The participation of Small-to-Medium Enterprises in skills and training initiatives in the UK construction industry: implications for skills policy and construction companies

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ABSTRACT

The UK construction industry faces an on-going challenge of addressing its skills shortages. This paper examines employer participation in skills and training initiatives in light of the current UK government skills policy. A major telephone survey of 1,200 small to medium sized enterprises (SMEs) revealed that the participation in skills and training initiatives was focused more on qualifying their existing workforce (i.e. the formal recognition/certification of existing operative skills) rather than on taking on new entrants or enhancing management competence. The main reasons for this were seen to be the need to comply with client contract requirements rather than a desire to enhance performance and/or productivity. However, SMEs regard new entrant training as an area of high priority in the future given their concerns over capacity constraints within the sector. The results have significant implications for government skills policy given its espoused ‘demand-led’ ethos and promotion of skills/training as a vehicle for attaining performance and/or productivity improvements.

KEYWORDS: initiatives, policy, SMEs, skills, training, performance

INTRODUCTION

The UK construction industry faces recurrent difficulties in meeting its skills and labour requirements. Recent forecasts show that the construction industry’s output is projected to increase by 10.8% by 2011, which is equivalent to an average annual growth rate of 2.7% (CSN, 2007). If this materializes it will mean almost 20 years of growth by 2011 which will put considerable pressure on the capacity of the industry’s labour market. Whilst the influx of migrant labour following EU Accession has done much to offset immediate skills concerns (Paul, 2006; REC, 2007), there remains a need to attract enough new entrants to provide a sustainable inflow of workers for the future. Results of the recent Construction Industry Trade Survey (2008) indicate that firms continue to turn down work and experience delays on projects due to labour shortages across various construction trades such as steel benders and fixers; plasterers, carpenters and joiners. A failure to address skills shortages, along with the skills gaps of the existing workforce, has the potential to impede the industry’s performance (Bloom et al., 2004), as well as leading to inflationary pressures in relation to construction costs (see Briscoe and Hogarth, 2008).

The UK construction industry is traditionally characterised by low participation levels in training when compared to other industries (See Dearden et al., 2000; Morton, 2002) and SMEs (defined as companies employing less 250 workers) in particular are characterised as having a lower propensity to train when compared to larger companies (See LFS, 2005; Smith and Hayton, 1999). Given that such firms account for 83% of employment within the construction industry and produce around 68% of the sector’s output (Small Business Unit, 2006), then low levels of participation in training are likely to act as a serious impediment to the future growth and development of the sector. Accordingly, this paper aims to examine the participation of SMEs in skills and training initiatives and the factors which shape such participation. By relating such tendencies against current skills policy, the aim is to identify the extent to which the current government skills policy is likely to address skills concerns in the future.

Skills and training initiatives for the UK construction sector

Skills and training initiatives can be classified into three broad (although by no means extensive) categories: New Entrant Training (NET), Qualifying the workforce (i.e. certifying the skills and competencies of the existing workforce) and management training (see Table 1) – which are subsequently discussed (ConstructionSkills, 2005).

The aim of NET schemes is to attract new entrants to the construction industry which could potentially alleviate the problem of skills shortages. Traditional apprenticeship schemes involve apprentices studying at Further Education (FE) colleges and having a work placement at the same time. A key challenge for an apprentice is to find an employer who is willing to provide them with the necessary work experience in order to complete their apprenticeship successfully. Programme Led Apprenticeships (PLAs) however were developed to provide an alternative route for completing an apprenticeship. Apprentices going through PLAs would already have completed the taught element of
their apprenticeships as they would have passed an intermediate construction award (ICA) – which is believed to be an indication of their commitment to pursuing a career in the industry. The idea is currently to encourage and attract more employers to participate in apprenticeship schemes. As for INSPIRE scholarships, it is a joint funding arrangement between ConstructionSkills (Sector Skills Council for construction) and construction companies. It involves sponsoring a student through their university studies where they would have a 6-week work placement with their sponsoring company. The scheme provides participating companies with a recruiting source for new entrants whilst supporting students to pay their tuition fees.

