CEDEFOP

Beyond subsidising training costs

Policies to increase training provision in micro, small and medium-sized enterprises

Case studies

Supporting document to: Beyond subsidising training costs. Policies to increase training provision in micro, small and medium-sized enterprises

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CHAPTER 1. Overview on in-depth case studies

This document is an integral part of Cedefop study 'Beyond subsidising training costs: Policies to increase training provision in micro, small and medium-sized enterprises' (see main/synthesis report) and presents 15 case studies. The introductory chapter provides information on the objective of the case studies, lists the case studies and outlines the rationale for their selection and the topic studied in-depth, explains the methodology applied and presents case study structure.

1.1. Objective

The case studies had been developed with the aim to study the 'support arrangements' targeting enterprises, MSMEs in particular, in one specific skill formation system (national level) or skill ecosystem (on regional or sectoral level) against the wider backdrop of a country skill formation and CVET system. As discussed in the main/synthesis report (Chapter 2), the effectiveness of various policy instruments depends in an essential way on their interplay/complementarity in mitigating the barriers to training in MSMEs. Beyond the common core, that is the exploration of the 'support arrangement', each case study has a further focus, discussing one particular feature of the 'support arrangement' in further detail.

1.2. Selected case studies

The case studies were selected to address either strong features of particular 'support arrangements' or to explore limitations of the arrangements, respectively the reasons for these limitations. Another criterion for selection was the geographical coverage/balance. To this end, eight European country groups were identified, which also represent different socio-economic and institutional arrangements as relevant for CVET (Cedefop, 2015, p. 46; Roosmaa and Saar, 2012; 2017). Both countries with strong and with weak performance in employer provided CVET, as identified by the Continuous Vocational Education and Training Survey, were selected. Based on these criteria, 15 case studies were developed (see Table 1).

Table 1. Case studies overview

GROUP OF COUNTRIES	SELECTED CASE STUDIES, THEIR RATIONALE AND IN-DEPTH TOPIC	LEVEL OF ANALYSIS
Nordic (DK, FI, SE)	**DK:** The national AMU system topped up by sectoral approaches to support MSMEs Studying the interplay of the levy-based AMU system with selected structural instruments.	Skill formation system
	FI: Interplay between supply-side funding schemes for adult learning and structural support for MSMEs Studying the importance of structural instruments following a 'targeted' or 'mediated' (e.g. innovation voucher) approaches directed at MSMEs	Skill formation system
Western (IE, UK)	**IE:** National Training Fund (NTF) Studying the ways the company levy (2020: 1% of wages) collected by the NTF is used for different purposes/activities, including support for MSMEs	Skill formation system and skill ecosystem (retail sector)
	UK: Union Learning Fund Studying the State endowed Union Learning Fund as a form of support for collective bargaining on CVET and for outreach strategies (enterprises, including MSMEs are invited to become partners in educational outreach targeting their employees)	Skill formation system
Central (AT, BE, DE, LU, NL, SI)	**AT:** Support for adult learning (and learning in MSMEs) in the City of Vienna Impact of a local public organisation on increasing cooperation within the skill ecosystem	Skill ecosystem
	DE: Interplay of regional, sectoral and federal policies/instruments in Germany – construction sector in Hessen Impact of a sectoral and local social partner-led organisation on a skill ecosystem; their role in facilitating access (of MSMEs) to supporting policies/instruments	Skill ecosystem
West Mediterranean countries (ES, FR, IT, PT)	**ES:** Cooperative metal sector - Basque Country Studying interplay of national regional and sectoral approaches and dense organisational network within one leading economic sector/region. Looking at one regional/sectoral/research organisation (IMH - Advanced Manufacturing Education Centre) playing a key role in coordinating the various support instruments (for MSMEs)	Skill ecosystem
	IT: Joint Interprofessional Funds for Continuing Education Exploring the role of Interprofessional Funds in supporting training in companies, in particular MSMEs	Skill formation system
	FR: The new arrangements within the Training Fund Exploring the multiple roles of the Training Fund and its related institutions in providing financial and structural support for training, in particular in MSMEs	Skill formation system
South Mediterranean countries	**MT:** Malta Enterprise	Skill formation system

(CY, GR, MT)	Exploring the role of a single organisation (Malta Enterprise) in supporting training activities of MSMEs in a small country	
Visegrad countries (CZ, HU, SK, PL)	**PL:** Regional strategy for disadvantaged Warmińsko-Mazurskie region, including support for MSMEs Reviewing implementation of strategic cooperation within a skill ecosystem in economically disadvantaged region allowing to safeguard, among others, MSMEs access to national support policies /instruments	Skill ecosystem
	HU: Access for MSMEs to EU funding Exploring the use of EU funding in supporting MSME training activities	Skill formation system
Baltic countries (EE, LT, LV)	**LT:** ESF/ERDF measures in Lithuania Exploring the use of EU funding in supporting MSME training activities	Skill formation system
South East European countries (BG, HR, RO)	**BG:** Access to funding for MSMEs – the evolution of the 'My competence' framework Studying the development of a platform for integrating support available for MSME training activities	Skill formation system
	RO: Lifelong Learning Centres Studying the attempted creation of local community centres as a basis for cooperation (with local enterprises, in particular micro- ones) in educational outreach strategies	Skill formation system

Source: Cedefop

1.3. Methodology

The case studies were prepared in close cooperation with country researchers who provided in-depth information on the selected topics in the respective country, sector or region. The case studies are based on desk research/literature review (including available evaluation studies) and at least one interview on the topic selected for the case study (with a person being directly involved in the implementation of policies/instruments discussed in the selected case study).

1.3.1. Structure of the case studies

The case studies are structured into five sections:

1. **Rationale** of the case study, introducing its key topic and the reasoning for having selected the country, region or sector and the respective topic.

2. **Socio-economic context** section provides brief information on economic environment (e.g. GDP per capita, wage levels, composition of the economy out of large/medium/small enterprises) and adult learning (e.g. the level of participation of adults in CVET/adult learning) for a selected country, region or sector.

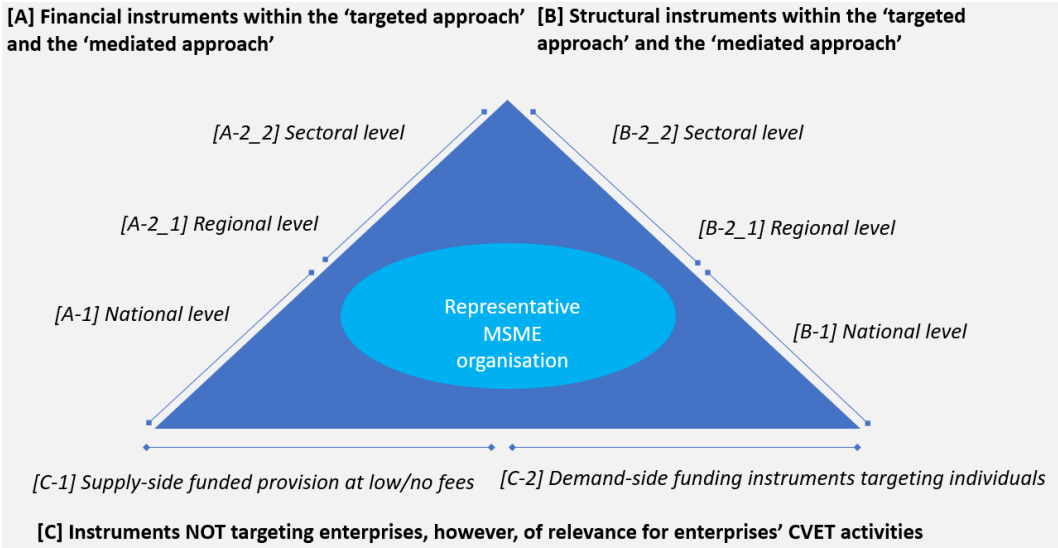
3. The section **Policy context and key organisations providing support (relevant) for MSMEs** shows e.g. the access points to training, the institutionalisation of adult learning, etc. for MSMEs in the selected country, region or sector. It gives an overview on how policies supporting training are organised (national/ regional/ sectoral level).

4. **Interplay of financial and structural instruments** section includes an illustration of the relevant instruments implemented at national, regional or sectoral level and as available to a single MSME positioned in a particular region or/and sector (Figure 1). The objective is to represent 'opportunity structures' for MSMEs (in the sense which forms of support are available to them that MSMEs can potentially combine and use). Moreover, other support structures are highlighted. Supply-side funded provision of adult learning/CVT may play an important role as an enabler of training in MSMEs. Incentives targeting individuals may be also relevant for MSMEs to achieve – jointly with their employees – their organisational goals.

5. This section discusses the selected **in-depth topic** of the case study.

6. The last section provides summary of the information discussed in the case study and **conclusions**.

Figure 1. Illustration of the conceptual framework (interplay of instruments) for the case study



Source: Cedefop

For further details on the conceptual framework/methodology please refer to the main/synthesis report, in particular Chapter 2)

CHAPTER 2.

Presentation of in-depth case studies

2.1. Bulgaria. Access to funding for SME – the evolution of the 'My competence' framework

2.1.1. Rationale for the case study

The case study focusses on the framework at national level which provides relevant adult learning opportunities and related contributions to funding targeting enterprises and their employees – and MSMEs and their workforce in particular – through a common approach. The framework derived from a Business Interest Organisation steered initiative (with trade unions' participation) and forms now a key component of the 'support arrangement' underpinning the promotion of training in MSMEs' present in Bulgaria. However, the effectiveness of the framework equally depends on local coalitions (e.g., regional associations involved in adult learning, regional groups of lifelong learning, local government bodies), which promote the use of the framework within local skill ecosystem.

2.1.2. Socio-economic context

Bulgaria joined the European Union on the 1st of January 2007, together with Romania. Since that moment, the country has been able to use the European funds for a variety of policy purposes, including human resources development.

The Bulgarian economy is among the weakest ones the EU. Although the GDP per capita in Bulgaria grew from EUR 4 900 in 2008 to EUR 6 500 in 2018, it remains the lowest one in the EU. Prior to the Covid-19 pandemic, there has been a stable economic growth of about 3% over several years (Angelova and Boyadjieva, 2020).

The Bulgarian economy relies mainly on micro (91.8%, 315 666) and small (6.7%, 23 082) enterprises, with only a small share/number of medium-sized enterprises (1.3%, 4 331) and large enterprises (0.2%, 690)[1]. The share of employed working for MSMEs is considerably higher (74%) than the EU27 average (64%). 30% work for micro enterprises (1-9 employees), 23% for small enterprises (10-49) and 21% for medium-sized enterprises (50-249)[2].

[1] Enterprises within NACE Rev. 2 sections B to J, L, M and N

[2] 2021 SME Country Fact Sheet's Background Document - Bulgaria

As a result of economic growth, increased labour demand and rising wages, the rate of economic activity of the working-age population reached a level of 72.5% in the third quarter of 2018. In 2018, the unemployment rate continued its downward trend and reached 5.2% among people 15–64 years old. (Angelova and Boyadjieva, 2020)

Bulgaria is among the countries with the lowest participation rate in lifelong learning in the EU. (Angelova and Boyadjieva, 2020; European Commission and Boyadjieva, 2018).

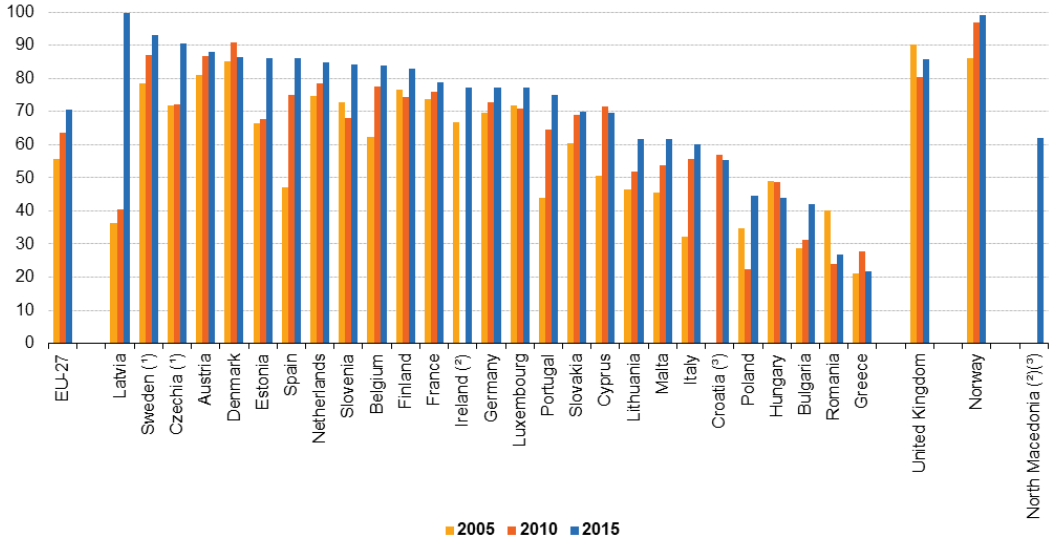
Indicators on training performance of enterprises, based on CVTS (2015) data, demonstrate that the overall level of training activity in Bulgarian enterprises is below the EU27 average for practically all key indicators observed (see Table 2). Only for the costs of training, expressed as a percentage of the labour costs, indicators are close to the EU27 average. The training gap between small and large organisations as measured by the CVTS is larger in Bulgaria than the respective training gap in the EU27 as a whole.

Table 2. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Bulgaria and the EU27

INDICATOR	BULGARIA				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	38.2	56.2	78	42.2	66.9	84.3	95	70.5
Participation rate (all enterprises)	15.7	21.9	40	26.5	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	4.2	6.6	11.3	7.5	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	1.1	1.5	1.5	1.4	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

Figure 2. Enterprises providing CVT, 2005, 2010 and 2015



(¹) 2015: break in series.
(²) 2010: not available.
(³) 2005: not available.
Source: Eurostat (online data code: trng_cvt_01s)

eurostat

Source: Eurostat

Overall, the training performance of Bulgarian enterprises has somewhat improved between 2005 and 2015 (see also Figure 2. Enterprises providing CVT, 2005, 2010 and 2015). The observed slight improvement is certainly caused by the interplay of various mechanisms going beyond the public support for training in companies, however, the latter are likely to have contributed to the ongoing change. Policies have increased the awareness for the need for skills development in many economic sectors.

