

BEYOND SUBSIDISING TRAINING COSTS

How policy instruments support MSMEs to increase their training provision

13th Cedefop Brussels seminar

15 December 2022

10.00-12.30 CET

Virtual event

#CedefopBrusselsSeminar



CEDEFOP

European Centre for the Development
of Vocational Training



EU2022.CZ

- **Policy instruments to support MSMEs to increase their training provision**
- **Support for training in MSMEs in skills ecosystems: Case study examples**
- **Conclusions and outlook**

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About Cedefop study

- The study contributes to better understanding of the causes of MSMEs training gap and how policies can effectively support MSMEs to improve their training performance
- The analysis draws on:
 - Cedefop database on financing adult learning (over 270 financing instruments targeting companies and individuals; reference year 2020)
 - Collected 190 short descriptions ('case vignettes') of policy instruments going beyond financial support for MSMEs
 - Developed 15 case studies to study the interplay between different policy instruments supporting MSMEs

Structure of the presentation

1. 'MSME training gap'
2. The reasons for MSMEs training gap
3. Policies to increase MSME training provision
4. Effectiveness of policies supporting MSMEs to increase their training provision - the interplay between policy instruments
5. Support arrangements for MSMEs in different skill ecosystems. Results of selected case studies
6. Policy guidelines
7. Outlook: Cedefop on-going and planned work relevant to the topic of supporting training in MSMEs

‘Micro, small and medium-sized enterprises (MSMEs) training gap’

The importance of the MSME for Europe

Non-financial business economy

(% of size class, by NACE Rev. 2, 2020)

Large enterprises
(>249 persons employed)

Medium enterprises
(50-249 persons employed)

Micro and Small enterprises
(0-49 persons employed)

Number of enterprises ▷

0.2%

0.9%

99.0%

Number of persons employed ▷

35.7%

15.7%

48.5%

Value added ▷

47.5%

17.1%

35.4%

May not add to 100% due to rounding

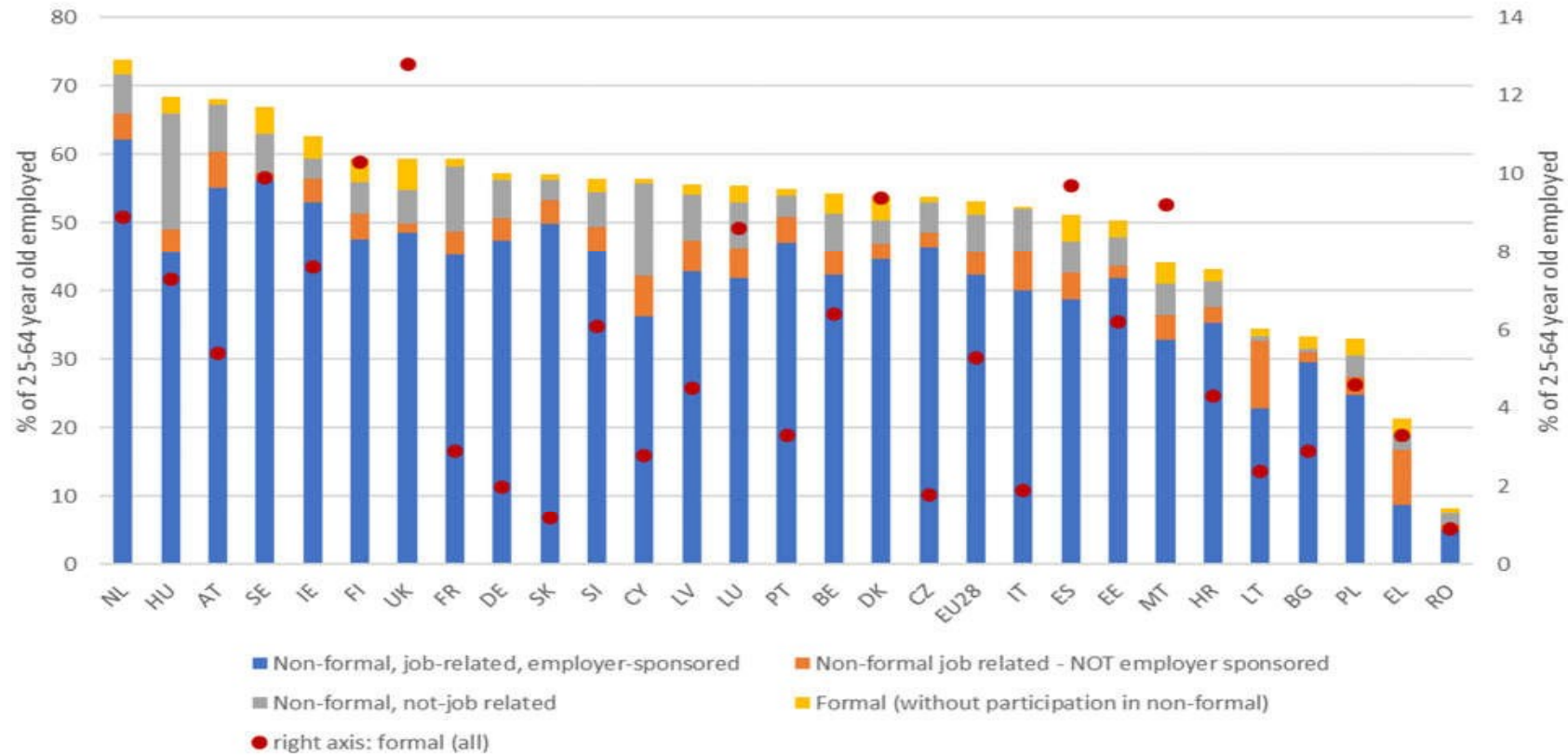
ec.europa.eu/eurostat 

Source: Eurostat - Structural business statistics overview, Data extracted in October 2022

Last retrieved 05.12.2022 from: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Structural_business_statistics_overview#Size_class_analysis

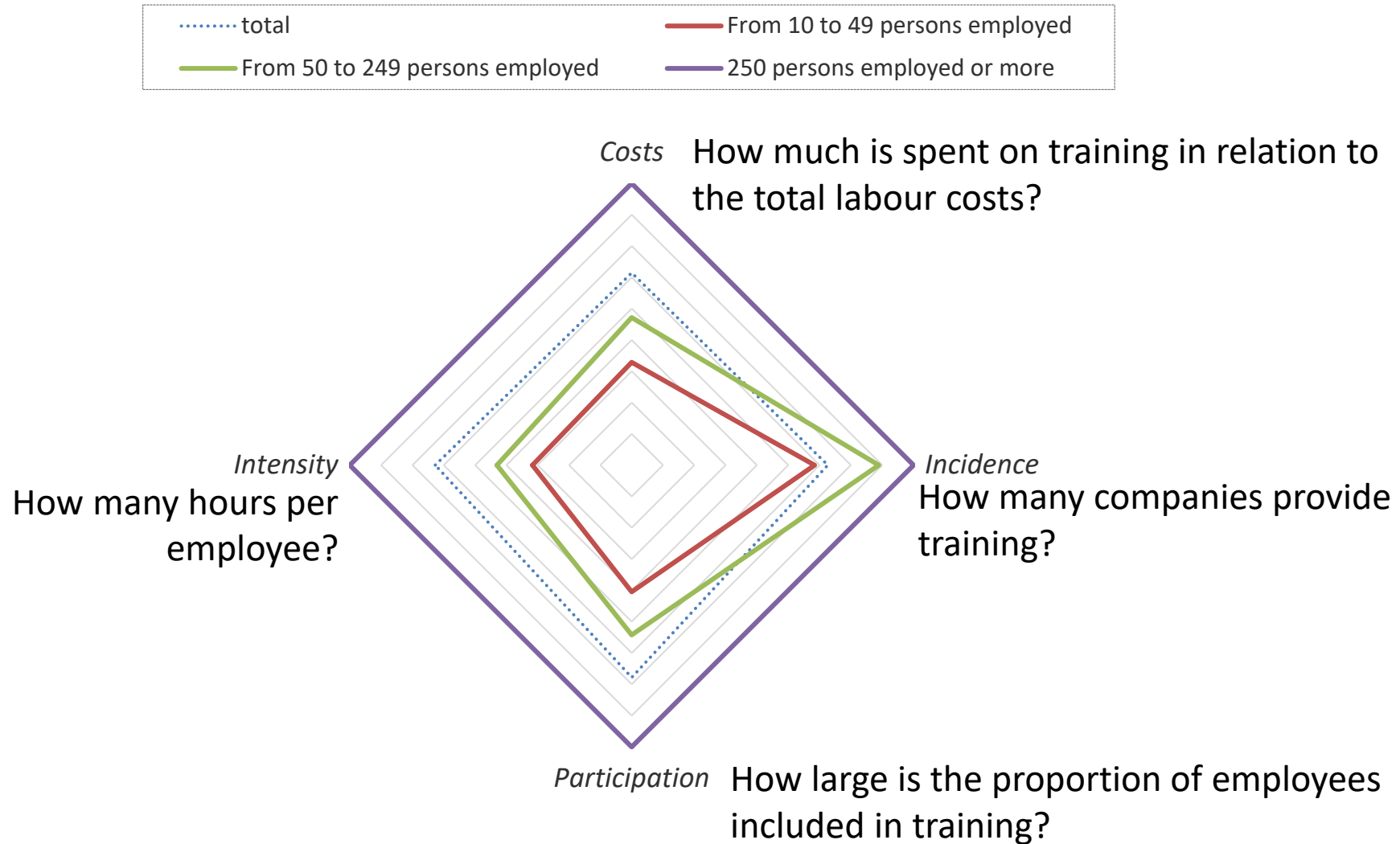
Employer-sponsored training as the key driver of participation in adult education

Figure 1. Participation in education and training in the past 12 months; breakdown by forms of education employed (Adult Education Survey 2016)



Source: Eurostat – Dissemination Database; trng_aes_124, trng_aes_104; Latest Update: 7.3.2019.

