



EXECUTIVE SUMMARY

ENGAGING SMALL EMPLOYERS IN CONTINUING TRAINING AN INTERNATIONAL REVIEW OF POLICIES AND INITIATIVES

RESEARCH REPORT 30
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I CONTEXT, AIMS AND APPROACH

The extent and quality of training undertaken by small firms is one of the main challenges within the skills agenda. Among firms with fewer than 25 employees, 36% undertake no training and typically place little emphasis upon the role of skills in the overall business planning process. The situation is not confined to the UK, but felt across different countries, reflecting the fact that small firms generally face special challenges. Given opportunity cost barriers, and a pre-occupation with short-term and survival issues, such employers exhibit a preference for short-duration training over more formal, qualifications-based forms. Yet, most research focusing upon engaging employers in training relates to employers in general; the distinct needs of SMEs, and especially small employers, are often not specifically considered.

The SSDA commissioned this study in order to identify experiments and experiences from overseas that might inform UK policy-makers. It is concerned with continuing vocational training (CVT) of employed adults and focuses on specific areas of current policy interest, including management and leadership, the role of brokers, compensation for worker time in training, employer levies, and the effective role of Sector Skills Councils.

The study, conducted during 2007, was based largely upon internet search, supplemented by contacting policy-makers, analysts, and academics in various countries. Evidence was gathered through conducting nine country studies (France, the Netherlands, Denmark, Norway, Finland, Ireland, Australia, New Zealand and Canada), which allow exploration of the different 'system' approaches to this issue, together with 20 specific intervention measures or programmes, from a range of other countries.

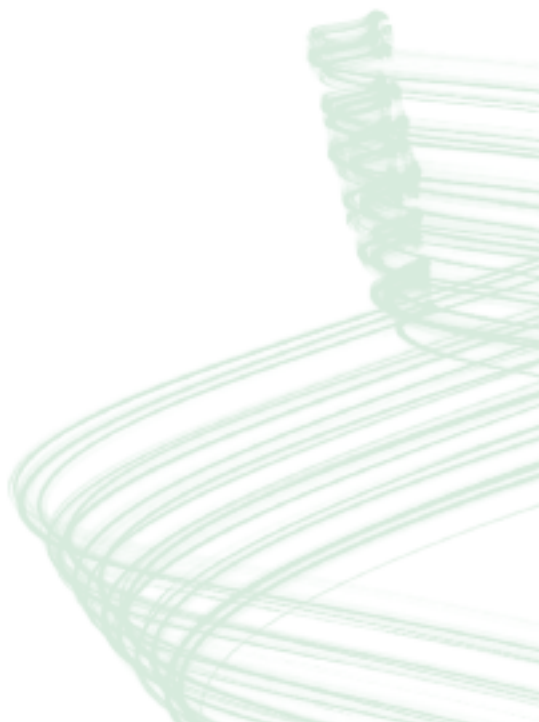
2 COUNTRY APPROACHES

2.1 POLICY CONTEXT

The proportion of relevant policy measures that are specifically focused upon small firms is found to be relatively limited in all countries and the specific focus of interventions on small firms is not closely correlated to national levels of training undertaken by these employers.

Some of the best-performing countries in this respect, such as Denmark and other Scandinavian countries, simply have a good record of encouraging training in general, which means that small firms are naturally more engaged than they are in other nations. Some of the better performers make little or no effort to target SMEs. Nor does high spending on training by government offer a clear solution. This may help to produce a context encouraging training among small firms – but countries like the Netherlands and Norway achieve high incidences of small employer engagement in training, based largely on funding by the employers themselves.

The overall policy context, including the degree of involvement of the social partners and the political support of the relevant ministries, is a key factor. The cultural setting, which varies considerably between countries, is found to be a generally positive influence with respect to engaging firms in training in Scandinavian countries, where it facilitates collective approaches to skills issues (through extensive social partner involvement), and encourages the adoption of wider workplace development programmes.



