of typical employees after 2 years of employment, on a 100-point scale. The mean productivity gap was 45.

[1] As with any survey-based research, one needs to be aware of the sample properties and associated limitations before generalising from the data. We encourage the reader to carefully read the methodology section of the full report, with particular attention to the limitations.

Prevalence and nature of training and skill development

89% of respondent enterprises indicated they were currently providing training for their employees. Larger firms were more likely to be offering training. More than half of respondents had increased the amount of training provided to their employees over the last 2 years. 95% of firms indicated they were likely to offer training in the next 12 months.

Spending on training

The mean amount spent on training over the previous 12 months was **3.7%** of total payroll. This figure is comparable with the figure of 3.48% from the 1994 NZ Employers' Federation Survey. There were significant differences in the spending on training across different industries.

Quantum of training

59% of the employees of respondent firms had undergone training in the last 12 months. This figure was greater for the very smallest and largest firms. The average number of days training provided per employee was **4.4** days.

Recipients of training

Training for employees of respondent enterprises appeared to be provided across the skill and qualifications levels of employees – the proportion of those receiving training with any particular level of qualification was almost identical to the spread of qualified staff.

Form and kind of training provided

The most prevalent form in which training was provided was through external courses and programmes (for 85% of respondents), but many also used in-house training programmes (79%) and one-off seminars (67%).

83% of respondent enterprises were providing training in specific technical and/or trade skills. A similarly large number of firms were providing training in Health & Safety (78%) and Computing / ICT skills (62%). Approximately half of firms were providing training in management and supervisory skills, and around 40% in communication, team and negotiation skills. A small but significant number (11%) were providing basic literacy and numeracy training to their employees.

Source of training provision

The most prevalent source of provision for firms' skill development and training was their own in-house training staff (82%). Slightly more than half of respondent firms made use of training consultants and contractors, private training providers and Industry Training Organisations (ITOs). 40% made use of the services of polytechnics, and 30% used university programmes as part of their training activities. 14% made use of Modern Apprenticeship coordinators.

Formal and informal training

The mean percentage of training that was formal (i.e. training or skill development where learning or skill level is assessed) was **43%** (the median was 40%). In general, larger firms had a higher mean percentage of formal training than smaller firms.

Prevalence of use of national skill standards

65% of those firms engaged in training (and 58% of all respondent firms) indicated that they used national skill standards for at least some training. Approximately 6% indicated they used national skill standards for all their training.

This compares with the 57% of all respondent firms in the 1997 NZ Employers' Federation Survey that agreed with the statement that "national work-related standards are important to my business".

Causes and effects of training and skill development

Decision making about training

In most respondent firms, senior managers and/or owners played a significant role in decision making about training and skill development. 49% of all respondents (and 53% of those engaged in training) indicated that skill development and training were a **key part** of their business strategy. This figure was even greater for the largest firms (100+ employees), where 66% identified skill development and training as key to business strategy.

Reasons for using national skill standards

Respondent firms indicated they made use of national skill standards, including unit standards, in a variety of ways. These included:

- quality assurance/consistency, for which 67% found skill standards useful;
- assessment of learning, for which 64% found skill standards useful;
- benchmarking, for which 55% of firms found skill standards useful; and
- attainment of industry-relevant skills, for which 74% of respondent firms found national skill standards useful.

Effects of training and skill development

Respondents were asked to identify their perceptions of a range of positive or negative effects of training on their business. Respondents identified the following as being positively affected by training (in order of prevalence):

- quality of output – Nearly all respondents saw training and skill development as having a positive effect on the quality of output;
- productivity / motivation of staff – A similar number of respondents saw training and skill development as having a positive effect on the productivity and motivation of staff;
- business growth – Around 4/5ths of respondents saw training as enabling or being positive for business growth;
- health and safety – a similar number saw training as having a positive effect on health and safety for their enterprise.
- retention of staff – again, a similar number saw training and skill development as having a positive effect on the firms ability to retain staff;
- innovation – a large majority of respondent firms saw training and skill development as having a positive effect on innovation;
- profitability – a similar number of respondents saw training as having a positive effect on profitability; and
- costs – a majority of respondents saw costs as being positively affected by training and skill development (but a significant minority saw training and skill development as having a negative effect in this area);

Methods of assessing the value of training

Most respondents assessed the value of training using staff feedback (78% of respondents). A large number of respondents also used customer feedback (53%) and assessments by HR & Line Managers (35%). A range of quantitative measures were used by respondents firms, including reduced errors / reworking (70%), productivity increases (61%), reduced accidents (49%), achievement of qualifications and standards (47%), improved turn-over and sales (36%), cost savings (35%), and reduced absenteeism (22%). Only a small percentage of firms were making use of formal cost / benefit analyses to assess the value of training (21%).

Overall assessment of impact of training on performance

The substantial majority of respondents (74%), and an even larger percentage of those who engaged in training (81%) believed that skill development and training contributed to improved performance for their firm.