2.1.3. Policy context and key organisations providing support relevant for MSMEs

Enterprises, MSMEs in particular, can receive financial support to cover (partially) their training costs (financial support within the targeted approach). Moreover, some structural instruments (e.g., the vocational training centres run by social partners, see for example #BG_03 or #BG_05)) within the targeted approach are available, while instruments following a mediated approach (e.g., providing support for innovation) are scarce (no example could have been identified during the field phases). However, support schemes following a mediated approach can be also integrated into frameworks following the targeted approach, as the preferred framework for providing support is the issuing of specific calls for proposal, allowing for providing sources for specific topics (as for examples, calls for projects proposing specific innovation activities and requesting support for the related CVET costs).

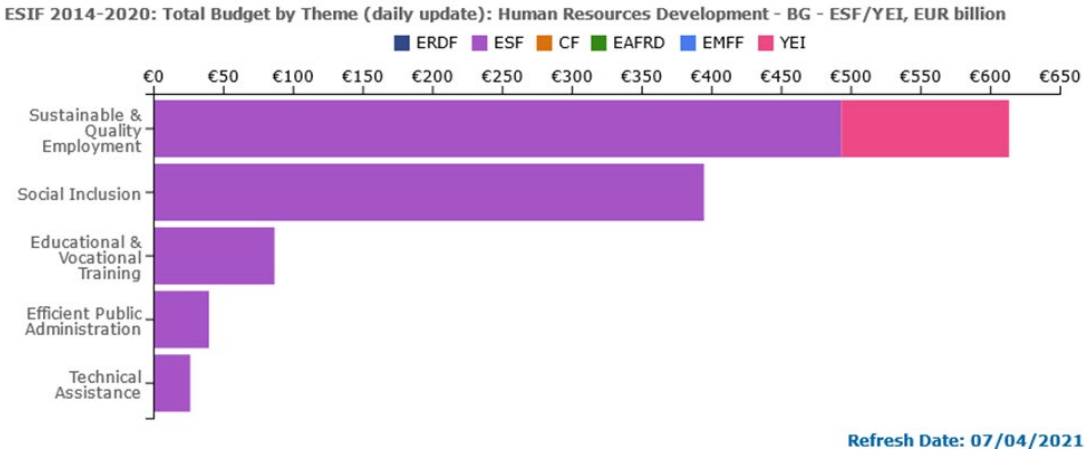
Key actors include the Ministry of Labour and Social Affairs, the Ministry for Education and Science, which are both responsible for adult education in Bulgaria. The Employment Agency (EA) is an executive agency under the Minister of Labour and Social Policy responsible for the implementation of policy instruments. Given the dominant role of the EU funding for any public support for human capital investment, the management of the related operational programmes forms a key player in shaping related policies. In the context of the poorest EU Member State, the EU funds represent an important lever for economic and social development. Despite some debates about the use of a centralized or decentralized approach, since the accession to the EU, the programming of the EU funds has been always centralized at the level of the national ministries and executive agencies in Sofia.

The human resource development funding had been steered by the ESF Operational Programmes since 2007. For the period 2014 – 2020 the total budget of Bulgaria's Human Resources Development (HRD) Operational Programme (OP) was EUR 1.1 billion (with a total EU contribution of EUR 0.99 billion). One of the two main objectives of the OP has been to boost employment. The OP envisaged that lifelong learning opportunities are offered to all groups and age levels. According to the OP it was expected that about 160 000 people would benefit from lifelong learning opportunities during the whole period of seven years. Both categories of employees and of jobseekers have been eligible for receiving support in order to obtain new skills and qualifications and thereby to improve their career opportunities. While some of the funding schemes have been targeted at individuals (e.g. vouchers), others have been allocated on the basis of successfully ranked competitive project proposals mainly put forward by enterprises or network of enterprises (more rarely). This approach had been largely used already for the implementation of the Operational Programmes of the 2007-2013 period. The use of competitive bidding scheme has been driven by the goal to introduce an objective and transparent selection process and thereby supporting the selection of the best proposals. However, the complex regulations underpinning the application process (e.g., with application guides running over dozens of pages, proposals requiring numerous documents) and the need to have specific skills in order to prepare such project proposals worked in favour of large companies which either have the relevant skilled personnel to put forward such proposals or which have the financial leeway to employ external consultants) and discourage MSMEs to apply for funding.

Figure 3 summarises the financial efforts mobilised within the ESF OP during the period 2014 – 2020. As it could be seen, the budget targeted at training has been a bit less than EUR 100 million in total, both for the support of individuals and companies, including MSMEs.

Figure 3. ESIF funding in Bulgaria in the programming period 2014-2020

Source: https://cohesiondata.ec.europa.eu/programmes/2014BG05M9OP001#



The level of training performance of Bulgarian enterprises is further driven by the increasing technological development of Bulgarian companies that started to complete more complex tasks and thereby to play a more prominent role in their respective Global value chains (GVC) during the last decade. In this context, the significance of training in companies (and especially in MSMEs) has been increasing (Focacci & Kirov 2021). Due to international competition, the related introduction of more sophisticated technologies and the need to retain talent (Bulgaria is still a country with negative net migration), training has become a more important factor within MSMEs strategies.

However, despite an increased interest in training as such, many Bulgarian companies do not want to use available EU funds, as they fear for instance high levels of bureaucratic efforts or low levels of reliability of the formal procedures.

2.1.4. Interplay of financial and structural instruments

Enterprises can profit from financial support and a smaller number of structural instruments following the targeted approach.

Instruments providing targeted financial support are provided under the Operational Programmes and implemented for the whole or a fraction of an ESF funding period. Instruments are operated under different, regularly changing names (as for example “Chance for a job” #30, “Skills” #321 and so on). Although detailed statistics for the different instruments are not publicly available, it is clear that the EU funded instruments provide the lion’s share of public funding. While instruments are accessible by all companies, MSMEs enjoy preferential treatment such as higher co-funding rates. For example, the maximum co-funding rate under

the framework “Skills” (*Umenia*, #321) [3] in accordance with the requirements of Commission Regulation 651/2014 depending on the category of applicant candidate / partner(s) is as follows:

- For large enterprises up to 50% of the total eligible costs of the project can be covered.
- For medium-sized enterprises, 60% of the total eligible costs of the project are refundable.
- For small / micro enterprises, up to 70% of the total eligible costs of the project can be covered.

For large and medium-sized enterprises, the aid intensity may be increased by 10 percentage points of the eligible costs in case the training is offered to disabled or disadvantaged workers.

Support for training provided, in line with EU competition law, is subject to the De-Minimis regulation, meaning that public support for training (or any further public support falling under the same regulation, e.g., for innovation) must not exceed EUR 200 000 over three years. The De-Minimis regulation limits the opportunities of large enterprises to use related public funding streams, thereby improving the probabilities for SMEs to access funding available. However, by providing support to employees individually, (e.g. via vouchers), the limitations of the De Minimis regime can be avoided.

Funding is typically provided for training projects on a competitive basis, with decisions made based on the perceived quality of the match between the training projects proposed and its likely effects and the goals formulated in the calls for projects issued.

Structural instruments, such as organisational counselling, or experimentation projects, are mainly provided on a project basis supported by EU funding lines with often limited national co-funding. Beyond EU funded project frameworks, no public organisation, as for example the PES or a Business Development Agency, hold the responsibility for comparable activities on a permanent basis. The social partners representing business and labour have begun to assume a greater role in co-determining the ways EU funds are used since 2007 and have pushed for policies allowing for various instruments supporting training provision, following a targeted or mediated approach.

First, the social partners run important training centres (e.g., Worker education and training college (WETCO) under the Confederation of Independent Trade

[3] The Umenia (Skills) procedure aims to improve the skills of the workforce, promoting professional and career development, while stimulating participation in various forms of employment and lifelong learning.

Unions in Bulgaria, CITUB (#BG_03) or Vocational Training Centre under Bulgarian Industrial Capital Association, BICA (#BG_05).

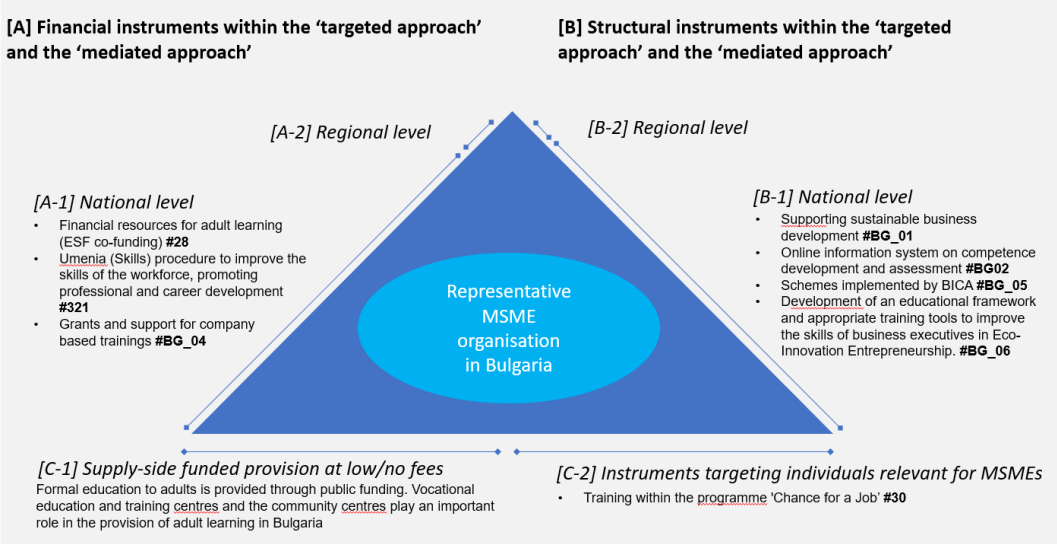
Second, the social partners initiate and/or join large-scale projects, typically, financed by ESF which aim at strengthening the collaboration, usually on topics of mutual interest, such as training, health and safety or the joined actions to combat informal economy. Results of these project-based cooperation can form the basis for the development of permanent support structures, as demonstrated by the example in the following section (see 2.1.5).

Beyond project-based instruments, enterprises can use a payback clause for shielding themselves against the loss of their training investments (#33).

Supply-side funding for adult learning is restricted to formal programmes (general or vocational) provided for adults. The proportion of adults (25+) in formal schooling on ISCED11 level 1-3 is considerable (about 37 000 in 2017). (European Commission and Boyadjieva, 2018)

Enterprises may also profit from the schemes in place supporting their individual workers, however, they are targeted to vulnerable adults only. Individuals enjoy rights for paid or unpaid educational leave (#32), both supporting their progress in formal adult education.

Figure 4. Interplay of financial and structural instruments – Support arrangement at national (skill formation system) level in Bulgaria



Source: Cedefop

Figure 4 provides the summary of the support arrangement in place at a national (skill formation system) level. At national level [A-1] and based on ESF funding, financial contributions to the costs of training and some structural instruments are provided, with schemes changing within and over the ESF funding

periods. Supply-side funded adult learning [C-1] is restricted to the systems of (VET) schools/centres as well as community centres offering learning opportunities for free. Support for individuals [C-2] is available only for members of vulnerable groups. Instruments are implemented at a national level, however, regional structures (regional groups involved in adult learning, local authorities) play a key role for connecting support schemes with local groups of beneficiaries.

2.1.5. *MyCompetence* - The role of a national platform in promoting regional initiatives supporting training in MSMEs

The National Competence Assessment System MyCompetence is an online platform, created by Bulgarian Industrial Association (BIA), in the field of human resource management and development, which offers competency profiles and job descriptions for key positions, catalogue of competencies, assessment tools, e-learning resources and other services for assessment and development of workforce competencies.

The project My competence has been initially implemented by the largest employer's organisation in Bulgaria the "Bulgarian Industrial Association - Union of the Bulgarian Business" in the period 2009-2013 with the support of the ESF (Operational Programme for the Development of Human Resources).

The overall project objective was to enhance labour market adaptability and effectiveness, as well as to strike a greater balance of labour market demand and supply by developing a system for workforce competence assessment by sectors and regions. Among the specific objectives of the project, it was envisaged to establish a Bulgarian Competence Assessment Network by Sectors and Regions (BUCAN) and a Workforce Competence Assessment System (CASSY) and updating them in accordance with the current and future labour market demand. The project has continued with the financial support of the EU.

The large part of the resources in the system are free of charge, but the users should have a registration. The main users of MyCompetence are: enterprises (managers, experts, human resources management specialists (HRM)); ministries, agencies and other institutions and organizations related to the labour market, education, continuing education, selection and leasing of staff, career counselling; higher schools, vocational high schools, licensed vocational training centres; organizations providing services in the field of selection, management, training and development of human resources; persons working under employment, as well as persons seeking employment; pupils and students and finally, any person who would like to assess their knowledge and skills to develop their competencies.

The development of MyCompetence was motivated by the need to tackle several challenges related to mismatches between the labour supply and demand

in terms of knowledge, skills and competencies. The competence assessment initiative continued with a second ESF project in the period 2015-2019 under the HRD OP (2014-2020). Following its completion, in September 2019, the ownership and copyrights of the system were transferred to the Ministry of Labour and Social Policy (MLSP) who continue to run it. The main elements of MyCompetence are: Sector models; Competence assessment; E-learning and Economic sectors information. The e-learning provides large variety of trainings (https://mycompetence.bg/en/elearn/). During the first phase of the project there have been 625 training courses at the workplace, consulting at least 125 people and organizations and training at least 2 500 people in key competences. In 2018, about 5 000 have followed e-courses, proposed by My Competence (https://www.bia-bg.com/news/view/24653/).