2.2 SECTORAL APPROACHES

A sectoral approach to developing training is used by a majority of countries in this study. Such approaches also facilitate a more formal, systematised route to the accreditation of prior experience and learning, than applies in the UK. Sectoral bodies can specify relatively easily the key competences required, and either link them to a unitised qualifications framework (as in the Antipodes) or opt for a looser, portfolio approach where the employee records both formally and informally acquired competences in a 'passport' (as in some European states).

While in some countries, sectoral training bodies are funded by the state, it is common in Europe for resources to be generated via a training levy, based upon a proportion of the employers' wage bills. This can be used in various degrees to exert pressure upon firms to undertake training; several involve the drawing up of a training plan, which helps to create a training culture and is one means of drawing in small firms.

As a general rule, the sectoral approach to vocational training is set within a wider system of measures to stimulate lifelong learning. In some countries this is more developed in a cross-departmental sense; while in others devolution to regional level makes for a more complex pattern. In most countries a trend is clearly established of shifting responsibility for developing and delivering skills towards formal social partnerships, often regionally constituted.

2.3 COLLECTIVE BARGAINING

Labour relations and institutional framework permitting, the review findings suggest that structured involvement (at different levels) of employee representatives and social partners may be a means of overcoming deficiencies of access and provision, not just for smaller firms, but also for disadvantaged groups, such as less qualified workers. Participation by works councils, where they have the legal rights to influence training plans and strategies, are associated with higher employer engagement, although legal thresholds mean these often do not operate in relation to small firms.


Some aspects of the system of social partnership working and collective agreements have proven useful in engaging small businesses in particular. Although many small workplaces are outside formal systems of social dialogue, social influences are found to extend to these 'harder to reach' workplaces via their effects on the prevailing culture (including more equitable access to learning opportunities), the activities of sectoral bodies (including the administering of training funds) and better supply of information on training. Even in the UK, partnership working is becoming the norm for policy formation, and consensual and cooperative action might be expected to extend further in the coming years.

2.4 INTEGRATING THE EMPLOYMENT AND SKILLS SYSTEMS

In most countries, there is relatively little convergence between those policies which focus on engaging SMEs in vocational training and those for assisting the unemployed or low skilled. Experience suggests that, even in relation to job rotation – which is

designed to combine encouragement of CVT and training/giving work opportunities to unemployed people – too much emphasis on the latter can conflict with the achievement of either objective.

Targeting can address both vocational training and employability, but it is not widely used in practice in the countries investigated. Indeed, political priority widely given to assisting the unemployed and low skilled workers often means that small firms are squeezed out of consideration. Our research suggests that more might be done to combine the two goals – and the Leitch proposals regarding the Skills Pledge for low skilled workers, combined with the idea of compensation for associated small firm costs and the emphasis in responsibilities of Train to Gain brokers towards small employers, are consistent with this notion.



