



BIG SKILLS FOR SMALL COMPANIES

Cedefop takes stock of recent policy instruments that support employer-sponsored training

European companies' economic performance depends on effective utilisation of their employees' skills. Employers are key players in fostering continuing vocational education and training (CVET). Nine out of 10 participants in job-related training received support from their employers, who either contributed to training costs or enabled training during paid working time ⁽¹⁾.

However, micro, small and medium-sized enterprises (MSMEs) ⁽²⁾ train their employees less than larger companies do ⁽³⁾. This is one of the reasons why the European Commission has proclaimed 2023 the [European Year of Skills](#): to 'promote a mindset of lifelong learning, thereby promoting opportunities for personal development, boosting the resilience of European societies and the competitiveness of European companies, in particular small and medium-sized enterprises' ⁽⁴⁾.

The MSME training gap

Why do MSMEs offer less training to their workers than their larger peers? Many small company owners find the cost of training too high compared to its perceived outcomes, others lack the know-how or time to organise it. Small businesses also face a higher risk than larger ones of losing their return on investment in training: workers in small businesses may not be able to apply their newly acquired skills in their work or may be poached by a competing company. Training matching MSME needs may not be on offer in the market. Weak cooperation between companies or between companies and training providers, or collective agreements with a poorly developed training-related dimension may also dissuade MSMEs from provid-

ing training. Most important, many MSMEs' narrow scope of economic activities and low use of technology result in limited skills in use at the work-place ⁽⁵⁾.

The MSME training gap challenges smaller company economic performance and innovation and development capacity. Making up 99.8% of all enterprises in the EU-27 non-financial business sector, and producing 53% of the total value (in 2020), MSMEs are the backbone of Europe's economic and employment growth. They also account for 65% of employment. Identifying effective levers for increased and better targeted training provision for MSMEs is a priority for policy-makers.

This briefing note takes stock of policies and instruments EU countries deploy to encourage MSME training provision and to strengthen their training performance ⁽⁶⁾.

Narrowing the MSME training gap

Cedefop has identified two main categories of policy instrument supporting MSME training provision.

Those in the first category provide **targeted support** to MSMEs and are designed to help them meet training needs stemming from their current activities, work organisation and skill use.

Those in the second category offer **mediated support** and seek to increase the skills in use in MSMEs by encouraging them to innovate, i.e. to increase the range of their business activities or change their work organisation. These policy instruments can lead to the creation of more high-skilled jobs, increasing the

⁽¹⁾ Cedefop (2015). *Job-related adult learning and continuing vocational training in Europe: a statistical picture*. Luxembourg: Publications Office.

⁽²⁾ MSMEs are understood here as firms with up to 249 employees, in line with EU documents.

⁽³⁾ See [regular EU-wide surveys of continuing training in European enterprises](#) (CVTS) conducted by Eurostat, and Cedefop's analyses.

⁽⁴⁾ [Proposal of the Commission](#), wording as [amended by the European Parliament on 9 February 2023](#).

⁽⁵⁾ [The 2019 European company survey](#), carried out by Cedefop and Eurofound, showed that organisations using a wide range of skills, have a higher training performance than those using few skills, and make better use of CVET to develop their activities.

⁽⁶⁾ It is based on recent Cedefop research which was [discussed at Cedefop's Brussels seminar on 15 December 2022](#). It looks at the MSME skills gap from a new perspective, taking companies' skill utilisation as a starting point to explain differences in their use of CVET and their training performance. All examples in this briefing note were collected in 2020 and 2021 in the context of this research work. More information on Cedefop's work in the field is available [here](#).

potential for CVET, and may eventually lead to a virtuous circle of increasingly effective training, better jobs and higher company performance.

Targeted support

Many financial instruments are available to support company training. They usually provide public joint funding through grants or tax incentives or focus on cost-sharing, either between employers (training funds) or between employer and employee (payback clauses). While MSMEs usually suffer more from financial constraints than large enterprises, data show that they are nonetheless underrepresented as funding beneficiaries.

- Training funds use levies collected from enterprises to support their training provision as well as other services: consultancy for employers; skill needs analyses; and the design of pilot training projects. They help support CVET in about half of the EU Member States ⁽⁷⁾.
- Grants (financed from general taxation) exist in nearly all countries. They typically cover a part of direct training costs and related wage costs. EU funds play a big part in this context ⁽⁸⁾.
- Some Member States offer tax incentives to training companies, such as tax deductions for scholarships. However, they play a lesser role in supporting training compared to training funds or grants.
- Regulations on payback clauses vary considerably across Europe but there is little evidence on the extent to which enterprises use them.

