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# Using Pay-for-Performance to Incentivize Manufacturing SMEs to Promote Active, Continuous Training

## Final Report

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## EXECUTIVE SUMMARY

Canada's manufacturing sector faces critical workforce challenges. Small and medium-sized enterprises (SMEs), the sector's backbone, struggle to invest in training due to financial constraints and uncertain returns. Pay-for-performance (PFP) models offer a solution by linking reimbursement to demonstrated outcomes, reducing financial risk and incentivizing training investments. This report presents findings from the project *Using Pay-for-Performance to Incentivize Manufacturing SMEs to Promote Active, Continuous Training (PFP IMPACT)*, a follow-up to a previous PFP pilot. This project aimed to evaluate the long-term benefits of PFP on SMEs' workforce development, focusing on long-term outcomes, employer perspectives, and the integration of Equity, Diversity, Inclusion and Reconciliation (EDI&R). Data was collected through surveys with 15 employers and 40 employees, in-depth interviews with 5 SMEs, and a knowledge mobilization event with 25 sectoral attendees.

### Key findings:

- PFP incentivizes investment: The PFP model effectively encourages SMEs to invest in workforce training, particularly in social-emotional skills.
- Tangible benefits: Employers and employees reported significant improvements in job performance, business outcomes (e.g., improved workflow, reduced errors), and employee satisfaction (e.g., increased confidence, promotions).
- Importance of employer support: Sustained, practical employer support post-training, beyond initial supervisory discussions, significantly enhances long-term employee benefits.
- EDI&R considerations: The PFP model demonstrates potential to advance EDI&R objectives, facilitating targeted supports for equity-deserving groups in the labour market.
- ROI challenges: While employers recognized the benefits of training, quantifying the precise monetary return on investment (ROI) proved challenging.

### Policy implications and next steps:

- Scale up PFP funding models to encourage broader SME investment in workforce training.
- Integrate EDI&R considerations into future funding models, ensuring accessible and inclusively beneficial training programs.
- Implement a structured milestone approach to maximize the success of PFP application.

The PFP funding model offers a valuable tool for driving meaningful investment in workforce training within SMEs, while also advancing broader societal goals. By focusing on measurable outcomes, providing targeted supports, and minimizing employer burden, policymakers can leverage PFP to foster a more skilled, inclusive, and resilient workforce.

# INTRODUCTION

## BACKGROUND AND POLICY CONTEXT

Canada's manufacturing sector is facing significant challenges around persistent labour shortages, skills gaps, and rapid technological advancements (Conference Board of Canada, 2024; [FSC-CCF, 2020](#)). Small and medium-sized enterprises (SMEs), which form the backbone of manufacturing, often struggle to invest in necessary training due to financial limitations, resource constraints, and uncertainty about the return on investment (Social Research and Demonstration Corporation, 2019a; [Statistics Canada, 2022](#)). These existing shortages are projected to worsen by 2030 due to an aging population, further hindering Canada's productivity. Consequently, Canada ranks 19th among OECD nations in output per hour worked, indicating a significant productivity gap driven partly by insufficient investment in technology, capital, and workforce training (OECD, 2025).

However, evidence strongly supports the positive impact and return on investment of both technical and soft skills training. For example, the Manufacturing Essentials Certification (MEC) program demonstrated improvements in employee skills and business performance (SRDC, 2019a). Similarly, the Mentorship Advantage program within the construction sector showed that employer-supported mentorship led to enhanced job performance, improved technical and essential skills, and better business outcomes (SRDC, 2019b). Furthermore, the UPSKILL program in the tourism sector, a national initiative testing workplace essential skills training, revealed significant improvements in employee performance, tangible business benefits for employers, and cost-effectiveness (Gyarmati et al., 2014). These large-scale demonstration projects collectively underscore the substantial positive business outcomes achievable through targeted workplace training.

Despite the compelling evidence from these studies, many employers remain unaware of the benefits of training or are hesitant to invest, unsure whether the reported outcomes will apply to their specific organizations. This reluctance stems from doubts about the alignment of training programs with their unique needs and whether skill improvements will translate into measurable performance gains. Consequently, employers often adopt a cautious approach to training investments, highlighting the necessity for more tailored, evidence-based solutions that address their individual contexts and concerns.

To mitigate employer uncertainty regarding training investments, a pay-for-performance (PFP) model offers a risk-sharing approach. This model provides direct reimbursement to employers based on demonstrated outcomes, such as improved employee skills or enhanced business performance. By tying incentives to tangible results, PFP models reduce the financial risk for employers and encourage investment in training, assuring them they will only pay for successful

outcomes. This alignment of incentives with real-world results makes training programs more attractive and effective, ultimately benefiting both employers and employees.

Funded by the Future Skills Centre (FSC), this project – *Using Pay-for-Performance to Incentivize Manufacturing SMEs to Promote Active, Continuous Training (PFP IMPACT)* – directly addressed the critical need for increased employer-led investment in workforce development, specifically tailored to the unique needs and business contexts of SMEs in the manufacturing sector. This project was a collaborative effort, with the Excellence in Manufacturing Consortium (EMC) supporting implementation and employer engagement and the Social Research and Demonstration Corporation (SRDC) providing research and evaluation expertise.

At the core of the PFP-based model was a results-oriented training approach. PFP linked employee skills development directly to measurable business outcomes. By reimbursing SMEs based on the positive skill gains achieved by their employees, this training approach effectively reduced the financial risks that employers typically associate with training investments. This approach also demonstrated that investing in employee training is a strategic investment in business success, as a more skilled workforce can contribute to increased efficiency, reduced waste, and improved product quality.

As a long-term follow-up to a previous PFP implementation pilot, PFP IMPACT provided an opportunity to highlight the importance of attracting and retaining diverse talent as a key component of future-proofing the workforce. While recent federal immigration policy adjustments have introduced complexities, newcomers continue to be a vital source of labor force growth ([IRCC 2023, 2024](#)). Additionally, women, persons with disabilities, and Indigenous Peoples represent significant untapped talent pools ([ESDC, 2019](#)). Recognizing and leveraging this diversity is essential for the labour market's future success.

In summary, the PFP model aimed to transform workforce development challenges into opportunities for strategic training investment, empowering manufacturing SMEs to lead the way in future skills development as the sector undergoes rapid evolution. The ongoing technological advancements, including automation, artificial intelligence, and robotics, are fundamentally reshaping the manufacturing landscape. Increased global competition necessitates that Canadian manufacturers adapt, innovate, and expand their capabilities. Emerging opportunities, such as battery manufacturing for electric vehicles, present new demands for capacity, including green manufacturing practices and a focus on minimizing environmental impacts.

## OBJECTIVES

PFP IMPACT was a long-term follow-up to the *Pay for Performance in Manufacturing* project (referred henceforth as PFP 1 for short in this report). In PFP IMPACT, we collected follow-up data to meet the following objectives:

1. Measure long-term benefits on employee job performance and career outlook, as well as employer business outcomes and training investment commitment for the small- and medium-sized enterprises (SMEs) that participated in PFP 1;
2. Collect employer perspectives on if and how the PFP funding model helps incentivize SMEs to invest in workplace training and skills upgrading to meet future skills needs;
3. Incorporate considerations around Reconciliation and Equity, Diversity, and Inclusion (EDI) to highlight necessary and sufficient conditions to ensure PFP addresses the needs of equity-deserving groups;
4. Co-design a roadmap toward inclusive, effective, cost-efficient, and sustainable PFP funding model, aligned with the unique context of manufacturing SMEs;
5. Share and mobilize knowledge with a wide range of audience - e.g., employers, sectoral stakeholders, policymakers and researchers - to enrich the discussion on future skills, employer-driven human capital investment, and SME-focused workforce development solutions.

## RESEARCH AND EVALUATION

### Questions

The project prioritized collecting longer-term quantitative and qualitative feedback from SMEs to answer the following questions from the perspective of employers and employees:

#### **For employers:**

1. What were employer perceptions of the longer-term impacts of the PFP training model on their business outcomes?
2. What were employers' perceptions of ROI from the previous PFP project (PFP 1)?
3. What barriers continue to limit SME investment in training? What would reduce or eliminate these barriers?



4. What would SMEs like to see monetized in future PFP training to facilitate sustainable training investment?
5. How did the PFP model support and build capacity for SMEs to invest in training longer-term?

**For employees:**

6. What were employee perceptions of learning transfer after PFP 1? Were these perceptions similar for varied groups of employees?
7. How did training impact the career paths of employees?
8. What employer support would better help employees with their training and career development?
9. Are there additional barriers for equity-deserving groups that might require further customized support from the employers?

Throughout the research process, the team noted feedback and insights that would make PFP a more effective, sustainable, and inclusive model for training. This flexible approach aimed to build upon and supplement previous PFP research with focus on supporting SMEs and equity-deserving groups. The project also provided further insight into FSC's strategic questions related to SME Adaptability, particularly on how to support SMEs to invest in training.

## Methodology

The project relied on a mixed methods approach, which allowed for a nuanced exploration of the research questions. Qualitative data, gathered through interviews, focus groups, and open-ended survey responses, provided rich insights into perceptions of training return on investment (ROI), barriers to training investment and participation, intangible benefits of the training on the business, and the impact of training on employee career paths. This qualitative data was crucial for understanding the lived experiences of employers and employees going through the training. For example, interviews with employers allowed us to explore the specific ways in which the PFP model impacted their business outcomes, some of which were not immediately quantifiable as they related to learning culture and team coherence within the business. Focus groups with employees who went through the training also helped us delve into the details of learning transfer post-training. A final knowledge mobilization event also offered opportunities to enhance our data collection efforts with further consultation and validation with industry stakeholders.

Quantitative data collected through employer and employee surveys complemented the qualitative findings. This data offered statistical support for observed trends and allowed for broader generalizations. For example, we measured the breadth of business outcome improvements from the employer perspectives and track the extent to which employees felt their skills and career prospects improved since the training. Where the sample size allowed, the quantitative data were also used to identify potential differences in perceptions between various employee groups, based on their lived experience and identity.

This research also addressed FSC's strategic questions related to SME adaptability, particularly how to support SMEs in investing in training. The mixed methods approach, with its focus on gathering feedback from both employers and employees, provided valuable insights into the factors that facilitate or hinder SME investment in training, contributing to a more effective and sustainable PFP model. The project's flexible approach, incorporating ongoing feedback and insights, ensured that the research remained responsive to the needs of SMEs and equity-deserving groups.

