5 Why and how should enterprises be supported?

This final chapter aims to assist governments and social partners in the design and implementation of better policies in support of training in enterprises. Firstly, the chapter analyses the rationale for policy intervention, making a distinction between the rationale to support small and medium enterprises and large firms. Secondly, it provides an overview of the available instruments that policy makers can consider to support enterprises, as well as their advantages and disadvantages. Thirdly, it provides seven key questions that governments and social partners may want to consider when designing and implementing policies.

In Brief

Why and how should enterprises be supported?

Understanding why and how enterprises should be supported is crucial for designing and implementing effective and efficient training policies. Broadly speaking, there are two key arguments that justify policy intervention to support enterprises. Firstly, policy intervention can be necessary to reduce attitudinal, informational, time or financial barriers faced by small and medium enterprises or to solve co-ordination problems across all firms. These interventions can maximise firm performance in view of achieving greater productivity growth, higher wages and higher levels of well-being, ultimately leading to higher economic growth. Secondly, policy intervention can unlock the positive externalities of training and improve equity of labour markets, realising the wider economic and social benefits of training.

To support enterprises, policy makers can rely on a 'tool-box' with five main types of instruments, namely i) information and guidance; ii) capacity building; iii) financial incentives; iv) the direct provision of training; and v) regulatory instruments, such as laws and agreements. Based on the evidence on why enterprises should be supported, only some of the key findings from the case studies warrant policy intervention (see Table 5.1). In many cases, policy makers have multiple instruments at their disposal, implying that it is important to consider their advantages and disadvantages, before intervening.

Table 5.1. Overview of why and how enterprises should be supported

Key finding from the case studies	Chapter	Why intervention makes sense	How intervention can happen	Target group
Some enterprises have not been successful in fostering a learning environment	Chapters 2 and 3	Reducing attitudinal barriers	Information and guidance Capacity building	SMEs
Lack of time is the biggest obstacle to increasing training provision in enterprises	Chapter 3	Reducing time and financial barriers	Information and guidance Capacity building	SMEs
The adoption of online learning is slow in enterprises	Chapter 2	Reducing attitudinal and informational barriers	Information and guidance Financial incentives Direct provision of training	SMEs
There is a positive relationship between having a dedicated training specialist and the generosity of training	Chapter 4	Reducing attitudinal and financial barriers	Information and guidance Capacity building	SMEs
Many enterprises struggle to systematically assess their skills and training needs	Chapter 4	Reducing informational barriers	Information and guidance Capacity building	SMEs
Most enterprises do not have structured processes for selecting training providers	Chapter 4	Reducing informational and financial barriers	Information and guidance Capacity building	SMEs
Enterprises use only basic methods to assess the outcomes of training	Chapter 4	Reducing informational and financial barriers	Information and guidance Capacity building	SMEs
Certification of training for soft skills and IT skills is currently not common in enterprises	Chapter 2	Unlocking positive externalities	Financial incentives Regulatory instruments	All firms
Enterprises do not seem to offer training programmes targeting green skills and management practices	Chapter 2	Unlocking positive externalities	Financial incentives Direct provision of training Regulatory instruments	All firms
Few enterprises offer explicit training opportunities for low-skilled adults, those at higher risk of automation and migrant employees and those at higher risk of automation	Chapter 3	Improving equity of labour market outcomes	Financial incentives Direct provision of training Regulatory instruments	All firms

Introduction

Previous chapters of this report have opened the "black box" of training in enterprises. Policy makers and social partners now have a richer evidence base on what learning opportunities enterprises provide, why enterprises offer or do not offer training and how they make their decisions.

Deriving policy implications from these findings is not straightforward. Transforming the key findings of this report into actionable policy solutions requires a good understanding of why policy makers and social partners should intervene to support enterprises in the first place, which enterprises they should support, and how they could do so. Without such knowledge, there is a risk that support policies may be ineffective and inefficient. In particular, they may result in deadweight losses, i.e. a situation where enterprises would have made the same decisions about the provision of training had they not been supported by the policy.

This final chapter aims to assist policy makers and social partners in designing and implementing better policies in support of training in enterprises. It starts by analysing the rationale for policy intervention, making a distinction between the rationale to support small and medium enterprises (SMEs) and large firms. Then, it highlights the main instruments that policy makers may want to consider to support enterprises. Lastly, it highlights seven "key questions" that governments and social partners may want to consider when designing and implementing policies.