MyCompetence was designed and developed in the period 2010-2015 for 20 economic sectors. In 2017-2019 it was upgraded with competency profiles for positions in five more economic sectors. Overall, 25 sectors are now included in the system and the developed professional standards have covered almost half of the existing positions in the country. In addition, the system contains a rich methodological base, as well as e-learning and competency assessment tests, covering 1 359 competencies and 38 000 behavioural Pennacchia barriers. There are 10 Regional Competence Assessment Centres (RACs) which coordinate, exchange information and implement competence assessment in enterprises located in the region.[4]

There were different reports evaluating positively MyCompetence. One of the last reports is from 2019[5] - Key policy messages report: Peer Review on "Competence Assessment System: MyCompetence", Sofia (Bulgaria), 28-29 November 2019 is also very positive, outlining several success factors, but also the need for the measure to be more flexible, e.g. from the perspective of the future of work, digital skills and so on. In addition, the fact that this operation was launched by an employer's organisation, but later transferred to the MLSP is definitely a strength.

2.1.6. Conclusions

In general, the overall level of training activity in Bulgarian enterprises has been below the EU27 average. This gap has been particularly pronounced for the category of MSMEs. The financial and structural instruments for training development in MSMEs in Bulgaria have been provided mainly through the European funds since 2007. The distribution of the EU funds has been delivered

[4] There is a map with the registered companies in the regions, https://mycompetence.bg/bg/enterprisemap/

[5] Available at: https://mycompetence.bg/bg/static/82

through centralized mechanism. Very often, the preferred selection mechanism has been the competitive ranking of project proposals that facilitated larger companies that could easily access experts. The process of training support was facilitated also by social partners in various ways. The examined example is a long-term project of the main employers' organisation in Bulgaria, the Bulgarian Industrial Association. The project MyCompetence supported the identification of training needs in many sectors, established vocational standards and put in place number of trainings. After the successful development of the project, it was taken over by the Ministry of labour and social policy and has become sustainable in this way. This approach could be an inspiring practice also for other countries and contexts, because it is based on the continuous involvement of social partners and key stakeholders in the development and update of profiles and qualifications. However, the challenge is to keep updating the system and to ensure the further commitment of stakeholders.

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2.2. Denmark. National AMU systems topped up by sectoral approaches to support MSMEs – interplay with structural instruments

2.2.1. Rationale for the case study

Denmark has a particularly strong tradition of adult learning. Its state/supply side-funded AMU (Arbejdsmarkedsuddannelser) system – introduced in detail in chapter 2.2.3 – is regarded as one of the most effective approaches to fund training, providing shorter and extended upskilling/reskilling CVET programmes at no or low fees that can be used by MSMEs, respectively, their employees. Demand-side schemes for funding adult learning also have a long tradition in Denmark, resulting in a broad offer for both individuals and employers. This chapter also shows that supply and demand side support arrangements are often anchored in Denmark's corporatism in industrial relations, thereby structurally incentivising training, as support measures have often been created as part of tripartite agreements between the social partners and government. Furthermore, the chapter shows how additional structural incentives are provided to MSMEs as part of innovation and active labour market policy. This includes in particular Denmark's business hubs and job centres, the latter of which are explored in detail in this chapter.

2.2.2. Socio-economic context

Denmark's real GDP per capita (EUR 48 150) is above EU-average and its Nordic neighbours Sweden and Finland (Eurostat, 2021e). Its mean annual earnings in full-time employment are EUR 64 576, which is far above the EU-average (Eurostat, 2021f). Until the Covid-19 pandemic, Denmark showed robust economic growth at or above the European average (Eurostat, 2021d). This positive economic performance before the Covid-19 crisis is also captured by the unemployment rate, which decreased from 7.8% to 5% between 2011 and 2019, which is below the European average (Eurostat, 2021c).

Similar to EU-average, most persons (around 65%) are employed by MSMEs. However, within the group of MSMEs, compared to the EU-average, Denmark has a lower share of micro-sized enterprises (88.5% compared to 93.1%), and a higher share of small (9.5% vs. 5.8%) and in particular medium-sized companies (1.8% vs. 0.9%), compared to the EU-average (Eurostat, 2021a). In terms of employment, they account for 19%, 24%, and 21% respectively.

Denmark has a particularly strong tradition of adult learning. While training incidence as well as the number of training hours provided during work hours has been decreasing since 2005, Danish firms still provide continuing vocational training to a degree above the EU27 average. Furthermore, they profit from the supply-side funded training provision available to their employees. Enterprises direct monetary expenditure on CVET courses as percentage of total labour costs is above the EU-average in 2015. However, the training gap between small and large organisations has widened. As visible in the Table 3, while training incidence of small and medium-sized firms is still above EU-average, small and medium-sized firms show considerably fewer hours of training per person employed compared to large firms, with 6.5, 9.4 and 16.7 hours per employee respectively. In short, small and medium-sized companies train less, large companies increased their efforts.

Table 3. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Denmark and the EU27

INDICATOR	DENMARK				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	83.7	94.5	98.2	86.6	66.9	84.3	95	70.5
Participation rate (all enterprises)	25.4	31.2	41.8	34.6	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	6.5	9.4	16.7	12	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	1.1	1.6	4.1	2.7	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

2.2.3. Policy context and key organisations providing support relevant for MSMEs

The adult learning system of Denmark is considered as one among the most developed worldwide. This is based on a strong public commitment to funding adult learning, in particular supply-side funding arrangements resulting in a broad provision of opportunities at no or low fees.

Three ministries have responsibilities for adult education and learning. The Ministry of Children, Education and Gender Equality is responsible for general adult education and for labour market training. The Ministry of Higher Education and Science is responsible for part-time higher education and the Ministry of Culture is responsible for popular adult education.

Since the 1960s, a tense network of public education and training centres has evolved, which have since then been complemented by (private) non-profit

organisations. Adult education includes “preparatory” adult education (FVU, e.g. basic skills, English, IT), lower secondary-level general adult education (AVU), upper secondary-level general adult education (HF, GS), initial vocational education for adults (EUV, formerly GVU), (part-time) higher education (e.g. “advanced adult education” VVU), and liberal/popular adult education (Ministry of Higher Education and Science, 2019).

Finally, shorter and extended (upskilling/reskilling) CVET programmes are offered within the so-called AMU system (Arbejdsmarkedsuddannelser), which is among the key factors explaining Denmark’s high level of participation in formal and non-formal, and in particular job-related non-formal education and training. Introduced in the 1960s, the AMU system has evolved into one of the most effective approaches for supporting job-related education and training world-wide (Thelen, 2014a). Individual employees and their employers alike can choose from a rich catalogue of about 3 000 programmes provided in local centres across Denmark. It targets both the employed (thereby meeting employers’ and employees’ interest) and the unemployed within one system of provision, so an often unfortunate rupture between continuing vocational training and active labour market policy is not a key concern in the Danish system. The AMU system is state-funded and educational provision is provided free of charge or at low fees. This state-based funding is complemented by Denmark’s corporatism in industrial relations, as social partners are main stakeholders in the governance of the AMU system, and support measures are often the result of tripartite agreements between the social partners and the government.

Declining participation numbers in the AMU system reflect the strongly declining proportion of young Danes in vocational education and training on the upper secondary level (Ibsen and Thelen, 2020) and a shift away from jobs requiring medium-level of skills to jobs requiring higher-level of skills. Interconnectedly, a lack of innovation in the Danish adult learning system has been criticised. This includes the traditional segmentation according to levels of education, as *“* modern work is increasingly organised as collaboration across types and levels of education and competence*”,* as well as the fact that new forms of work and employment in the face of digitization (e.g. platform economy) and globalization have been argued to *“*not fit well into the established conditions for participation in and funding of vocational adult learning*” (European Commission and Rasmussen, 2018).*

2.2.4. Interplay of financial and structural instruments

Public funding is distributed both by supply-side funding of provision and demand-side instruments. Due to the AMU system’s strong supply-side funding, costs for

fees are not of any particular concern (with fees of about EUR 100 for one week of full-time education), neither for the individual workers, nor for the employers using the external provision (Andersen and Helms, 2019). Providers in the AMU system negotiate access to their supply-side funding with the Ministry of Education, thereby being required to meet various benchmarks and standards.

Demand-side schemes for funding adult learning also have a long tradition in Denmark, resulting in a broad offer of training allowances, subsidy schemes, sectoral training funds, and state education support, both for individuals and employers.

For co-funding training for enterprises, the Employers' Reimbursement System (#60) provides the corner stone. All employers must contribute a lump sum per employee per year (DKK 2 803/EUR 377 in 2021), irrespective of their own training activity. The Employers' Reimbursement System provides companies with a grant for compensating the wages when trainees (adult or youth) attend vocational school as part of initial vocational education and training. Finally, a bonus-malus system is also financed via the Reimbursement System, providing enterprises with a premium for providing internship places (#277).

In addition, employers are eligible to receive the state-funded Adult Apprenticeship Subsidy to cover (partly) their training costs for particular types of training activities when employing apprentices (either former unemployed persons or unskilled workers). In line with support in initial education, particular support is provided to companies which accept adults as apprentices within the formal dual system of vocational qualification (#61). Meanwhile, there are no legal regulations regarding payback clause (#358), so an employer can make a payback clause with an employee if he/she wishes to. In this regard, final decisions are determined by courts in case of no agreed solutions between the employer and the employee.

Demand-side schemes for individuals focus on lump-sum grants supporting the living costs and additional costs related to education and training such as materials or travel costs. The most relevant instrument for the employed is the Training Allowance scheme (#385), providing a lump sum public wage replacement of about EUR 640 per week in case the respective employer does not continue to pay wages during training (in case employer continues to pay wages, the Employers' Reimbursement System covers (partly) wage costs, see #62). Individuals must be employed at the time of applying for training and their educational background should not exceed general vocational training unless qualifications have not been in use for the past 5 years. For incurred training fees, the Transition fund (#275) provides support of up to EUR 1 340 per year. Adults without an upper secondary education are supported by a lump sum scheme providing a wage replacement payment (linked to the level of unemployment

benefits) or a loan scheme (#63, #64), both reflecting similar funding arrangements available in initial education. Finally, there exists a tax incentive for taxpayers who participate in CVET (#345). According to the law, employees who participate in CVET directly linked to their paid work, have the right to get the cost of the training deducted from tax payments, but not for new competences and qualification different from their paid work.

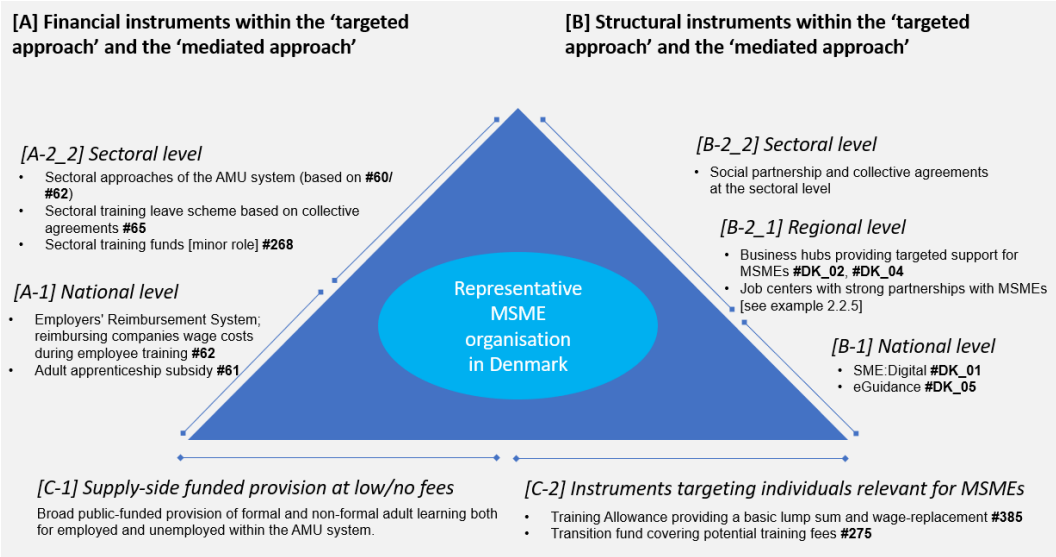
Denmark's corporatism in industrial relations provides a strong base for skill formation and the support for CVET, therefore structurally incentivising training participation. Key features of the Danish system, including the AMU system and the Transition fund, have been created and/or are governed via tripartite concertation between the social partners and the government. Furthermore, collective agreements at the sectoral level between the social partners offer a range of financial and structural incentives targeted at employers as well as individuals. Employees may enjoy rights for training leaves vis-à-vis their employers based on binding collective agreements, however, the overall frameworks in place for funding training somewhat limit the importance of the paid training leave scheme (#65). Based on collective agreements between the social partners, sectoral training funds (#268) were created with the intention of filling gaps left by the overall system. They are financed by the companies and have different rules and regulations according to sector. They offer financial incentives for both employees and employers and for example compensate for fees, travel costs and accommodation, and training materials. Furthermore, several structural incentives are financed by the funds, including production of information material, development of new courses/training techniques, research, pilot projects, and marketing activities to make enterprises aware of the importance of CVET (Cedefop, 2008).

Furthermore, there are also structural measures directly targeting employers, and in particular SMEs. These policies can increase SMEs participation in adult learning by providing tailored training opportunities to SMEs and/or potentially increasing SMEs skills requirements. For example, Denmark's business hubs provide business counselling and skills development (Forretningsmæssig sparring og kompetenceudvikling, #DK_02). Together with the municipalities of Denmark and the online business promotion platform (an online guide for enterprises supported by the Government), these six business hubs are the centre of the decentralized business development in Denmark. The business hubs are financed by the municipalities. Specialized counselling focuses on business operation and development of MSMEs in Denmark. For instance, the Business Hub of Northern Jutland offers 12 counselling meetings over 6-8 months with a fixed counsellor. The offer is a part of the program called "Willingness to Grow", specifically targeting

smaller enterprises with an ambition to grow. Amongst other topics, the business counselling meetings focus on clarification of competences, preparation for certificates, human resource management and new business strategies. Business Hub Northern Jutland refunds between 50-100 percent of the cost to the enterprises participating. The programme is supported by the European Social Fund and the European Regional Development Fund.