## Logic Model

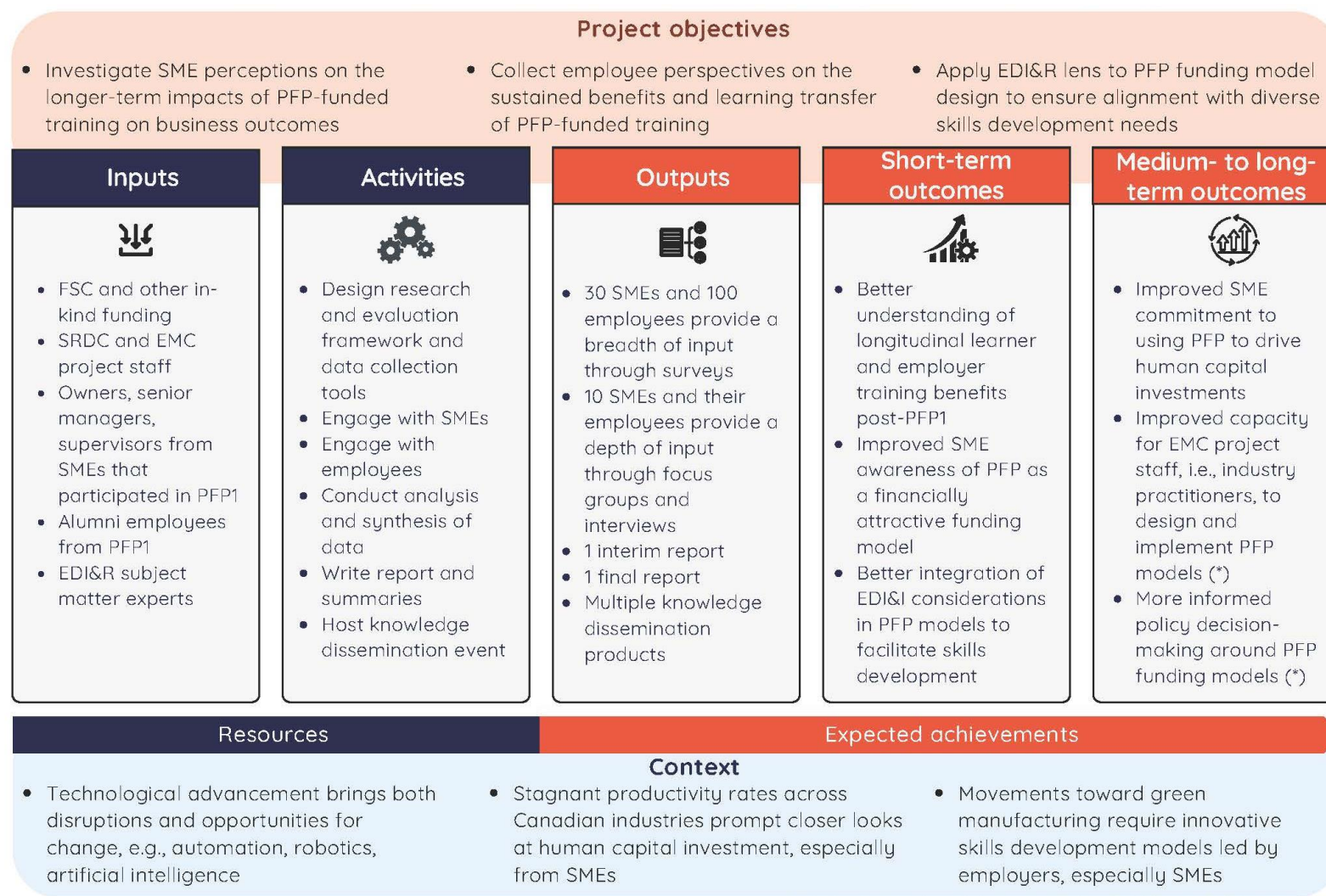
The Logic Model of the project is depicted in Figure 1. It describes the relationships between inputs, activities, and results (outputs and outcomes). It shows the changes the project aimed to achieve, describing the pathways by which the project interventions would bring about these results. Any assumptions or necessary conditions integral to the changes and process of changes are also summarized.

## The current report

This report provides key findings from data collection activities contextualized within the previous findings from PFP 1. We also incorporated insights from knowledge mobilization activities and implementation research.

We first begin with high level insights from the first PFP project (PFP 1) before providing an overview of the PFP IMPACT results. Drawing from survey, interview, and knowledge mobilization activities, we then discuss the ideal types of training employers can invest in. We then identify how employers can best invest in employee training, including the types of supports that facilitate ideal outcomes. Lastly, we then synthesize these insights to provide details about why employers should invest in employee training. We then emphasize that PFP is one promising funding model to help build a more competitive, inclusive, and resilient workforce.

Figure 1 Pay-for-performance IMPACT Logic model



\* These outcomes are expected following the end of the project.

## BRIEF SUMMARY OF PFP 1

PFP 1, also a collaboration between SRDC and EMC, was conducted from January 2021 to March 2023 with funding from FSC. It aimed to address the barriers employers face in investing in workforce development, specifically the financial costs and misalignment of training programs with employer needs. The pilot tested a PFP model designed to incentivize employer commitment to employee skills training, using the Manufacturing Essentials Certification (MEC) program as the training service. The MEC program focused on developing essential skills such as problem-solving, innovation, collaboration, and communication. Delivered over eight to ten weeks, the program was modular and customizable, offering streams tailored to different roles (e.g., Supervisor, Production Worker). All streams incorporated classroom learning with an applied Workplace Performance Project (WPP), a collaborative problem-solving exercise designed to build employee confidence and practical skills.

The PFP model required employers to pay upfront (\$3,000 per employee) and offered reimbursements up to 70 per cent, tied to three key milestones: employee training completion, skill gains, and employer support for learning transfer. EMC recruited 55 companies, enrolling 203 participants. The pilot achieved high success rates across all milestones, with 96 per cent of participants completing the training, 87 per cent demonstrating skill gains, and 96 per cent achieving the employer support milestone. The average reimbursement per participant was \$1,948, representing 65 per cent of the initial cost.

Employees reported significant improvements in core MEC skills and psychosocial capital, validated by employer observations. Notably, employer support was strongly correlated with employee skill gains. Participants from companies providing high levels of support showed the largest skill improvements. High supportive employers also reported higher perceptions of employee skills post-training. Further details on PFP 1 can be found in Appendix A of this report.

Employers expressed high satisfaction with the PFP model, particularly the reimbursement aspect. However, they suggested improvements, including more direct alignment of milestones with employer activities and reduced administrative burdens. This feedback highlights the potential to enhance the PFP model by increasing employer control and transforming administrative processes into tools for building organizational training capacity.

PFP 1 successfully demonstrated the potential of the PFP model in incentivizing employer investment in training and improving employee skills. However, it did not examine long-term outcomes. The subsequent phase, PFP IMPACT, aims to address this by investigating sustained skill application, workplace productivity and safety improvements, and the long-term relationship between employer support and employee career advancement.

## OVERVIEW OF PFP IMPACT

### RECRUITMENT STRATEGY

PFP IMPACT was designed to be a long-term follow-up to PFP 1, re-connecting with participating employers and employees to document long-term outcomes. However, substantial time had passed between the first and the current pay-for-performance studies, posing some challenge to recruitment. The project team began with a targeted participant recruitment process that expanded iteratively during implementation. Round 1 was sent out via email and included the primary pool of SMEs employers and employees who participated in the original PFP project between January 2021 and March 2023. We then expanded recruitment to include employers/employees during the same timeframe who had participated in EMC's training but may not have been involved in the first PFP project. Then we extended eligibility a final time to include employers/employees who had participated in EMC's training up until March 2024. This expansive, snowballing recruitment approach helped us achieve sample sizes sufficient for the analysis.

### DATA SOURCES AND PARTICIPANT CHARACTERISTICS

To capture a breadth of input, we conducted surveys with representatives of 15 companies ("employer participants") and 40 employees. The majority of the employees identified as working for small (38 per cent) or medium-sized (35 per cent) enterprises. Most of the employees responding to the survey were men (70 per cent), highly educated (64 per cent with a college or university degree) and identified as white (68 per cent). Learners were almost all middle-aged, with a majority between either the ages of 35-44 (32 per cent) or 45-54 (35 per cent). Around 70 per cent of participants were born in Canada, and most identified as not Indigenous. Finally, around 18 per cent identified as having a disability.

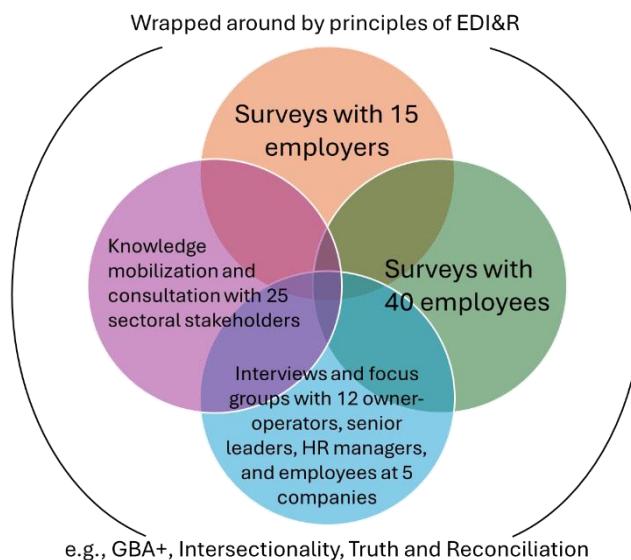
To add more depth to the data, we held one in-person and four virtual site visits with exemplary SMEs that participated in PFP 1. These interviews engaged with owner-operators, senior leaders, human resources professionals, and company employees to triangulate the survey data with different lines of qualitative evidence. Between July and December, we conducted 13 in-depth interviews with five different manufacturing employers.

On December 4, 2024, a knowledge mobilization event focused on workforce development was held at the Delta Hotels Ottawa City Centre. A select group of sectoral organizations, researchers, policymakers, and employer representatives reviewed the findings and discussed the potential of the pay-for-performance (PFP) funding model in driving human capital investment within small- and medium-sized enterprises (SMEs).

Approximately 25 participants, including three new employers not yet represented in our previous data collection activities, attended a full day of networking, presentations, and discussions, beginning with a presentation on PFP's application in the manufacturing sector. The agenda included a Q&A session, and roundtable discussions on the value of PFP for employers, promising practices in employee training investment, and integrating Reconciliation and Equity, Diversity, and Inclusion (EDI) into human resource development strategies. The event facilitated collaborative dialogue on how to best support SMEs in maximizing their investment in workforce development.

Overarchingly, our research and evaluation activities were guided by principles of Reconciliation and gender-based analysis plus with the intention of learning from and with people who have lived experience (i.e., GBA+, EDI&R, etc., Truth and Reconciliation Commission, 2015; Women and Gender Equality Canada, 2024). Figure 2 depicts our integration of all data sources for this analysis.

**Figure 2**      **Mixed-methods approach to data collection, grounded in EDI&R principles**



We have aligned the PFP IMPACT project findings into several interrelated themes starting with the types of employee training to invest in (i.e., the right balance of technical and soft skills), how employers can invest in employee training (i.e., what types of support can employers provide), and why employers should invest in training (i.e., what tangible benefits will employers receive if they invest in their personnel). These findings are discussed in the subsequent sections.



## LONG-TERM BENEFITS OF PFP

### PFP encouraged employers to go beyond mandatory training and invest in social emotional skills upgrading

Our project findings suggest that PFP could be leveraged to encourage employers to invest in social emotional skills training. Unlike technical skills training, which is easily defined and implemented, social emotional skills training is more complex, as the development of these skills tend to be context-dependent and require realistic workplace contextualization. PFP could provide the necessary incentives for employers to address these complexities and be more involved in the social emotional skills development of their employees, which are critical to improving business outcomes.

Employers frequently reported challenges with monitoring and supporting social emotional skills due to the dependency of workplace cues, resulting in a trial-and-error approach to its application. One employer stated that

“people are different than machines”, reflecting on the difficulty and variability of practicing these people-centred skills.

