

It pays to train

The figures are in, and they show that money spent on training construction apprentices will bring benefits to the company bottom line.

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IN A NEW ZEALAND FIRST, BCITO research has proved that training apprentices generates profit. A recently conducted in-depth research project shows that, for every \$1.00 spent on training a carpenter, a business will benefit by \$4.70 in increased profit up to a 10-year period.

Break-even in 3–4 years

There's a misconception held by some that training an apprentice costs a business money with little or no return. This research proves that, in the long run, this is wrong. Investing in industry training is not just a cost to be minimised - it's an investment that can grow your business.

Obviously, the return on investment doesn't kick in immediately. The break-even point is 3-4 years - about the same time as completion

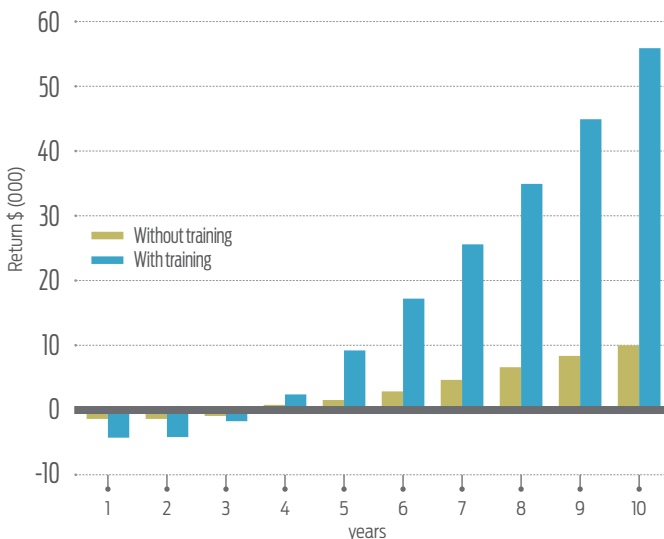


Figure 1: Cumulative return per year of employment.

of an apprenticeship. At this point, the cost of training is offset by the extra profit generated by the training (see Figure 1).

This extra profit keeps increasing the longer the trained person remains with the firm. Staff retention is a factor in this equation - the longer an employer keeps trained staff, the more profitable they become.

Skills shortage remains

‘During the past 2 years, BCITO has experienced unprecedented growth in new apprenticeships, but the construction industry still remains woefully short of skilled tradespeople,’ says Greg Durkin, Group Manager, Stakeholder Engagement, BCITO.

‘We need more businesses to come on board and train our young people. With this research completed, we can clearly prove that training an apprentice is a positive investment for employers.’

As part of the project, carpentry business owners were asked about their firms’ structure - the number of people employed and what roles they were in. From this information, a model of an average firm in the industry was developed (see Table 1).

While the payback period for both trained and untrained workers appear to be similar, the positive return from training is sustained well into the future, increasing the cumulative benefit each year.

Further upsides

Other findings of the project show that, when compared with a business that doesn't invest in industry training, a carpentry firm that trains all staff will:

- grow 6% faster
- charge \$0.44 more per hour per person
- estimate work 3% more accurately
- take 2% fewer hours to complete the same task or project.

Getting to the heart of the numbers

The methodology used in the project works back from a measure of economic return such as cumulative firm profits over time. The drivers of profitability were broken down to identify individual attributes of a firm’s performance and evaluate the relative importance of these.

The impact of a team’s trade and management proficiencies on these attributes was then considered. Finally, the contribution of training to an individual’s proficiency was weighted relative to the contribution from experience.

Untrained workers will lag

Most business owners involved in the research project agreed that, on average, trained workers become fully proficient between 6 and 10 years after starting work in the industry (see Figure 1).

On average, untrained workers take much longer to be fully proficient and will only ever be 60-70% proficient. Trained workers become fully billable in a much shorter period of time.

In terms of the cost of training an apprentice, the research has taken into account BCITO fees, government’s subsidy for industry training, apprentice salary and the cost of supervising and training an apprentice. ◀

Table 1

Typical business team in the carpentry sector

ROLE	YEARS OF EXPERIENCE	PROPORTION OF TEAM	RESPONSIBILITY <small>MANAGEMENT / TRADE WORK</small>	
Business manager	10+	10%	70%	30%
Supervisor/ job manager	10+	20%	30%	70%
Senior carpenter	6–10	30%	5%	95%
Junior carpenter	5–6	10%	0%	100%
Senior apprentice	2–4	10%	0%	100%
Junior apprentice	0–2	20%	0%	100%