




**Future
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 State of Skills Report

Effective Employer Engagement in Skills Development: From Rhetoric to Solutions



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KEY INSIGHTS

- 1** Supporting employers in overcoming structural barriers to training investment is key to addressing labour and skill shortages.
- 2** Ensuring that employers are actively engaged throughout the lifecycle of skills delivery projects, from inception to roll-out to evaluation, is central to the success of any training endeavour.
- 3** Well-resourced and trusted intermediary organizations that coordinate efforts among stakeholders can help alleviate employer capacity constraints, especially for SMEs, and improve program design.

The Issue

Labour and skills shortages, once considered cyclical and localized in nature, have become structural and widespread.

Canada's post-pandemic labour market has largely been characterized by strong employment growth. This, coupled with an aging population and changing worker preferences, among others, have led to persistent labour and skills shortages across most regions, sectors and occupations. In fact, 80% of major employers are having trouble finding skilled workers.

This has led to a number of challenges and poses considerable risks, including lower productivity, slowed adoption of technology and an inability to execute business plans. In sectors such as healthcare, housing and renewable energy, skills shortages are compromising social and environmental goals.

At the same time, many Canadian workers remain unemployed, underemployed, or outside the labour market entirely. Access to upskilling and reskilling opportunities would benefit not only these individuals, but employers and society more broadly.

The persistence of skill shortages and mismatches has raised questions as to why Canadian employers invest less in training per employee compared to their OECD counterparts. Research and evidence from FSC's portfolio point to a number of critical factors underpinning Canada's comparably low training investments:

- Canada's economy is composed of a sizeable share of SMEs that lack time and resources to organize and execute on-the-job training;
- Up-front training costs can be prohibitive, often rendering returns on investment low or negative;
- There are concerns that much of the training needs are not firm-specific, raising risks that if employers lose staff to competitors, they will also lose out on those investments;
- SMEs are more reliant on informal, on-the-job learning to meet their skills needs; and
- Effective training, notably for emerging skills, requires considerable effort and time to liaise with education and training providers. A situation which is only exacerbated among SMEs where resources are already constrained.

What We Investigated

Employers are engaged to varying degrees in the design and delivery of the vast majority of FSC's portfolio of innovative projects. This *State of Skills* thematic insight examines in greater detail a range of projects that engaged employers and tested approaches to addressing barriers to upskilling in the workplace. This included, for example, *Transforming Skills and Talent Acquisition in Canadian Cybersecurity* that leverages employer partnership to provide cybersecurity training to Canadians from traditional underrepresented backgrounds. Or the *Pay-for-Performance in Manufacturing*, or *Rapid 'On-the-Job' Employee Upskilling/Re-Skilling* projects that are testing the effectiveness and scalability of new models and work-based learning as a means to increase participation in training. Other projects such as *Employer-sponsored skills training* reviewed international best practices for lessons learned in employer-sponsored training.

In looking at these and other FSC projects that involved employers in skill-related initiatives, a number of different avenues and research questions were explored, notably:

1. What does effective employer engagement in skills development look like? In other words, does the manner in which employers are involved, e.g. advisory role vs co-designer, lead to better

results?

2. How can capacity constraints among employers, in particular SMEs, be addressed to improve the degree and quality of engagement?
3. What are some of the core ingredients of ensuring skills training is aligned with industry and firm needs, while being mindful of the reality that firms compete, often counterproductively, for talent?

✔ What We're Learning

The cross-section of FSC skills-oriented and research projects reveal several key, inter-related, lessons on how to better leverage employer engagement for successful skills delivery:

Willing and active participation in project design and implementation is central to success

All too often employers are an afterthought when designing new skills training programs. There is a considerable risk to projects failing when they do not actively involve employers at the outset.

A number of projects that tangentially included employers as part of their activities, e.g. for either work-integrated placements or on-the-job training, were unable to recruit a sufficient number of firms to fulfill the intended spots, which comprised the overall objectives of the intervention.

This means that employers must be directly engaged as full participants throughout the project's lifecycle, from inception to roll-out. Importantly, employers who have a vested interest in finding and developing a solution will be key to the overall success of the project.

Providing early and ongoing support to employers

Piloting effective solutions often entails developing resource-intensive, customized approaches to meeting employer skills needs. A lot of management time is needed to develop such solutions. Indeed, a significant part of the challenge recruiting firms to participate in solutions is lack of capacity in terms of time and resources. However, a well-resourced and trusted intermediary organization that leads, manages and coordinates stakeholders (employers, training institutions and government agencies) has been shown to help alleviate capacity constraints among employers, notably SMEs.

