

how essential-skills training unlocks business value

new research reveals the ROI from training employees in essential skills is higher than you may think

Businesses increasingly require employees to have strong literacy, numeracy and essential skills. But almost half of Canadians are ill-equipped to be their best at their jobs. Companies continue to devote little money to supporting and training them. This is a strategic oversight by companies like yours. New research shows that, when executed well, workplace literacy, essential-skills training and other initiatives can actually make you money.

One study, which looked at Canada's hotel industry, found a 25% average

return on investment for training programs, with some participating companies reporting returns as high as 300%. The research, conducted by Social Research and Demonstration Corp. (SRDC) for the federal government's Employee and Social Development Canada, looked at direct benefits to business, particularly in improved oral communication and customer service. It found far-reaching benefits. "What's surprising," says David Gyarmati, research director at SRDC, "is that even adequately skilled people saw performance gains they wouldn't have otherwise had."

There are additional indirect benefits to businesses that undertake training in workplace literacy and essential skills (WLES): more customer satisfaction, productivity gains and

fewer production mistakes. WLES underpins other, more complex skills, so if you organize formal or informal higher levels of training—such as quality-assurance systems or computer use—you could be missing out on the full value of those programs if your employees don't have foundational literacy and numeracy skills.

What are workplace literacy and

essential skills training provides solutions for:

- 1 fundamental change in the business
- 2 health & safety concerns
- 3 paperwork & document-use problems
- 4 communication, teamwork or leadership needs
- 5 errors & waste

Source: Advancing Workplace Learning Project: a joint initiative of Canadian Literacy and Learning Network & ABC Life Literacy Canada

essential skills? Literacy and essential skills are the foundation for all learning, and involves not only reading but interpreting information in all forms.

What's the problem here? According to the OECD, about 13% of workers are under-qualified for their jobs, significantly affecting productivity at your firm. Low literacy and essential skills is a compounding problem because low-skilled adults benefit less from other training that sits atop basic skills—and their skills remain weak or deteriorate over time. “Differences in the average use of reading skills explain around 30% of the variation in labour productivity across countries,” states the OECD study *Skills Outlook 2013*. In Canada, the opportunity to improve is immense—the number of people with inadequate literacy skills has increased to almost one in two the past decade. If you are facing challenges with WLES in your workplace, you are not alone, but you can profit from available resources.

Growth in the size of the national labour force—expected to increase by as much as four million people by 2031—won't solve the problem. By that time, one worker in three may be foreign born, and many others will be 55 years or older. Both groups

have special WLES needs. Skills proficiency falls off steadily for those in their 30s and older.

Why should you invest in WLES? Whether training is formal, extensive and delivered in a classroom, or modest, brief and embedded in the workplace, results have been impressive. In the SRDC study, the performance of 1,500 hotel-industry workers who received 20 hours of WLES training, was measured against workers who didn't receive training. Where employers paid the entire cost of WLES training—\$2,300 per employee, plus the cost of covering missed shifts—they enjoyed an average return on investment of about 27%. That includes both revenue gains of more than \$2,000, and savings from improved productivity adding up to about \$1,900. Employers saw increased customer satisfaction, room occupancy and food-and-beverage sales.

The study demonstrated impressive returns on investment and showed how to maximize benefits. Essential-

the 9 essential skills:

- 1 reading text
- 2 document use
- 3 writing
- 4 numeracy
- 5 oral communication
- 6 computer use
- 7 thinking skills
- 8 working with others
- 9 continuous learning

Source: Government of Canada

skills training undertaken by engaged employers and employees, made just 20 hours of training effective for most participating businesses. “You can get short-term gain from modest intervention,” says Gyarmati.

While the SRDC findings translate most easily to companies in the service sector, bottom-line benefits from WLES training have been observed in other sectors too. A project by BuildForce Canada found that if employers spent \$132.90 per newly engaged apprentice on essential-skills training, the return was \$26.34 for every dollar invested, based on at least 80% of apprentices completing their employment requirements. (Results vary depending on the number of apprentices who finish their work periods.) One study suggested apprenticeship programs across a number of trades are more successful when tied to essential-skills training.

Are there other benefits? Rather than increasing the risk of losing skilled employees to competitors,

the need to take action

four excuses for not investing in essential skills training that don't add up

“The schools should be teaching essential skills, not me.” True or not, that argument comes 20 or 30 years too late. “The education system cannot solve the problem for the current population of working-aged adults,” says Gillian Mason,

president of ABC Life Literacy Canada (ABC). Nor can the nation's school systems account for foreign-educated adult immigrants, the dated skills of older workers and the changing needs of workplaces, which are often driven by technological change.