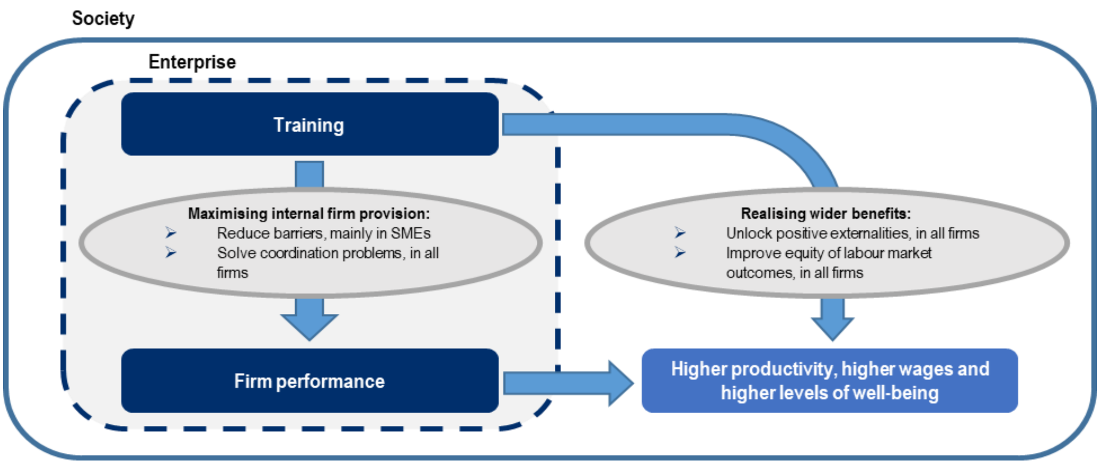
Rationale for policy intervention

Training brings substantial benefits in terms of **economic growth**, as well as **individual and societal well-being** (Chapter 3). Policy interventions can help realise or maximise these benefits in two key ways (Figure 5.1). **Firstly, policy intervention can be necessary to address underprovision of training within enterprises.** Firms might underprovide training with respect to the level that would maximise their productivity and performance, because they face a range of barriers, which might be attitudinal, informational or financial. Firms might also underprovide training because they have co-ordination problems both internally, for instance if they fail to agree how to share the benefits of training with their own employees, and with other enterprises, for example if they do not provide training due to poaching concerns. Interventions to reduce these barriers or solve these co-ordination problems can unlock the full benefits of training for enterprises, leading to higher productivity, higher wages and higher levels of well-being overall.

Secondly, policy interventions can be warranted to realise the wider benefits of training beyond the individual enterprise, which are not accounted for by the enterprise in its decision to offer training. The provision of training leads to positive externalities, related to greater innovation, productivity, better health outcomes and less polarising social and political attitudes, and can help foster equality in labour market outcomes (see Chapter 3). Enterprises might not consider these wider benefits, when making their training decisions, because they focus on their own private benefits (see Chapter 3). Public intervention targeting both SMEs and large firms alike can help ensure that these wider economic and social benefits are fully realised.

Finally, policy intervention can help improve the resilience and efficiency of the training system as a whole, for example by improving the quality of training opportunities and the responsiveness of the training provision to labour market demands. These types of interventions that address systematic issues of the training system are not considered in this chapter and Figure 5.1 below, because they do not target enterprises directly.

Figure 5.1. Rationale for public intervention through training policies



Source: OECD elaboration of the findings from the economics and policy literature and the case studies.

Maximising firm productivity and performance

Reducing barriers to training provision

Public support and support from social partners can help **reduce attitudinal, informational and financial barriers** that may cause enterprises to underprovide training. Some enterprises might be reluctant to adopt work practices and managerial attitudes that are conducive to greater levels of engagement in training and informal learning, because they may struggle to see benefits of fostering a learning environment (see Chapter 2). Other firms may not have sufficient knowledge or information about their own skill needs and the available training opportunities (see Chapter 4). Even when enterprises have sufficient motivation and information, they might experience credit and liquidity constraints that prevent them from developing the internal capacity to organise training or pay towards training courses (see Chapters 3).

The case studies confirm the importance of attitudinal, informational and financial barriers and expand the evidence base in three ways. Firstly, the case studies highlight that **time-related barriers** are the biggest obstacle to increasing training provision in enterprises (see Chapter 3). Traditionally, policy interventions have not focused on reducing time-related barriers *per se,* but on financial support that enable enterprises to swap time for output. The case studies suggest that time-related barriers might also be related to the lack of information and organisational capabilities. Firms might struggle to identify and implement effective ways to combine training with work responsibilities, such as concentrating training in periods of low production (see Chapter 3).

Secondly, according to the evidence from the case studies, medium-sized enterprises in particular seem to be exposed to substantial **attitudinal and informational barriers** that prevent them from organising an effective delivery of **online training** (see Chapter 2). Before the outbreak of the pandemic, the use of online training in medium enterprises seemed to be an exception. This was likely due to low levels of digital readiness and a lack of information on how to deliver online training successfully. The experiences during the pandemic did not contribute to weaken these barriers, as several medium enterprises continued to struggle to plan and co-ordinate online delivery.

Thirdly, the case studies provide new evidence on **factors that might be driving financial barriers.** According to the case studies, few firms implement structured processes to select external training providers and only a handful of enterprises assess the benefits of training systematically (see Chapter 4).

Improvements in these decision-making areas can contribute to achieve some cost savings and free up budget to finance training opportunities that may not be currently affordable.

The academic and policy literature shows that SMEs **are generally more likely to experience these barriers** than large firms are. Acquiring information about training opportunities for SMEs can be problematic, because unlike large firms, they often do not have a dedicated human resources unit and can have little time to spare among existing staff (International Labour Organisation, 2017[1]). Even if SMEs have adequate information about their own needs and the available options, they may still find it difficult to pay towards training opportunities, because they are more likely to be liquidity-constrained and can face higher unit costs per worker, when compared to large firms (International Labour Organisation, 2017[1]). As discussed in Chapter 1, the case studies in this report focus on medium and large enterprises. The evidence gathered in the case studies confirms that large enterprises are less likely to experience attitudinal, informational or financial barriers, compared to medium firms. This strengthens the rationale for focusing public interventions to **reduce barriers** to internal training provision **on SMEs**.