Reasons cited by firms to continue or begin providing training

Respondents indicated that they would be most likely to continue to provide training, or begin providing training, if there were skill shortages within the enterprise and if suitable courses to meet training needs were available (55%). Other important drivers for training were identified as customer requirements (49%), a desire to grow the enterprise (48%), skill shortages in the industry (where these exist) (48%), and actual growth in the enterprise (47%).

Around one-third of respondents identified their improved knowledge of industry training as a consideration in deciding to provide training. A similar number identified the availability of suitable persons to be trained as a key consideration. Approximately a quarter of respondents saw Government subsidies for training, or changed regulations or incentives as key considerations in deciding to provide training. Neither high or low staff turn-over appeared to be particularly significant in decision making about training.

Barriers to offering training

Cost was the most cited reason not to provide training, or provide less than might otherwise be desirable (52%). The availability (or otherwise) of suitable training opportunities was also seen as a key factor (46%). Lack of interest from employees was seen as a barrier to training by 31% of respondents.

Both uncertainty in the business environment and actual decline in business performance were cited as relevant factors by about a quarter of respondents. Approximately 20% of respondents saw ‘red tape’ and a lack of information about training as potential barriers to offering optimal levels of training. A smaller share (16%) saw the level of Government subsidy as relevant.

Around 16% of respondent firms stated they preferred to employ skilled staff rather than train. 14% of firms stated they were too small to provide training (or at least all of their training needs). 11% of firms suggested that the possibility of staff being ‘poached’ within one year or more of their being provided training was a disincentive to train. 8% had similar concerns with respect to loosing staff after 6 months.

Other factors identified by a small number of respondents included: industrial relations issues (10%), high staff turn-over (8%), inability to assess the likely benefit (6%), and the difficulty of training staff (5%). Only 2% of respondent firms indicated it was their view that 'training was the employee's responsibility'.

Significant numbers of firms indicated (unprompted) that they would 'always provide training', irrespective of any reasons why they might not.

Performance, productivity and training

There appeared to be a range of weak non-linear relationships between the self-assessments by respondents of their firms' comparative performance and the productivity of their employees; and their activities and spending on training and skill development.

Firms with both the lowest and highest self-assessment of the productivity gain of their employees were spending the most (as a percentage of payroll) on training.

Similarly, while for most firms their comparative performance with other firms over the last 2 years did not appear to be related to their spending on training, the very worse performers spent considerably less than others, and the best performers spend more. Those firms with the lowest self-assessment of their current comparative performance were the least likely to indicate they would provide training in the next twelve months. However, these simple connections in no way imply a causal relationship between factors.

Information about training and skill development

Respondent firms obtained information about training and skill development from a wide variety of sources. The most prevalent source of information was business organisations (74%) and industry associations (70%). Training consultants were also an important source of information about skill development and training (59%), as were employees (53%). Around half of respondents obtained useful information about training from Industry Training Organisations and from the internet.

General comments about training and skill development

Nearly 100 respondents provided general comments about skill development and training. These responses are provided in full in Appendix 2 (although some have been altered to preserve anonymity).

Many respondents indicated their firm's commitment to skill development and training, and the critical importance placed on it. Many also, however, highlighted the difficulties associated with training, and in particular, difficulties in assessing the value of training. There were numerous comments about the difficulty in finding suitable providers of training to meet the enterprises' particular needs.

Perceptions of industry training and Modern Apprenticeships

Knowledge of ITOs and Modern Apprenticeships

42% of respondents were aware of an Industry Training Organisation (ITO) that covered their industry or enterprise. 29% indicated that there was no ITO covering their industry or enterprise, and 24% did not know. This compares with 53% of respondents being able to identify an ITO covering their industry in the 1997 NZ Employer's Federation Survey.

33% of respondents indicated they were aware of Modern Apprenticeships in their industry.

Understanding of costs and benefits

40% of respondents agreed or strongly agreed that the benefits and costs of ITO-arranged industry training were well understood within their enterprise – but 36% disagreed, or strongly disagreed with this statement. 24% did not know if this was the case.

29% of respondents indicated that the benefits and costs Modern Apprenticeship were well understood within their enterprise. 40% of respondents, however, indicated that Modern Apprenticeships were *not* well understood within their enterprise, and a further 31% did not know the extent to which there was an understanding of such issues within their enterprise.

Contribution to enterprises' skill development and employment needs

44% of respondents agreed or strongly agreed that ITO-arranged industry training made an effective contribution to meeting the skill development and/or employment needs of their enterprise. 36% had the same view with respect to Modern Apprenticeships' contribution.

Contribution to industries' skill development and employment needs

48% of respondents agreed or strongly agreed that ITO-arranged industry training made an effective contribution to meeting the skill development and/or employment needs of their industry. 42% saw Modern Apprenticeships making a similar contribution to their industry.

Further Information:

Future of Work Research Programme:
http://www.futureofwork.govt.nz

Business NZ:
http://www.businessnz.org.nz

Industry Training Federation:
http://www.itf.org.nz

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