“If I train them, they'll just get another job.” “But what if you don't train them and they stay?” asks Lindsay Kennedy, president and CEO of Canadian Literacy and Learning Network (CLLN). The much greater danger is from not developing employee skills and providing supports to match the performance requirements of a business. This impedes business objects and thwarts growth opportunities. Although poaching does happen, Alan Middleton, professor of marketing at the Schulich School of Business at York University and former board chair of ABC Life Literacy Canada, says employees feel a greater commitment to workplaces that have invested in them. Companies that have offered WLES training typically report lower employee turnover, higher commitment and increased engagement.

“I'm not convinced skills upgrades will make any difference.” It is true that many of the benefits of WLES training are indirect. But companies report many

bottom-line positive outcomes too. The *Getting to Yes* report prepared for the CLLN and ABC under the joint Advancing Workplace Learning Project, found that employers who offered WLES training and integrated WLES into their businesses reported improved employee confidence, better communication and teamwork, new or improved skills, greater interest in further learning, improved morale and employees who can take on other jobs. And there were knock-on benefits in the form of improved health and safety performance, higher rates of employee retention and internal promotion of employees, improved productivity, reduced mistakes and waste, and improved customer service and satisfaction.

“I can't afford to hire trainers.” Even though professional trainers can be hired for less than \$100 per hour of training, government funding can make WLES free or at least more affordable through grants, tax credits and other means. Provincial programs in Manitoba, New Brunswick, Quebec and Prince Edward Island are equipped not only to provide advice, but can provide the training itself. The new Canada Job Grant program will see federal and provincial governments together pick up two-thirds of training costs of up to \$15,000 per worker.

research shows that WLES makes employees more likely to stay. A Wendy's restaurant in Fredericton, N.B., credited WLES training for reducing staff turnover to between 65% and 80%, down from between 125% and 150% two years earlier, saving the franchisee \$5,000 annually in new staff training. The SRDC study confirms that employees who had undergone WLES training were more likely to stay with their current employer, even a year later. And they continued to perform at a higher level than untrained peers; WLES-trained staff were 35% more likely to meet or exceed industry standards, could work with less supervision and made fewer errors.

In an increasingly competitive global marketplace, essential-skills training is not nice-to-have, it's a must-have. "Employers don't just want their employees to do the same job faster, they want them to do a different job due to changing technology, materials and structures," says Nancy Jackson, a recently retired associate professor in Adult Education at the Ontario Institute for Studies in Education. "The majority of workplaces are now running quality assurance, whether it's a hospital or a hotel or manufacturing operation, and they're all done on paper or computer. You can argue that you don't have to be able to read or write to clean a hotel room, but you do have to be able to read and write in order to document that work."

who pays?



74% of employers believe essential skills are important



31% of employers would provide essential-skills training

what business owners say

92% say well-trained employees are key

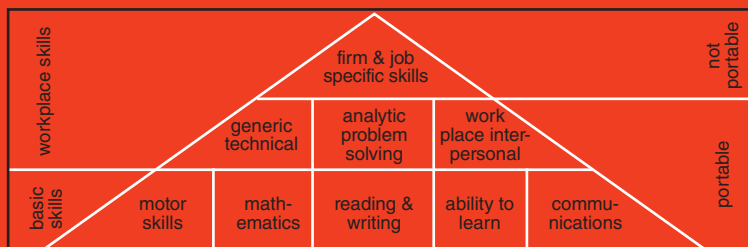
43% plan to spend more on training

12% plan to spend less

2,078%

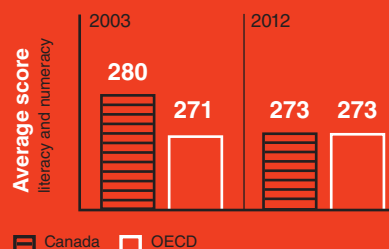
the rate of return on adult literacy training over five years for companies with fewer than 20 employees

essential skills



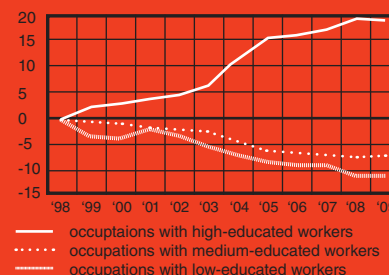
a decade of decline

Canadian literacy scores are declining relative to other countries



employment is changing

the demand for well-educated workers grows while the need for low-skilled labour declines



Sources: OECD, Statistics Canada, IPOS Reid 2013, Canadian Chamber of Commerce

reducing mistakes & costs

how one company profited from essential-skills training

Convey-All Industries, based in Winkler, Man., makes custom conveyors for agriculture and other industries. A few years ago, the company learned it was incurring high costs from employees having to rebuild faulty assemblies. It realized that its workers were making mistakes because they had trouble reading and communicating in English.

Winkler is a magnet for immigrants from Europe and Latin America who have good trade skills and apprenticeship certification, but their English is often inadequate. Convey-All needed them to get things done right the first time.