Qualifying the workforce schemes enable employers to distinguish between workers based on their levels of competence, which would help in maintaining the standards of workforce skills particularly in relation to health and safety. At the same time, they provide an indication to clients that the industry is conforming to a common standard of workforce competence. CSCS provides a voluntary register of the skills, competence and qualifications of individual workers within the industry. OSAT and EWPA are aimed at experienced workers who do not possess formal qualification. The former involves assessing the skills of the existing workforce against relevant qualifications standards and accordingly skills gaps along with the training required are identified. The latter only provides an assessment to workers skills to ensure that they have the required competences to be awarded a qualification.

The Site Management Safety Training Scheme (SMSTS) helps site managers to develop a better understanding of the legal, moral and social responsibilities of their role, and to manage health and safety on site in accordance with current legal provisions. Thus, it ensures that managers are able to maintain adequate health and safety standards on-site. It helps managers to: demonstrate their skills to contractors and clients; run a safer and more efficient site; identify and avoid potential hazards on site; prepare method statements, risk assessments and other statutory requirements of the Health and Safety at Work Act (SMSTS, 2006).

### SME participation in Skills and Training Initiatives

As was mentioned above, SMEs account for the vast majority of employment and output within the sector (Langford and Male, 2001; Male and Stocks, 1991). The importance of SMEs training is evident through the CITB training grant scheme which helps smaller companies to offset their training costs (CITB, 2003). Indeed, the chairman of the CITB has made it a policy goal to outreach to small and medium-sized companies (CITB, 2002). In that context, it can be argued that the success of skills and training schemes is almost entirely predicted on SMEs participation in them.

SMEs take up of NET schemes, such as apprenticeship, is affected by the stability in the industry's workload (Hogarth and Hasluck, 2003; Ball and Freeland, 2000). Given the uncertainties surrounding the consistency of growth in future sectoral output, this may impinge on participation levels in NET schemes. It follows that some companies may choose not to participate in apprenticeship as a rational response to their current market position (Holden, 2007). This should not mean that SMES disregard such schemes but it requires taking into consideration that an adequate understanding of training provision in small enterprises must acknowledge that the incidence of training, and in that case skills and training initiatives, is highly variable in terms of quantity, quality and purpose (Kitching and Blackburn, 2002).

Other issues relating to skills and training initiatives involve uncertainty around its value and relevance. For example, Dainty et al. (2005) found that whilst CSCS and OSAT schemes are intuitively appealing amongst SMES, their value as a mechanism for up-skilling remained questionable. Kitching and Blackburn (2000) also found that smaller companies questioned the relevance of government training initiatives to employer’s training needs, as well as the lack of information about the nature of such schemes and their potential benefits to employers.

Despite the issues associated with take up of skills and training initiatives, as mentioned above, it is important to establish the current participation levels of SMES in the range of initiatives outlined above along with their future training priorities. The aim is to examine how well aligned government skills policy is with the needs of construction SMES and the extent to which the demand-led ethos meets the requirements of smaller firms operating within the sector. In order to understand the alignment of those initiatives with skills policy, this requires a brief discussion of such policy, which is discussed next.

### GOVERNMENT SKILLS POLICY

In recent years government skills policy has taken a distinct turn towards responding to employer need rather than being driven by supply-side capability (DfES, 2003, DfES, 2005). This demand-driven policy has also emphasised the need to improve productivity through up-skilling the workforce. This reflects the view that skills development and training are key drivers for economic success (Budget Report, 2005; Sector Skills Development Agency, 2005; Leitch Review, 2006). Indeed, it is claimed that a 5% increase in participation levels of sector-wide training is associated with a 4% increase in productivity (Dearden et al., 2000).

A ‘demand-led’ approach is predicated upon the promotion of active employer involvement across various sectors of the economy in order to ensure that skills and training provision are driven by business requirements (Leitch Review, 2006; DfES, 2005). In order to implement this policy the Sector Skills Councils (SSCs) were established in 2002. They provide a vehicle, i.e. a sectoral approach, for capturing and representing the voice of employers across different sectors of the economy, with ConstructionSkills acting as the SSC for the construction industry. SSCs have a remit to provide employers with a unique forum to express the skills and productivity needs that are pertinent to their sector (SSDA, 2005).