Development of these skills was especially challenging for rising leaders who often enter leadership roles based on technical proficiency or seniority rather than intentional leadership development. For example, one employee shared: “My

trajectory to this leadership position hasn’t

been very intentional in the corporate sense. I’m just in this leadership position because of my seniority. So, I appreciated the course because before, I felt I was not experienced enough to be a good leader.”

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*“My trajectory to this leadership position hasn't been very intentional in the corporate sense. I'm just in this leadership position because of my seniority. So, I appreciated the course because before I felt I was not experienced enough to be a good leader.”*

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*- Employee*

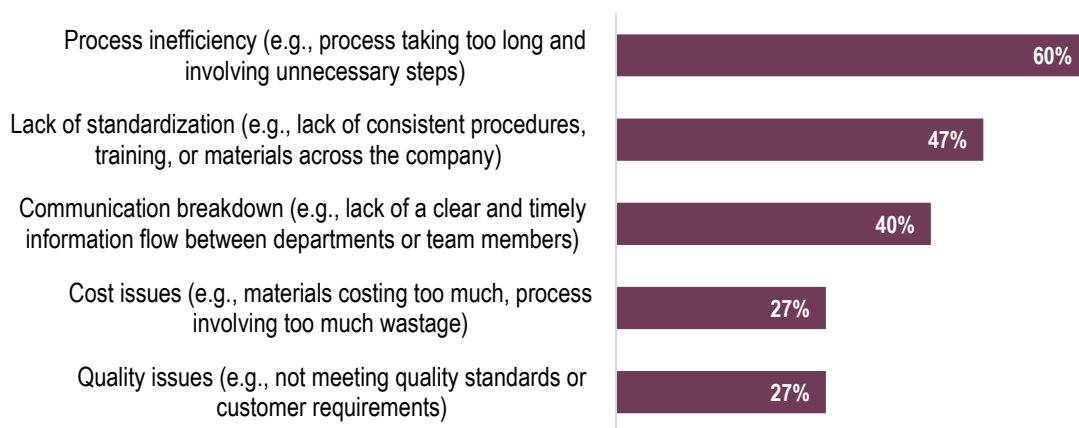
These themes were echoed by employers and industry stakeholders at the Knowledge Mobilization event. they confirmed that social-emotional skills are crucial for supervisory roles, yet employers often assume that individuals possess these skills without offering proper training. While employees typically do not seek out social-emotional skills training, employers viewed these skills as essential for career growth.

## The training model in PFP 1 helped employers see the direct connection between improved employee skills and improved business outcomes

The design of the MEC program that was used as the training model in PFP 1 was seen as an effective way to support social emotional skills development, as the program aligned problem solving, creativity and innovation, collaboration, and communication with productivity. This program utilized a blended learning model that combined eLearning and an action-based Workplace Performance Project (WPP). The WPP component allowed learners to work with their colleagues to identify and solve a workplace issue using the problem-solving techniques learned in the training. Learners would then present the WPP to their supervisors and managers at the end of the project and receive feedback and support to try to implement their solutions in their workplace.

The WPP provided a practical venue for employers and employees to align the training with core business issues. When we followed up with employers in PFP IMPACT, they remembered that the training aimed to address process inefficiencies (reported by 60 per cent of employers surveyed), lack of standardization in the workflow (47 per cent), communication breakdown or inefficient flow of information within and across teams (40 per cent), cost issues (27 per cent), and quality issues (27 per cent). Figure 3 shows these results.

**Figure 3** Employers recalled that the training aimed to address the following business issues



Source: SRDC employer survey.

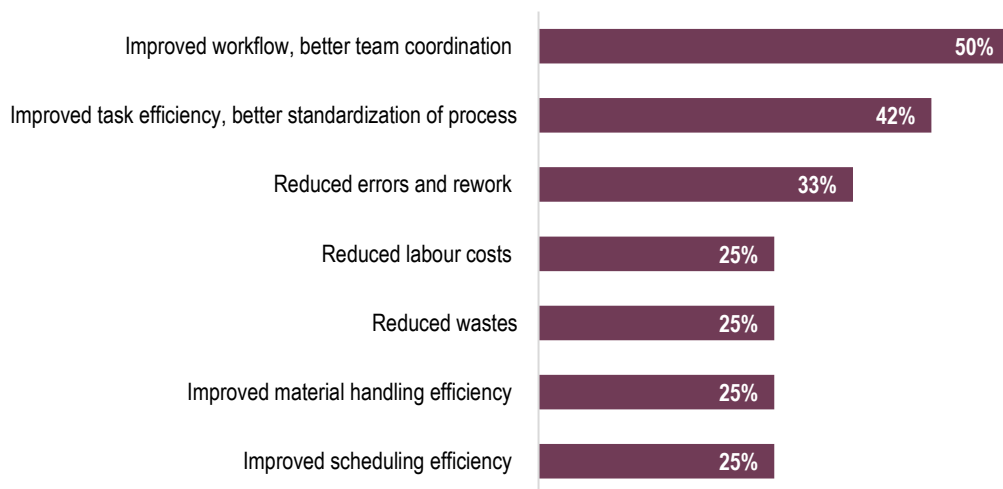
Through this innovative model, employers were able to see firsthand how improved social emotional skills among their employees could lead to improved productivity, leadership, team morale, and workplace performance overall. As shown in Figure 4, when we conducted the long-term follow-up with employers in PFP IMPACT, they frequently reported the following business outcomes as a long-term result of the training: improved workflow (reported by 50 per cent of



employers surveyed), better standardization of processes (42 per cent), reduced errors and rework (33 per cent), reduced labour costs (25 per cent) and improved material handling efficiency (25 per cent).

Attendees at the Knowledge Mobilization event validated the importance of linking social emotional skills with technical training. Stakeholders expressed that when social emotional skills development are framed as a process that enhances job performance, it helps employees become more motivated by how training can make their jobs easier. It also helps employers see the connections of the training to outcomes such as increased productivity. Effective packaging and messaging are essential to engage both employers and employees in training programs.

**Figure 4** Most frequently reported business outcomes by employers, at long-term follow-up post training



Source: SRDC employer survey.

## As the training was designed to connect social-emotional skills with business outcomes, employees recognized their importance to the company's success

We validated the employer perspectives with the employee perspectives. In interviews, employees frequently highlighted the transferability of the social emotional skills they acquired through the training. They shared that the training provided them with a process to address future situations that require the application of these social-emotional skills. For example, one employee shared that they developed organized problem-solving tools that they would now apply to a variety of workplace situations: “One of the biggest values, or one of the biggest takeaways was just the importance of

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*“One of the biggest values, or one of the biggest takeaways was just the importance of organized problem solving ... There's a proven way to solve problems that typically does work better than unorganized approach.”*

*- Employee*

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organized problem solving... There's a proven way to solve problems that typically does work better than unorganized approach.” Another team lead credited stronger social-emotional skills—specifically collaboration, team management, and communication—with giving them the confidence to pursue leadership roles, overcoming prior doubts about their people skills.

Furthermore, linking training to job performance that matters for business outcomes can establish a process-based approach to social-emotional skills development, which resonates with employees. This process-based approach is particularly beneficial for employees in manufacturing. One employee shared, “The most effective part of the training is that it gives me a process to work on people-based issues.” Another employee also shared similar sentiments related to their strengths with managing processes, but that the training provided information about how best to manage the “human aspect” of their position.

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*“I'm a process-based person, so making sure the manufacturing floor is running efficiently and effectively is easy, but in my new role as a supervisor, there is also a human aspect to the job.”*

*- Employee*

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## Employees in SMEs highlighted the value of the training to their job performance

Employees stressed the importance of training relevance, expressing an interest in gaining skills that address the tasks and challenges they face daily. This need for relevant training is particularly important in SMEs, where employees often take on diverse roles and responsibilities. Specialized training may not align well with their varied job functions, making it difficult for employees to apply what they have learned when those skills are only used

infrequently. This highlights the need to ensure training to be transferable, so that employees are empowered to customize and apply the learning to their unique roles and workplaces.

### Longer-term, most employees reported sustained improvements in skills and confidence, with fewer reporting further improvements in their careers

Employee survey results indicated significant positive long-term training benefits. Specifically, 65 per cent of respondents reported enhanced core skills, and 58 per cent reported increased confidence in fulfilling their job responsibilities (see Figure 5). The training also yielded tangible long-term career benefits for many. Forty per cent of employees gained new job responsibilities, 30 per cent received a pay raise, and 23 per cent achieved a promotion. Furthermore, 30 per cent reported improved well-being at work, citing increased job satisfaction or reduced stress. A smaller percentage of employees reported a clearer career path (15 per cent) or more positive performance feedback (13 per cent). However, 23 per cent of respondents indicated they experienced no long-term outcomes.

**Figure 5** Post-training career improvements (n=40)



Source: Employee survey.

The variation in long-term outcomes among employees is noteworthy. The fact that over half of the respondents reported sustained improvements in core skills and job confidence, even a year or more after completing the training, strongly suggests the program's effectiveness. The differing levels of long-term career benefits experienced by employees will be examined in a later section, where we will explore the connection between these results and employer support.

## Longer-term, employers recognized the benefits of the training on their workforce

Employers consistently recognized the long-term benefits of employee training on workforce development. When asked to consider scenarios with multiple trained employees, they anticipated significant cost-savings. One employer cited the elimination of costly inefficiencies, such as cycle counting and inventory discrepancies, as a direct result of training. They reported sustained savings in labor and time even four years post-training.

Many employers believed training enhanced employees' long-term career growth, ultimately benefiting the company. Trained employees gained clearer career trajectories and the skills to pursue leadership roles. For example, one employer noted an employee who, after soft skills training, became receptive to leadership opportunities. The employer observed that the training allowed employees to explore their suitability for various roles, leading to a more defined career path.

## However, quantifying the return on investment (ROI) of training proved challenging

While employers initially predicted substantial cost-savings at the program's conclusion, most lacked the capacity to track actual monetary returns. Employer survey responses revealed a wide range of perceived financial benefits, from negligible gains (less than \$1,000 annually, 13 per cent of respondents) to more significant gains (\$10,000–\$20,000 annually, 20 per cent of respondents). The majority (60 per cent) expressed uncertainty regarding the precise monetary impact.

Despite the difficulty in quantifying financial benefits, many employers believed that improved efficiency and reduced waste justified the training investment. They emphasized the crucial role of the 70 per cent program funding (PFP) reimbursement, which significantly increased the feasibility of training employees.

# PFP AND SME INVESTMENT IN TRAINING

## PFP CAN MITIGATE BARRIERS TO WORKPLACE TRAINING

### Employees reported barriers to participation in workplace training

To enhance training accessibility and effectiveness, it is crucial to identify the barriers that challenged employee participation in and benefit from workplace training. The most significant obstacle reported was limited time, with approximately 35 per cent of employees citing time

constraints (see Figure 6). This finding was corroborated by employee interviews, where participants described difficulties in finding time for training or practicing newly acquired skills within their work schedules. Employees suggested that employers could significantly improve training outcomes by proactively allocating time for training and fostering its practical application. This could involve adjusting workloads and prioritizing projects that allow employees to utilize their newly learned skills during regular work hours.

**Figure 6** Top 3 barriers to training reported by employees (n=40)



Source: Employee survey.