Solving co-ordination problems

Government and social partners can also intervene to help solve **co-ordination problems**. Barriers to training arise as a result of shortcomings in the firm's capabilities or internal decision making processes, which are typically under the direct control of the management. Conversely, co-ordination problems are caused by the management's failure to co-operate effectively with the firm's employees or with other enterprises. Employees and enterprises might fail to find effective arrangements to share the benefits of training. For instance, employees might demand a wage increase, after they have received the training, which the enterprise is unwilling or unable to accommodate (a "hold-up" problem). Employees might also be "poached" by competing firms, after they have been trained, leading to a negative return on investment for the enterprise that provided the training (see Chapter 2). If these co-ordination problems are not resolved, enterprises might decide to provide a lower level of training than the level that could maximise their own productivity and performance. Interventions by governments and social partners can help align the expectations of employees and enterprises and mitigate poaching concerns (Brunello and Wruuck, 2020[2]).

Co-ordination problems between different enterprises might also lead to an under-provision of training on health, safety and security. Enterprises might compete with each other to reduce costs, by decreasing their expenditure on training targeting health, safety and security in the workplace. This might enable each enterprise to gain or sustain its competitive advantage over its rivals in the short term, but might come at the expense of greater reputational risks in the longer term and lower employee well-being. Public intervention can prevent this "race to the bottom", by setting some minimum standards for the delivery of training on health, safety and security.

The economics and policy literature suggests that interventions to address co-ordination problems should **target both SMEs and large enterprises alike.** However, they generally deliver higher benefits for SMEs, given that these firms may have lower bargaining power in wage negotiations and they face comparatively higher losses if their employees are "poached" by competing firms.

Contrary to the insights from the economics literature, there is **little evidence from the case studies that co-ordination problems lead to underprovision of training** in enterprises. Employers do not report that poaching concerns or co-ordination problems with their employees limit their training offering (see Chapter 3). These findings are consistent with survey evidence from England. In the Employers Skills Survey (ESS), which gathers evidence on factors affecting training provision in more than 60 000 businesses, only 1% of enterprises report that they have not provided training because they were concerned that the trained staff will be poached by other employers (Education, 2020[3]). Similarly, enterprises in the ESS do not report that co-ordination problems with their employees were an important reason for not providing training.

There are two likely explanations for the low incidence of co-ordination problems in both the case studies and previous survey evidence. It is possible that firms simply do not take co-ordination problems into consideration when making their training choices. This might happen because they underestimate the mobility of their employees or believe that the training they provide cannot be easily leveraged in other enterprises. Alternatively, existing regulatory arrangements (see the following section) may already be sufficient to minimise co-ordination problems, both between employees and enterprises and between different enterprises. The second interpretation likely holds for training on health, safety and security in the workplace. Meeting regulatory requirements on health, safety and security is one of the main drivers of training for enterprises in the case studies (see Chapter 3), suggesting that policy intervention has avoided a "race to the bottom" in training provision. It is however difficult to evaluate the effectiveness of existing policy intervention in solving co-ordination problems for programmes covering other types of content, such as technical, soft and IT skills.

Realising the wider economic and social benefits of training

When making decisions about training, enterprises generally take into account their own private benefits, such as productivity and firm performance (see Chapter 3). Yet, training can bring a range of positive benefits for individuals and society as a whole beyond the private benefits to the enterprise itself (see Chapter 3). Policy intervention can help realise these wider economic and social benefits by unlocking positive externalities and improving equity of labour market outcomes.

Generally, policy interventions to realise the wider economic and social benefits of training should **benefit both SMEs and large enterprises** alike. However, given their exposure to informational and financial barriers, SMEs might again require more support to ensure that they are in a position to provide the level of training that would be most beneficial from a social perspective.

Unlocking positive externalities

Policy intervention can help realise the **positive externalities** of training in terms of productivity and societal well-being. For example, training is a complement to technological change and innovation, because it enables individuals to develop skills, knowledge and abilities that can facilitate the adoption of innovative work practices and new technologies (see Chapter 3). Low levels of training might lead to a lower quality workforce, discouraging employers from investing in innovation. In turn, low levels of innovation make an investment in training less attractive for firms or individuals alike. This means that, in the absence of policy intervention, an economy might be stuck in a low-skill equilibrium of low innovation, low training provision and low productivity (Acemoglu, 1997[4]). More broadly, participation in training is related to improved health and well-being, social and political attitudes and higher participation in civic, political, and cultural activities (see Chapter 3).

The case studies shed light on two additional areas where policy intervention may be necessary to realise the positive externalities induced by training. Firstly, policy interventions might be important to foster the **provision of certified training among employers**, in particular for soft and IT skills. As discussed in Chapter 2, few training opportunities targeting soft and IT skills, and only about half of training programmes targeting technical, practical or job-related skills lead to a nationally recognised qualification, certificate or licence. Enterprises might be reluctant to provide certifiable training, because of poaching concerns, larger organisational costs and lower flexibility in the choice of the learning content. However, participation in certified training benefits their employees, if they leave the firm, and their future employers, because it can reduce hiring frictions in the labour market, by making skills more visible. Policy intervention can help realise these benefits, by making it easier and more affordable for enterprises to provide training leading to a qualification, certificate or licence.