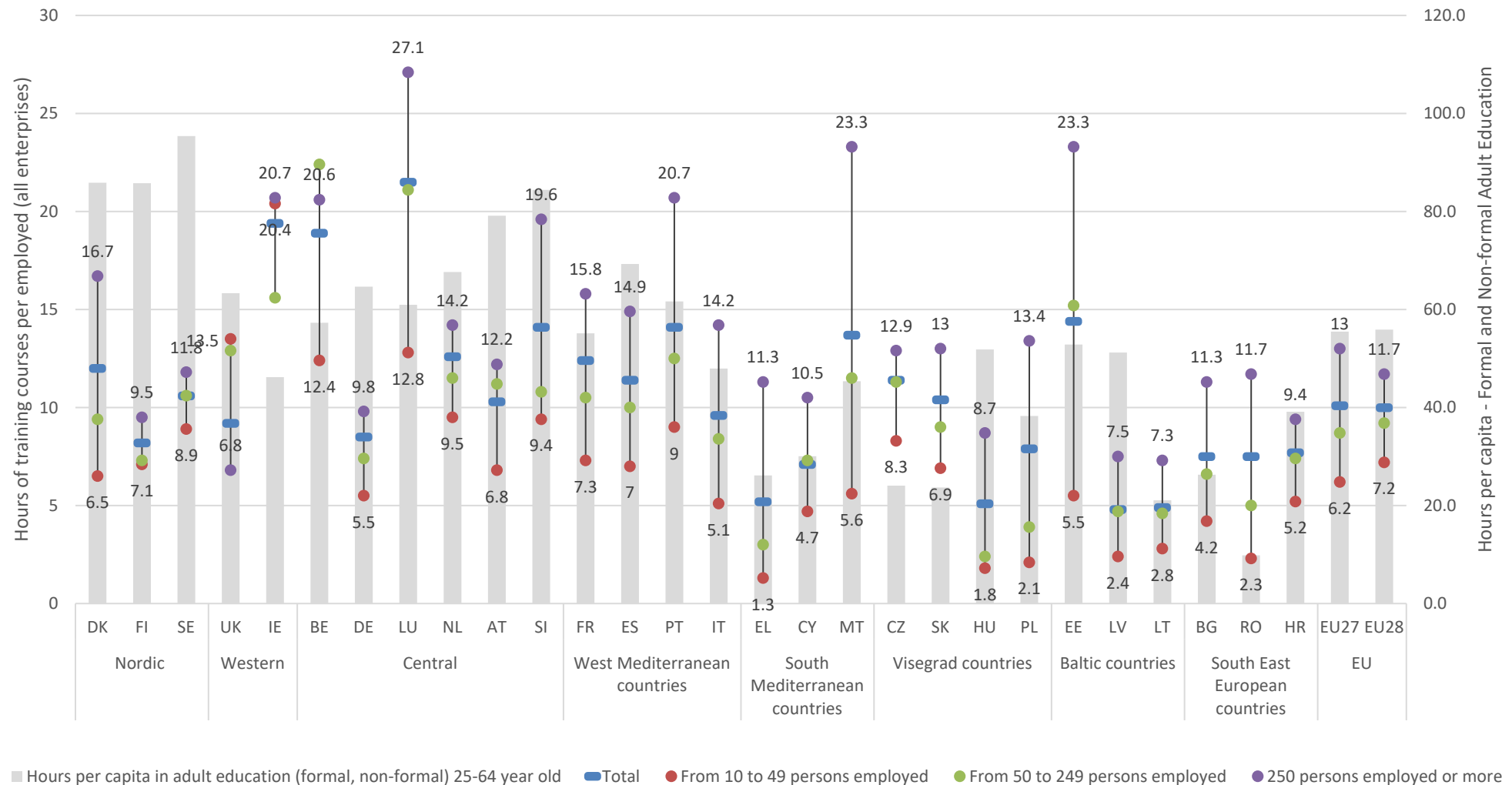
Key dimension of training performance (CVTS 2020 – EU27)



Source: Based on Eurostat (Version 2022-10-18) TRNG_CVT_01S; TRNG_CVT_12S; TRNG_CVT_16S, TRNG_CVT_23S