Cedefop's recently updated [Database on financing adult learning](#) provides a wealth of information on the design and performance of financing instruments used by EU countries to increase the provision of, and participation in, adult learning. It covers training funds, tax incentives, grants including ILAs and vouchers, loans, training leave and payback clauses.



Beyond financial support, countries use various policy instruments providing structural targeted support to help MSMEs provide training. Training-related consultancy services/organisational counselling addressing any step of the training cycle (identification

⁽⁷⁾ Training funds play a systemic role in supporting CVET in countries such as CY, DK, EL, ES, FR, HU, IT, NL, UK. In other countries, such as AT, BE, DE, LU, SI, they play a complementary role (being established in some sectors only).

⁽⁸⁾ Cedefop research identified around 30 EU-funded schemes out of the 70 grants it examined in the context of this research endeavour.

of skill needs, training design, planning and delivery, selection of providers and evaluation of training outcomes) are particularly popular.

Box 1. Targeted counselling services in Austria

Local public employment services (PES) cooperate with regional consulting firms to offer MSMEs up to 11 days of free-of-charge HR-related [counselling services](#) (including training). One of the aims is to aid MSME access to funding, e.g. for training older or low-qualified workers, and to inform them about other support schemes offered by PES that such companies and their employees can benefit from, such as upskilling initiatives targeting individual workers.

There are also policy instruments that help expand the range of training opportunities suitable for MSMEs. For example, some MSMEs, together with training providers, help create new forms of training provision tailored to their needs. A successful approach is the supply-side funding of non-formal practical workplace training, an option MSMEs often prefer to classroom training.

Box 2. Tailor-made workplace training in France

AFEST, an innovative workplace training project conducted by sectoral organisations, takes place in MSME premises and is specifically geared to helping workers solve problems they encounter in their current work. Based on an analysis of company and worker needs, AFEST trainers determine the skills to be developed and design highly targeted training. As this type of training is addressed to a small number of participants, the per capita cost is not negligible. However, AFEST is eligible for public joint funding, and workers' individual learning accounts can be used for cost sharing.

Other policy instruments offering targeted support to MSMEs include:

- supporting pilot projects to test new training formats and approaches;
- promoting networks or clusters bringing together MSMEs or MSMEs and larger enterprises to pool training demand (which can help strengthen market-based training provision, tailored to MSME needs);
- strengthening cooperation between MSMEs and training providers;
- facilitating agreements between social partners on training-related issues (this includes mutual rights and obligations with regard to training such as paid training leave and the ways learning is rewarded);
- raising MSME awareness of CVET.

Box 3. Sharing good ideas in the Netherlands

With the [MKB!dee \(SME idea\) programme](#), the Dutch government supports entrepreneurs, including small

business owners, who have a good idea or strong vision for upskilling their employees. Joint funding may be offered for experimenting with e-learning modules and innovative solutions for sustainable employment, or for fostering a learning culture in MSMEs. To promote and multiply best practices, the programme provides a [website presenting selected projects](#). These are complemented by a ‘translation’ of their outcomes into operational solutions, which offer other MSME leaders a ready-made template for action and can inspire them to take similar initiatives.

Box 4. Joint training purchase (yhteishankintakoulutus) in Finland

Local PES cooperate with MSMEs to help them clarify their training needs to buy tailored training. MSME involvement in the process fosters optimal alignment of training content with employer, worker and local labour market needs, while PES involvement helps attract providers willing to tailor their services to the needs of the participating MSMEs. PES also contribute 30% of the eligible costs. This scheme supports training for current staff of the participating MSMEs, reskilling for laid-off workers and recruitment training to help MSMEs find new employees. PES have a dedicated system (OPAL) to collect feedback from both employers and employees on the training quality and outcomes.

Mediated support

There are also instruments offering mediated support to MSME training provision. Most encourage innovation and organisational learning to help MSMEs introduce new or improved products, services and work processes, adopt new automation and digitalisation technologies, or access new markets. A broader use of skills, inciting companies to train their workers, is a desired spin-off effect. Mediated support fostering innovation is often provided through shared funding schemes, which help MSMEs to obtain better training options.

Box 5. Supporting R&D training in Lithuania

Lithuania has developed an initiative encouraging research and development in companies, [Eksperimentas](#), part-funded by the EU. MSMEs enjoy public joint funding of up to 45%, which can be spent on R&D-related training, allowing companies to acquire the skills needed for creating innovative products, services or processes.

Structural mediated support may also be offered to MSMEs to provide training. Consultancy services/organisational counselling for MSMEs to implement innovation is one of the most widely used such instruments, either stand-alone or as part of a broader package. In many cases, organisational counselling is combined with a contribution to the costs of innova-

tion and related training measures. Counselling can be complemented by mutual learning activities, such as workshops.