Another significant barrier identified by employees was the difficulty in accessing training relevant to their specific roles. Interviews revealed that this issue was particularly pronounced for employees working in SMEs. Employees in smaller organizations often perform multiple, diverse roles, with some reporting responsibilities that spanned five traditional job descriptions. One employee shared: “Training can be very specific and could address maybe only 25 per cent of your role in a small company.” This suggests that off-the-shelf training is less appealing to SME employees due to the limited relevance and applicability to their job. Another employee shared: “While I love that aspect of my job—the diversity, how every month is a little bit different than the last—it is hard to find training on how to be a jack of all trades.” Because they often perform a variety of tasks each week, employees at SMEs have limited opportunities to consistently practice skills, which further challenges their ability to retain acquired knowledge.

*“Training can be very specific and could address maybe only 25 per cent of your role in a small company.”*  
- Lead hand

Employees also reported several additional barriers to effective training, including misalignment with their learning styles, inadequate disability accommodations, and a lack of training focused on cultural awareness and inclusivity. These concerns highlight potential issues with accessibility and workplace inclusion that could negatively impact training outcomes. Supporting this, HR coordinators and managers acknowledged that the increasing diversity of the workforce reinforces the need for culturally sensitive and inclusive training approaches.

## Most employers recognized the importance of investing time and effort to support employees during training

Employers participating in site visits consistently emphasized the importance of their role in supporting employee training. A key aspect of this support was providing dedicated work hours for training completion. As one HR Manager stated, “It helps when they do the training during their work hours... because I wouldn’t want to do it on my own time either.” Furthermore, employers actively managed workloads to facilitate training. For instance, an HR Coordinator described how team responsibilities were redistributed, allowing employees to focus on their courses without added stress. They shared that other colleagues “would take on additional responsibility or we would divvy that up among the other team leads, so that we can give [the employees in training] time to spend in their course.” This proactive planning ensured employees could complete their training without disrupting their regular duties.

One employer demonstrated exceptional, hands-on support for their employees throughout the training program. Specifically, they assisted two new supervisors who initially struggled with the program, particularly the final WPP presentations.

To create a supportive environment, the HR Manager explained, “We tried to assure them that they have a whole team behind them to pull on for resources.” This involved coordinated efforts, including regular check-ins and support meetings led by plant managers and production supervisors. Another HR staff helped them with the PowerPoint technologies and ease their anxiety around public speaking during the presentation day. Ultimately, this comprehensive support system ensured the employees successfully completed their training. The HR Manager shared in our interview: “You have to pull together all areas of your organization to support people during their training.”

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*“You have to pull together all areas of your organization to support people during their training.”*

*- HR Manager*

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## However, limited organizational capacity makes it hard for employers to systematically plan and implement employee training

A significant and ongoing obstacle is the limited organizational capacity to plan and implement systematic employee training. This often results in a reactive training approach, where employers primarily address immediate workplace problems or employee requests. Employee interviews revealed that individuals frequently felt responsible for independently identifying and pursuing training. As one employee explained, “If we’re not presented with a list of opportunities, that puts it on us and requires someone motivated to seek it, have the energy to find it, and evaluate if its good training. And it doesn’t stop there, because you have to have an argument prepared for why this training would be beneficial for the company.” This

demonstrates that employees not only spend considerable time finding training, but also must invest significant effort in evaluating its quality and justifying its value to their employers. Essentially, the lack of proactive planning places a substantial burden on employees to drive their own professional development.

### The clarity and structure of training budgets also varied among companies

Notably, a substantial 90 per cent of employers reported that their company did not allocate specific funding for training. As one employer stated, "At our company, there hasn't been a specific amount shared or allocated to training." However, some employers interviewed indicated the existence of a training budget. One interview with a Senior HR Manager, a strong proponent of employee development, stood out. They emphasized the importance of investing in training, stating, "...successful companies have shown that 2 per cent of their annual wages are reinvested back into training." This highlights the impact of prioritizing employee training on organizational success.

The management of existing training budgets also differed significantly. In some organizations, employees were responsible for identifying and requesting training, placing the onus on them to drive their own development. Conversely, other companies employed dedicated managers to oversee training budget management, including sourcing and applying for external funding opportunities, such as the Canada Jobs Grant. As one manager explained, "I pursue funding for training for my company. I build my own budget." This variation in budget management reflects differing levels of organizational commitment to structured employee development.

### Most employees reported receiving short-term and immediate training supports

When asked about the types of support provided during and after training, a majority (92 per cent) reported discussions with their supervisors about applying the newly acquired skills on the job, as shown in Figure 7. However, the prevalence of more specific, long-term post-training support was significantly lower.

Specifically, only 25 per cent of employees received supervisor feedback on their practical application of the training, and a mere 17 per cent were assigned tasks directly related to the newly learned skills. Similarly, opportunities for further skill development and knowledge sharing were limited. Only 33 per cent of employees were granted dedicated time to practice and refine their new skills, and just 36 per cent had opportunities to share their knowledge with colleagues. Furthermore, a minority of employees reported that their companies implemented changes based on their post-training insights (31 per cent) or acknowledged their training-related contributions (39 per cent).

**Figure 7** Types of supports employees received during and after the training (n=36)



Source: Employee survey.

These findings indicate that while initial supervisory support was common, employers varied significantly in their provision of sustained post-training support. This inconsistency presents a clear opportunity to enhance employer practices by implementing more structured and comprehensive post-training support systems. By doing so, organizations can maximize the impact of training investments and ensure employees effectively translate their new knowledge into tangible workplace improvements.

### Consistent, long-term support from employers enabled employees to realize more substantial, long-term gains

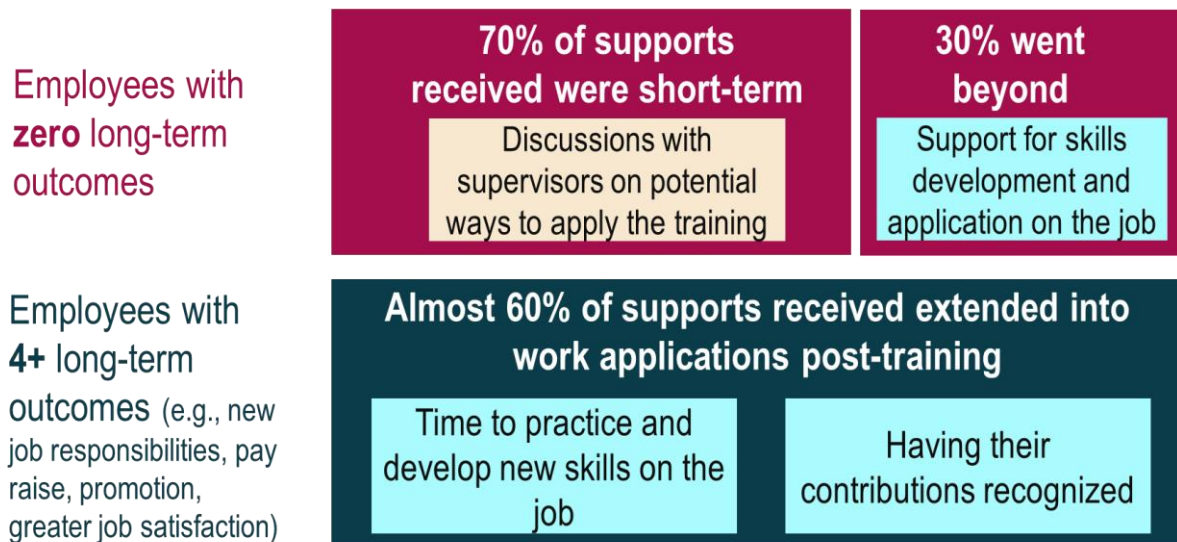
Further analysis revealed an interesting link between the extent of employer support and employee outcomes (see Figure 8). At one end of the spectrum, among employees who reported no long-term career improvements, over 70 per cent of the support they received consisted of short-term supervisory interactions, primarily discussions with supervisors about potential training applications. Only 30 per cent of their support extended beyond these discussions to include activities supporting further development and application of new skills on the job.

Conversely, at the other end of the spectrum, among employees who reported four or more long-term positive outcomes, nearly 60 per cent of the support they received extended into practical work applications post-training. The most common support reported by this group included dedicated time to practice and develop new skills on the job, and recognition of their training-



related contributions. In addition to enhanced skills and confidence, the most frequently reported outcomes in this group were taking on new job responsibilities, receiving a pay raise or promotion, and experiencing greater job satisfaction.

**Figure 8** The link between employer support and employee training outcomes



These findings underscore the critical importance of targeted, application-focused employer support in facilitating the effective transfer and application of new skills in the workplace. By providing structured opportunities for practice, recognition, and knowledge-sharing, employers can significantly enhance employee training success and contribute to long-term career improvements.

### Employees identified concrete employer support for skills development

Employees identified several additional areas where employer support could significantly enhance their training experiences and outcomes (see Table 1). A primary need, expressed by over half of the survey participants, was increased access to relevant training. This reflects a strong desire for opportunities to develop job-related skills. As previously noted, interviews revealed that employees often felt solely responsible for finding and pursuing training, underscoring the necessity for employers to adopt a proactive approach to skill development. Furthermore, employees emphasized that training relevance was particularly crucial for SMEs, where individuals frequently handle diverse responsibilities. In such environments, generalized skill-building, such as the development of social-emotional skills, may be more beneficial than highly specialized training.

**Table 1** Additional employer supports preferred by employees (n=40)

Additional employer supports	#	%
More access to relevant training	21	53%
Mentorship or coaching opportunities	19	48%
Financial support for professional development	12	30%
Opportunities for on-the-job learning	12	30%
Regular performance feedback	10	25%
Inclusive and supportive learning environment at work and accommodations for any physical, mental, or learning disabilities during training	9	23%
Networking opportunities and other	6	15%

Source: PFP IMPACT employee survey

Financial support for professional development, highlighted by 30 per cent of employees, was also identified as a critical resource for accessing external training opportunities. Interviewees further explained that many employers tended to prioritize training as a low-budget item, limiting opportunities for professional growth. Addressing this through prioritized training investments and cost-effective training options could alleviate these financial barriers.

Employees also valued personalized guidance and feedback to facilitate the practical application of their learning. Specifically, 48 per cent wanted more mentorship or coaching opportunities, and 30 per cent emphasized the importance of on-the-job learning, highlighting the need for practical, hands-on experiences that allow for immediate skill application. One employee shared in an interview: “I think it would have been helpful for me to retain the training, if I was then challenged to apply it, and at the same time, given a deadline or a due date for a report ... Otherwise, it's so easy to walk away from that room and just get totally sucked into [doing tasks the old way].” Regular performance feedback was also deemed essential, with 25 per cent of employees expressing a need for it to monitor their progress. Moreover, 23 per cent stressed the importance of fostering an inclusive and supportive learning environment, including accommodations for physical, mental, or learning disabilities, to ensure equitable opportunities for all employees. Interviews reinforced these findings, with participants emphasizing the importance of structured follow-up support to ensure effective skill transfer to the workplace.