MSME training gap

Relevance of employer-provided CVT

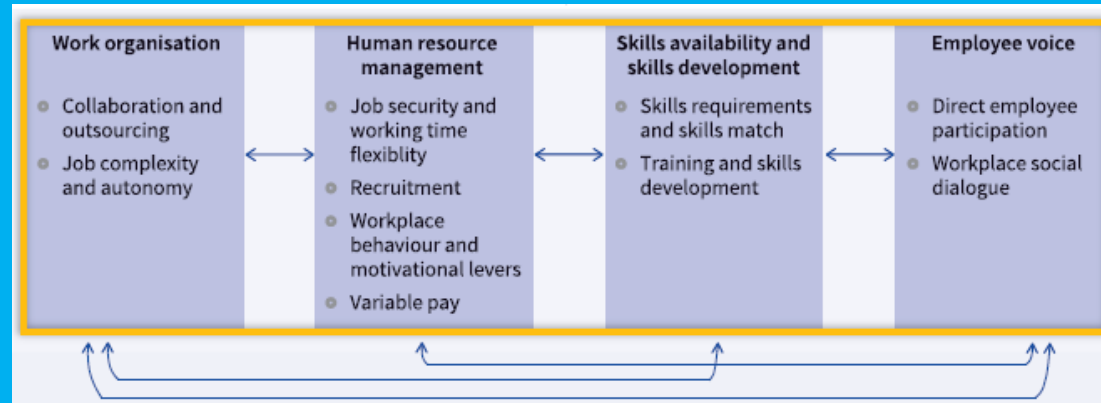


Source: Cedefop, elaboration based on CVTS, 2015 and AES, 2016

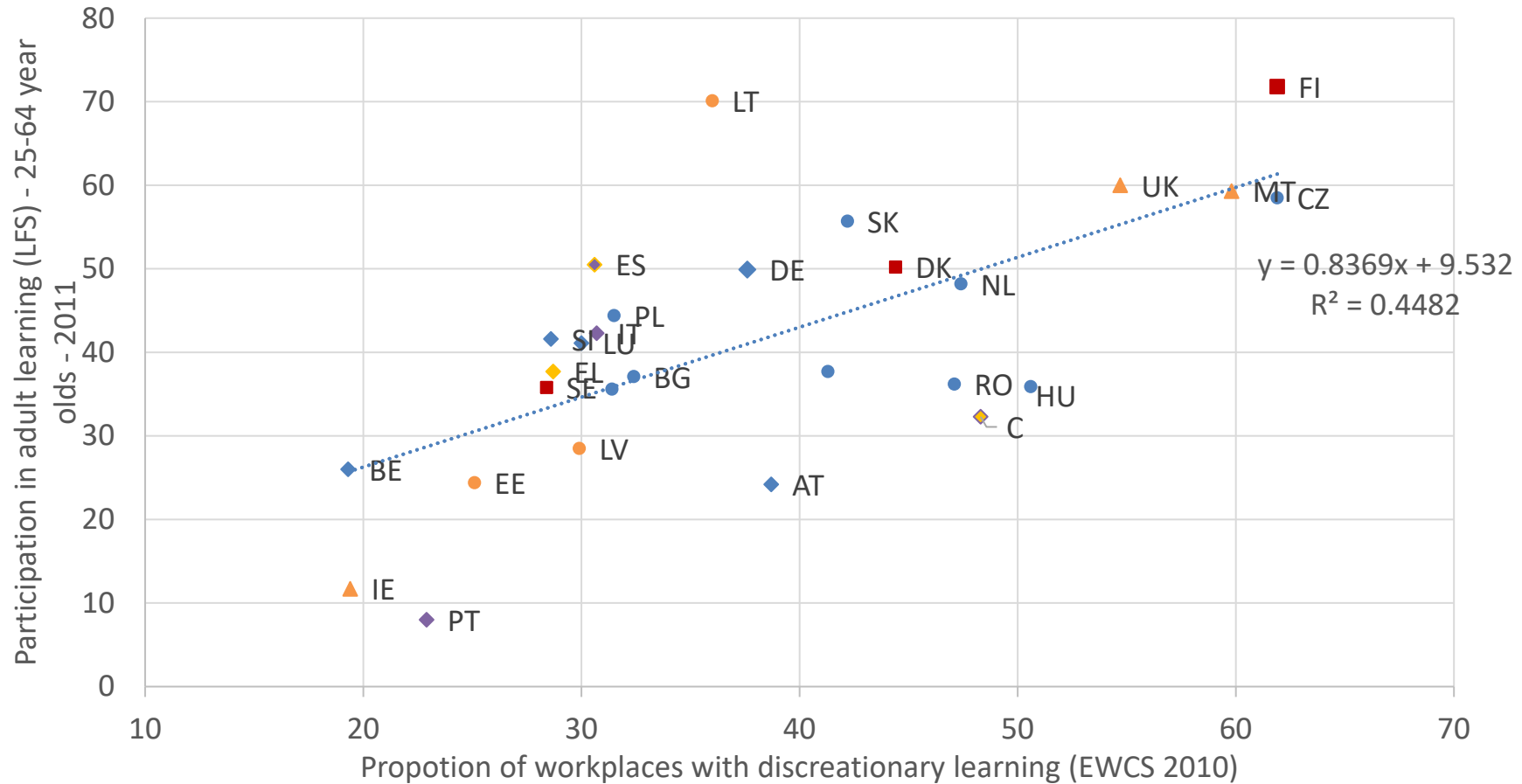
The reasons for MSMEs training gap

Understanding MSME training gap

Skills-in-use I



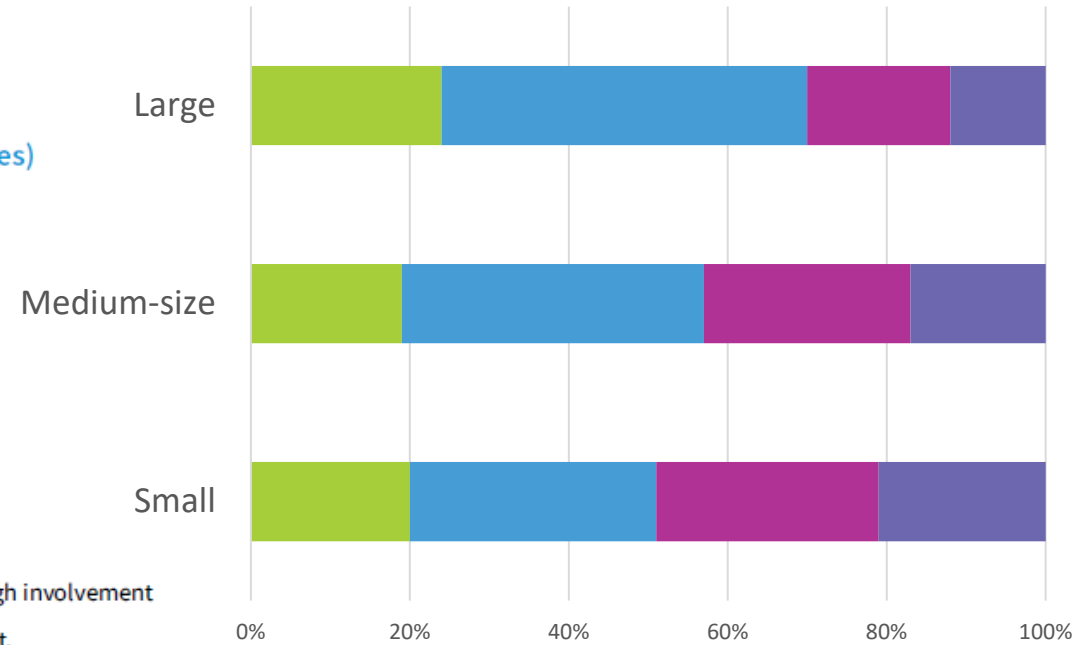
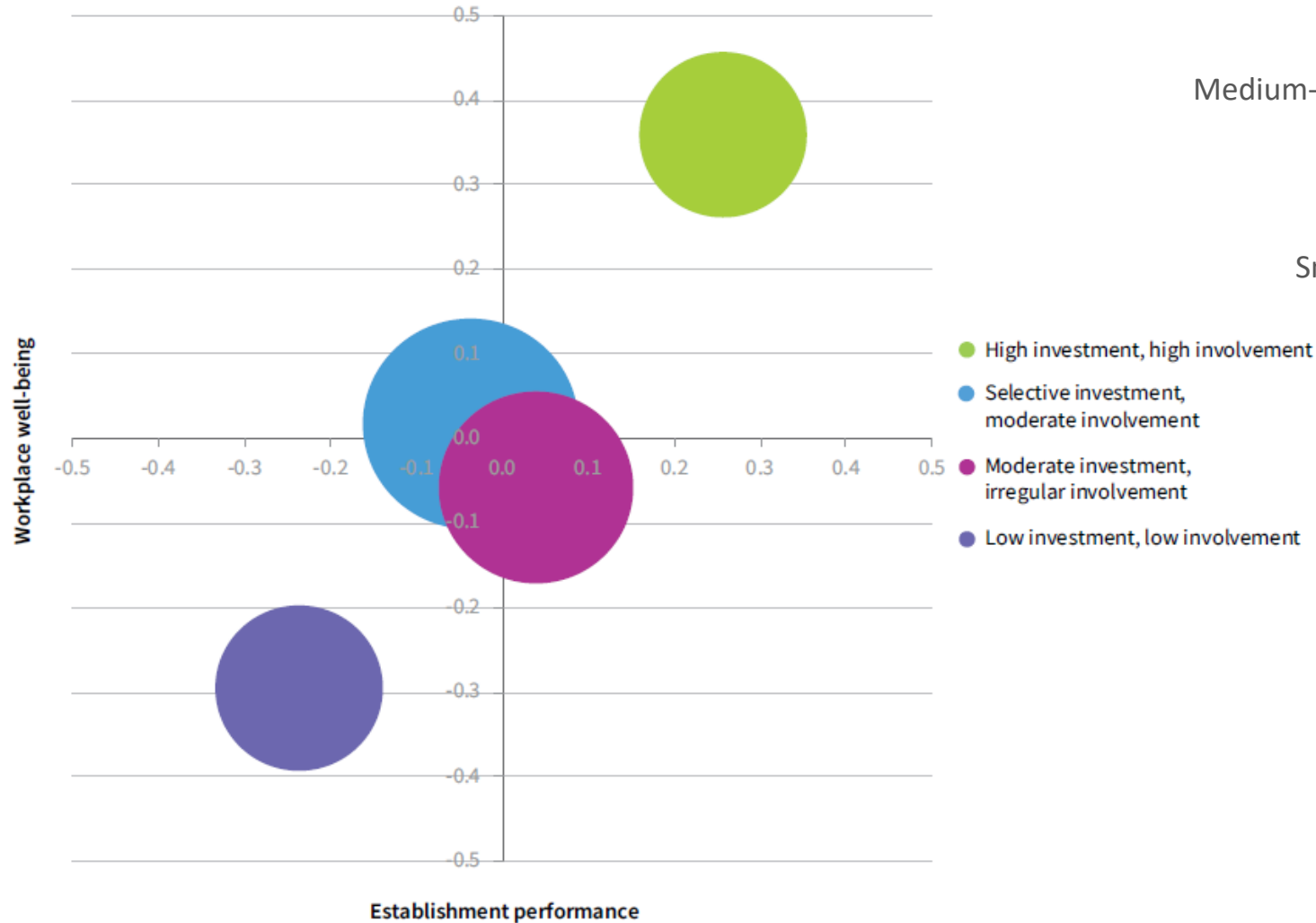
Skills-in-use as one driver – proxied by the type of work organisation



Source: Cedefop, based on LFS and Lorenz, E. (2015). Work Organisation, Forms of Employee Learning and Labour Market Structure: Accounting for International Differences in Workplace Innovation. Journal of the Knowledge Economy, 6(2), 437-466. doi:10.1007/s13132-014-0233-4

Skills-in-use as one driver

Figure 85: Workplace well-being and establishment performance, by establishment group (z-scores)