Secondly, policy interventions may be useful to foster the adoption of **training targeting green skills and green management practices**. Programmes targeting green skills and green management practices might be important to facilitate the green transition in the context of national recovery plans and the EU Green Deal. For instance, a recent study suggests that green management practices can foster investment in green-friendly technologies and production processes (Martin et al., 2021[5]). Yet, no enterprise in the case studies reports implementing such programmes or programmes targeting green skills, although it is possible that green skills are covered in existing programmes (see Chapter 2). The under-provision of green training programmes may be due to the fact that the benefits from climate change action are realised at the social or even global level, which enterprises do not take into considerations when making their training choices. This would call for policy intervention to realign firm-level incentives with wider societal objectives. However, the evidence is still limited, and more work is necessary to evaluate both the incidence of green programmes and the factors driving their adoption.

Improving equity of labour market outcomes

Policy intervention can also be justified by **equity considerations** to support individuals disadvantaged in the labour market (Brunello and Wruuck, 2020[2]). For instance, higher digitalisation and automation may increase the returns to training for high-skilled individuals, but this could happen at the expense of the lower skilled, who may face a higher risk of technological displacement. Public intervention can help ensure that lower-skilled individuals receive adequate reskilling and upskilling opportunities to adapt to automation and technological change.

The case studies confirm that policy intervention can play an important role in **improving the equity of labour market outcomes**. Several enterprises covered in the case studies offer training opportunities for immigrant employees. When this happens, the objective is to enable employees to take up on higher-level responsibilities in the company, for example by developing better language skills, as opposed to ensuring that can integrate more easily in the labour market and society of the host country (see Chapter 2). Similarly, a small number of enterprises offer training opportunities to employees exposed to a higher risk of automation (see Chapter 3). Expanding public intervention in support of these vulnerable groups can help ensure that they receive the necessary training to be successful in the labour market.

Policy-options for supporting enterprises in training

Once rationale and target group for intervention are established, governments and social partners have a range of policy instruments available to support enterprises in providing training. This '**tool-box' includes five main types of instruments**, namely i) information and guidance for enterprises; ii) capacity building of enterprises, iii) financial incentives to steer training provision, iv) the direct provision of training and v) regulatory instruments such as laws, agreements or other institutional arrangements (Table 5.2). It should be noted that this report focuses on instruments to support enterprises in the provision of training and not on instruments that target individual access to training, such as individual financial support or career guidance for individuals. There is a degree of overlap between different types of instruments. Capacity building, for example, is often implemented through subsidising consultancy services, which can also be considered a financial incentive.

The following sub-chapter discusses the five main types of instruments, highlighting what they aim to achieve, how they function, as well as their advantages and disadvantages. It also provides concrete examples of the application of these instruments, drawing on evidence from the case studies and the wider policy literature, where no example could be identified in the case studies. An in-depth review of policy tools supporting SMEs' investment in skills in the EU is can be found in (OECD, 2021[6]).

Table 5.2. Overview of policy instruments to support training in enterprises and their rationale

Type of instrument	Examples	When using this instrument makes most sense
Information and guidance	• Awareness raising campaigns • Information services • Guidance services	Reducing informational barriers Reducing attitudinal barriers
Capacity building	• Consultancy services • Training employee representatives • Funding training networks	Reducing informational barriers Reducing attitudinal barriers Reducing financial barriers Reducing time barriers Overcoming co-ordination problems
Financial incentives	• Subsidies • Tax incentives • Training levies • Loans	Reducing financial barriers Reduce time barriers Overcoming co-ordination problems Unlocking positive spill-overs Improving equity of labour market outcomes
Direct provision of training	• Provision of training with specific content • Provision of training with specific mode of delivery	Reducing financial barriers Overcoming co-ordination problems Unlocking positive spill-overs Improving equity of labour market outcomes
Regulatory instruments	• Legislation • Collective agreements • Pay-back clauses	Overcoming co-ordination problems Unlocking positive spill-overs

Information and guidance for enterprises

Most enterprises do not have perfect information about the impact that megatrends will have on current and future skill needs, the benefits that training could deliver in this context, as well as the training opportunities and support available to implement these (see Chapter 4). These are reflected in the attitudinal and informal barriers faced by enterprises in the case studies. Different types of instruments that provide information and guidance can be used to address these attitudinal and informational failures.

The functioning of information and guidance instruments is based on the assumption that by providing more information, enterprises will be able to make decisions that are more informed and change their behaviour. The advantage of information and guidance-based instruments is that they are relatively "light-handed", i.e. they do not impose behaviour change, but empower enterprises and individuals to make their own choices (OECD, 2002[7]). They are also adaptable to different context and purposes and can be cost-effective. Their disadvantage is that their success hinges on reaching those in need of information, and targeting such instruments is often difficult. Research suggests, for example, that public awareness campaigns aimed at low-skilled adults often fail because they do not identify as the target group (OECD, 2019[8]; Commission, 2012[9]). A further challenge for information and guidance instruments is that it can be difficult to anticipate how enterprises will change their behaviour because of it (UK National Audit Office, 2014[10]).

International examples

Information and guidance instruments are often part of a wider policy-package to support training in enterprises. Examples of such instruments include:

- **Awareness raising campaigns** aim to increase the understanding of enterprises and individuals of the benefits of training and make it more popular. Communication channels for awareness raising campaigns may include on the ground campaigning, for example at trade fairs, the use of print and online media, as well as TV and radio spots. In **Switzerland**, for example, the employers' confederation and the cross-industry initiative *digitalswitzerland* launched the **campaign *#Lifelong Learning*** in 2019 (Digitalswitzerland, n.d.[11]). The online campaign aims to create a lifelong learning culture and inspire the Swiss population and employers to engage in training. It involves a pledge by more than 140 employers (status June 2021) to be an effective and sustainable advocate for life-long learning. The campaign aims to commit more employers to the pledge. It further features more than 100 inspirational videos of employees throughout Switzerland that have made positive experiences with lifelong learning and an online interactive tool *Sea of Lifelong learning* that helps employers think about motivating, facilitating and leading lifelong learning in their organisation, amongst others.