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*“I think it would have been helpful for me to retain the training, if I was then challenged to apply it, and at the same time, given a deadline or a due date for a report ... Otherwise, it's so easy to walk away from that room and just get totally sucked into [doing tasks the old way].”*

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*- Employee*

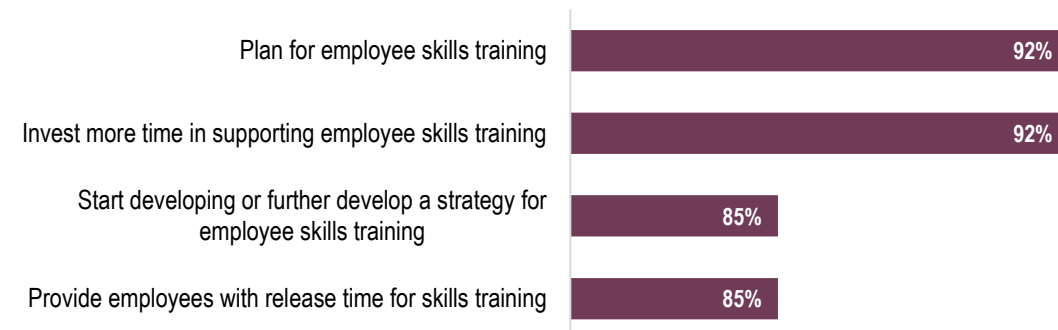
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## PFP PROVIDES FINANCIAL INCENTIVES FOR EMPLOYER TO INVEST IN TRAINING

### PFP made it easier for employers to invest in employee skills development

As shown in Figure 9, the majority of employers (85 to 92 per cent) reported that the reimbursement potential made it somewhat or a great deal easier to invest more time in supporting employees, facilitate better planning for employee skills training, and provide employees with training release time. Furthermore, 85 per cent of employers found that the model supported the development or enhancement of strategies for employee skills training, emphasizing the role of the PFP model in fostering long-term structured approaches to training. These findings suggest that the PFP model not only lowers financial barriers but also encourages employers to integrate training into their organizational strategies.

**Figure 9** PFP made it somewhat or a great deal easier for my company to... (n=13)



Source: Employer survey.

### PFP eased the financial strain and reduced the risk involved in investing in employee training

Building on these survey findings, insights from interviews with employers provided a deeper understanding of how the PFP model improved access to training and motivated stronger employer support. Many employers emphasized that the PFP model reduced the financial burden of training. The reimbursement mechanism was particularly beneficial for organizations operating on tight budgets. As one HR manager noted, “The 70 per cent grant ... a significant offset in the cost that would make it more feasible to send people on those training sessions.” Another shared: “[The PFP model] reduces the financial burden on the company for sending people for training and it makes it easier to justify the investment. If I go to my finance

department and say, hey, we're going to spend \$3,000, but I'm going to get back \$2,500 back in six-month time. That would remove a significant barrier to send our employees for training.”

Beyond addressing immediate training costs, the financial relief offered by the PFP model enabled companies to expand their training initiatives. One employer stated, “we can get more – we can get training for eight people instead of four, or we can get two courses instead of one, or any of those things.” This demonstrates how the model served as a catalyst, empowering businesses to increase employee training while remaining within their budgetary constraints.

### Some HR managers and training coordinators leveraged PFP as an opportunity to discuss training as a strategic investment at their companies

The PFP model effectively encouraged employers to view training as a strategic investment by directly linking financial incentives to tangible training outcomes. As one employer articulated, “it's something we haven't done well in the past, and as we start to invest in training, we want it to be worthwhile so that we have more positive outcomes, otherwise we're just wasting our time.” By addressing the common employer concern about return on investment, the PFP model alleviated doubts and fostered a more results-oriented approach to workforce development.

Moreover, the PFP model proved instrumental in garnering increased interest and support for training initiatives from senior management. One HR manager explained: “I treated it like I found another pot of money for training... I presented it in a business case of, 'well, we don't

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*“[The PFP model] did help us to access the training and it actually helped me sell the training...It's pricey, but if we do all these things and we get this money back... I think it did provide more accountability at the employer level to make sure that we're achieving the outcomes.”*  
- HR Manager

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have much to lose here. We have lots to gain, not much to lose with PFP' to my leadership team.” By framing training as a low-risk investment with potential financial returns, training managers were able to effectively advocate for resource allocation. Furthermore, the outcome-based reimbursement structure fostered a sense of accountability,

motivating leadership and management to actively support employees throughout the training process. As another HR manager emphasized, “[The PFP model] did help us to access the training and it actually helped me sell the training...It's pricey, but if we do all these things and we get this money back...force them to support employees...I think it did provide more accountability at the employer level to make sure that we're achieving the outcomes.” This model not only facilitated access to training but also ensured sustained leadership and management engagement, ultimately contributing to the achievement of desired training outcomes.

## PFP can be creatively applied to facilitate employer investment in workforce development

During the knowledge mobilization event in December 2024, attendees actively brainstormed innovative strategies to enhance employer investment in employee training, showcasing the PFP model's potential as a catalyst for creative solutions. The PFP framework, with its emphasis on performance-based reimbursement, encourages employers to think outside traditional training paradigms. Participants suggested several practical approaches, including: utilizing action sheets for structured post-training follow-up, facilitating one-on-one career and training plan discussions, fostering team-based learning through training cohorts, integrating elements of the apprenticeship model like mentorship and on-the-job training with accessibility considerations, and cultivating a workplace culture that values continuous learning. These ideas demonstrate how PFP can be adapted to support a wide range of tailored training initiatives, moving beyond simple reimbursement to drive meaningful engagement.

Attendees also recognized that the PFP model can be creatively designed to address the inherent challenges of workforce development. They acknowledged that the development of social-emotional skills is a long-term endeavor, requiring patience and sustained effort. Furthermore, they identified trainer qualifications as a crucial factor, emphasizing the need for professionals with both adult education expertise and industry knowledge. The PFP model can incentivize employers to invest in comprehensive trainer development. The model can also be crafted to navigate the complexities of incentivizing informal learning processes like shadowing, buddy systems, and mentorship, which are often non-linear and unstructured. In sectors with highly mobile workforces, such as construction, PFP can be used to develop innovative training delivery methods that accommodate project-based employment.

These challenges, rather than being seen as obstacles, can be reframed as opportunities for the PFP model to demonstrate its versatility. By integrating soft skills development into technical training, PFP can enhance the return on investment, addressing both process- and people-based skill gaps. The model's inherent financial accountability ensures greater commitment from both employers and employees, driving training completion and effective learning transfer. Moreover, PFP can be creatively designed to incorporate processes for structured employer support, as well as the measurement of return on investment (ROI) and key performance indicators (KPIs). This allows employers to tailor their training initiatives to specific organizational needs and demonstrate the tangible impact of their investment. Essentially, the PFP model offers a dynamic framework that can be creatively adapted to facilitate employer investment in workforce development, fostering a culture of continuous learning and innovation.

## PFP CAN POSITION TRAINING AS A KEY BUSINESS STRATEGY

### Understanding and addressing training needs is critical to business growth

While the general benefits of employee training are widely recognized, pinpointing specific, company-tailored reasons for investing in skills development is essential for driving business growth. A thorough organizational needs analysis provides the necessary foundation, revealing company-specific skill gaps and articulating the unique value proposition of training. By aligning training initiatives with strategic business objectives, employers can:

- **Optimize training planning:** Develop a strategic approach to training that aligns with business goals, including supporting operational efficiency.
- **Prioritize high-impact programs:** Concentrate resources on training that yields measurable improvements in productivity, innovation, and profitability, directly contributing to the bottom line.
- **Foster learning transfer and sustainable learning culture:** Cultivate an environment where employees consistently apply newly acquired skills, leading to improved performance, enhanced adaptability, and sustained business growth.

Unfortunately, not all companies consistently apply these strategies. However, forward-thinking organizations recognize that intentional skills development is critical for scaling operations and maintaining a competitive edge. For instance, one company's Operations Director observed, "The company has grown to a certain size, and I've just noticed a significant shift towards process - better or clearer process... And along with that growth comes some intentional time set aside for training." This demonstrates how aligning training with evolving business processes is critical to facilitate the growth trajectory of companies.

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*"The company has grown to a certain size, and I've just noticed a significant shift towards process - better or clearer process... And along with that growth comes some intentional time set aside for training."*  
— Operations Director

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Furthermore, some companies are proactively addressing training needs to ensure sustained growth. One company recognized a "desperate need for training" and implemented a comprehensive program, starting with leadership development and extending to all employee levels. By leveraging locally funded programs, they ensured widespread access to training. As their HR Manager stated, "It was all encompassing, so everybody was getting some training... We're starting to see the benefits of that investment – investing and training at all levels, as

opposed to just the one-off.” This example underscores that strategic, company-wide training initiatives, driven by a clear understanding of needs, are vital for long-term business success.

## Training needs analysis is even more crucial for SME

When comparing training investments across various company sizes, significant disparities emerge, highlighting the heightened importance of training needs analysis for SMEs. Larger companies, with their ample resources and dedicated training departments, can afford structured, high-frequency training programs. Their robust cash flow also minimizes financial barriers to training investments. SMEs, conversely, often grapple with tighter budgets and time constraints, limiting their capacity for extensive training initiatives. However, their smaller size offers a unique advantage: the potential for highly personalized training. By deeply understanding individual employee needs and specific organizational gaps, SMEs can tailor training for maximum impact.

For SMEs, investing time and resources upfront in meticulous training needs analysis, planning, and customization can yield substantial long-term benefits. A common challenge faced by SMEs is that employees often “wear multiple hats,” making it difficult to apply training that precisely aligns with every aspect of their diverse roles. This can discourage training investment. However, this obstacle can be overcome by strategically customizing training to address the broad skill sets required within the SME environment. PFP can help incentivize SMEs to invest in training needs analysis by rewarding the employers upon needs analysis completion.

Thorough training needs analysis becomes even more critical for SMEs seeking to maximize their limited resources. One SME in our study successfully engaged in thorough needs analysis and commented on its benefits. This company proactively planned its next training cycle by hiring a consultant to conduct a SWOT (Strengths-Weaknesses-Opportunities-Threats) analysis, identifying skill gaps and training needs. This was complemented by employee surveys to pinpoint areas where individuals felt professional development investments were lacking. By systematically assessing their needs, this SME was able to develop a highly targeted training plan, ensuring that every training dollar contributed directly to addressing organizational priorities. This proactive, data-driven approach demonstrates how SMEs can leverage training needs analysis to optimize their training investments and drive sustainable growth, despite their resource limitations.

## Training needs analysis also facilitates training impact monitoring, both of which are crucial for sustainable business success

Insights from the Knowledge Mobilization events helped validate these findings. Attendees at the event emphasized that tracking training impacts is essential to demonstrate return on investment (ROI) and to assess improvements in employee performance. This dual focus on meeting the needs of both employers and employees ensures that training initiatives are mutually beneficial, driving both organizational growth and individual development.

A well-executed organizational needs assessment provides a clear rationale for training investments. It identifies specific training needs and guides the development of tailored programs that address both immediate challenges and future opportunities. By establishing clear metrics for success, organizations can effectively track the long-term impact of their training efforts. Furthermore, some employers recognized the strategic importance of long-term planning for employee skills development, particularly in the face of increasing workforce shortages. Investing in training, especially at the leadership level, is a strategic move that can yield significant returns over time, ensuring a skilled and adaptable workforce capable of driving sustained growth.