The business hubs also administrate "SME:Digital" (SMV:Digital; #DK_01), a national programme established as a part of the government's strategy "Denmark's Digital Growth", running since 2018. The Danish government is funding the programme with 70 million DKK (EUR 9.4 million) from 2018-2021. The aim of the programme is to support the development of digital competences and the use of digital tools within SMEs in Denmark. The programme consists of a range of different funds focusing on either digitalisation, green transition, or E-commerce. SMEs can seek support to participate in workshops that include a masterclass-presentation, company-cases and idea exchange and feedback from other like-minded enterprises. Participating SMEs can also sign up to different online training sessions and workshops within the area of digital transition – the workshops and training sessions are for free. SMEs can apply for more concrete financial support for counselling, the size of which varies with the size of the company and turnover. Companies with up to 249 employees are eligible. Different online sources show that the programme has received a lot of interest from companies and many applicants for the different grants.

Figure 5. Interplay of financial and structural instruments – Support arrangement at national (skill formation system) level in Denmark



Source: Cedefop

Figure 5 summarises the support arrangements for MSMEs in Denmark. Financial support for adult learning is provided via the strong supply-side funding scheme AMU [C-1] as well as a variety of demand-side schemes targeted at individuals [C-2] and employers at the sectoral [A-2] and national level [A-1]. Strong social partnership arrangements [B-2_2] that give employer associations and labour unions a role in the governance of adult learning act as structural incentives and complement the strong role of the state. Finally, there is a variety of structural incentives targeting enterprises at the national [B-1] and regional level [B-2_1]. The latter includes programs provided by the business hubs, for example the national-level SME:Digital initiative (#DK_01, for another example see #DK_04)) or the growth counselling meetings of the Business Hub of Northern Jutland (#DK_02). Digital platforms 'eGuidance' (#DK_05) offer information on training opportunities. Next to the business hubs, also local job centres have created close partnerships with local MSMEs, thereby structurally incentivising training participation, as the next section will illustrate in detail.

2.2.5. Facilitating partnerships between job centres and SMEs through business consultants

In this section, it will be shown how local actors engage MSMEs through outreach activities to facilitate training placements of jobseekers in companies. Thereby, they aim to enhance individual jobseekers' employment opportunities while at the same time accommodating the placement measures to the specific needs of the local economy, consequently structurally incentivising training participation.

In Denmark, 94 local job centres operated by the municipalities have substantial responsibilities in the field of (active) labour market policy (Finn, 2016). They facilitate outreach to companies and consequently work-based training activities that are supposed to enhance jobseekers employment opportunities, for example short-term company internships (Virksomhedspraktik), adult apprenticeships (Voksenlærling), upskilling measures or job-rotation schemes (Jobrotationsordningen)[6] (Danish Agency for Labour Market and Recruitment, 2021). While there has been also criticism concerning the value and quality of respective ALMP measures, the Danish system gives job centres flexibility in targeting their services at companies (Finn, 2016). In addition to national-level financial benefits for participating companies (see previous section), the respective job centres consequently have the flexibility to create continuous partnerships with

[6] Job-rotation schemes enable companies to send their employees to training, while substituting respective employees with unemployed persons for the duration of the leave.

companies by tailoring their services according to business needs, in particular SMEs, thereby structurally incentivising training participation.

Facilitating cooperation between companies with job centres has been a central responsibility of “Cabi”, an autonomous institution established by the Danish Ministry of Employment in 2001 that carries out research and consulting on issues of an inclusive labour market, including ALMPs and corporate social responsibility (Cabi, 2021a). According to Cabi’s research, successful partnerships of job centres with SMEs are particularly beneficial, as placements in smaller enterprises provide a safer working environment and local embeddedness (Cabi, 2014). Central is that SMEs and their employees often get personally attached to the respective job placement project (e.g. internship) and consequently show high commitment, better integrating the respective trainee into everyday working life and making them feel valued. But at the same time, initiating partnerships with SMEs necessitates more efforts by job centres, as they have been more hesitant to engage in the outset, for example due to administrative burdens.

A report of Cabi has highlighted a range of best practice examples for optimizing job centres’ outreach towards SMEs (Cabi, 2014). For example, since 2011, the job centre of Hedensted organizes collaborations with small businesses through “cluster networks” around villages or business areas in the municipality. One “business consultant” per cluster is responsible to secure cooperation of SMEs with the job centre, for example initiating new or follow-up company internships for disadvantaged individuals. Consultants consequently have respective in-depth knowledge about their cluster and its companies and are in continuous contact with the respective business community.

Various other job centres apply similar practices (Cabi, 2014). For example, the job centre of Ringsted employs a range of business consultants that aim to sign formal “partnership agreements” with companies, which include for example a fixed number of company internships per year per company. The respective consultants actively approach companies and inform them on the goals of the collaboration as well as the qualifications of the respective unemployed persons and potential challenges. In Faaborg-Midtfyn, job centres employ “job mentors” that have special emphasis on facilitating company internships for particularly disadvantages persons. These job mentors act as the sole point of contact of the company with the job centre, matching candidates to companies and taking care of respective administrative issues. According to Cabi (2014), Faaborg-Midtfyn appears to have considerable success in targeting SMEs, with more than half of all company internships being conducted in small businesses (2-9 employees).

One of Cabi’s goals is also the sharing of best practices between job centres and employers through research and its consultancy services. Consequently,

Cabi's above mentioned research on SMEs is also complemented by guidelines for other job centres that wish to implement similar measures. In general, job centres as well as employers can access consulting services of Cabi in order to optimize their partnerships (Cabi, 2021b). This includes a free service hotline for companies and job centres, informing clients about regulations and offered ALMP programmes. Cabi also offers easily accessible online tools that distribute and simplify information (e.g. checklists, step-by-step instructions) for firms and job centres, for example to facilitate company placements of disadvantaged individuals. Furthermore, Cabi runs offline and online networking groups where (HR) managers can exchange their experiences on various issues of an inclusive labour market. Also paid services are available, including training for job centres' business consultants in facilitating dialogue with companies, consulting to companies in the area of human resource development, and evaluations of specific ALMPs in municipalities.

2.2.6. Conclusions

Denmark has a strong supply-side funded provision of adult learning, complemented by national and sectoral-level demand-side financing instruments. All these are a result of both government initiative as well as Denmark's strong corporatist system, which acts as a structural incentive for increasing training participation of MSMEs. For example, the Danish adult education system is governed jointly by government as well as social partners, which helps to keep support measures in touch with to employers and employees' needs.

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2.3. Germany. Integration of national, regional and sectoral policies by dedicated organisations – the example of a sectoral organisation in the construction sector in Hessen

2.3.1. Rationale for the case study

Bi-partite sectoral and regional social partner organisations often play an important role as a key access point to relevant support schemes for their organisational members, respectively, the workforce of their members. Whatever support at whatever policy level is made available, these organisations make it known among their members or design specific projects working as an interface between a more general arrangements and the needs of their member organisations. The case study presents the *Bildungswerk BAU, [CVET in construction],* a sectoral organisation in Hessen, as an example for such an approach, against the backdrop of the regional support arrangement of Hessen, one of Germany's Federal States. Moreover, it shows how regional players facilitate access to the support policies/ measures established by national level frameworks.

2.3.2. Socio-economic context

Germany has a real GDP per capita of EUR 34 110 (2020), and a mean annual earnings in full-time employment of EUR 49 953, which is above EU-average (Eurostat, 2021e; f). Germany's share of employment generated by MSMEs (around 59%) is lower than EU-average (around 65%) (Eurostat, 2021a). In particular micro-sized enterprises generate a lower share of employment compared to EU-average, while the share of small and medium-sized companies is slightly above EU-average. In terms of employment, they account for 19%, 23%, and 17% respectively.

Hessen's nominal GDP per capita (EUR 44 750) is above German average (EUR 40 088). The construction sector's contribution to Germany's gross value added was around 6 percent in 2020 (Statistisches Bundesamt, 2020). From 2009 until the Covid-19 pandemic, employment in the construction sector expanded due to growing public investments and increased residential building due to population growth and agglomeration within big cities (ILO, 2021). However, employment growth has been restrained by skill shortages that were only partially covered by foreign labour from Central and Eastern Europe. As highlighted by ILO (2021), "main construction" (the construction sector's largest subsector, excluding roofers,

painters, scaffolders, electricians and plumbers) is shaped by a small number of large-scale enterprises and a growing number of small and medium-sized companies. In fact, the average company size in main construction has even decreased over the past decades. In 2020, SMEs' value added in the construction sector increased by 8,7 percent, and SME employment by 1.9 percent (European Commission, 2021).

Research has suggested that CVET in Germany was historically crowded out by the already particularly strong IVET system based on the apprenticeship model (Thelen, 2014a). While the percentage of enterprises providing any type of CVET training in Germany is above EU average, it is lower than its direct neighbour Austria (Cedefop, 2019), which also has a well-developed apprenticeship system. Germany's number of hours of CVET provided per employee is also below EU-average and its neighbour Austria. Furthermore, research has shown that further training activities in Germany are often concentrated on relatively few and highly valued employees (OECD, 2021a; Thelen, 2014a). In the construction sector, training incidence of German companies is lower than the average across sectors, and only slightly above EU-average of the construction sector (Cedefop, 2019).

As visible in Table 4, enterprises expenditure on CVET courses as percentage of labour costs is slightly below EU-average, which also holds for the construction sector. The training gap between small and large organisations is slightly smaller than EU-average. For example, in 2015, small enterprises provided around 5.5 hours per employed, medium-sized enterprises around 7.4 hours, and large firms around 9.8 hours, which is below the EU27 average.

Table 4 Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Germany and the EU27

INDICATOR	GERMANY				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	73.1	87.3	98.5	77.3	66.9	84.3	95	70.5
Participation rate (all enterprises)	31.9	33.6	41.8	38.1	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	5.5	7.4	9.8	8.5	6.2	10.5	13	10.1
% of the labuor costs (direct, indirect, net contributions)	1	1.2	1.5	1.4	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

2.3.3. Policy context and key organisations providing support relevant for MSMEs

The German (adult) education and training system is shaped by a highly complex provider structure and a high degree of decentralization. The 16 federated states (Länder) as well as the social partners (and their respective associations on the national, regional, and sectoral level) have substantial responsibilities in the regulation, funding and provision of adult learning.

Historically, adult learning had been defined as an activity not regulated or supported by the state, which is still visible in the provider structure and financing of Germany's adult learning system. Non-profit organisations attached to the social partners or organised as independent networks of organisations (e.g. *Volkshochschulen*) are the key provides of adult learning. They receive some public support, but rely mainly on participation fees with the exception of provision on behalf of the PES or regional welfare policy actors. According to OECD (2021a), they often provide non-formal adult learning for basic competencies, adult liberal education, second-chance general and vocational education and vocational retraining (*Umschulung,* for health or employability reasons), vocational upskilling typically leading to Master craftsperson qualifications (*höherqualifizierende Berufsbildung/Aufstiegsfortbildung*), as well as mostly non-formal adjustment measures (*Anpassungsqualifizierung*), the latter of which is the most common type of vocational education for adults. In case of the construction industry in Hessen, the Bildungswerk BAU (BiW BAU) can be mentioned as one of such providers attached to the social partners (see section 2.4.4).

Next to non-profit organisations, also a range of public providers run by the Länder and private for-profit providers are active in providing these abovementioned programmes (e.g. Abendgymnasium, Berufsfachschule). Higher education and research institutions, mostly public institutions run by the Länder, provide specialized non-formal training programmes, offers which were however depicted as underdeveloped by past research (Faulstich and Oswald, 2010). Furthermore, adult learning is also conducted within the combined school- and firm-based dual apprenticeship system, as 13 percent of all new apprentices in 2018 were aged 24 and older (OECD, 2021a).

2.3.4. Interplay of financial and structural instruments

Since the first decade of the new millennium, state support on the national and federated-state level for adult learning and demand-side funded provision in particular became more widespread and variated. Demand-side support for adult learning is mainly targeted to specific target groups or particular types of education and training activities. The national PES with its regional branches plays an

important role in supply-side and demand-side funding of adult learning. In case of unemployment and long-term unemployment in particular, supply and demand side funding schemes are in place to provide access to training. On national level, important demand-side funding programmes providing lump-sum grants and loans for participating in higher education and formal CVET programmes (so called *Aufstiegsfortbildung*) are also in place.

For example, for adults aiming at returning to formal education and entering an advanced vocational programme, a combined grant and loan scheme is available for funding both tuition fees and living costs (#53). This is complemented by a national "continuing education grant" for supporting any CVET (*Bildungsprämie*, #52), where low-wage earners can receive contributions to their CVET costs[7]. Adults below age 30 (respectively age 35 for Master studies) in formal schooling and in particular in higher education can also profit from a grant and loan scheme supporting initial education participants (#230 and #233).

Costs for CVET related to a current job can be deducted from the tax base (#50), however, a tax reducing effect is reached only with costs above EUR 1 000. Enterprises can receive contributions to their training costs from the PES, including wage subsidy (#384).

Furthermore, education, including higher education and adult learning, is within the competence of the Länder, so that support for adult learning has a strong regional component. The majority of Länder run schemes providing support for CVET (#270), but with substantial differences in scope (Bundesministerium für Bildung und Forschung, 2021). For example, the qualification cheque in Hessen grants 50 percent of training costs (up to EUR 4 000) to those that have no vocational qualifications or have not worked in the vocation they were trained in for more than 4 years[8]. In the majority of the Länder, employees are entitled to a paid short training leave (#271). For example, in Hessen, employees who have been employed for at least 6 months by their current employer have a right to paid educational leave for 5 days each year. Employers and employees can agree on a payback clause (#57). Several Länder offer demand-side financing instruments supporting enterprises (#269).

In addition, the national government and the Länder also offer structural measures directly targeting employers, and in particular SMEs. Such policies can increase SMEs participation in adult learning by providing, for example, consulting for human resource development to SMEs and/or increase SMEs skills

[7] The continuing education grant has been disrupted by end of 2021 with vouchers valid for the users till Mid of 2022.