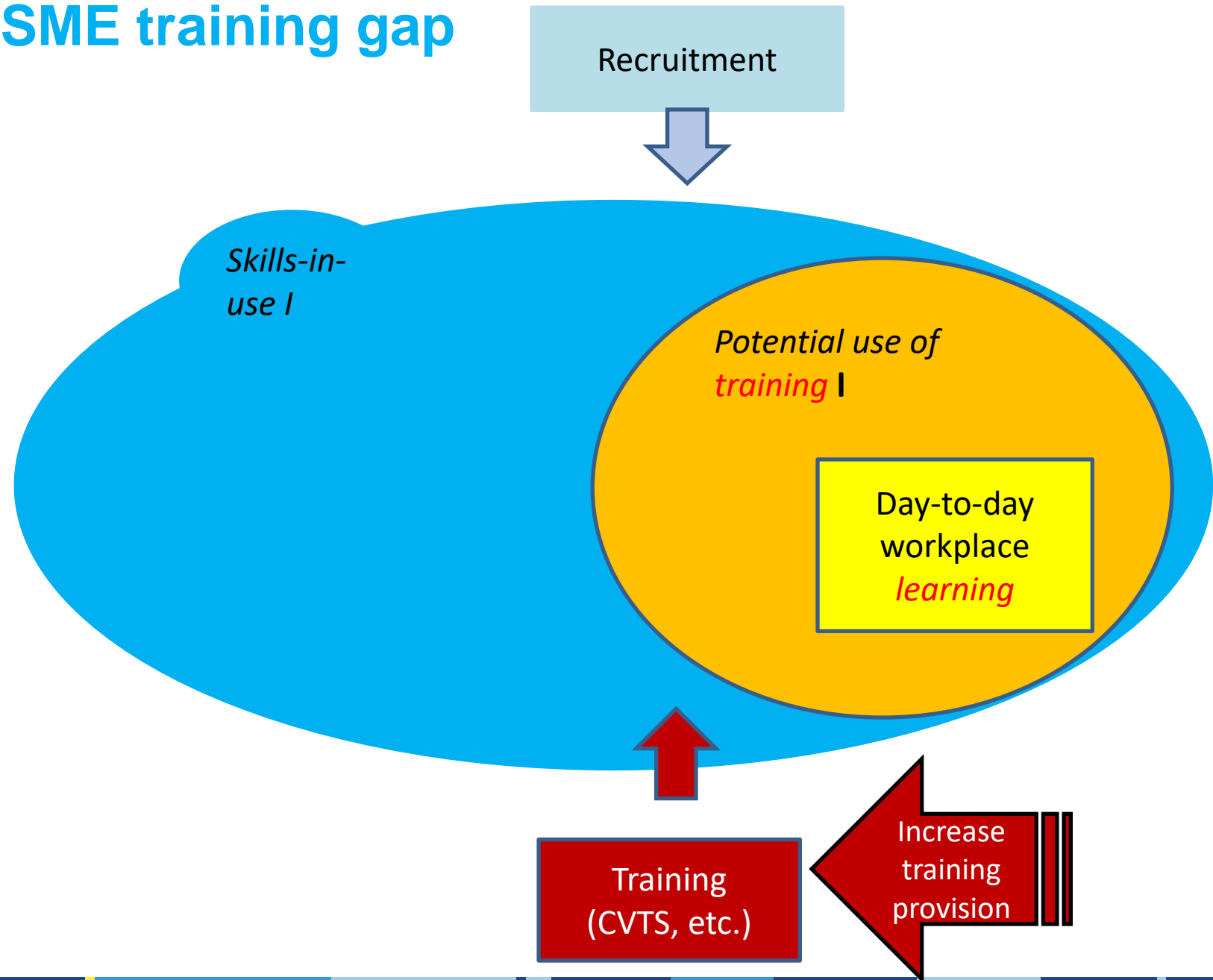


High investment, high involvement:

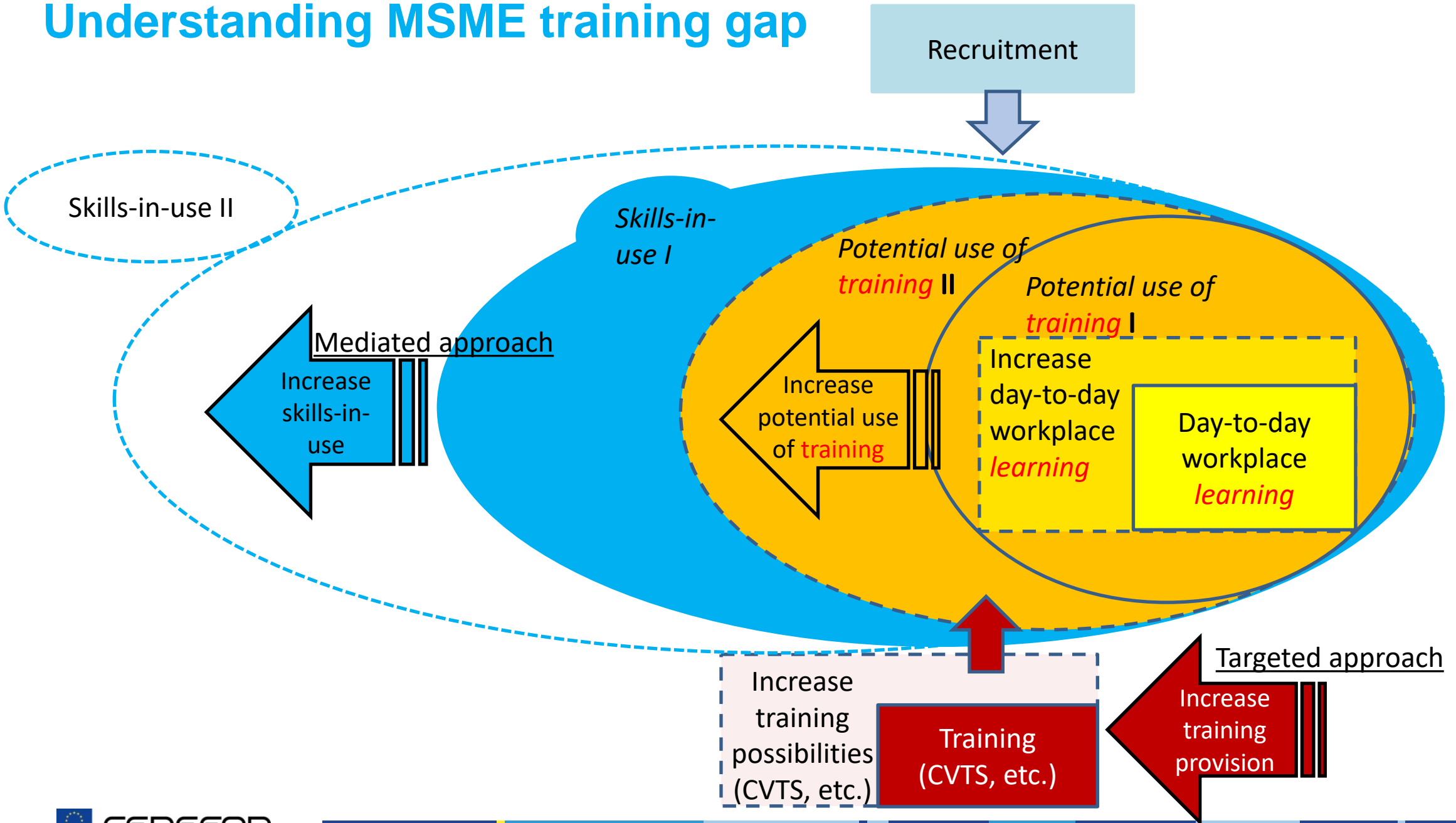
- High degree of autonomy,
- Management has high expectations on employees
- High use of incentives and comprehensive variable pay,
- widespread training and learning opportunities,
- direct involvement of employees in decision-making
- Establishments are likely to have an employee representative and are relatively often members of an employer organisation.

Source: Eurofound and Cedefop (2020), *European Company Survey 2019: Workplace practices unlocking employee potential*, European Company Survey 2019 series, Publications Office of the European Union, Luxembourg.

Understanding MSME training gap



Understanding MSME training gap



Barriers

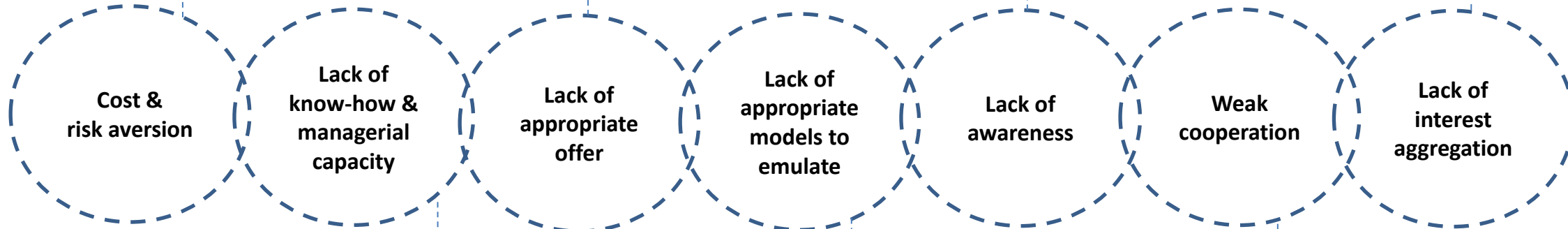
Group of barriers to be addressed

- Costs are too high
- High cost of additional staff while employee training
- No possible economy of scales
- Danger of losing employees ('poaching')
- Disadvantage in skills competition

- No adequate training provision on local training markets
- Less tailored training
- No external provision available
- Dependent on market