- **Information services** convey knowledge – for example on labour market conditions, skill needs, training opportunities or financial support options – in person, through printed information materials or online. An example of such an information service is the **German Competence Centre For Securing Skilled Labour** *(Kompetenzzentrum Fachkräftesicherung, KOFA)* (KOFA, n.d.[12]), although it should be noted that its services go beyond pure information provision and include consultancy services (OECD, 2021[6]). KOFA runs an online platform that aims to support SMEs in finding, keeping and skilling their employees. The platform targets individuals working in management and human resource functions. The information provided on the platform is extensive and includes articles and expert interviews, studies on skill supply and demand, concrete recommendations for action and checklists, good practices and access to webinars. It also includes a benchmarking tool that allows enterprises to compare their HR processes with those of other firms. KOFA is implemented by the Cologne Institute for Economic Research, the research institute of the German confederation of employers, and funded by the Federal Ministry for Economic Affairs and Energy. An interdisciplinary team of researchers and media experts develops the content of the information platform.
- **Guidance services** go further than information provision. They are typically provided by trained and experienced guidance counsellors that guide the decision-making process of enterprises over a longer period. Evidence from the case studies suggest that many enterprises in **France** make use of the guidance services provided by **Skills Operators** *(opérateurs de compétences, OPCO)* (Ministère du Travail, 2021[13]). These bodies are responsible for supporting SMEs in defining their training needs, identifying training opportunities and advising on the available financial support options. There are 11 sectoral OPCOs with 329 branches across France. OPCOs are run by social partners, which staff the board of directors of each OPCO with an equal number of representatives. Government representatives are involved in the board only in an advisory capacity. One in two French enterprises in the case study sample are in contact with OPCO with varying intensity. They are typically medium-sizes, although some larger enterprises also use the services.

Capacity building

How training is designed, delivered and implemented matters for maximising its impact on employees, enterprises and societies as a whole. It is intuitive that having the capacity and capability to plan, implement and evaluate training improves the training offer in enterprises. Evidence from the case studies suggests that having a dedicated training manager/specialist goes hand in hand with a more generous training offer (Chapter 4). Stakeholders can use different instruments to build the capacity of enterprises to make more effective and efficient training decisions.

Capacity building aims to increase the skills, experience, management and technical capability of firms, and specific actors within firms. It is typically delivered through technical assistance, training or other expert inputs (OECD, 2002[14]). The functioning of such interventions is based on the assumption that lack of capability – and time to build such capability – is the key obstacle for firms to make more effective and efficient decisions about training. They can target all stages of the decision-making process, for example by helping enterprises develop suitable HR systems, or specific stages of the decision-making process, for example by training actors within firms in methodologies to assess current and anticipate future skill demands.

Policy makers are increasingly interested in the instrument of capacity building, given the often discouraging evaluation results of other instruments, notably information and financial incentives (Abramovsky et al., 2011[15]; Dauth, 2017[16]; Commission, 2012[9]; Görlitz, 2010[17]; Leuven and Oosterbeek, 2004[18]). Capacity building has the advantage that it works to strengthen firms from within, empowering decision-makers and minimising their dependence on other types of support in the future. However, to be successful, these measures must avoid imposing structures and processes top-down. Instead, interventions should be tailored to the specific firm, based on organisational needs and ensure that stakeholders within firms feel ownership over the new skills, experience and capabilities. To be sustainable, capacity-building interventions should not be one off, but may need to be implemented over a longer period.

International examples

A wide range of specific instruments to build the capacity of firms to plan, deliver and evaluate training exists. These target different actors, e.g. senior management, human resource divisions or employee representatives, and different stages of the decision-making process of training. The following examples highlight some of the key ways capacity building is implemented in the case studies and beyond:

- **Consultancy services** address the attitudinal and informational barriers of key decision makers within enterprises. These consultancy services typically include technical assistance and training for key staff in enterprises. There are no examples from the case studies of enterprises using such support, which may be due to the lack of such interventions in the countries under review or the limited reach of such measures. Examples from other countries illustrate how they work. In **Finland**, for example, the public employment services implements **Joint Purchase Training** (*Yhteishankintakoulutus/ Gemensam anskaffning av utbildning)* together with employers groups of employers (OECD, 2020[19]). It involves technical assistance for enterprises in the development of tailored training programmes, selection of providers and the selection of participants. Any training is subsidised by the PES. In **Germany**, the programme **People as Corporate Value** (*Unternehmenswert Mensch*) offers targeted and subsidised consultancy services for SMEs to develop modern, people-centreed human resource strategies. Enterprises can use the services of a consultant for a total of 10 days at a subsidised rate of 50-80% depending on the size of the company. An evaluation of the pilot of the programme attests that it has low deadweight losses, i.e. enterprises would not have taken up similar services, had they not participated in the programme. People as Corporate Value is supported by funds of the European Social Fund and co-funded by the Federal Ministry of Labour and Social Affairs (INQA, 2015[20]).
- **Training employee representatives** is another avenue to build the capacity of decision-makers on training. Measures to strengthen employee voice typically focus on employee representatives' bodies, rather than individual employees, as these can be more easily targeted by policy. Individual employees are then reached indirectly through these bodies. The case studies do not include any reference to such policy interventions, but examples exist in other countries. The **Unionlearn** programme in the **United Kingdom** is a long-standing initiative to improve learning opportunities for, and the employability of, employees. Through the programme the UK Trade Union Centre trains Union Learning Representatives, who promote the benefits of training in firms, help employees to identify their training needs and even organise training opportunities. Unionlearn has trained more then 40 000 Union Learning Representatives to date and reaches more than 250 000 employees with training every year. It demonstrates particularly high success in engaging adults with low skills, older workers and people with an ethnic minority background. Evaluations have repeatedly demonstrated the added value for unions, employers and employees and a high return