While some local businesses simply hired expensive interpreters to accommodate foreign-trained workers, Convey-All tried WLES training instead. In 2009 the company accepted an offer by Workplace Education Manitoba, the provincial agency tasked with improving labour skills, to provide 20 weeks of free WLES to all 16 of its welders. The company supplied a room and two hours' paid time per week for the workers. Provincial instructors focused on two main areas: document use, aimed at helping workers better understand specialized blueprints, and numeracy, aimed at reducing the measurement errors caused by metric-trained employees working in an imperial-measurement environment. Topics

included vocabulary and abbreviations, trade math, fractions, decimals, percentages, geometry, bill of materials (the list of raw goods needed to make a product) and oral communication.

When human resources manager Gloria Lee interviewed the welders after the program, she found their ability to understand instructions and ask questions had dramatically improved. Time spent fixing mistakes "dwindled right down," she says. The improved literacy skills also fed into the company's efforts to achieve higher health-and-safety standards. Since 2004 the company's workers' compensation premiums dropped to 95¢ per \$100 of payroll, down from \$3.52. Lee attributes that to better employee understanding of workplace hazards and safety procedures. Retention among the 16 employees who took the training has been almost 100%, impressive given the competition from other manufacturing firms in Winkler.

building a better worker

how to put together a WLES program in seven easy steps

Workplace literacy and essential skills (WLES) strategies can range from as simple as a company supporting an employee's voluntary skills upgrading at a local literacy centre to more sophisticated efforts, such as a custom-made WLES program delivered in-house by staff educators. A few simple steps will help you maximize return on investment.

Learn about available resources. Because cost often influences a company's embrace of WLES initiatives, you should start by talking to provincial governments and literacy organizations. Some provinces have agencies that can provide employers with free one-stop-shopping for WLES services. First Nations, Métis, Inuit, immigrants, apprentices, lower-skilled workers and official-language minority communities may be eligible for funding. If your province doesn't provide funding, there are provincial and local organizations that can help.

Assess your needs and goals. Literacy organizations can point you to educators or services who can help you identify your needs and assist in making a strategy. They may interview staff, analyze tasks and processes or administer standardized tests.

Establish a WLES team. It should include someone from management, union and non-union staff. A government representative or educator might also take part if the training is funded by a government program. Among small to medium-size enterprises, management might work directly with a WLES service to help set up a team.

Determine the approach. Services that do assessments usually can also

design your firm's WLES program. Design is often included in the cost of instruction itself. The most common way to teach essential skills is through classes, small groups or workshops taught by instructors from outside your company. Embedding WLES curriculum in other training has become increasingly popular, providing instruction that meets your specific needs while avoiding the embarrassment of singling out employees with low skills.

Understand the costs. Even when the government is paying, employers are expected to contribute, usually paying employees for some or all of their time in the classroom, as well as providing space and other resources. Total costs vary, depending, for example, on whether the needs assessment, program design and delivery are purchased as a package or sourced individually. Is the curriculum generic or custom? Does it last a few weeks or a year? Quebec and Manitoba have developed training approaches for smaller firms in the same industry to pool resources. Indeed, SRDC has found that a curriculum customized for your industry gets better results than generic training.

Get employee buy-in. Involve your employees from the very start. Needs assessments should not single out individual employees but should be aggregated. When employees ask for training, keep their requests confidential. It's important that employees see this as a potential benefit and not a personal shortcoming. WLES is a tough sell when employees worry that training means their jobs are on the line.

Make a learning culture your business culture. Improving employees' essential skills makes it easier for them to learn new ones and helps them innovate. Your learning culture is a foundation for creating better products and services, and fostering a new competitiveness and profitability. "Creating a learning culture in your business is imperative for innovation, growth and economic success" says Gillian Mason of ABC. The corporate return on your investment in essential skills is real and attainable.

This report was produced by CB Insights in association with ABC and CLLN's joint project, Advancing Workplace Learning

resources & information

Workplace training benefits health and safety, productivity, job satisfaction and profitability. Successful workplace education programs are built on good partnerships: they help to lower costs, facilitate knowledge-sharing and provide access to resources. Partners can come from government, industry associations, sector councils, unions, colleges, essential-skills organizations and literacy groups.

Visit www.advancingworkplacelearning.ca for resources to successfully implement workplace training programs.

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ABC Life Literacy Canada is a non-profit organization that inspires Canadians to increase their literacy skills. Through leadership in programs, communications and partnerships, ABC mobilizes business, government and communities to support lifelong learning. www.abclifeliteracy.ca

Canadian Literacy and Learning Network is the national hub for research, information and knowledge exchange, increasing literacies and essential skills across Canada. CLLN, a non-profit charitable organization, represents literacy coalitions, organizations and individuals across Canada. www.literacy.ca.

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