- Not enough time to explore/research possibilities
- No designated employee
- Lack of employee participation/proactivity

- A lack of (sectoral) interest aggregation leads to a lack of relevant common goods to be distributed by training;
- IR may lead up to unclear or unfavourable arrangements for distributing costs and benefits of training;
- Low trust, low commitment, organisational climate limit opportunities for training



- Lack managerial knowledge on potential use of training
- No capacity to organise training
- Less dedicated personnel, responsible for training
- Management over-stretched

- Lack of formalised reward systems for improved performance/participation in training;
- More restricted options to make use of new skills within the day-to-day work

- Less connection to local training providers
- Less connection to other local business or competing for resources

Policies to increase MSME training provision

Policy strategies to mitigate MSME training gap

Helping MSMEs to identify and meet their training needs at given level of skills-in-use.
Making full use of given training potential

Overcoming MSME barriers to training

Targeted support

Expanding MSME skills-in-use (by promoting „innovation“).
Increasing training potential

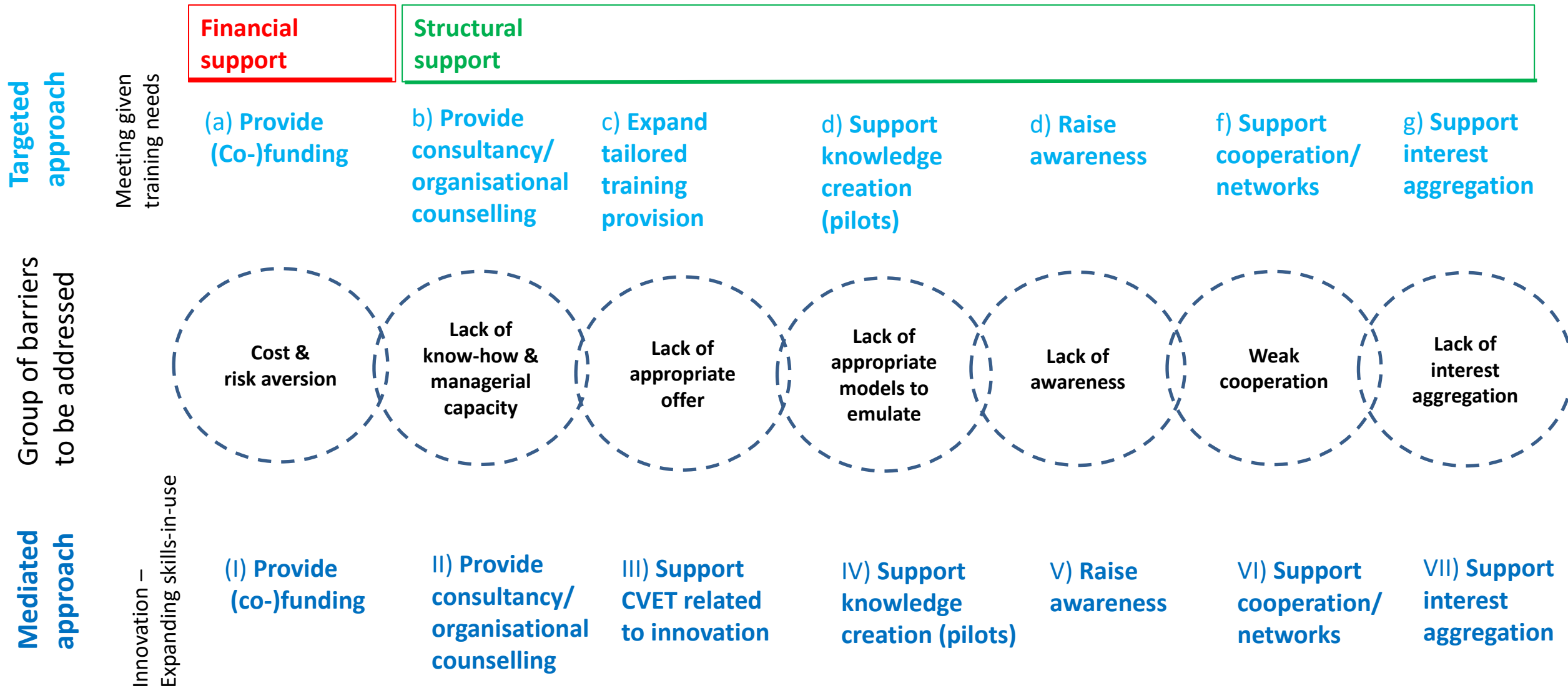
Overcoming MSME barriers to expanding the skills-in-use

Mediated support

Cooperating with MSMEs to reach out to their employees (under-represented in training)

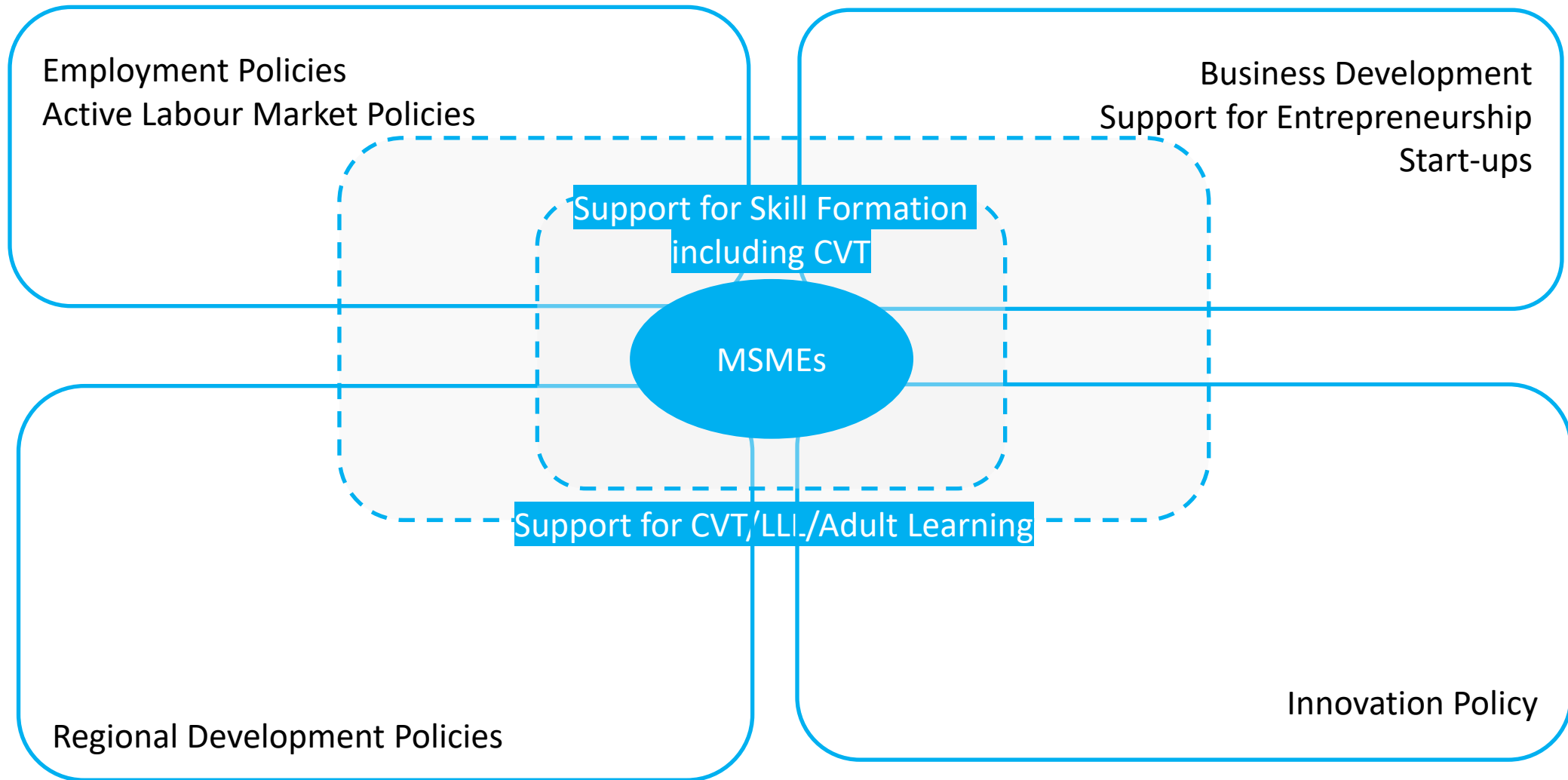
Cooperation in educational outreach

Policy instruments addressing the barriers - typology



Starting points for support for MSMEs

Overlapping/cross-fertilising policy fields



Effectiveness of policies supporting MSMEs to increase their training provision

How to study the effectiveness of policies aiming at improving MSMEs training performance

By what mechanisms and in what combinations do policies effectively improve MSMEs training performance?