Accordingly, the initiatives shown in Table 1 above were designed to support and promote training/skills activities within the construction industry. Most recently the government-initiated Leitch Review (2006) took this policy a stage further by recommending that government funding support should be allocated or attached to only those qualifications that are endorsed by employers. This provides evidence of the growing role likely to be played by employers in shaping future skills policy.

### RESEARCH METHOD

In order to establish the participation levels of SMES in the aforementioned skills and training initiatives (see Table 1 above) along with the underlying drivers for participating in those initiatives,
a telephone survey of approximately 1,200 SMEs was undertaken. An advantage of using a telephone surveys is that interviewers can elicit more complete and substantive answers from respondents as well as allow for clarification and elaboration concerning responses. Companies were asked about whether or not they have participated in any form of formal or informal training activity, and then specific reference was made to skills and training initiatives along with probing the underlying drivers for participating in those initiatives.

The sample of companies was drawn from the ConstructionSkills grant and levy register, which covers companies falling within the definition of the Standard Industrial Classification of the construction industry (SIC45). The data was weighted to reflect the regional distribution of the SME population as per the Annual Business Inquiry (ABI) survey – which is published by the Office of National Statistics (ONS). Thus, the sample represented a stratified sample from across the UK.

SME participation in skills and training initiatives

When companies were asked whether they have undertaken any form of formal or informal type of training activity, it was found that out of nearly 1,200 SMEs approximately 60% (n = 683) has undertaken some form of training activity. Out of those companies, who acknowledged that they trained, 71% (n = 485) has specifically participated in skills and training initiatives. Figure 1 below shows the participation levels of SMEs in skills/training initiatives – aggregated by broad area of skills/training according to ConstructionSkills classification.

Figure 1 Skills and training initiatives by-broad category (see Table 1 on previous page)

<table>
<thead>
<tr>
<th></th>
<th>% of respondents</th>
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<tbody>
<tr>
<td>New Entrants</td>
<td>14%</td>
</tr>
<tr>
<td>Qualifying work</td>
<td>22%</td>
</tr>
<tr>
<td>Management</td>
<td>64%</td>
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</table>

It appeared that SMEs primarily participated in initiatives relating to qualifying the existing workforce and training of new entrants, whereas SMSTS (management training) was the lowest.

Figure 2 shows that qualifying the existing workforce initiatives (OSAT and CSCS) had higher take-up than NET, namely traditional apprenticeships. Whilst 29% did not participate in any initiatives yet they have undertaken some other form of informal or formal training activity, such as in-house training. This shows that companies’ training activities are not necessarily restricted to government sponsored/ supported initiatives and companies may choose to undertake their own training activities. As discussed above, smaller companies may have their own formal training arrangements, such as in-house courses, in addition to informal on-the-job training activities.

The most significant drivers affecting companies’ decision to participate in skills and training initiatives are highlighted in Table 2 below. It appears that ‘meeting future skills needs/shortages’ is the top driver for companies participating in Apprenticeship; OSAT; and EWPA schemes. On the other hand, client and/or contract requirements were the top driver for participating in CSCS. It should be noted that drivers such as ‘availability of training grants’ or ‘improving productivity and/or performance’ were not reported amongst the top drivers, which are commonly used within the skills policy arena to persuade employers to participate in training.

As for the drivers for participating in traditional apprenticeships, the quality and relevance of training provision was paramount, nonetheless there were other unique and important factors affecting the participation in the scheme. This is evidenced by the 17% of SMEs reporting company tradition as a key driver. Moreover, the type of work a company is undertaking can accommodate for taking on apprentices (11.8%) and finally it may simply be regarded as a good thing to do which enhances the business image and could help in attracting new clients (3.82%).