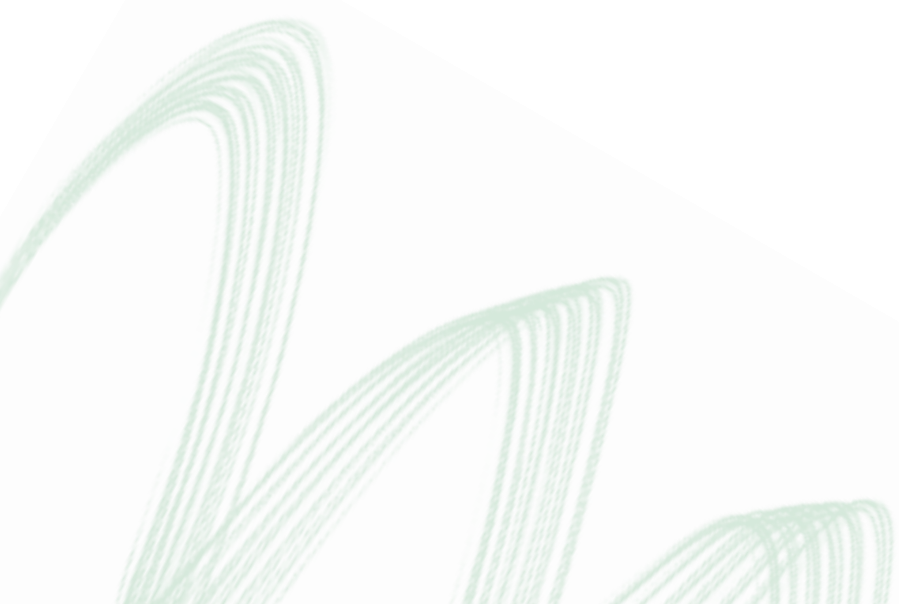
3 INTERVENTIONS IN KEY AREAS

3.1 OUTLOOK CHANGE

Making 'the business case for training' is widely regarded as an important outstanding task in terms of developing interest in skills formation among under-investing enterprises, including small firms. A strong theme can also be identified among countries examined whereby training is encouraged within a broader attempt to improve competitiveness through strengthening workplaces and improving work experience. Scandinavian countries, in particular, have piloted programmes of this kind.

3.2 INFORMATION AND GUIDANCE MECHANISMS

A key issue in engaging small firms is that of embodying capacity for human resource development actually within the firms. In the countries examined, this is achieved either through on-going dialogue and regular interactions through agents or brokers, or, alternatively, officers appointed with responsibility for human resource issues. Although experience suggests that this is a resource-intensive exercise, the methods used chime with the Train to Gain brokers' role within the UK context.



3.3 RELEVANT TRAINING

Addressing market failures and providing support – particularly in targeted areas, such as high-tech sectors – would be expected to contribute to meeting formal training targets and to benefit small firms themselves. However, much of the increased training sought by small firms is not of that kind, and schemes that are permissive rather than restrictive in their conditions are often found to be successful in engaging small (and especially micro) employers.

While it is widely accepted that there is value in having an effective system for accrediting non-formal and informal training, documentation of skills and creation of portfolios etc. can be off-putting for small employers, unless – as demonstrated by Antipodean experience – efforts are expressly made to design the system so it appeals to small employers.

Flexible delivery systems are identified in the UK National Skills Forum report as a key factor in engaging small firms. From experience overseas, the UK's new Qualification and Credit Framework is seen as likely to be attractive to small employers in creating shorter, unit-based qualifications – especially as these 'chunks' of learning can be packaged together in a flexible way – as well as to employees.

3.4 MANAGEMENT TRAINING PROVISION

Successful examples of management training initiatives for small firms, drawn from evidence of initiatives and programmes in other countries, are found generally to involve critical self-reflection and the opportunity to learn from the experiences of others in a similar position to themselves. They are also commonly associated with benefits for the participant's business post-training with respect to: accessing a larger firm's supply chain or network; developing management skills at the same time as encouraging networking within a cluster; solving actual business challenges using

experienced mentors or certificate-based training focusing on the manager's own business; and achieving business insights through learning from the experience of other owner-managers.

3.5 E-LEARNING

E-learning potentially offers an opportunity to engage time-poor SME owner-managers and their employees in training, through its greater flexibility, lower costs, logistical advantages etc. Successful e-learning projects tend to be rooted in actual work practices and contextualised to the owner's workplace and experience – preferably involving networking with other owner-managers. Design of such schemes needs to harness the technology to fit closely both the study preferences and work-related requirements of busy SME managers.

Engaging small business in e-learning is sometimes aided by bundling the learning aspects together with other online activities as a complementary package of services (e.g. including marketing-relevant activities), rather than simply an e-learning platform.

Good examples exist of sector-specific e-learning programmes, well-tailored to the needs of employers and employees. However, familiar challenges remain for e-learning platforms aimed at small firms, including how to recognise informal e-learning's exchange value within qualifications frameworks, and how they might better suit lower-skill employees.