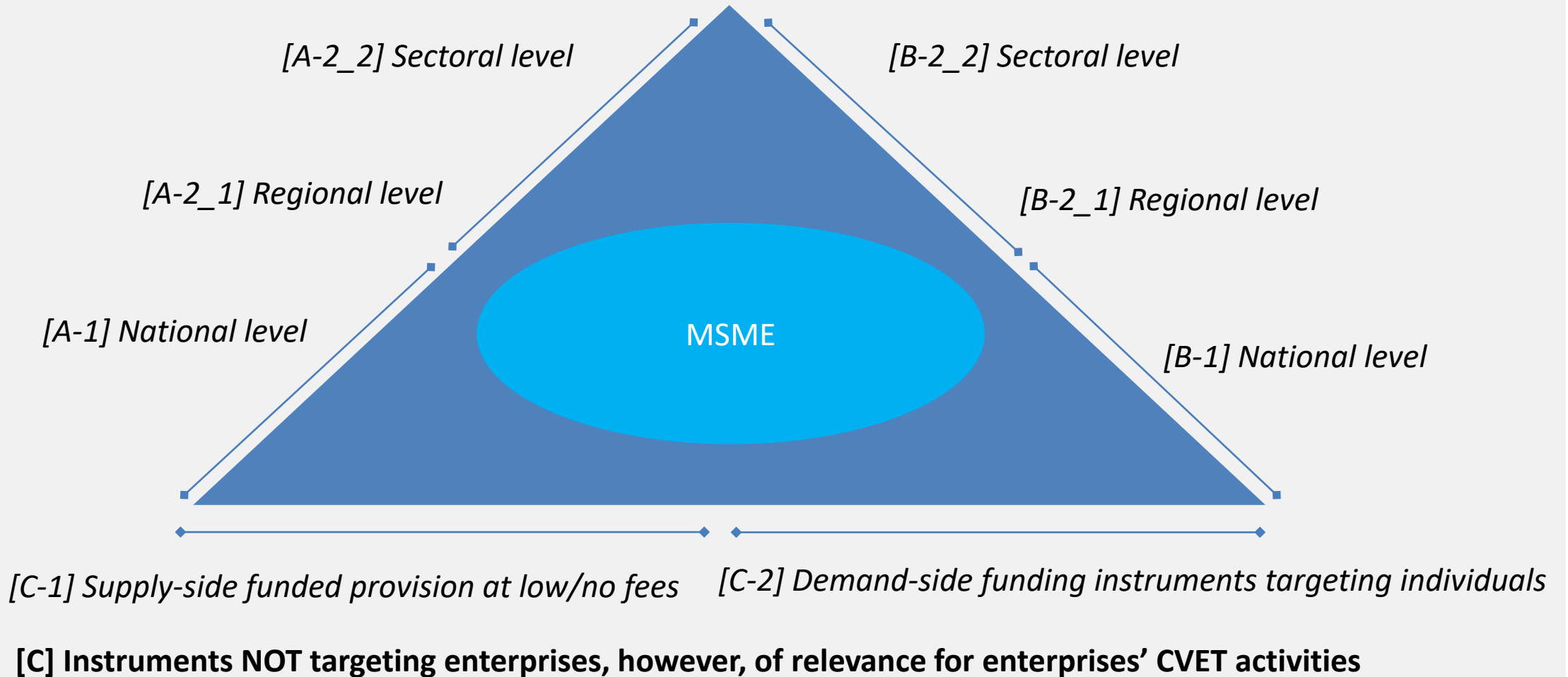
Research approach:

1. Review of the literature on the importance of public policies in improving the conditions for adult learning, including training in enterprises
2. Exploring the existing studies on the effectiveness of single policies on MSMEs training performance
3. Referring to the vital finding that for effectively changing organisational behaviour typically not single instruments but broader portfolios of instruments - applied over longer stretches of time - are required

Policy instruments interplay – ‘support arrangements’

[A] Financial incentives within the ‘targeted approach’ and the ‘mediated approach’

[B] Structural incentives within the ‘targeted approach’ and the ‘mediated approach’



‘Support arrangements’ in different skill ecosystems

Results of selected case studies

Overview of case studies

GROUP OF COUNTRIES	SELECTED CASE STUDIES & IN-DEPTH TOPIC	LEVEL OF ANALYSIS
Nordic (DK, FI, SE)	DK The AMU systems topped up by Sectoral approaches to support MSMEs – interplay with structural instruments	Skill Formation System
	FI Interplay between supply-side funding schemes and development support for MSMEs in Finland	Skill Formation System
Western (IE, UK)	IE Relevance of the National Training Fund	Skill Formation System and Skill Ecosystem (Retail sector)
	UK Union Learning Funds	Skill Formation System
Central (AT, BE, DE, LU, NL, SI)	AT Support for adult learning (and learning in MSMEs) in the City of Vienna	Skill Ecosystem
	DE Interplay of regional and federal incentives in Germany – Hessen & Construction	Skill Ecosystem
West Mediterranean countries (ES, FR, IT, PT)	ES Machine-Tool Sector - Basque Region	Skill Ecosystem
	IT Interprofessional fund	Skill Formation System
	FR The new arrangements with the Training Fund	Skill Formation System
South Mediterranean countries (CY, GR, MT)	MT Malta Enterprise	Skill Formation System
Visegrad countries (CZ, HU, SK, PL)	PL Interaction for MSMEs in one region of Poland	Skill Ecosystem
	HU Access for SMEs to EU funding	Skill Formation System
Baltic countries (EE, LT, LV)	LT Interplay of ESF/ERDF measures in Lithuania	Skill Formation System
South East European countries (BG, HR, RO)	BG Access to funding for SME – the evolution of the 'My competence' framework	Skill Formation System
	RO Lifelong Learning Centres	Skill Formation System

Case study: Spain - Machine Tool Industry - Basque region

Socio-economic and policy context

- Long tradition in the Basque region
- Geographical concentration → 80% of the Spanish production comes from the Basque Region
- 500 companies with 16 500 employees (33 employees per company, on average) and invoicing of EUR 3,000 million
- Strong orientation to exports and to R&D&I activities

Key organisations providing support for sector MSMEs

- Sector organised around the AFM Cluster Sector Association (located in San Sebastian, Basque Country)
- Large supply of technology centres, specialised in different domains (i.e. Tecnalia, Ideko, Tekniker, Ikerlan, Lortek, INVEMA)
- Training centres, including:
 - Machine Tools and Manufacturing Technology Classroom of the University of the Basque Country (UPV/EHU),
 - IMH Advanced Manufacturing Education Centre
- Other: Spanish and Basque Government and dependant bodies, Fundae, etc



Strong public and private collaboration at the heart of success

[A] Financial incentives within the 'targeted approach' and the 'mediated approach'

[B] Structural incentives within the 'targeted approach' and the 'mediated approach'

[A-2] Regional level

- Financial support for the implementation of strategic training actions carried out by companies in the Autonomous Community of the Basque Country **#77**

[B-2] Regional level

- Structural incentives provided by the Basque Agency for Business Development (SPRI) (e.g. **#ES_01**; **#ES_03**)

[A-1] National level

- State Foundation for Training in Employment (Fundae) **#75**

[B-1] Sectoral level

- Support to cluster organisations in the Basque Country. **#ES_09**
- Training initiatives and support offered by the Advanced Manufacturing Education Centre (IMH) **NN**
- Training initiatives and support offered by the Machine Tool Advanced Manufacturing Association and Machine Tool Research Foundation **NN**
 - Training initiatives and support offered by Basque Technologies Centres **NN**

Representative
MSME
organisation in the
Basque country

[C-1] Supply-side funded provision at low/no fees

Training provided by the State Foundation for Training in Employment (Fundae), the Basque Agency for Business Development and (SPRI) and Basque Employment Service (Lanbide).

[C-2] Instruments targeting individuals relevant for MSMEs

- Training initiatives and support offered by the Advanced Manufacturing Education Centre (IMH), universities and education centres (e.g., Technology Lab of the Bilbao Higher Technical School of Engineering)

Financial support – Targeted and mediated strategy

[A] Financial incentives within the 'targeted approach' and the 'mediated approach'

[A-2] Regional level

- Financial support for the implementation of strategic training actions carried out by companies in the Autonomous Community of the Basque Country #77

[A-1] National level

- State Foundation for Training in Employment (Fundae) #75

Represe
MIS
organisat
Basque

[A-1] At national level Fundae (State Foundation for Training in Employment) (#75); Enterprises contribute 0,7% of the pay role via their social security contributions for CVET for the employees and the unemployed; they can recapture between 150% and 200% of their payment for training organised by the enterprises for their employer (1 to 9 employees 200%; 10 to 49; 175%; 50 to 249 160%; More than 250; 150%). Further reasons for expanding cofounding.

A-2 **[at regional level]**, companies (with more than 35 workers) in the Basque Country can apply for support for the implementation of strategic training actions aiming at boosting the productive capacities, with costs eligible exceeding the Fundae support. The level of support depends on the number of applications, preferential treatment is given to SMEs. In 2019, EUR 3.2 Mio were provided to 238 enterprises.