[8] The Check in Hessen was discontinued at the end of 2021.

requirements as part of innovation policy. For example, at the national level, the Federal Ministry of Labour and Social Affairs funds professional consulting services for SMEs in the area of personnel management, equal opportunities, and digital transformation, co-financed by the ESF (Bundesministerium für Arbeit und Soziales, 2021). Depending on their size, companies can get funding for between 50 (10 to 249 employees) and 80 percent (<10 employees) of the consulting costs (#DE_01, sector specific). On the level of the Länder, for example Hessen's agency for business development partially funds applied industrial and commercial research activities between enterprises (below 1 000 employees and EUR 200 million annual turnover) and universities or other research institutions with a maximum of EUR 500 000 (Innovationsförderung Hessen, 2021).

Furthermore, social partner involvement in Germany's adult learning system is substantial. This involvement can also be seen as structurally incentivising training participation. For example, social partners and consequently employer associations and labour unions are responsible for collective bargaining of wage negotiations, which include sector-specific agreements for education and training, also depending on the bargaining power of trade unions. Collective agreements can entail financial and structural incentives, for example rights for part- and full-time educational leave, educational accounts, capacity-building for personnel planning in companies, as well as enterprise-based career guidance (OECD, 2021a). In contrast to other sectors in Germany, negotiations in "main construction" are conducted at the national level between construction-sector labour unions and employer association (ILO, 2021)[9]. Hessen's "main construction" sector is consequently subject to collective agreements made between the Central Associations of the German Construction Industry (Hauptverband der Deutschen Bauindustrie, HDI) representing medium-sized and large industrial companies, the Central Associations of the German Building Trade (Zentralverband des Deutschen Baugewerbes) representing smaller trade companies, and IG BAU, the respective trade unions in the construction sector.

Important in Germany's main construction sector are social funds that were originally introduced as part of collective agreements to compensate employers for the costs of wages paid during holidays, with company levy contributions to the funds between 16 and 20 percent of gross wages (Urlaubs- und Lohnausgleichkasse der Bauwirtschaft) (ILO, 2021). Due to a decrease in the

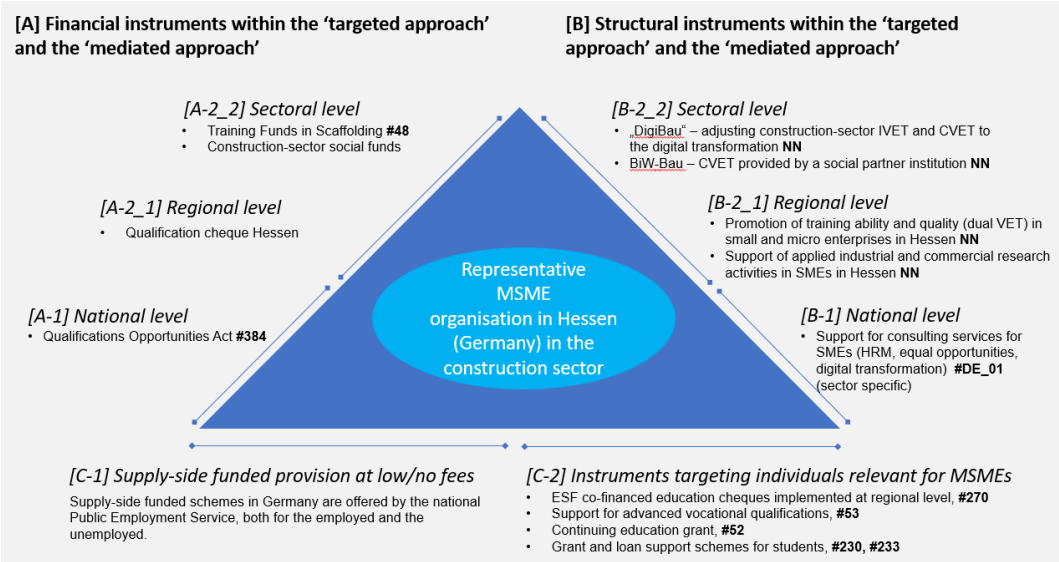
[9] For example in the metal industry, bargaining partners are the respectively responsible sectoral employer associations of a specific region (bargaining area). Regions where the respective sector is particularly important conclude a pilot agreement which is usually transferred (with some adjustments) to the other bargaining areas of Germany (ILO 2021).

number of apprentices, in 1974 the funds became also responsible for partially financing the vocational training of construction workers, which is rather exceptional in sectoral comparison. For example, apprentices are supposed to spend alternating blocks of time in inter-company training centres of the construction industry in their first year of apprenticeship (see the case of BiW BAU in the next section), financed by the funds (ILO, 2021; Zentralverband des Deutschen Baugewerbes et al., 2018). There are also examples of dedicated training funds in some small economic sectors (#48), including the scaffolding sector within the construction sector.

Furthermore, respective national, regional and sectoral level employer associations are also involved in commissions and legislative processes at the national and federated-state level, as well as the regulation of formal adult learning programmes in the area of (second-chance) initial vocational training and vocational upskilling (OECD, 2021a). Employer associations involvement, for example, in policy design, curricula creation and examination requirements, allows national and federated-state level adult learning measures to be sufficiently oriented according to their member firms' needs, potentially increasing uptake of these measures. Also in the PES, social partners have considerable influence with regard to the policy design, funding decisions and regional implementation (OECD, 2021a). Similarly, also educational providers run by the social partners have the potential to structurally increase training participation of SMEs, for example the BiW BAU in Hessen's construction sector.

Table 6 summarises the key features of the support arrangement at the skill ecosystem of the construction sector in Hessen. Financial support for adult-learning is mainly provided via a variety of demand-side funding schemes targeted at individuals as well as employers, and provided by the sectoral, regional, and partially also national-level [A-2_1, A-2_2, A-3, C-2]. Concerning supply-side funding, measures of the national Public Employment Service are most relevant [C-1]. Furthermore, there is a broad bundle of structural incentives targeting enterprises and MSMEs, including at the national [B-1], but in particular at the sectoral [B-2_2] and regional level [B-2_1]. These include for example the support for applied industrial and commercial research activities in SMEs in Hessen, or sectoral programs of Hessen's construction sector that adjust IVET and CVET to the digital transformation, provided by a social partner training institution. In the next section, such forms of provision by social partners will be demonstrated using the example of the BiW BAU in Hessen's construction sector.

Figure 6. Interplay of financial and structural instruments – Support arrangement at the skill ecosystem level for the construction sector in Hessen



Source: Cedefop

2.3.5. The role of Bildungswerk BAU – a social-partner run, non-profit provider of education and training in the construction sector

In this section, a paradigmatic example for a social-partner run training provider will be presented. Such a social-partner-based provision of programs can be seen as a structural incentive that increases MSMEs training provision by making training arrangements and financial incentives known among members and/or designing specific projects according to the needs of member organisations. Thereby, it provides an example of how such social partner institutions can act as a key access point for relevant support schemes from all levels, showing the interplay between national, sectoral or regional levels of training policies.

The Bildungswerk BAU (BiW BAU) is a social-partner run, non-profit provider of initial and continuing (vocational) education and training in the construction sector in the German Länder Hessen and Thüringen. It was founded in 2000 and is the result of a merger between several individual associational training providers (Bildungszentrum Ostthüringen, Berufsförderungswerk Bau Thüringen, later Eberhard Borst Lehrbaustelle and AFZ Weimar) in the construction sector. Its members are the regional construction sector employer associations representing medium-sized and large industrial firms in Hessen and Thüringen (Bauindustrieverband Hessen-Thüringen), the construction sector labour union IG BAU, as well as several regional and local employer associations representing small "Handwerk" firms (Bauinnungen) (BiW-Bau, 2021c).

The BiW BAU offers several services to individuals and firms (BiW-Bau, 2021d). These include training services in initial vocational training (sectoral, inter-company training centres providing services within the apprenticeship system), vocational retraining and adjustment measures (for low skilled, socio-economically disadvantaged candidates, unemployed, migrants), staff training and vocational upskilling. The BiW offers these services via a network of local training sites. It further offers consulting in staff development, supports the organisation of dual study programmes in the construction sector (higher education programmes with work-based components similar to dual apprenticeships), promotes careers in the construction sector among individuals (in particular migrants), offers career guidance measures (information and guidance), offers support for accessing various sectoral national or regional-level training subsidies and grants and collaborates with other stakeholders in order to carry out sector-specific research projects.

Many of the BiW's services are based on policy measures initiated and financed on a European, national and/or federated-state level, often in conjunction with the social partners. In fact, most programmes mentioned further below have been initiated as part of the Tripartite "Alliance for Initial and Further Training" (OECD, 2020f). While respective national and regional-level employer associations are consequently involved in the policy design of many adult learning measures, the BiW is often tasked to implement these measures on the ground. Such a provision of adult learning services by associational providers has the potential to structurally increase their uptake among firms. As the BiW is run by local employer associations as well as individual firms, it has strong ties with the local construction-sector business community. It has been shown that such insider knowledge of local business actors and sectoral business organizations can be central to identify and reach potential candidate companies that might be interested in respective training measures (Culpepper, 2003). Delegating the implementation and provision of adult learning measures to providers run by social partners consequently enables public authorities to benefit from the respective knowledge of these actors about local business preferences. In the following, this will be illustrated at a selection of adult learning measures implemented by the BiW.

Concerning policy measures initiated at the national level, the BiW for example implements and provides several measures as part of the "Passgenaue Besetzung" programme. It is financed by the Federal Ministry for Economic Affairs and Energy and the European Social Fund and supposed to improve matching of skill demand and supply among small and medium-sized companies (Bundesministerium für Wirtschaft und Energie, 2021). For example, "Passgenaue Besetzung" finances counsellors employed by different chambers of trade,

chambers of industry and commerce, chambers of the liberal professions and other non-profit organisations, including the BiW for Hessen and Thüringen's construction sector. These counsellors visit the companies on site and provide guidance for the field of topics including "securing skilled workers". They search for suitable (apprenticeship) applicants, suggest them to interested companies, and provide individual support in bureaucratic and practical questions. They also provide information on regional and national funding and support offers and help with the necessary formalities.

While mostly targeted at youth and initial vocational training, these measures also include adults, in particular regarding the integration of skilled foreign labour and foreign apprentices (without refugee status), mostly from other EU-countries. For example, the BiW also helps companies to advertise open training positions internationally (BiW-Bau, 2021b). Furthermore, "Integration Guides" (Willkommenslotsen) support SMEs in integrating refugees in work and training, also provided by the BiW. From March 2016 until August 2019, a total of 21 187 internships, apprenticeships, entry qualifications, trainings and jobs have been filled with the help of the integration guides in Germany (Bundesamt für Wirtschaft und Ausfuhrkontrolle, 2021).

As part of the "Passgenaue Besetzung" project, the BiW also publishes the "skilled labour compass" (Fachkräftekompass), a regularly updated information booklet for Hessen and Thüringen's construction sector (BiW-Bau, 2021a). It is supposed to support companies concerning the acquisition, development and retention of skilled labour. This includes targeted information for Hessen and Thüringen's construction sector, for example concerning available initial and further vocational training programmes, and connected available financial and structural support (including, but not exclusive to the services offered by the BiW). Similarly, also the BiW's website offers an overview of its own training offers and a range of incentives (e.g., subsidies) provided by regional and national governments.

Another programme initiated and financed by the national-level and implemented by the BiW at a sectoral level in Hessen and Thüringen is "DigiBau". It is part of the national "Jobstarter plus" initiative and is supposed to further develop and adjust initial and continuing vocational training for SMEs with respect to technological changes connected to digitization. The BiW for example assessed local construction-sector SMEs concerning their potential for digitization, informed SMEs about the benefits of digitization, developed and piloted educational offers to adjust construction-sector SMEs to digitization, and assessed potential adjustments of construction-sector training programmes in the face of technological change (BiW-Bau, 2020).

2.3.6. Conclusions

In sum, Germany's support measures for adult learning are shaped by a complex interplay between the national, the federated-state and sectoral level. Publicly funded supply and demand-side support for adult learning has historically been limited in Germany but became more widespread and variated since the first decade of the new millennium. While also supply-side funded provision for the unemployed became more prominent due to the increasing role of the national-level PES and ALMPs, in particular demand-side funding measures for individuals as well as MSMEs have been introduced or expanded. Importantly, these measures have been introduced on the federated-state level, as education, including higher education and adult learning, is in the competences of the *Länder*. Also, in the provision of structural incentives, the Länder play an important role, where for example Hessen's agency for business development funds applied industrial and commercial research activities for MSMEs.

Furthermore, another key feature of the German system is that many measures to some extent involve national, regional or sectoral level social partner organisations. Their strong role in the provision and governance of adult learning measures can be seen as a structural incentive that increases the uptake of adult learning measures among firms, including MSMEs. This can be highlighted in the case of collective bargaining, leading to the introduction of various additional training incentives for MSMEs (e.g., social funds in the construction sector). Furthermore, social partners are often involved in the policy-making process, or have a key role in the implementation of certain policy measures on the ground, thereby orienting the provision of training measures towards the specific needs of their member firms. The latter aspect has been explored in detailed in this chapter by focusing on the role of BiW BAU in Hessen's construction sector.

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2.4. Ireland. Relevance of the National Training Fund

2.4.1. Rationale for the case study

In Ireland, the National Training Fund, founded in 2000, has evolved into a key mechanism for securing substantial and increasing financial resources for adult learning, including CVET as one particular important field of activity, with the funds distributed across various arrangements/organisations providing support to different groups, including MSMEs. The case study investigates the ways the resources collected via company levy are used for different purposes/activities.