## PFP AND WORKFORCE DIVERSITY, EQUITY, AND INCLUSION

### Inclusive and welcoming workplaces enable employees to thrive

Our employee surveys examined perceptions of workplace inclusivity, revealing generally positive results (Figure 10). A significant majority of employees felt their coworkers valued their background and perspective (89 per cent) and contributed to a sense of team belonging (87 per cent). Similarly, most employees reported that their managers fostered inclusivity and valued their contributions (82 per cent). Furthermore, a substantial portion of employees believed their organization provided equal opportunities for success (79 per cent) and demonstrated a commitment to diversity and inclusion (74 per cent). However, a smaller percentage of employees felt they had equal growth opportunities or chances to collaborate with diverse teams (66 per cent), indicating areas where further improvements in inclusivity are needed.

**Figure 10** Feeling of inclusion at work (n=38)



Source: Employee survey.

## PFP can facilitate a strategic approach to workplace training and employee support programs to address diverse workforce needs

### Newcomers

Employers recognized that tailored training is essential for successfully hiring and integrating a diverse workforce, particularly newcomers from other countries. With the increasing influx of international talent, they emphasized the need to address unique challenges such as language barriers and adaptation to professional communication standards. One employer highlighted the practical difficulty of creating multiple training documents to ensure effective communication of safety protocols to employees with varying

language proficiencies. Ultimately, employers stressed that training customized to these needs not only improves workplace performance but also fosters long-term employee retention and loyalty. As one HR Manager observed, “With the newcomers... they’re thirsty for knowledge. They want to succeed.” Another HR Manager added, “We have people from all places in the world, their English level are pretty decent. I think

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*“We have people from all places in the world, their English level is pretty decent. I think the course that the companies could benefit from is professional communication in the workplace, how to tailor that English level you have to the corporate world.”*

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*- HR Manager*

the course that the companies could benefit from is really professional communication in the workplace, how to tailor that English level you have to the corporate world.” PFP can make it more financially feasible for employers to create and deliver customized training. By tying reimbursement milestones to the level of training customization, PFP incentivizes employers to invest in supporting employee groups that are typically underrepresented in their workforce.

Tying EDI initiatives to business needs motivates employers to invest in their diverse workforce. One company effectively addressed critical labour shortages by partnering with a newcomer services organization and a recruitment agency. This collaboration enabled them to provide comprehensive support to newcomer employees, addressing their unique needs. Notably, many of these employees transitioned from temporary contracts to permanent positions, demonstrating the success of this integrated approach. As an HR Manager explained, “There were newcomer services associated with it [including] ESL classes, translation, housing... newcomers could get support with this temp agency we were working with, [they] provided transportation as well.” This holistic support system played a crucial role in the successful integration and long-term retention of newcomer talent.

Another company demonstrated a strong commitment to its newcomer employees by providing substantial financial and administrative support for the permanent residency (PR) application process. This support included covering legal and administrative fees, which greatly eased the complexities of the process for employees. One employee highlighted the profound impact of this support, stating that they felt truly “at home” in the workplace, a sentiment they had not experienced in previous Canadian jobs. This not only improved their well-being and career trajectory but also provided crucial assistance during a challenging PR application. As the employee shared, “Our company has to share their business information, their revenue information, and also, they had to pay a lawyer... and that cost somewhere around \$10,000. [The company] agreed to invest on me... I've finally reached my destination with a permanent residence.” This example underscores how comprehensive employer support can significantly impact a newcomer's sense of belonging and their ability to achieve their immigration goals, which then translates to stronger labour market attachment and more substantial employment success.

## Women

Although women increasingly fill roles in the manufacturing sector, they remain underrepresented across the industry (Canadian Manufacturing & Exporters, 2017; Women and Gender Equality Canada, 2020). Gender-based equity initiatives can ensure inclusion of the potentially different needs of women and other genders in organizational planning and decision-making. One employee's experience vividly illustrates the impact of such initiatives. Her participation in women-in-trade programs throughout her career, coupled with intentional recruitment and support, enabled her to not only succeed in a male-dominated industry but also to become a leader and mentor. As she shared, “So, I have been doing women in trade things my entire career and speaking with our young girls, high school students. When I was first in my apprenticeship, about why, what, and how I got into it.” This journey highlights the power of targeted support in fostering female leadership. Critically, this representation of women in leadership roles within manufacturing is vital for emerging female employees. Seeing successful women in these positions provides powerful examples and demonstrates that they, too, can achieve success in the sector.

To further incentivize employers to support EDI initiatives, particularly those focused on women in male-dominated industries, PFP can be strategically designed. By linking reimbursement milestones to specific EDI goals, such as increasing female representation in leadership or implementing targeted training programs, employers are encouraged to prioritize these efforts. For instance, higher reimbursement rates could be offered for training that addresses the unique challenges and career development needs of women in manufacturing. This approach not only encourages investment in EDI but also ensures that these investments are effectively targeted, leading to meaningful and sustainable change within the organization.

## Youth

Youth is another key employee group. Employers recognized training as a powerful tool for motivating younger employees and fostering their career advancement within the organization. Employers highlighted the importance of showcasing success stories, demonstrating how structured training opportunities can lead to promotions and leadership roles. As one HR Manager stated, “It's trying to retain the younger ones, you can have a career here, [name of a senior employee] has been here for 20 years. Here's where you can be. You can come in as a labourer. You can end up in that production office. You can be a plant manager or operations manager or property manager. There is potential!” Beyond individual growth, training also supports organizational continuity through succession planning. By fostering knowledge transfer between experienced and younger employees, training helps bridge generational gaps. While some older employees may initially resist new training methods, intergenerational team-based training can promote smoother transitions. Moreover, training equips younger employees with the skills to effectively manage and supervise senior colleagues, ensuring confident leadership. PFP reimbursement milestones can be used to incentivize employers to design training that strategically supports youth development, tying their career progression to the broader goals of succession planning, knowledge transfer, and organizational continuity.

These findings highlight the importance of creating an inclusive workplace culture to address workforce challenges and support a stronger, more diverse, and resilient workforce. The PFP model could serve as a tool to enhance these efforts, helping employers build environments where all employees can thrive. Employers frequently reported that they did not have formal equity-based hiring or training considerations, however, when prompted they provided clear examples of how equity-based strategies can be integrated to create a more inclusive workplace. When the needs of diverse employees are included, the workplace improves for different groups of people beyond the needs of the general employee population.

## Opportunities to use PFP to incentivize workplace inclusivity

A PFP model can be leveraged to respond to labour shortages, to encourage hiring youth, and to incentivize change management as companies prepare for the retirement of their key personnel. However, this flexible approach can also be adapted intentionally to focus on creating more supportive, and therefore, more diverse workplaces.

Building an inclusive, resilient, and competitive workforce involves:

- **Fostering intergenerational knowledge sharing:** Enabling the transfer of expertise between experienced and younger workers.

- **Adapting to evolving workforce needs:** Responding to the changing demands of a diverse workforce.
- **Harnessing diversity for innovation:** Leveraging the unique perspectives and skills of a diverse workforce to drive innovation.

As mentioned, although many employers did not have explicit equity-based hiring or training policies, they implemented supports that benefitted newcomers and women in the workplace when they identified the existing needs. Many employers shared that their workplaces were diverse in terms of gender, cultural background, and experience level. Moreover, one expressed a commitment to inclusion “we continue to work to maintain and expand [diversity]. We believe that only strengthens our planet, our company, and brings different perspectives and ideas to the table.”

The missing link for employers with equity-based initiatives is related to strategies that *directly* consider equity in hiring, training, and retention opportunities. Clearly, employers and employees shared examples of how customized support (i.e., wrap around services for newcomers, leveraging translation in the workplace, and women in trades initiatives) ensured they were able to succeed in the workplace. Importantly, the PFP model did encourage outcomes that extend beyond inclusion or representation with participants who shared examples of upward career mobility due to the supports received. Despite these promising results, there continues to be opportunities to retain and provide upward mobility opportunities for equity-deserving employees.

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*“I wish I could say that we have supports tailored to newcomers or people from underrepresented groups. Truth is, we don't. It's not something we usually consider. We consider experience level. ... Where the gaps are to provide these career developments right, we don't have anything in tailored to diversity at the moment.”*

*- HR Manager*

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Employers tended to focus on organizational needs, seniority, and performance metrics when it comes to hiring and promotion decision-making, as well as whether an employee has growth potential. In other words, an employee may have excellent technical abilities, but if they lack communication and leadership skills, they may be limited in their ability to “grow” into a leadership role. What is unclear, however, is how employers decide an employee has that potential, and if

equity could play a role in that process. Importantly, employers and employees can potentially benefit from explicit equity-based policies to ensure that workplaces are actively demonstrating that diversity is valued in the company.

Additionally, the manufacturing setting was perceived by employers as inaccessible for people with physical disabilities. Mental health challenges were perceived as ubiquitous in the workplace, however, considerations for someone in a wheelchair was difficult for the employer to conceptualize.

In short, while employer participants shared innovative examples of how they supported employees with diverse needs, there was also room for improvement in terms of understanding accessibility,

Reconciliation, as well as the purpose and process for equity-based practices. Additionally, companies would benefit training specifically tailored to both the sector and employee needs such as professional communication in the workplace and how to tailor English level in the corporate world. Lastly, there was minimal representation from Indigenous Peoples in our study data collection activities, and it was left largely unmentioned by employers. Importantly, future research should consider targeted theoretical recruitment to ensure Indigenous Peoples are included in these important discussions.

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*“Folks with disabilities? Just the environment is really not suited for it, even if it were office related, and I really haven't had a lot ... I don't think I've ever had any candidates aside from mental health, but that's because that's everywhere, right? As far as the physical disability, like for safety reasons, somebody [can't be] in the plant in a wheelchair and, you know, like those kinds of specific things.”*

*- HR Manager*

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## OPPORTUNITIES FOR IMPROVEMENT AND FUTURE APPLICATIONS

### ADJUSTMENTS

Across the PFP 1 and IMPACT projects, the PFP model demonstrated its feasibility and effectiveness in incentivizing employers to invest in and support employee training. In addition to discussions at knowledge mobilization events, EMC administrative and leadership staff provided valuable insights and recommendations for future PFP implementations through in-depth interviews.

EMC staff emphasized that employer engagement is significantly higher when employers have a financial stake in the training, as it fosters greater accountability. However, maintaining consistent employer engagement proved challenging throughout the studies, even with creative recruitment strategies. A critical factor identified by both EMC and SRDC was the importance of having key staff and leadership who recognize the value of the training. As an EMC Program Coordinator noted, “You see the engagement from certain employers change whenever there is a change in leadership or a change in certain departments. A new HR manager will be brought on who is very invested in training and all of a sudden, this company is engaging in all of these programs.” This highlights the crucial role of leadership buy-in in ensuring successful program participation.

EMC staff and employer participants suggested several adjustments to the PFP program to improve its feasibility and scalability. Key recommendations focused on simplifying processes and ensuring clarity. Specifically, it was suggested that PFP reimbursement should prioritize milestones that employers can directly control, as skill gains may not be the most reliable indicators of program success. Table 2 outlines potential improvements to the model aimed at boosting engagement and reducing administrative burden.