on investment of the programme (Dean et al., 2020[21]; Pennacchia, Jones and Aldridge, 2018[22]; Stuart et al., 2016[23]).

- **Funding training networks** can solve co-ordination problems between enterprises. Evidence from the case studies suggest that many governments support enterprises to pool their capacity for training, typically involving enterprises in the same region, sectors or in the same supply chain. In **Austria**, for example, some enterprises in the sample are part of **Impulse Qualification Associations** (Impuls-Qualifizierungs-Verbund, IQV), enterprise networks that come together with the aim of jointly planning and implementing qualification measures for their employees. They bring together three or more enterprises in a specific region, half of which must be SMEs. IQVs are funded by the public employment services, which cover the costs of 10 days of consultancy services for the development of HR strategies, training needs assessments and planning, the planning of training and the application for financial support, amongst others. Public employment services also subsidise 50% of any training costs for older adults or adults with low skills. Similarly, in **Ireland**, the government builds the joint capacity of enterprises through **Skillnet Ireland** (Skillnet Ireland, 2021[24]). It works with more 70 single- or multi-sector networks that bring together firms, primarily small and medium enterprises, to collaborate to address their skill needs. Services of the individual networks include, amongst others, assistance in the identification of skill and training needs, development of training plans, the development of new training programmes and advice on the evaluation of the effectiveness of training. Skillnet Ireland also subsidises training, through funding that is raised through a training levy (see subsection on financing below). Evaluations suggest that enterprises are satisfied with the offer, with more than three in four enterprises stating that participating in the network had a positive effect on the long-term performance of their business (Indecon, 2019[25]).

Financial incentives to steer training provision

Lack of time and lack of finances are considered the two key barriers to training by enterprises (Chapter 3). In reality, lack of time and financial barriers are often two sides of the same coin. The apparent lack of time derives from the need to fulfil client demands, with the goal to be a productive and ultimately profitable enterprise. Time for training is traded in for greater firm output.

Financial incentives can help enterprises overcome liquidity/credit constraints. They can also help align enterprise incentives with wider economic and societal objectives, by steering investment towards specific types of training, or training for specific target groups. For instance, it may not make economic sense for a specific enterprise to provide training to adults with low skills. Financial incentives can lower the cost of training this group and make investment in their skills beneficial from an enterprise perspective.

Financial incentives maintain enterprises' freedom to make training decisions based on their own assessment of costs and benefits. However, they come with a number of design challenges: They presuppose the existence of a training market, i.e. they require that appropriate training provision exists. It can be difficult to predict the exact effect of financial incentives, in particular when their objectives are not clearly defined and they operate in complex systems with various different incentives (OECD, 2002[7]; UK National Audit Office, 2014[10]). Deadweight losses, i.e. employers obtaining subsidies for training that they would have provided anyway, can occur. At the same time, they must be designed in a way that minimises administrative burden or otherwise risk low take-up by firms (OECD, 2017[26]).

International examples

A wide variety of instruments to set financial incentives exists, including subsidies, tax incentives, training levies and loans (OECD, 2017[26]):