2.4.2. Socio-economic context

Prior to the Covid-19 pandemic, in March 2020, the economic performance of Ireland was impressive with strong growth and high living standards. Following a steep fall in activity during 2020, the economy was projected to expand at over 4% in 2022 (OECD, 2020e, p. 189), despite the pandemic and impact of a 'hard' Brexit. In 2021, GDP per capita was EUR 70 920, which is among the highest in the EU and far above the EU-27 average of EUR 27 800.[10]. The Central Statistics Office reports that in Quarter 4 2020, average weekly earnings were EUR 845, an increase of 7.5% from the previous year (Central Statistics Office, 2021). However, this data should be caveated as there is likely a significant compositional effect due to large changes in employment status across certain sectors, with a significant reduction in the hourly total labour costs of highly effected sectors (construction, arts & entertainment, transportation, accommodation & food) (Central Statistics Office, 2021). In 2020, the estimated hourly total labour cost in Ireland was EUR 32.3, exactly the EU-27 average[11].

In 2018, MSMEs accounted for 99.8% of the total number of enterprises (92% with less than 10 employees), 69.9% of the persons employed and 46.2% of Irish enterprises, with services constituting the main sector (50.9%). Despite this high level of market share, the SME sector has low productivity growth. SMEs with 10 to 249 employees comprise 7.5% of enterprises in Ireland but less than 20% of output (OECD, 2019c, p. 44). Increasing adult participation in lifelong learning is a policy priority in Ireland, with the National Skills Strategy 2025 aiming to increase

[10] Eurostat [SDG_08_10]

[11] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Wages_and_labour_costs

the participation rate to 15% by 2025[12]. As of 2018, Ireland's lifelong learning rate for adults between 25-64 years old was 12.5% (OECD, 2019c, p. 100), with 5% of participants in formal learning activities and 9% in non-formal learning activities[13].

As presented in Table 5, the training incidence of as well as participation rates in small and medium-sized enterprises are considerably lower compared to large enterprises. However, the pattern is different when hours of training per employed are considered, with small enterprises registering similar numbers compared to large enterprises. The share of labour costs of small and medium-sized companies is well above the EU-27 average. In sum, training gap between small and large organisations is mostly visible for the participation rate of employees.

Table 5. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Ireland and the EU27

INDICATOR	IRELAND				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	74.8	89	94.9	77.4	66.9	84.3	95	70.5
Participation rate (all enterprises)	33.2	43.8	62.9	49.7	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	20.4	15.6	20.7	19.4	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	2	2	2.4	2.2	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

2.4.3. Policy context and key organisations providing support relevant for MSMEs

While also targeting other beneficiaries beyond MSMEs, national level plans have been established with a strong provision of support for the development of skills within the SME workforce. The Action Plan for Jobs 2018 (Ireland, 2018) outlined a cross-departmental approach, which is captured in national level strategies, in particular the National Skills Strategy 2025, having a stronger focus on the enterprise sector, and the National Further Education and Training (FET) Strategy (Department of Further and Higher Education, 2019), putting more emphasis on individual participation and the role of the communities in providing further education. With immediate relevance for the MSMEs, the Skills Strategy is

[12] https://www.education.ie/en/publications/policy-reports/pub_national_skills_strategy_2025.pdf

13 https://www.solas.ie/f/70398/x/d773e39d8a/lifelonglearning2019.pdf

coordinated by National Skills Council (NSC), which is supported by the Regional Skills Fora (OECD, 2019c, p. 180) (established in 2017), the Expert Group on Future Skills Needs (established in 1997) and the Skills and Labour Market Research Unit (SLMRU) at SOLAS[14]. The SLMRU provides a data gathering, analytical and research resource to identify skills needs and support the work of the National Skills Council. The Fora provide a structure for employers to become more involved in promoting attractive job profiles and opportunities for career progression in their sectors.

There are several national level institutions which are the main access points for MSMEs to receive support. While the National Training Fund (NTF) provides the overarching financial and organisational framework for (state) financial support to MSMEs, the main enterprise focussed entry point is Skillnet Ireland. Skillnet Ireland is a business support agency of the Government of Ireland with the mandate to advance competitiveness, productivity and innovation in business through enterprise-led workforce development. This is delivered through around 70 sectoral business networks with the autonomy to define their sectoral skills needs and arrange training for members of their networks. Additional significant nationally organised institutions are Enterprise Ireland, the government agency responsible for growing Irish businesses in international markets (or vice versa) and the 31 Local Enterprise Offices that provide a 'first stop shop' service for those looking to start or expand their business, including support and training for new and micro-enterprises. Finally, SOLAS coordinates and manages the national apprenticeship programme.

2.4.4. Interplay of financial and structural instruments

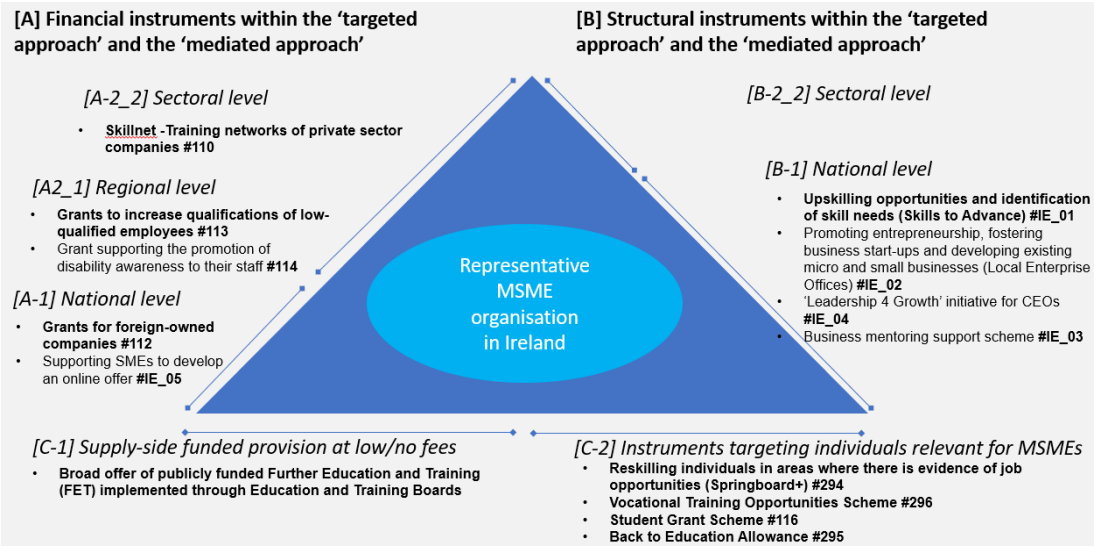
Figure 7 shows the interplay of financial and structural incentives and other support structures available to MSME organisation in the retail sector to help to provide training.

The National Training Fund (NTF, #109) is a main levy collection mechanism, with the collected funds being the source for a broad range of instruments that support training provision in MSMEs and beyond. The NTF is funded via levy on company payroll and provides funding for training for those in employment or seeking employment. The NTF is comprised of a number of different programmes, many of which cover the training needs of MSMEs. These programmes include the apprenticeship and training networks programme, workplace basic education, and the traineeship for those in employment. Several different programme organisations (including Skillnet Ireland and SOLAS) are funded through the NTF

[14] SOLAS is the Further Education and Training Agency of the Department of Further and Higher Education, Research, Innovation and Science, established in 2013 under the Further Education Act.

to administer various instruments. There are a wide range of eligibility requirements depending on the specific scheme or instrument. The NTF is discussed in further detail in 2.4.5.

Figure 7. Interplay of financial and structural instruments – Support arrangement at national (skill formation system) level in Ireland



Source: Cedefop

In terms of national level financial incentives [A-1], if the organisation is foreign-owned and operating in Ireland, it will be eligible to apply for an IDA Training Grant (#112), which provides support in the context of improving long-term competitiveness and transformation. Regarding financial incentives using a mediated approach, the Online Retail Scheme (#IE_05), administered by Enterprise Ireland, would be an example. The scheme offers eligible retailers support in developing a more competitive online offer to increase their customer-base and build more resilient businesses. A typical component of this scheme is the training of employees.

At regional level [A-2_1], The Skills for Work programme (#113) aims to provide training opportunities to help employees deal with basic skills demands in the workplace. This is offered on company premises (where possible) and is administered through the 16 regionally based Education and Training Boards (ETBs). Most of the programmes offered are free of charge and result in a nationally recognised certification. A grant is also available for the Disability Awareness Training Support (#114), which any employer can apply for.

In terms of financial incentives at sectoral level [A-2_2], the main instrument available to MSMEs, including in the retail sector described in the figure, is the

sectoral ‘Skillnets’ (#110), a government initiative that funds and facilitates training through enterprise-led workforce development, with the primary objective of increasing participation in enterprise-led workforce development. Each sector area (including retail) has a specific Skillnet made up of sectoral businesses. An MSME can use the training support for individuals (MSME employees) available when they become a member of their sector Skillnet.

The structural incentives at national level [B-1] available to MSMEs cover a number of different levels within an organisation (e.g., employees, managers, CEOs). The Skills to Advance programme (#IE_01) aims to equip employees with the skills to progress in their current jobs and is targeted directly at MSMEs by helping employers identify skill needs and invest in their workforce, including co-financing of eligible training costs. For ‘established SMEs’, the Leadership 4 Growth Programme (#IE_04), delivered by Enterprise Ireland, provides counselling for CEOs (or leadership) of companies having the ‘ambition and potential’ to achieve significant scale in their identified market. The MentorsWork programme (#IE_03) provides support to businesses through structured 12-week business-support programmes delivered by a relevant specialist mentor who provides guidance, advice and mentorship and supports the development of a business improvement plan, including the identification and development of employee skills through education and training. This support is specifically targeted at small firms in Ireland and is delivered by the Small Firms Association in partnership with Skillnet. Moreover, Local Enterprise Offices (#IE_02), established across Ireland aim at promoting entrepreneurship, fostering business start-ups and developing existing MSMEs to drive job creation and provide accessible high-quality support for businesses. They provide short-term training courses free of charge to small businesses or self-employed persons.

For the supply-side funded provision at low/no fees [C-1], there are a number of relevant supports available in Ireland for individuals, implemented mainly be the regional Education and Training Boards.

As for instruments that target individuals relevant for MSMEs [C-2], the Vocational Training Opportunities Scheme (#296) aims to give participants education and training opportunities that will develop and prepare adults over 21 years-old to go into paid employment or CVET opportunities leading to paid employment. The Student Grant Scheme (#116), financed by the Department of Education and Skills, allows eligible adults to apply for a grant to cover fees and living costs for undergraduate schemes. The Springboard+ (#294) programme (co-funded by the Government of Ireland through the National Training Fund and the European Social Fund) provides free and subsidised courses in Higher Education that lead to qualifications in areas where there are employment opportunities in the

economy. The Back to Education Allowance (#295) is a scheme supporting unemployed people, single parents, or people with disabilities who wish to pursue approved second or third-level courses of education.

2.4.5. Relevance of the National Training Fund

The National Training Fund (NTF) is the central component of the approach to supporting the training of those in employment and those seeking employment. The NTF was established by the National Training Fund Act (2000)[15]. The Act also provides for the funding of research to provide information on existing and likely future skills requirements of the economy[16].

Management of the NTF is entrusted to the Department of Further and Higher Education, Research, Innovation and Science (since 2020) ([17]). The NTF is financed through employers paying a fixed share of payroll. The levy was originally set at 0.7% and progressively raised to 0.8% in 2018, 0.9% in 2019 and 1.0% in 2020. These increases of the levy were planned to deliver an additional annual investment of the NTF of EUR 190 million and were accompanied by a package of reforms that made the NTF more responsive to employer needs and gave employers a greater say in informing NTF priorities [18].

The 2018 NTF levy generated EUR 566 million (covering an estimated 75% of all insured employees) (Department of Education and Skills, 2020b, p. 3) and was expected to generate EUR 744 million in 2019[19]. As the economic climate improved between 2010 and 2019 there was a corresponding reduction in expenditure, leading to a budget surplus since 2015 (Department of Education and Skills, 2020b, p. 4). It should be noted that there is currently a debate about how to utilize the large surplus that the NTF has generated over recent years (Irish Times, 2020) and in particular its use in funding higher education (Indecon, 2018, p. iii).

A wide range of activities is captured under 3 main themes:

1. Training for employment: Training People for Employment, Labour Market Focused Higher Education, Springboard+, Community Employment

[15] http://www.irishstatutebook.ie/eli/2000/act/41/enacted/en/print.html

[16] https://www.gov.ie/en/press-release/c195d6-minister-halligan-announces-major-investment-in-skills-development-i/#:~:text=In%202020%2C%20the%20National%20Training,on%20craft%20and%20new%20apprenticeships.

[17] Previously, NTF was under the responsibility of the Department of Education and Skills.

[18] https://www.gov.ie/en/press-release/c195d6-minister-halligan-announces-major-investment-in-skills-development-i/#:~:text=In%202020%2C%20the%20National%20Training,on%20craft%20and%20new%20apprenticeships.

[19] Figures not reported at the time of this research.

Training (DEASP), Technical Employment Support Grant (DEASP), Training Networks Programme (Skillnets), European Globalisation Fund);

2. Training in Employment: Apprenticeship (SOLAS and HEA), Training Networks Programme (Skillnets), Training Grants to Industry, Workplace Basic Education Fund (SOLAS), Training Grants to Industry, Workplace Basic Education Fund (SOLAS), Traineeship for those in employment (SOLAS), Regional Skills Innovation, Community and Voluntary Organisations (The Wheel), Continuing Professional Development (Engineers Ireland);
3. Provision of Skills Needs: Regional Skills Fora, Skills Analysis Unit (SOLAS), Expert Group on Future Skills Needs.

Lessons

Responsiveness: A defining feature of the NTF is its flexibility and ability to respond to changing economic and labour market conditions. As such, the NTF was able to shift focus rapidly from training people in employment to supporting the unemployed into the workplace following the recession after the 2008 financial crisis. As unemployment fell after 2012, the NTF again was able to shift focus to a set of programmes to support the larger working population, address the higher demand for lifelong learning, and address emerging areas of skill and labour shortage. The NTF is therefore an ideally placed instrument to help address the wide-ranging and highly sectorally focused impacts of the Covid-19 pandemic (Department of Education and Skills, 2020b, p. 5) and the wider business effects of Brexit (which has a significant impact on Irish businesses).