**Table 2**      **Examples of potential model adjustments**

Key themes	Illustrative comments
<b>Selective recruitment for meaningful engagement</b>	Implement a rigorous screening process for participating employers and employees to ensure genuine commitment to the PFP program. Reimbursement should be contingent on demonstrated commitment to agreed-upon performance metrics. This ensures quality participation and maximizes the value of the program.
<b>Refined employer reimbursement</b>	<p>Shift the focus from solely measuring skill gains to a more holistic assessment of employee progress and employer implementation of learned skills. Acknowledge that skill development can be a non-linear process and adjust reimbursement criteria accordingly.</p> <p>Ensure that the metrics for reimbursement are transparent and clearly communicated to employers. Avoid penalizing employers for honest assessments of employee skill development.</p>
<b>Minimizing employer burden through streamlined communication and processes</b>	<p>Simplify communication and reduce the administrative burden on employers by minimizing the number of requests for information and confirmations. Implement clear, concise, and user-friendly communication channels.</p> <p>Design the PFP program to be simple and straightforward, ensuring its applicability across diverse industries. Clearly define the required activities and expected outcomes.</p>
<b>Establishing clear value proposition and simplifying implementation</b>	<p>Invest time in educating employers about the value proposition of the PFP program and the rationale behind its implementation. Ensure that all stakeholders understand the program's goals and objectives.</p> <p>Avoid adding unnecessary complexity to the program by minimizing additional administrative tasks before and after training. Prioritize simplicity and clarity.</p>

The PFP model has shown considerable promise in fostering employer investment in employee training. However, the insights gathered from these projects highlight the need for continuous refinement. By implementing strategies to ensure selective recruitment, simplify program administration, and align reimbursement with controllable employer milestones, the PFP model can be further optimized. Crucially, fostering leadership buy-in and emphasizing the program's value proposition are essential for sustained employer engagement and the successful scaling of PFP initiatives. The adjustments outlined in Table 2 can be critical implementation of a roadmap for creating a more effective and impactful PFP model, ultimately benefiting both employers and employees.



## ROADMAP FOR PFP DESIGN AND IMPLEMENTATION

Throughout these projects and industry engagement activities, we have learned that the PFP model holds significant potential for driving employer investment in employee skills development. To maximize this potential, future PFP programs can focus on the following three major PFP milestones, each targeting critical employer behaviors that demonstrate a commitment to employee training and human capital investment. These milestones, positioned as key elements of a roadmap for PFP design and implementation, are strategically placed before, during, and after training to ensure a holistic and impactful approach.

### Milestone 1: Pre-Training – Training Needs Analysis and Strategic Planning

The first milestone focuses on the pre-training phase, emphasizing the importance of a thorough training needs analysis. Before training commences, employers should demonstrate their commitment to understanding their specific training requirements. This involves a collaborative process where employers are encouraged to identify business challenges, pinpoint employee performance and skill gaps, and frame training as a strategic business investment. This milestone encourages employers to: identify business challenges; identify key employee performance gaps; identify employee skill gaps relevant to business needs; discuss employee performance and skill gaps within the context of job performance frameworks or occupational profiles; collaborate with employers to define clear training goals and link them to business objectives; frame training as a strategic business investment; and consider future business needs and trends and proactively identify appropriate training solutions. This proactive approach ensures that training initiatives are aligned with business objectives and address critical skill gaps.

### Milestone 2: During Training – Active Support and Engagement

The second milestone centers on employer engagement during the training process. To maximize employee learning and skill acquisition, employers are encouraged to actively support their employees throughout the training. This involves actions such as: communicating training objectives and expectations; providing dedicated work time for training; informing supervisors about training content; checking in with employees on their progress; and providing mentoring or coaching. By fostering a supportive learning environment, employers reinforce the value of training and enhance the likelihood of successful skill transfer. This milestone ensures that employees are given the time and resources necessary to succeed in their training.

### Milestone 3: Post-Training – Learning Transfer and Long-Term Development

The final milestone addresses the crucial phase of learning transfer and long-term planning. Following the completion of training, employers are encouraged to implement strategies that reinforce learning and promote continuous development. These strategies include: providing opportunities for employees to share their learning; recognizing and rewarding the application of new skills; integrating training content into work assignments; encouraging employee reflection and professional development planning; tying training to performance reviews; and discussing future learning opportunities. Additionally, employers should be encouraged to track employee performance metrics, develop training budgets, create long-term training plans, share success stories, and collect evidence of training benefits. This milestone emphasizes the importance of sustained support and investment in employee development to ensure that training translates into tangible business outcomes. By strategically designing these three milestones, the PFP model can effectively build employer capacity for investing in employee skills development, leading to enhanced workforce capabilities and improved organizational performance.

## FUTURE APPLICATIONS

In reflecting on the findings of this work, several emerging themes and trends warrant further exploration. Notably, equity-deserving groups, including Indigenous Peoples, Black-owned businesses, and women-owned enterprises, shared unique perspectives that highlight the need for targeted intersectional analysis. Future research that delves deeper into these specific experiences will provide a more nuanced understanding of the challenges and opportunities within diverse workforces. This focus on intersectionality will build upon previous work, offering critical insights that have been previously overlooked.

A recurring theme emphasized the critical need for companies and supervisors to develop strong soft skills to effectively support a diverse workforce. Furthermore, the PFP model demonstrates its value in providing consistent training for SMEs, which often lack structured training programs. To fully assess the long-term impact of PFP, it is essential to implement longer-term tracking of training outcomes. This will provide valuable data on the sustained benefits of the program and inform future iterations. Additionally, fostering cross-sector collaboration can enhance the overall impact of training initiatives, enabling shared learning and resource optimization.

Identifying employers who are 'ready to go' and possess the necessary commitment to training remains a key consideration. Given that many employers, particularly SMEs, rely heavily on government-funded training, there is a crucial role for government in this space. Building needs analyses, employer supports, and return-on-investment (ROI) measures into training programs

will ensure both short- and long-term impacts are effectively evaluated. The PFP model's inherent flexibility allows it to be applied across diverse sectors, enterprise sizes, and training approaches. This adaptability makes it suitable for initiatives ranging from mentorship and middle management capacity building to work-integrated learning, training modernization, support for growing SMEs, and even training models in anticipation of future needs.

## CONCLUSION AND RECOMMENDATIONS

Overall, this project collected evidence to show that PFP effectively incentivized SMEs to invest in employee training. Notably, employers who provided longer-term support saw higher and more sustained benefits for both their employees and their workplaces. Employers and employees shared numerous detailed examples of improved business outcomes and enhanced job performance.

### Key findings

#### *Employers*

- The PFP model encouraged employers to expand their training beyond mandatory requirements, specifically investing in and supporting social-emotional skills development.
- PFP facilitated a clearer connection between business improvements and employee skill gains.
- PFP provided a clear and predictable mechanism for employers to invest in employee skills training, reducing investment risks and uncertainties
- While SMEs recognized the long-term benefits of training, they experienced challenges in quantifying these results into training ROI.

#### *Employees*

- Surveys demonstrated sustained benefits from training, particularly when coupled with ongoing employer support.
- Most employees reported sustained confidence in their skills, improved job performance
- Employees from companies with extensive support systems were also more likely to report increased job satisfaction, including greater responsibility, promotions, and pay raises.

#### *Workplace inclusion and well-being*

- The PFP model can facilitate a strategic and inclusive approach to workplace training.
- Funding models can be designed to support Reconciliation and equity-based policies, such as providing wrap-around support for Indigenous Peoples, newcomers, women, and youth.

### *Implementation considerations*

- Consider a rigorous screening process for employers to ensure genuine commitment.
- Minimize the administrative burden on employers and provide comprehensive education on the program's value to secure buy-in.
- Tie reimbursement to clear performance metrics to ensure meaningful participation and measurable outcomes.
- Focus on holistic employee progress and the quality of employer support, rather than solely on skill gains.
- Recognize that skill development is a non-linear process and adjust reimbursement criteria accordingly.
- Ensure transparency and clear communication of reimbursement metrics to avoid unintended incentives to “game” the assessments.

### *Policy implications and next steps*

This project yielded several key policy implications for enhancing workforce training investments, particularly within SMEs.

**1. Scaling up the PFP funding model:** The PFP funding model effectively incentivized SMEs to invest in employee training, particularly in social-emotional skills and long-term skill development. Governments and policymakers should consider scaling up similar funding models to encourage broader SME participation in workforce training. This could involve:

- Offering financial incentives directly tied to measurable outcomes, such as improved employee performance and positive business results; and
- Providing resources and support to assist SMEs in monitoring the return on investment (ROI) of their training programs.

**2. Integrating Equity, Diversity, Inclusion and Reconciliation (EDI&R):** The PFP model demonstrated its potential to support EDI&R initiatives by addressing the specific needs of equity-deserving groups. Future funding models could explicitly incorporate EDI&R considerations to ensure training programs are accessible and inclusively beneficial. This could include:

- Implementing targeted reimbursement policies that address systemic barriers.

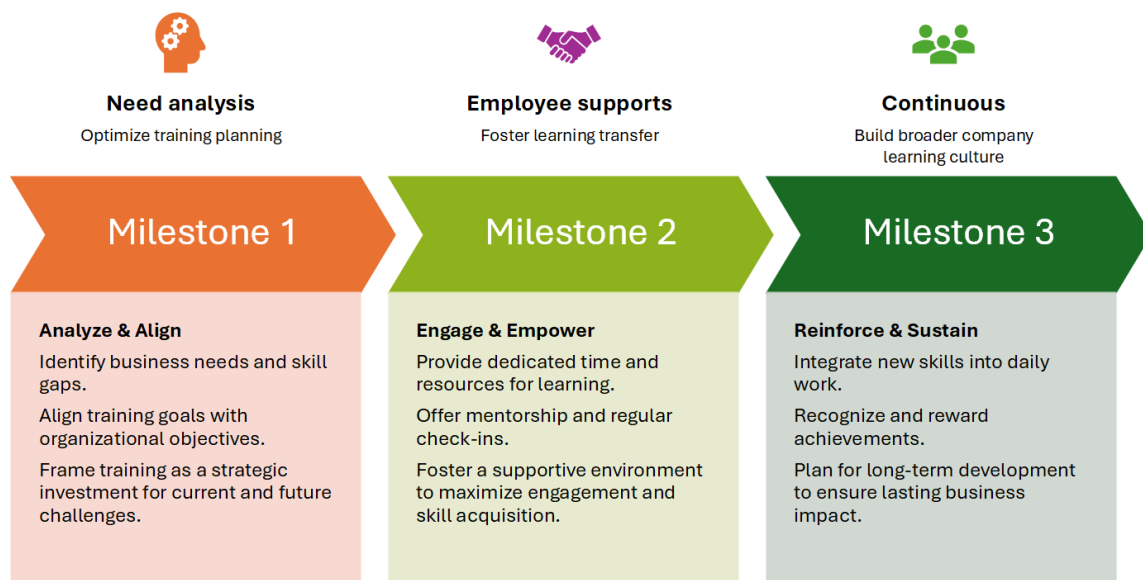
- Establishing partnerships with community organizations to reach diverse populations.
- Developing tailored training programs that meet the unique needs of equity-deserving groups.

**3. Implementing a milestone-based approach:** A structured milestone approach is crucial for effective PFP implementation and financial reimbursement. A framework incorporating three key milestones across the full training spectrum could be a valuable approach for interested stakeholders:

- Pre-training planning: Ensuring training programs align with business objectives.
- Active support during training: Providing ongoing guidance and resources to employees.
- Post-training reinforcement: Implementing strategies to sustain skill development and application.

Figure 11 provides more illustration of this approach. It ensures training investments are purposeful, impactful, and directly linked to business outcomes, enhancing both employee skills and organizational performance. This framework not only enhances employee skills but also strengthens organizational performance, making a compelling case for more effective and sustainable funding models.