Moreover, having a resource of this nature available at the inception phase of a project will help with the effective recruitment of employers who might not otherwise participate.

While these early efforts bring employers on board, efforts to provide direct assistance in the placement and training of individuals can go a long way to improving success. This can entail providing support to help employers in organizing work placements as well as by engaging directly experienced industry professionals as technical trainers to deliver on-the-job training. As an intermediate objective, complementary programs to "train the trainer" have also shown some signs of helping in this regard. Eventually, however, for the solution to be sustainable, internal capacity at the firm level to onboard the solution will be needed. This should also entail, to the extent it is feasible, internal capacity to collect data and ensure learning is being applied.

Balancing regional and firm-specific needs

The assessment of skill needs among employers should take a broad, regional economic perspective to enhance individual trainee outcomes and build resilience among firms in the region. In particular, it is critical to link the content and pathways of skills development to growing sectors within the region.

Such an approach, however, runs counter to the concerns that firms have regarding the risks of talent loss. Therefore, bringing together a diverse set of employers from the region will help mitigate those concerns through risk-pooling. A cross-section of employers are also best placed to identify broader skills needs. However, the effective delivery of collaborative approaches should not underestimate the time needed to build and maintain relationships and trust.

At the same time, short duration training is most successful when aligned with company needs. Even within a given sector, firm-specific needs vary considerably by stage of growth and development and training needs should be aligned accordingly.

Complementary skill sets: Going beyond technical requirements

Work-specific technical-oriented training interventions are most successful when they also equip participants with non-technical skills. In this instance, there are efficiency gains when different sectors work collaboratively to deliver and accredit non-technical (and technical for that matter) skills in-demand. Efforts of this nature can also address firms' reluctance to invest in training for fear of employee turnover, while potentially serving to address regional and cross-sectoral skill needs.

Why It Matters

Labour and skills shortages are having wide-ranging effects on Canadians. At the macro-economic level, they are dampening Canada's economic, environmental and social progress. At the micro-level the inability to attract, train and retain skilled workers is having negative effects on the profitability and competitiveness of firms. At the individual level, underemployment is holding back people from reaching their full potential.

Action by all stakeholders, including governments, trainers and educators, career practitioners, not-for-profits, individuals and employers, are needed to help address these persistent issues.

Employers play a pivotal role in ensuring the success of upskilling initiatives in today's dynamic workplace. Employers are, after all, the gatekeepers of talent and are uniquely placed to identify which skills are most needed now and into the future.

Employers nevertheless are confronted with a number of barriers that, if removed, would facilitate and encourage greater upskilling. There are a number of actionable items to enhance employer engagement and in doing so, improve the design, implementation and outcomes of training initiatives.

Combined, these proactive approaches will help to ensure that training efforts are targeted, relevant, and yield meaningful results.

What's Next

FSC will continue to harvest insights from ongoing projects to better understand what works, for whom and in what context.

At the same time, we continue to actively work to address the systemic barriers that employers face to more integrated engagement in the design and delivery of skills training. For instance, we are testing how best to leverage technology to reduce fragmentation between industry stakeholders.

Future efforts will focus more attention on SMEs and the constraints that prevent them from engaging in investing in meeting their skills needs, whether through upskilling/ and reskilling, or recruitment. This will involve continuing to pilot approaches that promise to effectively lower the barriers that SMEs face with respect to time, money and information. For instance, a number of FSC-funded projects in development are seeking to harness economies of scale in training and skill development to address capacity constraints among SMEs.

We will also support efforts to develop better data in Canada about employer (particularly SME) sponsorship of training, and help Canadians to better understand how SMEs frame their decisions to invest or not in skills.

Finally, we are testing a range of innovative mechanisms needed to promote improved collaboration and effective engagement among all the various actors, not just employers, to generate lessons for the benefit of the whole ecosystem.

Projects in this Report

Rogers Cybersecure Catalyst, [Transforming skills and talent acquisition in Canadian cybersecurity](#)

Social Research and Demonstration Corporation & Excellence in Manufacturing Consortium, [A pay-for-performance model for skills training](#)

Work-Based Learning Consortium & Canadian Association of Mold Makers, [Career pathways for mid-career workers through work-based learning](#)

Labour Market Information Council & Shift Insights, [Employer-sponsored skills training: A picture of skills training opportunities provided by Canadian employers](#)

Have questions about our work? Do you need access to a report in English or French? Please contact communications@fsc-ccf.ca.

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