Structural support – Instruments following targeted strategies

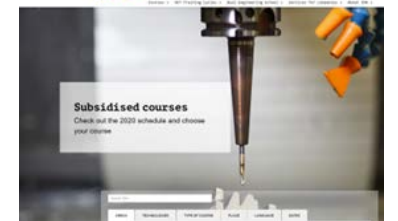
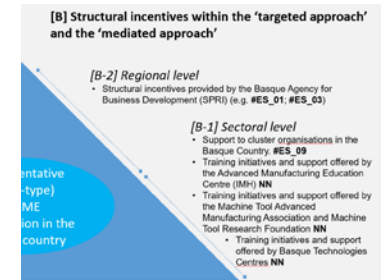
IHM - Advanced Manufacturing Education Centre (1986-)

IMH located in Elgoibar (12,000 inhabitants), long standing tradition in Machine Tools.

IMH is a Foundation, made up of representatives of AFM Cluster, Public bodies (Basque Government, Provincial Authorities), the Basque Employers Association and several private companies

IMH offers a wide array of different services to society and companies, including:

- Initial manufacturing - related VET degrees as well as a Dual University degree in Dual Engineering → IMH is the National VET Reference Centre in mechanic industries for Spain [c] Expand targeted provision]
- Specialised/tailor-made courses in advanced manufacturing for companies and unemployed people [c] Expand targeted provision]
- Training-related consultancy services for companies [b] Provide counselling]
- Consultancy services in R&D&I activities to companies, funded (partially) by the Basque Government [Mediated approach II] Provide counselling]



<https://www.imh.eus/en/courses>

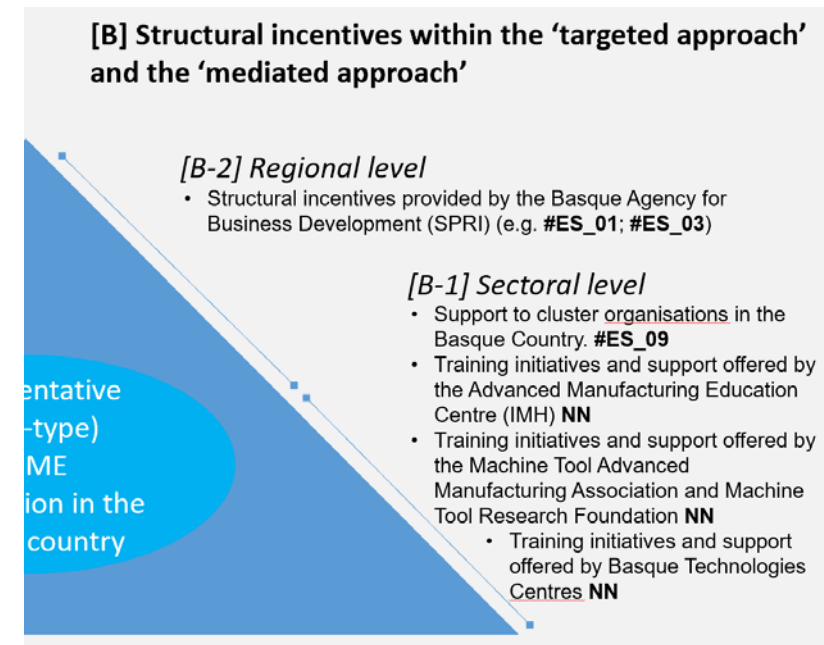


Structural support – Instruments following mediated strategies

Two policies provided by SPRI, the Basque Agency for Business Development

[B-2 Regional Level] ‘Empresa Digitala’ (‘Digital Enterprise’) (ES_01) organises (since 2000) courses, seminars and training and dissemination days addressing issues such as cyber-security, creation and management of web pages, use of different computer programmes, etc. Short courses offered can be attended for small fees (EUR 50-70), about 10 000 participants a year.

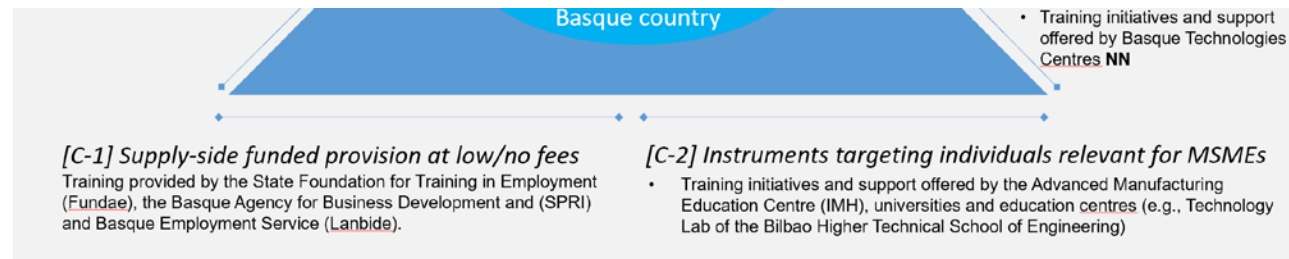
The initiative ‘Barnetegi Teknologiko’ (‘Technology Workshop’) (ES_03) (since 2007) have as a main objective to raise awareness and disseminate new technological trends among Basque small and medium-sized enterprises. Short workshops (1-2 days) provide inside into cutting edge technologies (with different topics over the years), targeting mainly MSMEs management (Small contributions to the costs of up EUR 100 are required). The instrument represent a mediated strategy, type **V) Raise awareness**



Further instruments relevant for MSMEs

[C-1] Supply-side funded training provision for the employees and the unemployed funded viy the training levy and commissioned by Fundae (State Foundation for Training in Employment, at Spanish State level), SPRI (the Basque Agency for Business Development, at regional level) and Lanbide (Basque Employment Service, at regional level), Normally, these are free courses aiming to improve workers' competences, which can be provided by accredited external training centres.

[C-2] Overall, there are no support instrument using a demand-side funding approach targeting individuals; however, the provision of courses at no or low fees for individual employees by organisations of the sector at least partly close this gap.

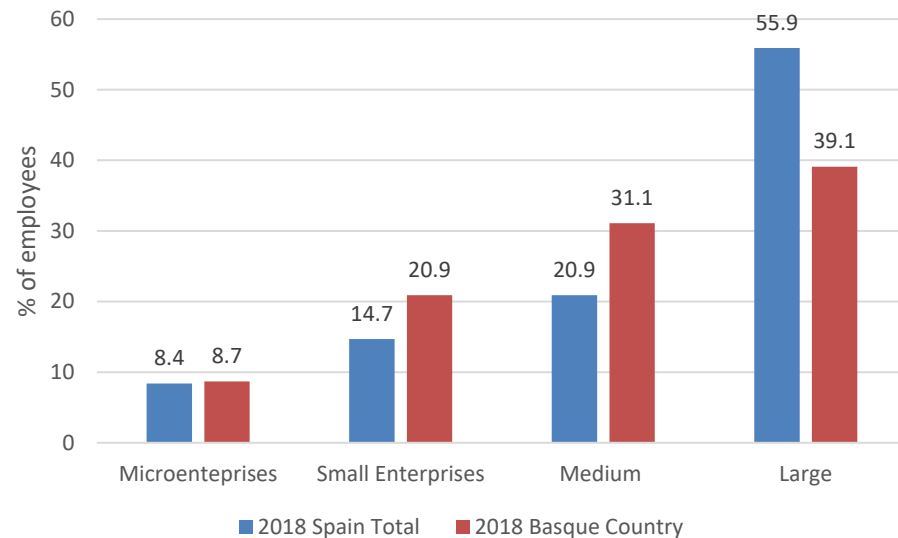


Summary of the Basque machine-tool sector support arrangement

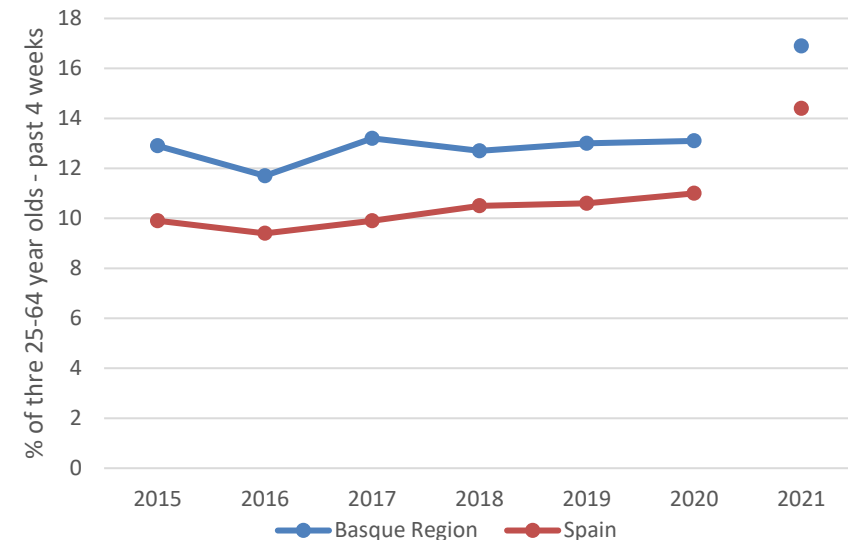
Country		ES
Level of Analysis		Skill Ecosystem
	Definition	
Density	Refers to the number of support instruments and their distribution across types and levels of support.	High
Complementarity	Captures the co-existence – or its absence – of measures providing financial support (targeted approach) and measures providing structural support (tailored, mediated, including financial support).	Strong
Targeted Elaboration	Refers to whether or not instruments are tailored – respectively, specific instruments are exclusively in place – to sectoral or regional particularities/needs.	Advanced