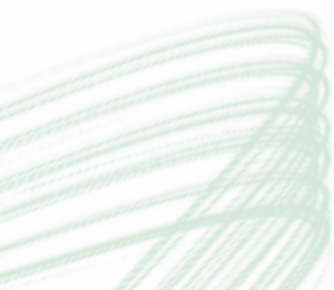


3.6 FISCAL INCENTIVES AND SUBSIDIES

Most countries permit firms to offset training costs against profits in their tax returns, and some even allow deductions of more than the training costs for particular types of firms (or training). Such extra incentives can be justified for small firms in part by the additional costs of filing for the tax deduction. Profit tax deduction schemes are cheap to administer, allow employers choice in who is to be trained and how, and give an incentive balance for employers to train rather than recruiting skills externally. Scheme design and eligibility criteria affect the participation of smaller firms in training and also the level of deadweight.

SMEs are frequently targeted in training subsidy schemes. Evidence from countries such as Belgium and France show that, carefully designed, such schemes can be effective. Although they are usually only weakly related to business performance, efforts are made in some countries to restrict support to training activities that are linked to business strategy, or to a strategically important project. The research frequently uncovered specific training initiatives which, while not specifically targeted at small businesses, may prove of particular benefit to such firms.

In some countries it is common for contracts to be made permitting employers to recover part of their investment in training, should the employee leave voluntarily soon afterwards. These encourage employers to support training by reducing risk. Although not without practical problems, such devices could apply where there are joint contributions from employers as well as employees. However, no example of such a targeted approach has



been uncovered by the study, giving weight to the conclusion that such clauses might discourage employees from taking training, while training itself helps to prevent loss of staff through poaching through its effect on staff loyalty.

3.7 TRAINING LEVIES

Levy schemes have the potential to raise and maintain a high degree of employer-based training through self-financing, and offer considerable scope for facilitating training among small firms through targeting the use of funds raised in this way. They are a low-cost measure for governments, and are in widespread use in Europe and beyond. A number of countries operate compulsory national schemes, while others have developed such systems on a sectoral basis, through agreements between social partners. The diverse range of experiences offers useful insights, given current interest in such models in the UK.

Findings suggest that this approach can make a positive contribution to the engagement of small employers in training. Administered through collective/sectoral bodies, levy-based funds can influence the level and type of training undertaken by small enterprises. As well, they can be used to address the need to train less qualified workers. It should be stressed that realising the full effect of levies is also dependent upon broader structures of advice and support.

3.8 TRAINING LEAVE

Although training leave is a direct means of encouraging CVT that can be targeted upon particular kinds of business, most government-supported training or study leave schemes are designed to support learning among disadvantaged groups, rather than being focused upon small firms. Of the schemes giving employees paid or unpaid leave to attend training courses, the majority do not discriminate in terms of the size of enterprise in which the employees are working – except occasionally in the sense of

having a minimum size, thus placing smaller firms outside the system.

In general, take-up of training leave schemes is low, because a key aspect of this decision is the means by which the leave costs – training fees, wages of the absent employee and costs of replacement staff – are met. Among the countries reviewed, the Scandinavian countries achieve the highest rates of take-up among small firms – less because of targeting than a more generous framework for leave support alongside institutions and social norms that encourage employers to participate.

Initiatives based upon study leave accounts might encourage training among employees of small enterprises, were they supported more generously, such as through a higher rate of tax relief compared with larger firms. Support schemes directed at employees are operated in a number of countries, but these tend to be differentiated by employee characteristics, rather than firm size – even though employees of small firms tend to be disadvantaged in relation to training.

Giving a statutory right to study leave is regarded in many countries as sending an important message about training, but it leaves a problem to be solved if resources are not made available to support it. The Leitch proposal for giving a statutory entitlement to workplace training (in the event that the voluntarist Skills Pledge proves insufficiently effective) is consistent with practice in many countries. Experience of those countries supports the further suggestion by Leitch that, in such circumstances, smaller employers may need compensating for the time allowances at work.