Box 6. Robotlyftet, Sweden

[Robotlyftet](#) (‘The robot boost’) funds automation projects in MSMEs. It is part of the country’s Smart Industry programme and targets 4 500 MSMEs in the manufacturing sector. The programme is run by agencies providing services covering sectoral and regional needs. MSMEs can receive financial support of up to 75% of eligible costs for expert consultation on automation processes and related training activities. Workshops for mutual learning are offered free of charge.

Mediated support also includes the development of novel training formats tailored to MSMEs, focusing, for example, on helping small companies introduce specific innovation activities or on strengthening their general innovation capability (‘absorptive capacity’).

Box 7. Technology workshops in the Basque country

The [Basque government](#) and [Business Development Agency \(SPRI\)](#) have successfully run technology workshops since 2007, designed to familiarise MSME owners with new trends such as data analysis, business intelligence, industry 4.0, digital marketing, company and staff productivity and cybersecurity. The aim is to empower them to innovate. The workshops integrate new content on a rolling basis and enjoy great esteem, as reflected in high participant numbers, including many female entrepreneurs. The fee to be paid by participants is moderate.

Awareness-raising tools, such as campaigns, programmes, awards or pilot projects showcasing innovative actions, also provide mediated support. They are often combined with a range of other tools reinforcing their impact.

Box 8. Hungary’s model factory programme

The [Hungarian Model Factory programme](#) (Ipar 4.0 Minatagyár Programme) supports MSME digitalisation through:

- on-site visits to model firms which can inspire small business owners;
- knowledge transfer through training workshops;
- guidance in the design of individual storyboards helping MSMEs visualise their goals.

Entrepreneurs enrolled in the programme can find additional information on a [dedicated website](#).

Box 9. Competence centres for MSMEs in Germany

Germany has an [initiative supporting MSME digitalisation and the transition to industry 4.0](#). Since its start in 2011, 26 competence centres have been

set up across the country providing information and training on e-standards, communication, usability, or addressing specific sectors such as crafts, retail, construction and textile. These centres offer their services in cooperation with regional consortia of organisations active in research and development. Actions supporting MSMEs include checks of their readiness to address digital change, counselling, workshops, and the creation of networks with model companies which help MSMEs implement innovative business processes. Since 2016, an [external research institute](#) has been doing the scientific monitoring and evaluation of the different actions and the promotion of synergies between them.

Support for the creation of networks allowing MSMEs belonging to a particular cluster or value chain to join forces for innovative activities is provided in many EU Member States. Closer cooperation between MSMEs or between MSMEs and larger enterprises, as well as closer ties between businesses, VET providers and universities/ institutes of applied sciences, facilitate the exchange of information and mutual learning and unleash innovation capacities among all participating actors.

Box 10. A business mentoring programme in Poland

The Province of Opole has developed a successful [Business mentoring programme](#), bringing together well-known, successful regional entrepreneurs with young MSME managers to support transfer of knowledge and experience and thus strengthen the regional business community, increase its competitiveness and promote innovation and entrepreneurship. The programme includes workshops to prepare mentors for their role, providing legal, economic and managerial training for mentees, at least five meetings between mentors and mentees, and visits to MSMEs run by mentees. It started in 2016 and is State-financed with structural EU part- funding.

Coordination between companies active in similar sectors can support interest aggregation and act as a lever in raising support for innovation. If companies join forces to secure resources, these can be used for tackling common problems. Employer interest aggregation not only helps obtain training for innovation but can inspire new policies.

Social partner coordination can also serve innovation and worker upskilling when social dialogue covers issues such as wage increases reflecting higher labour productivity (resulting from innovation) or re-training activities for workers negatively affected by innovation.

Effectiveness and complementarities

Helping MSMEs overcome the barriers preventing them from meeting their current training needs, and promoting organisational development that can lead to increased and more effective training in the long run, are the two fundamental strategies to improve MSME training performance. Achieving this requires a well-coordinated or, better, an integrated set of policies and instruments offering targeted and mediated approach. Broad stakeholder cooperation is needed, including policy-makers and social partners, and holistic policy approaches linking different policy domains: lifelong learning, employment, business development and innovation.

There is a need to combine financing and structural support instruments in order to tackle different root causes of MSME low training performance. As not one, but several barriers typically impede MSME training provision, it is necessary to develop a balanced set of instruments that simultaneously address more than one barrier (e.g. by combining funding, consultancy services and tailored CVET offer).

More research is needed on the availability and interplay of targeted and mediated support instruments geared to MSMEs, supply-side-funded CVET and instruments supporting individual MSME workers. Evaluating these instruments, including those offered in packages, in terms of their complementarity and synergies, can optimise their effectiveness. As policies and instruments are always rooted in a regional, sectoral and national skills formation system, they should be assessed against this backdrop.



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