Expansion: The NTF has broadened its scope over time, introducing new programmes and involving other stakeholders and expenditure lines. The 2018 Indecon review found that there was still an emphasis on supporting people into employment despite falling unemployment rates, while spending support for those in employment had accelerated from a very low base (Indecon, 2018, p. iv). This led to a recommendation that the NTF needs to develop a mechanism for ensuring an appropriate balance of resourced for in-employment and for-employment programmes.

Enterprise engagement: The NFT was recommended in the 2018 Indecon Review to better align to the needs of enterprises and enhance employers' inputs into the governance and prioritization of NTF investments. Enterprises have a number of mechanisms to feed into the NTF governance process through the National Skills Council, the Apprenticeship Council, and the Expert Group on Future Skills Needs, and 9 Regional Skills Fora (Indecon, 2018, p. v). Additional

reforms are now being undertaken to structure engagement with employers (in particular through setting up an NTF Advisory Group) and promote awareness of the NTF to employers and learners (Department of Education and Skills, 2019, p. 6).

2.4.6. Conclusions

A wide range of financial and structural incentives are available to MSMEs in Ireland, with a coverage of a wide range of needs from basic skills of employees to managerial and entrepreneurial skills of CEOs and enterprise managers. There are several national, sectoral and regional level bodies and instruments that support MSMEs in this area, although there is still a certain lack of cohesion in terms of an MSME accessing the support.

This has meant that there is a need in Ireland to address long-standing challenges, with the National Skills Strategy 2025 setting a number of high-level objectives:

- Education and training providers will place a stronger focus on providing skills development opportunities that are relevant to the needs of learners, society and the economy;
- Employers will participate actively in the development of skills and make effective use of skills in their organisations to improve productivity and competitiveness;
- The quality of teaching and learning at all stages of education will be continually enhanced and evaluated;
- People across Ireland will engage more in lifelong learning;
- There will be a specific focus on active inclusion to support participation in education and training and the labour market;
- There will be an increase in supply of skills to the labour market (Department of Education and Skills, 2020a, p. 11).

The existence of a major centralised funding instrument, the NTF, is central to the achievement of these objectives, and ongoing reforms to the fund are clearly aligned to the fulfilment of the national skills strategy.

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2.5. Spain. ‘Support arrangements’ for training in the Basque machine-tool sector

2.5.1. Rationale for the case study

The support system of the Basque machine-tool sector allows to demonstrate how national support instruments can be adapted to one economic sector in one particular region and complemented by regional and sectoral approaches. The ‘support arrangements’ for MSMEs in the Basque Metal sector are highly developed and provide by far a higher level of support for CVET in enterprises and CVET in general than observed for Spain in total. Special attention is paid to one regional and sectoral CVET and research organisation (IMH - Advanced Manufacturing Education Centre)[20], which plays a key facilitating role in coordinating the various instruments within the ‘support arrangements’.

2.5.2. Socio-economic context

The machine-tool industrial activity has a long tradition in the Basque Country: around 80% of all Spanish machine-tool production comes from this region[21]. AFM Cluster (https://www.afmcluster.com), the organisation that represents advanced and digital manufacturing interests in Spain, has its headquarters in the Basque Country. AFM Cluster comprises five industrial associations and groups more than 500 companies with 16 500 employees and a turnover of EUR 3 000 million.

Two features define the machine-tool industry in the Basque Country: international expansion and innovation. The sector sells more than 80% of the sector's production to international markets[22]. The main client country is Germany, followed by USA, France, Italy or China, among others (AFM Cluster, 2021). Moreover, the sector allocates approximately 5% of its turnover to research, development and innovation. One of the fundamental reasons for the success of the Basque machine tools sector is the commitment to innovation and technological development of the companies involved. Innovation, design and quality are key factors in the strategy of the industry that is constantly evolving and competes on the international scene.

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[20] https://www.imh.eus/en?set_language=en

[21] In 2020, the turnover of the machine-tool sector in Spain was EUR 1 278 million (EUR 1 626 million in 2019).

[22] The Spanish machine tool sector’s exports’ turnover reached EUR 1 004 million in 2020 (EUR 1 252 million in 2019).

As visible in Table 6, while training incidence of small and medium-sized firms is still above EU-average, small and medium-sized firms show considerably fewer hours of training per person employed compared to large firms.

Table 6. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Spain and the EU27

INDICATOR	SPAIN				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	84.1	96.7	98.9	86	66.9	84.3	95	70.5
Participation rate (all enterprises)	38.9	50.1	69	55.4	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	7	10	14.9	11.4	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	1.2	1.6	2.1	1.8	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

2.5.3. Policy context and key organisations providing support relevant for MSMEs

AFM Cluster, the organisation that represents advanced and digital manufacturing companies in Spain, is headquartered in the Basque Country, and most of its associated companies are in that region. AFM Cluster offers varied support services to associated companies, including employee training and personnel selection. The main entities which are involved in AFM Cluster are:

- AFM - Machine Tool Advanced Manufacturing Technologies Association
- ADDIMAT - Additive Manufacturing and 3D Printing Association
- AFMEC - Machining and Metal-Mechanical Transformation Association
- ESKUIN - Manual Tools, Hardware and Industrial Supply Association
- UPTEK - Technology-based Companies Association
- IMH - Advanced Manufacturing Education Centre.

AFM, Machine Tool Advanced Manufacturing Technologies Association, is the original association that the cluster is named after. The cluster represents 90% of machine tool and advanced manufacturing technology companies in Spain. AFM's technology unit uses INVEMA, the Machine Tool Research Foundation, which supports companies' technological development.

The University of the Basque Country (UPV/EHU), with its Machine Tools and Manufacturing Technology Classroom, and the IMH Advanced Manufacturing Education Centre (Vocational Training Centre of the Basque Government) are also members of AFM Cluster.

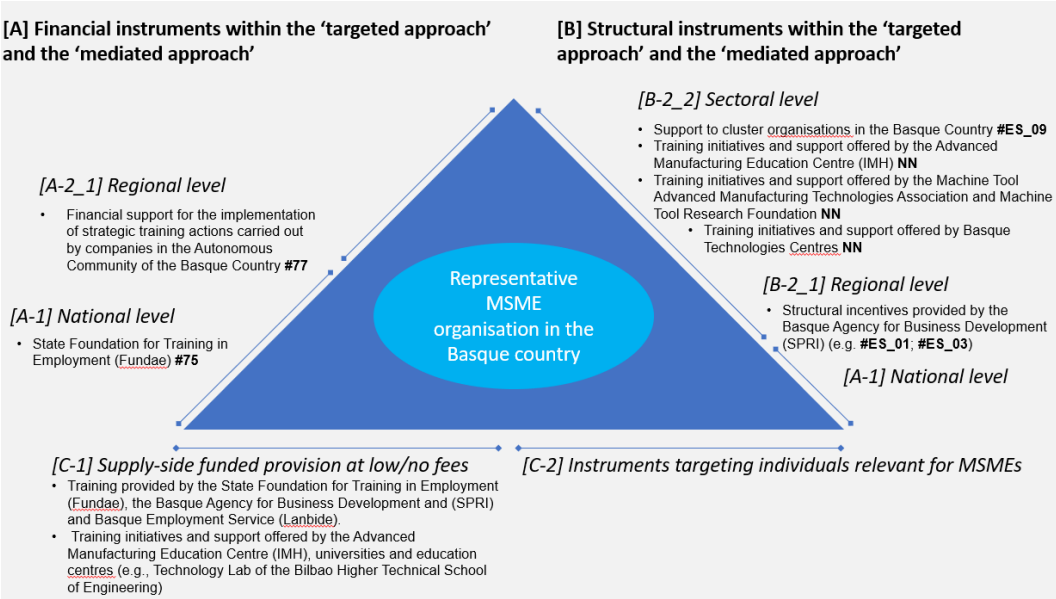
On the other hand, the Basque Country enjoys a large network of technology centres, helping and support to Basque manufacturers. These technology centres are, for example, Tecnalia, Ideko, Tekniker, Ikerlan or Lortek, amongst others.

In addition to this, the Basque machine-tool sector benefits from existing training incentives at Basque and national level provided by the Basque Employment Service (Lanbide), and the State Foundation for Training in Employment (Fundae), as well as from other training-related activities carried out by the Basque Economic Promotion Agency (SPRI).

2.5.4. Interplay of financial and structural instruments

The machine-tool sector in the Basque Country can access several incentives (both financial and structural), as well as supply-side training and other instruments targeting individuals.

Figure 8. Interplay of financial and structural instruments – Support arrangement at the skill ecosystem level for the machine-tool sector in the Basque Country



Source: Cedefop

To begin with, concerning financial incentives, Basque companies in the machine-tool sector can access both regional and state level financial incentives which are available for all sectors. At national level [A-1], the State Foundation for

Training in Employment (Fundae) (#75), manages training funds devoted to training planned and managed by companies (demand-side training). In this instrument, all private companies devote a small percentage of their social security contributions to pay for vocational training (a professional training fee of 0.7%, with employer contribution of 0.6% and employee contribution of 0.1% of the gross wages). Then, these funds cover company's training expenses by allowing the company to deduct training costs from their expected social security contributions.

In addition to this, at regional level [A-2], companies in the Basque Country with 35 or more workers can access financial support for the implementation of strategic training actions. This grant for companies (#77) is managed and operationalised by the Basque Employment Service (Lanbide) and supports any training action aimed at improving skills directly related to the company's productive process, as part of a well-defined company training plan.

On the other hand, concerning structural incentives, it is worth mentioning the initiatives implemented at regional level [B-2] by SPRI, the Basque Agency for Business Development, aimed at Basque companies. For instance, the initiative 'Enpresa Digitala' ('Digital Enterprise') (ES_01) organises courses, seminars and training and dissemination days addressing issues such as cyber-security, creation and management of web pages, use of different computer programmes, etc. The initiative 'Barnetegi Teknologiko' ('Technology Workshop') (ES_03) has the main objective of raising awareness and disseminating new technological trends among Basque small and medium-sized enterprises.

Meanwhile, concerning structural incentives at sectoral level [B-1], there are a number of initiatives specifically supporting the Basque machine-tool sector. The Basque Public Advanced Manufacturing Education Centre (IMH), offers different services to companies, such as tailor-made training courses, collaborative projects for innovation and technological improvement, or consultancy services for staff development, among others (see further explanation of IMH activities in the next section).

Machine Tool Advanced Manufacturing Technologies Association (AFM) and Machine Tool Research Foundation (INVEMA) also offer support services for their company members. AFM offers training and personnel selection services, promotes cooperation and synergies between companies and helps them in their internationalisation processes. INVEMA, AFM's technological unit, works with companies to determine their individual and joint technological projects, and supports companies' technological innovation. INVEMA encourages development, offers technological services and promotes inter-company and auxiliary management programmes.

As well as this, Basque Technological Centres carry out research aimed at providing companies with knowledge and technological solutions, including training actions. One of the main technological centres is Tecnalia Research & Innovation, which is the largest technology centre in Spain; it is highly active internationally, with R&D contracts signed in third countries and with foreign researchers. Other examples are IDEKO, which provides technological services such as technical consultancy or equipment-based services or Tekniker Foundation, which contributes to increasing the innovation capacity of Basque industries. Also, IKERLAN collaborates with companies in the integral development of new products.

Finally, companies in the AFM Cluster can benefit from the support to cluster organisations in the Basque Country (ES_09), promoted by the Department of Economic Development of the Basque Government. Its main objective is to promote the competitiveness of SMEs and the Basque economy in general, and supports actions such as the accompaniment for internationalisation, benchmarking actions and strategy planning, joint training activities, organisation and dissemination of conferences, meetings and (training) events.

On the other hand, concerning supply-side funded provision at low/no fees [C-1], Fundae (State Foundation for Training in Employment, at Spanish State level), SPRI (the Basque Agency for Business Development, at regional level) and Lanbide (Basque Employment Service, at regional level), offer supply-side training initiatives where employees can take part. Normally, these are free courses aiming to improve workers' competences, which can be provided by accredited external training centres. This also includes IVET courses offered by the IMH (Basque Public Advanced Manufacturing Education Centre). IMH offers both VET medium level (ISCED 3B) and VET high-level (ISCED 5B) courses related to the machine-tool sector. Moreover, the IMH has an Engineering School where university training programmes are offered under the dual training system (in-company and in-school learning). Courses are partly or completely supply-side funded, but require individual contributions to match available public funding.

In addition to this, there are instruments targeting individuals which may be relevant for MSMEs [C-2].

Along with the training provided by IMH, the UPV (Public Basque University) has a Machine Tool Classroom (at the Bilbao School of Engineering), which develops an advanced training plan on the design, control and use of machine tools. It is aimed at students in the final years of the specialisations of Industrial Engineering, Automation and Industrial Electronics.

Demand-side funding schemes [C2] targeting individuals play no particular role for SMEs in Basque Country.

2.5.5. Cooperative metal sector in the Basque Region

As it has been previously explained, training is a fundamental aspect of the competitiveness of Basque machine-tool companies. The IMH, located in the city of Elgoibar (Basque Country), plays a very important role. The IMH is a public Vocational Training Centre of the Basque Government, and acts as an Agent of the Basque Science, Technology and Innovation Network, as an "Intermediate Innovation Body". Thanks to its technical training courses for the metal and mechanics industries, the IMH is today a vanguard centre in the professional training network in the Basque Country, with important activities also in the whole Spain and abroad. Moreover, it is the National Reference Centre in mechanical industries.

The IMH offers both specialised training services in advanced manufacturing as well as innovation services for SMEs. More precisely, the IMH is responsible for a vast majority of training programmes in the machine tool sector, being focused not only on the provision of initial training activities in the field (e.g. manufacturing-related VET degrees and University degrees), but also on continuous training activities aimed at both employed and unemployed workers.

The IMH offers tailor-made courses adapted to the needs, objectives and strategy of the company, aimed at solving the problems that arise in the company. They can be provided either at the company's premises or at the IMH. Moreover, the IMH has a training programme that includes a commitment to recruitment, in collaboration with the Department of Employment and Social Affairs of the Basque Government. In this case, the company and the IMH together design the course, adapted to the requirements of the post. This training implies the hiring of 50% of the people participating in the course for a period of 6 months or more.