- **Subsidies** are the most common form of financial incentives. They are a direct and flexible way of providing financial support for different types of training and target groups within enterprises. Subsidies can be provided using a range of delivery mechanism, such as vouchers, grants or credits. Evidence from the case studies suggests that many countries have multiple subsidies available to support enterprises. In **Ireland**, for example, several enterprises reported receiving subsidies from multiple sources, including from Enterprise Ireland (government agency to support Irish businesses in international trade), Skillnet Ireland (national agency for workforce learning), Solas (government agency for further education and training) or industry bodies such as Engineers Ireland. Solas provides subsidies for enterprises to upskill vulnerable groups through the programme **Skills to Advance** (Solas, 2021[27]). These groups include older workers, those working in lower skilled jobs or in jobs at risk of significant change due to technology. The subsidy is dependent on company size: large enterprises can receive a 50% subsidy, which increases to 70% for small enterprises. Eligible training costs include costs related to the identification of training needs, as well the development, design and delivery of training (Solas, 2019[28]).
- **Tax incentives** function similarly to subsidies, only that they build on the institutional arrangements for enterprise taxation. As subsidies, they can come in different shapes and sizes, for example in the form of tax allowances (deductibles from gross income), tax exemptions (income that is exempt of taxation), tax credits (deductions from tax due), tax relief (lower tax rates) and tax deferrals (postponement of payment) (OECD, 2017[26]; Torres, 2012[29]). In the case studies, enterprises did not mention the use of tax incentives to support their investment in training. However, they exist in many OECD countries. In **Germany**, for example, enterprises can benefit from tax allowances. Investments in training are considered business expenses and can be deducted from gross income in full, when declaring corporation tax (Dohmen, 2017[30]). While easy to implement, because they build on existing institutional arrangements, tax incentives are generally considered a blunt instrument, with high deadweight losses and little evidence of their effectiveness (OECD, 2017[26]).
- **Training levies** encourage employers to earmark training costs by paying into a training fund, which is shared with other enterprises. In **Italy**, for example, enterprises pay 0.3% of their payroll into one of 20 **Training Funds** (*Fondi Paritetici Interprofessionali*), each focusing on different sectors, size and types of enterprises (OECD, 2021[31]). Set-up in the early 2000s, they now cover over 900 000 firms and 10 million workers in Italy, managing funds of more than EUR 600 million per year. Some of the funding is distributed through public calls for training plans (*Avvisi*), which aim to steer training provision towards specific skills or types of workers. It is important to note that the Italian Training Funds have struggled to redistribute training costs between small and larger firms, with larger firms much more likely to receive financial support through the funds (OECD, 2021[6]; OECD, 2019[32]). Within the sample of Italian enterprises interviewed in the context of this study, more than three in five enterprises made use of the financial incentives provided through Training Funds. However, several enterprises interviewed voiced their dissatisfaction with the instruments, highlighting that the process was to complex and bureaucratic. This is a known problem of this instrument in Italy (OECD, 2019[32]).
- **Loans** can help address liquidity constraints as an obstacle to training provision, in particular for SMEs. The use of loans to incentivise training is not very common in OECD countries. One exception is **Korea**, where firms can obtain government loans in the **Vocational Ability Development Programme**. The loan covers up to 90% of the costs (or up to a maximum of KRW 6 billion) of the costs of establishing training facilities or purchasing training equipment. The repayment period is ten years. However, take-up of the measure is low, with only a few dozen enterprises taking up a loan every year (OECD, 2017[26]). Another example is the recently launched **Skills and Education Guarantee Pilot**, which is implemented by the **European Investment Fund** on behalf of the **European Commission**. The pilot will provide debt financing – including loans via financial intermediaries – to support the investment of European enterprises in skill development

and the utilisation of the skills of their employees at work. Other target groups of the pilot are individuals and education and training providers (EIF, 2020[33]).

Direct provision of training

Despite information, guidance and incentives, some enterprises may find it difficult to change their behaviour and offer more and better training. This may be because some interventions fail. Financial incentives, for example, may not reach their objectives if a training market does not exist or is not working properly, for example due to a lack of competition. It may also be because some types of training are seen by enterprises to primarily benefit society as a whole, rather than maximising their own profits. In this case, firms may be reluctant to fund and organise the training, even if it is strongly subsidised. In this case, governments can support enterprises by the direct (and free) provision of training or by providing the infrastructure for firms to improve their training.

The direct provision of training is equivalent to a full government subsidy, but where governments or social partners are also taking ownership of the co-ordination/organisation of training. It is typically limited in scope, focusing on either specific content – e.g. digital skills – or a specific mode of delivery – e.g. online learning. Governments can deliver such provision either through their public education and training institutions or through purchasing the services of private providers.

On the plus side, the direct provision of training allows policy makers to increase training that is beneficial for society and the economy as a whole. It can help alleviate inequalities in access to training between different kinds of enterprises and different kinds of employees. On the downside, governments may not be best placed to make decisions about the type of training needed and direct provision may be inefficient.

International examples

Evidence from the case studies and beyond suggests that many countries have programmes for the direct provision of training in enterprises that conveys specific skills, often digital skills. Further, countries also support enterprises with the provision of digital infrastructure to move training online, in particular in the context of the COVID-19 pandemic. Examples include:

- **Provision of training with specific content** free of charge for enterprises and individuals can help unlock the positive spillovers of training. This may be training on digital skills, leadership and management training or training on green skills. The **Estonian** case studies include an array of examples of direct training provision, typically co-funded by the European Union. Several enterprises interviewed had participated in the project **DigiABC** (Estonian Ministry of Economic Affairs and Comm., n.d.[34])**,** which delivered digital literacy training for (low-skilled) employees in the industrial sector between 2017 and 2020. It aimed at engaging 3000 employees and 1000 managers in training through their workplaces. The project was funded by the Ministry of Economic Affairs and Communications and delivered by Adult Education Centres in co-operation with the Estonian Employers' Confederation. Beyond this, Estonian enterprises interviewed in the case studies mention a number of other publicly funded training courses. These include training courses on lean manufacturing (5s) or service design funded by Enterprise Estonia, vocational training through the Estonian Unemployment Insurance Fund and language training for Russian speaking employees.
- **Provision of training with specific mode of delivery** can help lower financial barriers of enterprises to offer training. In the case studies, this typically related to the provision of digital infrastructure in the context of the COVID-19 pandemic, but infrastructure support can also relate to physical infrastructure such as classrooms or workshops. Enterprises' or professional associations are often the ones to deliver infrastructure support. In **Austria**, one enterprise reported to have received support by the Chamber of Labour to set up an online on-boarding academy for

new staff. This was reported to be the first comprehensive training programme in the company. Similarly, in **Estonia**, one enterprise located in a rural area reported using an online learning platform that had been delivered by a sectoral association, because it had difficulties accessing a private training provider.