Statistics on participation in employer-provided CVET/adult learning – Basque Country

Participation rates in employer-provided training 2018 – Spain versus Basque Country



Participation rates (25-64 year olds) in adult learning (formal, non-formal) 2015-2021– Spain versus Basque country

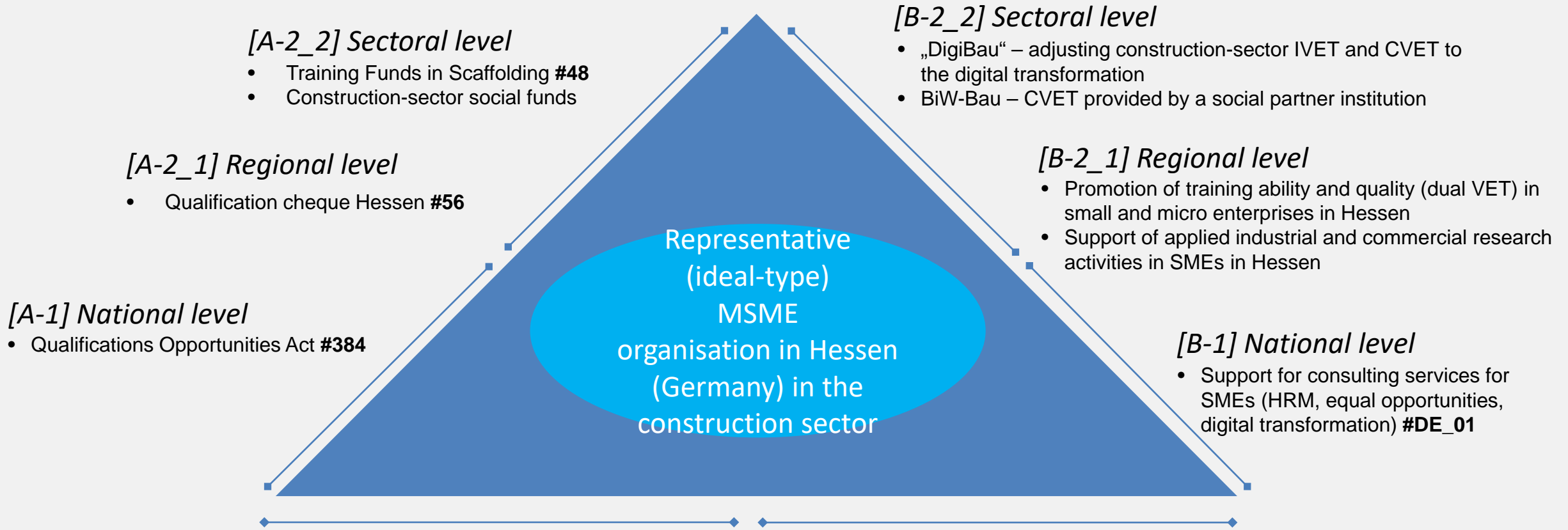


Source: Orkestra-Basque Institute of Competitiveness of Deusto Foundation. (2019). The Basque Country Competitiveness Report 2019 - Are skills the panacea? Retrieved from https://www.orkestra.deusto.es/images/investigacion/publicaciones/informes/informe-competitividad-pais-vasco/Inf_Competitividad_2019_-_Skills_ENGL.pdf

Source: Eurostat - TRNG_LFSE_04 [Version: 27/09/2022]

[A] Financial incentives within the 'targeted approach' and the 'mediated approach'

[B] Structural incentives within the 'targeted approach' and the 'mediated approach'



[C-1] Supply-side funded provision at low/no fees

Supply-side funded schemes in Germany are offered by the national Public Employment Service, both for the employed and the unemployed.

[C-2] Instruments targeting individuals relevant for MSMEs

- ESF co-financed education cheques implemented at regional level, #270
- Support for advanced vocational qualifications, #53
- Grant and loan support schemes for students, #230, #233

Case study: Construction in Hessen (Germany)

The role of Bildungswerk BAU

- **Bildungswerk Bau** is an organisation jointly run by the social partners in the construction industry in Hessen
- The organisation is active in IVET and CVET in construction, in all levels/subfields related to the sector
- The organisation works as a **key platform facilitating member organisations' access to ever changing relevant support instruments** funded within frameworks established at a national/regional/ or sectoral level

Informationen für

- Schüler, Auszubildende und Studienplatzsuchende
- Auszubildende und Studenten
- Fach- und Führungskräfte, Unternehmer
- Arbeits- und Erwerbsuchende
- Architekten, Ingenieure und Sachverständige

Summary of the support arrangement in Hessen construction sector

Country		DE
Level of Analysis		Skill Ecosystem
	Definition	
Density	Refers to the number of support instruments and their distribution across types and levels of support.	High
Complementarity	Captures the co-existence – or its absence – of measures providing financial support (targeted approach) and measures providing structural support (tailored, mediated, including financial support).	Strong
Targeted Elaboration	Refers to whether or not instruments are tailored – respectively, specific instruments are exclusively in place – to sectoral or regional particularities/needs.	Advanced

Conclusions on ‚Support arrangements‘

- It is safe to say that there are huge differences in support arrangements across and in within countries, which calls for more empirical data collection and in-depth analysis
- Reconstructing the support arrangement pertinent to one Skill Ecosystem is a good starting point for identifying obvious gaps and promising levers for improvement
- By observing ‚support arrangements‘ over time, one can discern where the overall support is growing and where new instruments are simply replacing previous ones
- The lack of data on training in enterprises at a regional level is a key limitation for studying the full effectiveness of ‚support arrangements‘ quantitatively

Policy guidelines

Policy guidelines – targeted support

- Further strengthen instruments providing targeted financial support
- Offer instruments going beyond provision of financial support
- Aim at a comprehensive mix of instruments to address all barriers to training
- Pay particular attention to developing approaches aiming at ensuring training provision tailored to the needs of MSMEs and their employees
- Create approaches for supporting workplace-based forms of CVET
- Make good use of intermediary organisations providing services to MSMEs for promoting new instruments related to CVET

Policy guidelines – mediated support

- Mainstream policies expanding the skill use as a vital component of the approaches fostering training in enterprises
- Provide policy packages combining support for innovation and training
- Further support the creation of learning-conducive workplaces
- Adopt a holistic approach. Strengthen the cooperation across different policy domains - lifelong learning and skills, employment, business development and innovation. Combine financial and structural instruments using targeted and mediated approach

Outlook: Cedefop on-going and planned activities

Examples of work relevant to the topic of supporting MSMEs in improving their training performance

Cedefop's database on Financing CVET/AL

EU27+ UK, reference year: 2020

FINANCING INSTRUMENTS:

Public support for enterprises

Grants/vouchers

Tax incentives

Public support for individuals

Grants/vouchers, ILA

Tax incentives

Subsidised loans

Support during training leave

Cost sharing instruments among employers

Training funds
(national and sectoral)

Cost sharing instruments employer/employee

Paid/unpaid training leave

Payback clauses

CEDEFOP Financing adult learning database

Introduction Overview Types of financing instruments Compare instruments

Introduction

Cedefop's database on financing adult learning provides information on instruments implemented in EU countries to increase participation and private investment in adult learning.

Countries covered: EU Member States.

Types of instruments: training funds, tax incentives, grants (including vouchers), ILA, payback clauses (see glossary and instrument-specific sections).

Reference years: 2020, 2014 - mid 2015. The database may include information on instruments implemented in the reference years. You also can visit the [previous archive](#) (2013).

Eligible group: those aged 25 and above.

Types of education and training: formal and non-formal education and training.

[Click here for further information on the scope of the database.](#)

<https://www.cedefop.europa.eu/en/publications-and-resources/tools/financing-adult-learning-db>

Study on Individual learning accounts (ILA)

- Analytical framework for designing and implementing ILA (Council Recommendation on ILA as the main point of reference)
- Mapping of ILA-relevant arrangements across the EU
- In-depth analysis of the potential for implementing ILA in 5 selected countries: NL, DE, EE, AT, IE
- Country-specific lessons and guidelines
- General principles/guidelines

Study on Training funds

- Overview of training funds across the EU
- In-depth analysis of training funds in 8 selected countries including:
- BE, FR, IT, NL (other indicative countries: CY, DK, ES, IE)
- Conditions for the successful development and implementation of training funds - guiding principles
- In-depth analysis of the potential for establishing training funds in 2 selected EU countries
- Country specific guidelines/roadmaps

Thank you

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