3.9 JOB-ROTATION SCHEMES

Job-rotation potentially offers a solution to the problem of worker absence for training. It supports CVT through addressing the need to replace such workers and meeting the cost of the replacement worker. While the wage earner is absent from work whilst attending a course or event, an appropriately supported unemployed person is given the opportunity for a job placement. Such schemes potentially meet both the training needs of firms and aid unemployed persons. While these schemes are often practically more helpful to medium than small firms, they play a significant role in relation to small (and micro) firms in certain sectors and localities – reflecting aspects of scheme design and substantial investment in support infrastructure.

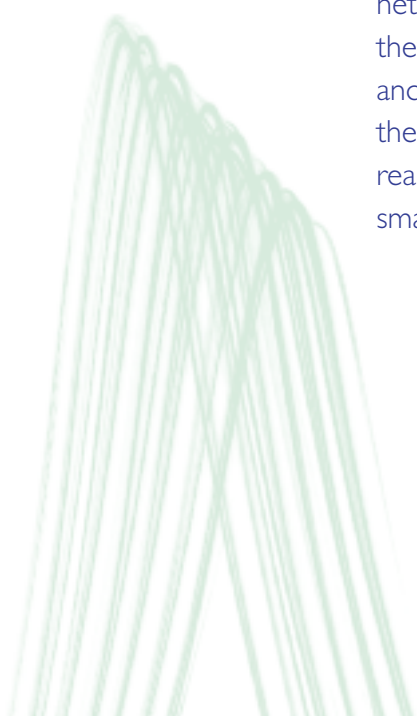
3.10 POOLING RESOURCES AND NETWORKS

Pooling of resources for training is commonly found as a means of addressing many of the obstacles to training confronting individual small firms. The use of collective funds, based upon levies or contributions, is one example of pooling resources. Pooling schemes can also make use of the facilities of larger firms for design and delivery of a variety of mentoring and training programmes to supply chain partners, including small suppliers. Such projects also offer spin-off benefits to do with networking in general and associated knowledge exchange.



Examples of successful consortia are common, demonstrating that the relationship between firms can provide the context for action on training, and that, typically, these linkages involve small firms. The larger companies play a role in facilitating training and establishing standards. While both large and small firms benefit from the resulting boost to efficiency, quality etc., the fact that participating in such training helps to secure a small firm's market position with the larger company, constitutes a powerful incentive for them to engage.

The National Skills Forum recognised the value of existing small business networks and training associations in terms of offering opportunities for sharing best practice in training. Evidence from overseas provides strong support for this route to engaging small firms in training, especially given other benefits based on the associated networking and knowledge exchange. Encouraging more such activity in the UK could build on (and help make sustainable) the work of Train to Gain skills brokers. Experiences relating to initiatives for network collaboration indicate that they need to be focused, structured and supported in ways that allow the skill formation objectives to be realised, especially in relation to small firms.



4 FURTHER RESEARCH

This review has confirmed the extensive work that has been undertaken over recent years, by way of pilot studies, evaluations, etc., with respect to numerous (and mainly localised) initiatives in the UK that relate to small firm engagement. There may be benefits for policy understanding from systematically drawing together the findings of this literature and identifying lessons, particularly in relation to key areas of policy concern.

The large scope of this study means that many of the areas explored would yield further insights, were additional time available for their systematic investigation. In relation to areas that are considered promising from the point of view of developing initiatives for the UK – such as, for example, building networks based around larger firms, or indeed among SMEs/smaller firms – more detailed study could be undertaken to throw light on important aspects of existing initiatives, including the nature of support mechanisms, governance and leadership, etc.

A more systematic means of engaging with other countries might be used to access research findings and develop policy relating to a common issue – such as the one explored in this study. Generally, present practice involves periodic fact-finding activity, international workshops, etc. Such processes permit only a limited appreciation of policy context. Entering into a longer-term relationship(s), whereby officials with specialised knowledge, along with their advisors, regularly meet and exchange information with their counterparts in particular countries, would allow a deeper mutual understanding of issues and policy.



This report is a summary of a research report carried out by Ian Stone and Paul Braidford, Enterprise and Skills Research Group, St Chads College/Durham Business School, Durham University on behalf of the Sector Skills Development Agency.

Full copies of the report can be downloaded from the Research section at www.ssda.org.uk