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## **Barriers to Employer Sponsored Training in Canada**

**Ottawa** – It is true that, at least in the prevailing North American context, governments are unlikely to intervene in any major direct way to shape workplace training. However, they clearly have an interest in considering how public policy can create an environment where barriers are minimized (and investment is optimal). For this reason, public policy-makers are interested in understanding the training barriers experienced by firms. This generic interest is heightened in the present context where a learning environment is seen as a key to innovation, productivity, and competitiveness. The relevance of potential barriers has also increased because of current concerns about skill shortages.

This paper considers the question of what barriers employers face in investing in employee training. These barriers, which we will also refer to (interchangeably) as obstacles or disincentives, may or may not be overcome or disregarded by the firm. In our view, the appropriate way to consider the question of barriers is within the context of a decision that the firm faces about whether or not to make a training investment. Sometimes a barrier will be a factor of enough significance to lead to a "no-investment" decision; other times, it may alter the nature or level of the investment; at still other times, it may be a consideration for the firm but ultimately not have an impact on the eventual investment decision. Given this perspective, then, "disincentives" probably most closely describe the concept at the heart of this paper.

For governments, the ultimate concern is whether disincentives may be leading to a sub-optimal (from a social returns point-of-view) level and composition of investment. Unfortunately, the information base is not up to the task of directly addressing this question of underinvestment and, as a consequence, policy-makers must focus on understanding what the disincentives are and their importance.

Before addressing the specific types of disincentives that may enter into the employer's training decision, we begin by briefly summarizing the available Canadian evidence on patterns of employer-sponsored training. By describing these patterns, we are able to highlight where (i.e., in which types of firms) training investments are relatively large and, more importantly for the purposes of this paper, where they are small. This sets the context, then, by identifying which

segments of the employer population seem most likely to have been affected by training disincentives, as revealed in their observed investment behaviour.

There are various disincentives that have been discussed in the economics literature. We organize the disincentives into the following categories – externalities; information barriers; employee-based obstacles; and a miscellaneous group. In each case, the theoretical arguments are discussed and then the relevant Canadian empirical evidence is reviewed. As we will see, that evidence is limited and can only provide partial insight into the importance of these disincentives.

We supplement this literature review with some new analysis of data from Canadian establishments on training obstacles. These data were collected in the 1995-96 Ekos Workplace Training Survey which gathered information on training experiences from over 2500 establishments throughout the Canadian private sector. We focus on the part of the survey which questioned employers on the extent to which a number of potential obstacles to training were problems in their establishment.

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