When SMEs were asked about the future priority of their skills and training activities, they regarded ‘training new entrants’ and ‘qualifying existing workforce’ as more important than management training (see Figure 3 below). This shows that SMEs will continue on the same path when it comes to training/skills initiatives with a potential for further participation in new entrants schemes (see Figure 1 above). This is also consistent with the current concerns of SMEs for addressing skills needs/shortages as well as compliance with client requirements when it comes to their participation in skills/training initiatives (see Table 2).

Figure 3 Priority of skills and training initiatives in the future

<table>
<thead>
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<th>% of respondents</th>
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<tbody>
<tr>
<td>Training new</td>
<td>100%</td>
</tr>
<tr>
<td>Qualifying existing workforce</td>
<td>90%</td>
</tr>
<tr>
<td>Management training</td>
<td>80%</td>
</tr>
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SMEs participation in skills and training initiatives

OSAT was found to be the most popular scheme which was mainly driven by the need to address skills needs/shortages and meet the industry standards of having a qualified workforce. Both OSAT and
EWPa appeared attractive options for companies as they recognise the skills of the existing workforce and ultimately provide a route to the award of a CSCS card. For example, EWPa is a one-day assessment which is seen as a quick and convenient route for formally certifying the skills of experienced workers.

This is particularly relevant for companies who are concerned about time constraints for participating in skills initiatives. At the same time, EWPa could be a means for identifying the need for workers to update and/or maintain their existing skills (see Table 2). CSCS is predominantly driven by client/contract requirements; in addition to industry requirements (particularly H&S) (see Table 2). The widespread participation in CSCS schemes is consistent with the results of Mackenzie et al. (2000) who found that CSCS was popular amongst employers.

It has to be noted that SMEs are not viewing enhancing performance and productivity as an important driver for participating in those initiatives. Rather, they are more concerned about using it as a means of winning contracts and attracting new clients, i.e. meeting skills certification needs. Increased employer participation in CSCS is set to continue given the aspiration of having a fully qualified workforce by 2010 (ConstructionSkills, 2005). UK government, as one of the biggest clients in the construction industry, in addition to other major clients set a requirement for all workers working on its projects to have a CSCS card – which explains the popularity of the programme.

Whilst the results of this paper provide an indication of SMEs participation in apprenticeship schemes, which is consistent with Hogarth and Hasluck (2003), it appears that it is not sufficient for meeting the industry’s skills need. This becomes evident when considering that the industry continues to experience severe difficulties in recruiting site trades (see Construction Industry Trade Survey, 2008). The results (see Table 2) provide insights into what might affect employers’ decision to participate in apprenticeship schemes.

Availability of grants appeared as a minor factor, which shows that monetary incentives may not be the key to encouraging employers to take on an apprentice, as opposed to the quality of training provision which was perceived as more important. This is an indication that the apprenticeship framework, governing the award of an apprenticeship, should be aligned with employers’ needs. ConstructionSkills efforts in that area are clear through its Construction Qualification Strategy (CQS) which is an attempt to align qualifications with employers’ requirements (See ConstructionSkills, 2007).

Moreover, company tradition and having a training plan are important drivers for taking on an apprentice, which is consistent with the findings of Ball and Freeland (2000). Thus, the promotion of apprenticeship schemes on the sole basis of monetary incentives is unlikely to be effective. The results show that taking on apprentices may emanate from the companies internal planning for training - which suggests a structured approach for determining future skills requirements. As such, companies should be encouraged to consider taking-up a training plan which might mean that the opportunities for an apprenticeship might become more visible for companies. At the same time, promoting apprenticeships on the basis of investing for the future of the business, given the state of the ageing workforce in the construction industry might be something to consider – especially for small/family businesses to ensure future continuity and survival of their business. This requires marketing campaigns that are focused on directing these messages in order to change attitudes towards apprenticeships.