Regulatory instruments

Regulation has traditionally been the first response by governments to react to policy issues, be this through legislation, collective agreements, contractual arrangements or other regulatory instruments (OECD, 2002[7]). Today, many governments have adopted the approach that regulation should only be used if satisfactory outcomes cannot be achieved by alternative approaches, as the ones described in the previous sections (see e.g. UK National Audit Office (2014[10])).

The principle of regulation is that it sets rules that ‘command and control’ the behaviour of actors, giving a clear indication of what to do and what not to do (OECD, 2002[7]; OECD, 2002[35]). In doing so, regulation can address co-ordination problems and protect enterprises, people, as well as realise positive spillovers such as environment protection. In the area of training in enterprises, many countries regulate that there is a minimum level of training related to health, safety and security in the workplace. However, regulation creates costs for governments and businesses, and may curb competitiveness and growth if ill designed and implemented (UK National Audit Office, 2014[10]).

International examples

There are different regulatory instruments that can minimise co-ordination problems and move enterprises to provide training that maximises the benefits for economies and societies as a whole. Examples include:

- **Legislation** sets rules about what enterprises can and cannot do. In the case studies, there is evidence of legislation that regulates specific types of training, typically health, safety and security training. In **Italy**, for example, safety representatives in enterprises are to receive 32 hours of paid health and safety training including on regulation and communication, with continuous training every year thereafter (ETUI, n.d.[36]). Collective arrangements may increase these entitlements. In **Estonia**, enterprises reported that first-aiders in enterprises needed to renew their certification at least every three years (see Chapter 2). Similarly, formal training on technical, practical or job-specific skills is regulated through legislation. Employees in several enterprises in the sample reported to be legally required to obtain licences or certificates to drive vehicles or operate machines, such as cranes or forklifts (see Chapter 2). For instance, workers in two **French** firms in the sample are legally required to hold safe driving aptitude certificates (*CACES, Certificat d’aptitude à la conduite en sécurité*). Employees are also required to obtain a certification to operate in jobs that are subject to occupational licensing (Hermansen, 2019[37]). For example, accountants across countries in the sample need to pass exams to become eligible to practice.
- **Collective bargaining agreements** and social dialogue can play an important role in minimising co-ordination problems. Collective bargaining agreements at the firm level provide a platform for the firm and employees to agree on how to share the benefits of training. Collective bargaining agreements at the industry level instead allow to equalise wages across firms. This can help mitigate poaching concerns, while ensuring that workers receive a fair share of the benefits of training. The **German industrial relations system,** for example, has historically addressed co-ordination problems by setting wages through sectoral bargaining between trade unions and employer associations. Although union density is only moderately high, employers’ associations bind their members to these agreements, increasing their reach. By equalizing wages at equivalent skill levels across an industry, this system mitigates poaching concerns and ensures that employees are receiving the highest feasible rates of pay in return for the firm commitments they are making to firms. (Hall and Soskice, 2001[38])

- **Contractual arrangements, such as payback clauses**, which permit employers to recover at least part of their investment in training in the event that the trained employee leaves soon afterwards (OECD, 2017[26]). They reduce the risk of a loss of investment in training and can encourage employers to invest in skills. A cross-country review on payback clauses illustrates that payback clauses are either regulated through national legislation, at company-level or directly in individual contracts (Cedefop, 2012[39]). In **Ireland**, for example payback clauses are typically regulated in employment contracts. The modes of reimbursement have to be agreed between employer and employee before the start of training.

Practical considerations for policy makers

This chapter set out a rationale for supporting enterprises in the provision of training. It also gave an overview of the main instruments that policy makers have at their disposal. The following highlights some of the pertinent questions for policy makers to consider when planning inventions to support training in enterprises.

7 questions for policy makers to consider

1. **Do we need a policy intervention?** What do we aim to accomplish? Are there any attitudinal, informational or financial barriers for enterprises that need to be addressed? Do enterprises face co-ordination problems? Alternatively, are there any wider societal and economic benefits that intervention may achieve?
2. **What learning opportunities should be supported to achieve the policy objectives?** Do we know what skills are needed to compete regionally, nationally and internationally? Do we know what training/learning modes are effective? Can this be taken into account in the procurement process?
3. **What instruments are most appropriate to achieve our objectives?** What are their advantages and disadvantages? Do we need to combine different instruments to reach our objectives?
4. **Should we target specific types of enterprises or groups of individuals** with the intervention? Which ones? What is the rationale for this?
5. **What similar interventions have been tried in the past here or in other countries?** What have they achieved? How good is the evidence on their achievements?
6. **How will enterprises find out about the intervention?** Do we need to plan and fund outreach activities so that they are aware of the support available? How can we make access to the support as easy as possible?
7. **How will we evaluate the success of the measure?** Do we need to have an evaluation strategy and fund an independent evaluation?

Source: updated based on Salas et al. (2012[40]), The Science of Training and Development in Organizations: What Matters in Practice, *Psychological science in the public interest*, 13(2): 74-101.

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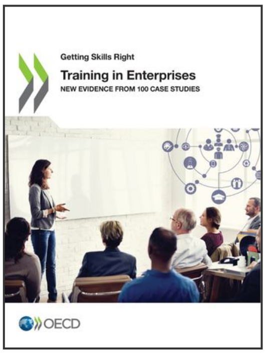

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