**Figure 11** Milestone approach for financial reimbursement



## Final thoughts

Overall, the PFP funding model has proven to be a powerful tool for driving meaningful investment in workforce training within SMEs, while simultaneously advancing broader societal objectives like equity, diversity, and inclusion. By incentivizing employers to prioritize employee skill development, especially in social-emotional skills and long-term support, the model not only enhances individual career prospects and job satisfaction but also leads to improved business outcomes and overall workplace well-being. To maximize its effectiveness, future implementations of the PFP model should include rigorous employer screening, transparent performance metrics, and targeted support for equity-deserving groups, such as Indigenous Peoples, newcomers, women, and youth. Scaling up these initiatives, with a focus on simplicity, accessibility, and measurable outcomes, offers policymakers a valuable approach to address both economic and social priorities, ultimately fostering a more skilled, inclusive, and resilient workforce.

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## APPENDIX A: FURTHER DETAILS ON PFP 1

In this Appendix, we briefly summarized the findings of PFP 1 to provide the context to discuss the Pay-for-Performance IMPACT results. PFP 1 was a collaborative pilot project between the Social Research and Demonstration Corporation (SRDC) and Excellence in Manufacturing Consortium (EMC). With funding from the Government of Canada's Future Skills Centre, SRDC and EMC piloted the PFP model in support of the Manufacturing Essentials Certification (MEC) training program, between January 2021 and March 2023.

As mentioned, the cost of training often limits employers' ability to invest in workforce development, despite employers recognizing their responsibility to provide training for their workers. Employers have also expressed concerns that existing training programs often are not well aligned with their needs. The PFP model was designed to help incentivize employers to invest in training. More specifically, the PFP pilot project was developed to meet the following objectives:

- To foster employer commitment to the training by requiring them to pay upfront ("skin in the game");
- Incentivize employer engagement through success milestones aligned with their needs to achieve better training outcomes; and
- Demonstrate the effectiveness of the resulting training model.

### The Manufacturing Essentials Certification (MEC) program

Designed to build the skills and confidence of the manufacturing workforce using a Skills for Success framework (Palameta et al., 2021), the MEC program learning objectives included increased productivity, improved workplace culture, higher employee engagement, stronger leadership, and a more collaborative working environment. The MEC program targeted essential skills underpinning job performance such as problem-solving, innovation, collaboration, and communication.

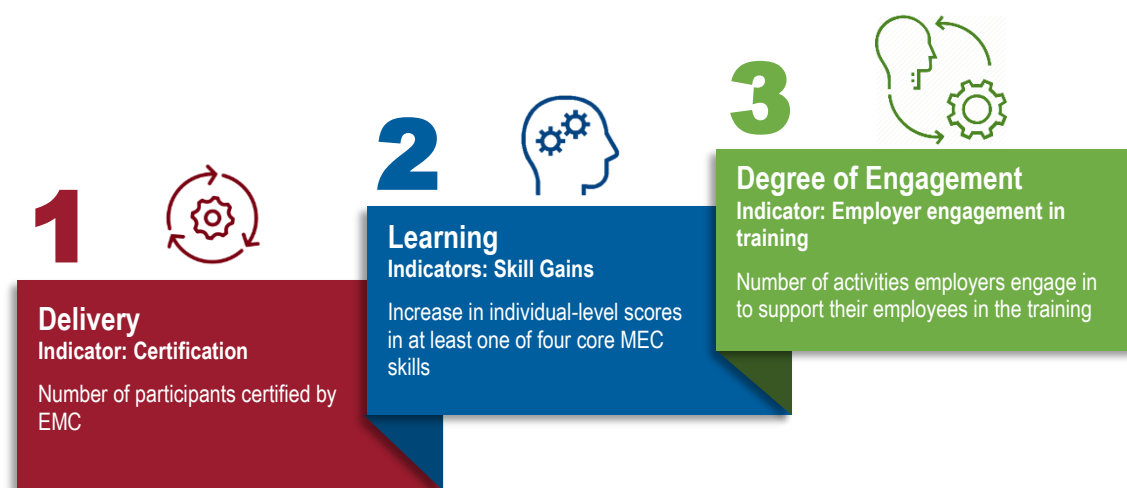
Offered over a period of eight to ten weeks, the program was modular in its design and customizable to meet the learning needs of each group. The MEC training program was offered in multiple streams: Supervisor, Production Worker, Health and Safety, Psychological Health and Safety, Productivity and Continuous Improvement, and Leadership. The MEC streams differed primarily in their content. For example, the supervisor stream targeted participants' abilities to lead and motivate others, to apply team management and project management skills, and to successfully resolve conflicts.

However, all MEC streams followed a similar structure: a combination of classroom language and essential skills training with an applied Workplace Performance Project (WPP). The WPP was a problem-solving exercise completed by a small group of participants from the same company. Through the WPP, participants had an opportunity to work collaboratively with their colleagues to identify and resolve a workplace problem affecting business outcomes. This bottom-up approach to workplace problem-solving was intended to help build workers' confidence and self-efficacy, allowing them to apply their skills to a real-world workplace problem.

## PFP model

Under the PFP model, employers initially paid \$3,000 per employee for the MEC training and were reimbursed up to 70 per cent of this cost. The reimbursement amount was directly tied to the extent to which employees and employers achieved three critical milestones: employee training completion, employee skill gains in the four core MEC skills (communication, leadership, teamwork, and problem-solving skills), and employer support on learning transfer and application (see Figure 12).

**Figure 12** PFP model milestones



Specifically, employer support included:

- supporting and guiding their teams in selecting and solving a workplace problem as part of their WPP;
- reviewing, attending, and providing feedback on the WPP presentation; and

- supporting the implementation and follow-up of the WPP solution after the training.

## Key findings of the PFP pilot

EMC recruited 55 companies to participate in the PFP pilot, enrolling a total of 203 individual participants in the MEC program. The average reimbursement amount per participant was \$1,948, corresponding to 65 per cent of the initial registration cost per worker (\$3,000), or 93 per cent of the maximum reimbursement amount (\$2,100).

The success rate for each milestone was also quite high. Of the 203 participants, 195 were certified, providing a 96 per cent success rate for Milestone 1. Milestone 2, which measured skills gains, also showed strong results, with 87 per cent of participants demonstrating some degree of positive change between baseline and follow-up in at least one of the four core MEC skills. Milestone 3 (employer support on learning transfer) achieved a 96 per cent success rate.

## Employee outcomes

Employees reported improvements in the four core MEC skills, which was further validated by their employers, who also observed significant growth in their employees' skills after the training. These findings suggested that the training was effective in improving participants' skills.

Employees also reported improvements in their psychosocial capital, including their self-esteem, resilience in the face of challenging tasks, sense of fulfillment in their job, satisfaction with the opportunities to use skills, take the initiative, make decisions, and get support from supervisor or manager, as well as receptivity toward continuous and lifelong learning.

## Employer supports matter for employee skills gains

The results also showed that employer supports played a significant role in employee skill gains. The baseline employer survey included a question asking employers to select the various supports they provided to their employees, including:

- Alignment (e.g., work with the facilitator to further customize the training content)
- Encouragement (e.g., informal or formal comments, pep talks)
- Monitoring progress (e.g., check-ins with participants to assess their needs, to offer support or assistance)

- Guidance (e.g., work with teams to identify the WPP topic, assign a manager to work with each WPP team)
- Compensation (e.g., paid time to work on the WPP)
- Other supports

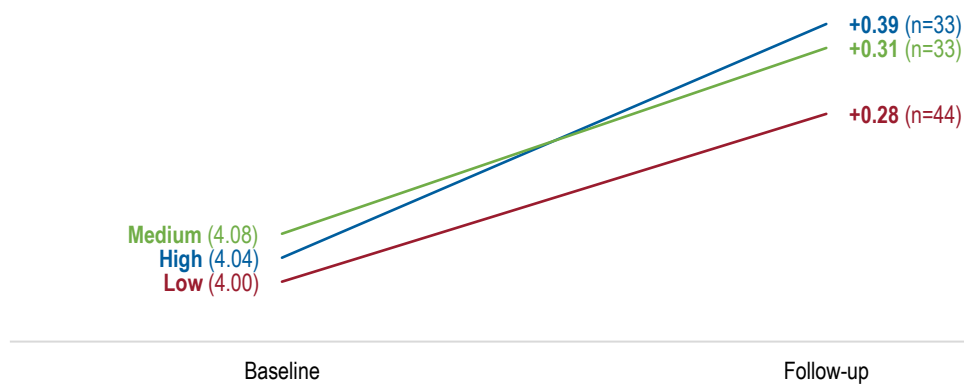
We categorized employers by the number of supports they provide to their employees, as shown in Figure 13.

**Figure 13 Employer categories by intensity of support provided to employees**

High Supportive Employers	Medium Supportive Employers	Low Supportive Employers
5-6 supports provided	4 supports provided	2-3 supports provided
N = 16 employers	N = 10 employer	N = 12 employers

Comparing employees' self-assessed scores using a composite measure of the four core MEC skills (see Figure 14), we found that baseline scores were generally comparable among employees across the three employer groups—high (4.04 average), medium (4.08 average), and low (4.00 average) supportive employers. When assessing the changes in scores between baseline and the two-month follow-up surveys, we also found positive changes in self-reported skills across all three groups. However, the size of the change was largest among participants in the high supportive employer group (+0.39 points in the average composite measure of skills). The low supportive employer group saw the smallest increase (+0.28).

**Figure 14 Changes in self-reported skills among MEC program participants by high, medium or low supportive employers**



**Source:** Participant baseline and follow-up surveys. The data are merged with employer baseline survey to create categories of High Supportive Employers, Medium Supportive Employers and Low Supportive Employers according to the number of supports employers typically provide to their employees in training. The average skills used is a composite measure of all four core MEC skills.

There was also a correlation between employers who provide many supports to their employees and a high perception of their employees' skills post-training. High supportive employers rated their employees' skills at 4.75 on average after training, compared to 4.52 among medium supportive employers and 4.00 among low supportive employers, reinforcing the link between employer supports and employee skills development.

### *Employer perceptions and experiences with the PFP pilot*

There were early indications of employer satisfaction with the PFP model. All employers reported being satisfied with the total reimbursement amount, and 95 per cent expressed satisfaction with the model overall. Furthermore, 79 per cent noted that the reimbursement made good financial sense, emphasizing the reimbursement as a key factor influencing their decision to participate in the project.

While employers were satisfied with the PFP model, they indicated that a more effective approach could tie success milestones more directly to their activities and practices before, during, and after their employees' training. This feedback underscores the importance of giving employers greater control over the reimbursement structure and amount, making the financial aspects of the training more predictable and enhancing their involvement. Incentivizing employer behaviours can also help build employer training capacity to foster a sustainable training ecosystem.

Another key piece of feedback provided by employers was their perception of the administrative burden associated with the PFP model. Although many found the paperwork requirements cumbersome, this also presents an opportunity to turn the PFP administrative process from a perceived paperwork burden into a tool for improving the organizational training capacity.

In sum, this first phase of the PFP program demonstrated considerable potential but was unable to investigate longer-term outcomes of the training program for both employers and employees. This brings us to the current phase of the PFP IMPACT, where we examined longer-term perspectives to determine any sustained skill application, whether training led to productivity/safety improvements in the workplace, as well as the relationship between employer supports and employee skills development and career advancement.

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