Furthermore, the promotion of apprenticeship schemes on the premise of enhancing a company’s performance may not resonate with employers due to the associated overall cost to the business. The costs associated with apprentice training are not only limited to direct costs but also to the time of supervisors in training and the impediment that it has on productivity (see Fellows et al., 2002; Hogarth and Hasluck, 2003). As such, it requires the commitment from employers to invest both time and money in recruiting and training new entrants. Understandably, employers may be reluctant to pursue such an investment due to the wider spread practice of ‘poaching staff’ in the construction industry. Clearly, if the target of the Leitch Review (2006) of doubling the number of apprenticeships by 2011 is to be achieved, then the drivers discussed above should be carefully considered. The Apprenticeship taskforce that has been formed by the UK government to pursue this target needs to consider the range of factors affecting employers’ decision to participate in apprenticeship schemes (ConstructionSkills, 2007).

Possible implications for skills policy and construction companies

Government skills policy is currently fixed on the argument that companies should participate in training and skills development activities in order to enhance both their performance and/or productivity (Leitch Review, 2006; SSDA, 2005). The findings in this paper however indicate that enhancing productivity and/or performance as a driver for participating in the aforementioned skills/training initiatives was not of a high order of importance (see Table 2). This could be understandable from an SME perspective since they are more concerned about addressing their short-term/immediate skills needs as opposed to their long-term business strategy. Training-based performance gains may require businesses to pursue product or process innovation in order to attain such long-term business strategy (Witching and Blackburn, 2002).

It follows that companies may need to alter their business and product strategy (which might involve changing their work organisation) in order to use training as a vehicle for attaining proclaimed productivity gains. This becomes problematic for an industry like construction which is risk averse and resistant to change, in addition to traditionally having low levels of investment in research and development (Egan Report, 1998). It can be argued that this is a sign of discord between the notion of
‘skills and productivity’, as portrayed in government skills policy, and the realities of a complex industry as construction when it comes to participation in training.

Nonetheless, the results of this research demonstrates that construction companies should actively participate in apprenticeship schemes, e.g. through providing placements for apprentices, in order to meet the future skills needs of the industry. This means in practice that smaller companies could make use of the support services available from the Construction Industry Training Board (CITB), currently known as ConstructionSkills. This may take the form of claiming training grants to offset the cost of training NET and at the same time considering taking on apprentices available through the CITB ‘Managing Agency’ service.

Instead of companies complaining about skills shortages, they can play an active role in resolving them. This requires adopting a proactive approach in planning their skills and training requirements, which could be through developing and implementing a formal development and training plan. This plan should be aligned with the strategic objectives of the business. The idea is that companies could invest time and resources now (i.e. being forward looking) in planning for future skills requirements rather than waiting until they experience severe skills shortages.

Part of the training and development plan could include reviewing or accrediting the skills of their existing workforce through OSAT and CSCS schemes. Companies can take the initiative in addressing their workforce skills requirement as opposed to waiting for it to be imposed by clients. OSAT and CSCS schemes could also be used as a trigger for enhancing and developing the skills of their existing workforce rather than being a mere response to contractual pressures. Indeed construction companies needs to embrace a positive attitude towards training activities which should be an integral part of their business activities. This becomes imperative when considering that the construction industry is largely regarded as labour intensive.

CONCLUSION

Despite widespread assertions that SMEs are reluctant to participate in training, this paper has revealed that SMEs currently participate in skills and training initiatives relating to qualifying skills of the existing workforce. However, they are keen in the future to participate in NET training schemes, which suggest that current UK government skills policy is justifying in focusing on attracting new entrants through its newly formed Apprenticeship Taskforce. This focus should continue in relation to attempting to attract new entrants’ apprentices and professionals to meet the industry’s needs.

When it comes to the notion of ‘skills for productivity’ in government skills policy, the results indicate that the current emphasis of SMEs seems to be on fulfilling immediate contractual conditions rather than on developing skills for the future or enhancing productivity and performance, which could be deemed of a higher priority. Thus, the focus on promoting skills and training initiatives on the basis of enhancing companies’ productivity and/or performance may not necessarily resonate with employers as it does not address their key or short-term concerns. This situation is unlikely to change in the foreseeable future given the increasing demands placed on SMEs, such as complying with sustainability standards.

REFERENCES