In addition to training actions, the IMH is active in the provision of consultancy services in R&D&I activities to companies. For example, the IMH offers the initiative ITAUN-TKGUNE for very small enterprises. These consultancy services are provided by (groups) of VET teachers of the IMH, and these services are funded (partially) by the Basque Government. Two main goals are solved with these consultancy services. On the one hand, companies are able to solve concrete technological problems in their daily life activities; on the other hand, VET trainers get in touch with external enterprises and are able to identify the real problems that concrete enterprises have to cope with. This programme is highly valued, both by participating companies and by trainers/teachers.

2.5.6. Conclusions

The machine-tool industrial activity has a long tradition in the Basque Country, where companies are strongly committed to innovation and technological

development. Thus, training is a key aspect for the competitiveness of Basque companies in a sector that is constantly evolving and competes in global markets.

The machine-tool sector in the Basque Country can access several incentives (both financial and structural), as well as supply-side training and other instruments targeting individuals. Lanbide (Basque Employment Service) and Fundae (State Foundation for Training in Employment) offer financial incentives to cover costs of training planned/provided by companies (demand-side training). At the same time, they offer supply-side opportunities, which allow employees to take part in training programmes (both general and sector-specific courses). The interplay of training instruments is completed at the sectoral level with a number of entities which offer structural incentives to machine-tool sector companies. AFM (Machine Tool Advanced Manufacturing Technologies Association), the network of Basque Technological Centres or the IMH (Basque Public Advanced Manufacturing Education Centre) are the main entities offering support services to Basque companies in the machine-tool sector, such as training or R&D and technological development.

Meanwhile, AFM Cluster, organisation representing advanced and digital manufacturing interests in Spain and in the Basque Country, has the IMH (Advanced Manufacturing Education Centre) among its main members. The IMH is the National Reference Centre in mechanic industries and is responsible for a vast majority of training programmes in the machine tool sector. AFM Cluster works hard to ensure that all employees in the sector are perfectly trained and provide their associate companies with advice and information on all training opportunities and incentives available to this end.

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2.6. France. New arrangements with the national Training Fund (Fonds National de l'Emploi – Formation)

2.6.1. Rationale for the case study

Arrangements on national level (skill formation system) are often tailored to the sectoral or regional level (skill ecosystem) by complex institutional arrangements.

The French national Training Fund ("*Fonds National de l'Emploi – Formation"* in French), administrating employers' *Contribution à la formation professionnelle continue,* implemented in 1971[23], sourced by employer contributions and used for the funding of both employer-provided and individual continuing vocational education and training represents one of the most longstanding, powerful and seminal examples for this type of national level institution in the European Union. It is of particular interest how an institution at the national level can fuel the development of a skill ecosystem at the sectoral and regional levels. In this case study, the Fund is referred to as a part of the overall funding arrangements for continuing vocational training (CVT) in France after its latest reform in 2018, with a special emphasis on the role of the eleven (at the time of this research) employer-employee-led sectoral training organisations OPCO (Opérateurs de Compétences), which are not only distributing financial support based on the funds collected by the training levy, but play a key role in organising the training supply in line with the demand of a sectors' employers and employees. Micro, small and medium-sized enterprises receive preferential treatment within these institutional arrangements as they pay no or lower levies and receive higher levels of support. Moreover, the sectoral training organisations offer various other structural instruments providing targeted and mediated support, relevant in particular for MSMEs. A novel type of instrument, the AFEST (*Action de Formation En Situation de Travail*), is discussed in more detail below (see 2.6.5). Finally, the Fund is also important for its arrangements in place for supporting CVT of individuals (Individual

[23] The national interprofessional agreement (ANI in French) of July 9, 1970 and the law of July 16, 1971 is considered a founding act of the French training system. Following the events of May 1968, the social partners decided, in the Grenelle agreements, to integrate the vocational training of employees into collective bargaining. The ANI of July 9, 1970 made continuing vocational training part of labour law and created an individual training leave for employees. The 1971 law organises continuing vocational training. It creates a right for employees to take leave to follow a training course and establishes an obligation for companies with 10 or more employees to participate in the financing of training actions through a mandatory contribution.

Learning Account - *Compte personnel de formation (CPF)*) and for supporting employers in meeting their statutory obligations to foresee a formal training plan and also to meet the costs of these plans.[24] Overall, the case study aims to explore the multiple roles of the Training Fund and its related institutions in providing financial and structural support for training, and for training in MSMEs in particular.

2.6.2. Socio-economic context

According to the Eurostat data, the GDP per capita in France in 2020 would account for EUR 30 480 and it has not really evolved since 2010. Compared to the EU27, the GDP per capita in France is higher than the EU average[25].

For 2020, the employment rate of the 20 to 64 age group as a percentage of the total population in the same age group was 71.4%.

According to National Statistical French Institute (INSEE)[26] data, in 2015, there were 3 820 122 businesses in France. Out of these 3.8 million enterprises, 287 are large enterprises[27] which employ 3.9 million full-time equivalent (FTE) employees (29% of the total). In contrast, 3.7 million, or 96 percent, are microenterprises[28]; they employ 2.4 million FTE employees (18% of the total). Beyond this dualism, a balanced division of employment emerges: 5 800 medium-sized enterprises[29] and 140 000 small and medium-sized enterprises (SMEs[30]) that are not microenterprises employ 25% and 28% of employees (FTEs) respectively.

In 2014, the participation rate in vocational training - the number of employees who have received training over the year in relation to the total number of employees - and the duration of vocational training per trainee also vary according to company size and sector. For all employees, the participation rate has increased considerably in 40 years, from 17.1% in 1974 to 43.5% in 2014. On the other hand, the average duration time per trainee has decreased from 62.0 hours in 1974 to 27.1 hours in 2014. These two factors almost offset each other, the number of

[24] https://www.eurofound.europa.eu/observatories/emcc/erm/legislation/france-employers-obligation-to-provide-skill-development-plans-or-training

[25] https://ec.europa.eu/eurostat/fr/

[26] https://www.insee.fr/fr/statistiques/3303564?sommaire=3353488

[27] Companies with at least 5,000 employees.

[28] Company employing less than 10 people, with an annual turnover or balance sheet total not exceeding 2 million euros.

[29] A company with 250 - 4,999 employees, and either an annual turnover not exceeding 1.5 billion euros, or a balance sheet total not exceeding EUR 2 billion.

[30] This category is made up of companies that employ less than 250 people and have an annual turnover of less than EUR 50 million or a balance sheet total not exceeding EUR 43 million.

hours of training per employee has changed little, reaching 11.8 hours in 2014 (Alliaga and Junel, 2018, p. 121).

Table 7. Employee access rates and average training duration by company size in 2014 (Alliaga and Junel, 2018)

Number of employees	Participation rate of employees (in %)	Number of hours per trainee
10-19 employees	15.6	25.7
20-49 employees	25.9	26.0
50-249 employees	41.1	25.4
250-499 employees	49.8	24.9
500-1 999 employees	55.5	28.6
2000 employees	55.9	28.5
Overall	43.5	27.1

Source: Céreq, Employers' tax returns no. 2483.[31]

The above data show that employees in smaller companies have a lower access to continuing education and training.

CVTS data confirm the training gap between small and large organisations. Overall, the level of SME training activity is relatively low, speaking of training incidence (enterprises with training) and participation rate, but relatively high when turning to the indicators on hours in training per employed (all enterprises) and training costs (as a % of the labour costs). As for other EU Member States, in France, the training gap between small and large organisations is smaller in 2015 than in 2005.

Table 8. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: France and the EU27

INDICATOR	FRANCE				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	75.3	97.5	99.7	78.9	66.9	84.3	95	70.5
Participation rate (all enterprises)	27.4	40.8	62.3	48.3	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	7.3	10.5	15.8	12.4	6.2	10.5	13	10.1

[31] Data from the EU CVET confirmed the trend with declining hours per participants across all size-classes of enterprises. (in hours per participant: 10 to 49 in 1999: 33; 10 to 49 in 2005 28,4; 10 to 49 in 2010 27,9, 10 to 49 in 2015 26,8, 50 to 249 in 1999 29, 50 to 249 in2005 25,1, 50 to 249 in 2010; 23,4, 50 to 249; 2015; 25,8, 250+ in 1999 39, 250+ in 2005 29,0, 250+ in 2010 29,6; 250+ in 2015 25,4)

% of the labour costs (direct, indirect, net contributions)	1.4	2	3.2	2.5	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

Results from statistical surveys (CVTS[32]) on access to continuing education in companies show that, in France, SMEs are increasingly interested in the effects of training (Béraud, 2015) with the overall training gap between small and large organisations becoming smaller between 2005 and 2015

2.6.3. Policy context and key organisations providing support relevant for MSMEs

For several years, France has been engaged in a structural reform of its vocational education and training system. The 2018 Act, "Law for the Freedom to Choose One's Professional Future" (Loi sur la liberté de choisir son avenir professionnel), a.k.a. Law "Pénicaud 2", a.k.a. Law "Avenir" for short) *"seeks to explicitly address this challenge of increasing participation in adult learning"* (Werquin, 2020). Within this legal framework, there are a multitude of mechanisms allowing individuals to access continuing (vocational) education and training during their professional career and companies to meet their skill needs.

The reform of vocational training is accompanied by massive funding for training called National Employment Fund – Subfund Training (*Fonds National de l'Emploi – Formation*; FNE-Formation) which is "a system dedicated to the training of employees placed in partial activity or long-term partial activity. It involves "*the State covering part of the educational costs of the training to facilitate the continuity of the employees' activity in the face of transformations linked to economic changes, and to help employees to adapt to new jobs in the event of professional changes resulting from technological and organizational developments as well as changes in production conditions*" (République Française, 2021, p. 7). To support companies in the consequences of the health crisis on the economic activity, the FNE-Formation has been mobilised and temporarily reinforced to meet the needs of companies in partial activity and to support the development of employees' competences. The OPCOs are in charge of preparing the FNE application files for companies. The co-funding of education and training costs under the FNE varies depending on company size as shown in Table 10[33].

[32] Continuing Vocational Training Survey – CVTS

[33] https://travail-emploi.gouv.fr/emploi/accompagnement-des-mutations economiques/appui-aux-mutations-economiques/fne-formation

The revision of the financing policy/funding system (implementation of a single contribution, massive expansion of funds dedicated to training), the implementation of major initiatives such as the individual training account or the improvement of other policy instruments (such as Adult Apprenticeship i.e., Pro A, validation of non-formal and informal learning (VAE (Validation des Acquis de l'Experience)), paid training leave…etc.) are the main characteristics of the reform. The far-reaching reform has profoundly transformed the governance and the landscape of adult learning actors.

For gaining an overview on the French approach to support adult learning and CVET in particular, it is required to observe three layers of analysis:

1. Who are the users/beneficiaries (enterprises; employees, unemployed, inactive)
2. Which are the various schemes or policy instruments used by one or more groups of beneficiaries?
3. How are the policy instruments funded (sources of funding)?

Depending on the group of beneficiaries and the policy instrument, different actors are involved and different funding sources are explored; some instruments are governed and/or funded by a blend of actors on different levels of policy making, including the national, the regional and the sectoral level (République Française, 2021), resulting in a degree of fragmentation, which is seen by some as a weakness of the system (GMFP, 2018).

For the support for companies, including MSMEs, the group of individuals not working as dependent employees of private companies (as the self-employed, the civil servants) and individuals irrespective of their current labour market status, four actors play a decisive role: the State (National level policy making and national administration), the national agency “France Compétences”, the Regional Councils and the OPCOs.

The central State plays an important role, through the implementation of a major investment plan for the vocational training of employees, namely the Skills Investment Plan (Plan d’Investissement en Compétences) of the National Employment Fund (Fonds National pour l’Emploi (FNE)). Since 2020, it has increased its efforts to support training significantly compared to previous levels to mitigate the effects of the health crisis, accompanying workers and companies through the implementation of emergency measures funded in full by the state. Via these policies, additional means from national budgets are provided which complement the means collected via the company levies collected for training purposes.

The role of the “France Compétences” agency is to pool and distribute funds for vocational training and work-study programs among the various stakeholders.

For in-company training, The Caisse des Dépôts et Consignations (Deposits and Consignments Fund)[34] manages the Individual learning accounts (Compte personnel de formation (CPF)) funds, the funds stemming from the regions and the OPCOs funds.

The Regions intervene in the implementation of a selected number of training actions in companies. The Regions through the associations "Transition Pro"[35] have been charged in each region to financially support professional transition projects of employees within the framework of the CPF of transition for example.

The OPCOs appear to be the cornerstone of vocational training at the sectoral level and for smaller firms. Thus, they provide a local service for the benefit of micro, small and medium-sized enterprises, allowing "*to improve information and access to vocational training for employees of these companies; to assist these companies in analysing and defining their vocational training needs, particularly with regard to economic and technical changes in their sector of activity.*[36]*"* The OPCOs also support companies' in funding training and meet their legal responsibilities vis-à-vis particular groups of employees (apprenticeship, professionalization contracts), with special emphasis given to the smallest organisations and the ones most exposed to the crisis.

As for the initiatives that concern micro and small companies (e.g., with less than 50 employees), other stakeholders are also involved in the development of employee training actions. For example, the initiatives selected for the case study presented below, show that the Public Service Employment (Pôle Emploi), the Ministry of Labour, the Directorate for Enterprises, Competition, Consummation, Labour and Employment (Direccte)[37] together with some OPCOs are involved in the development of training in small businesses in this particular case. Given the origin of the involved policy actors, the national, regional and sectoral level is often intertwined in the development of specific initiatives for the MSME sector, which complement the overall set of policy measures supporting CVET.

2.6.4. Interplay of financial and structural instruments

In France, there are a lot of initiatives to promote access to training in companies and in some cases, specifically for smaller ones. Initiatives are both financial and structural that are carried out at national level as well as at more local or sectoral

[34] The Caisse des Dépôts et Consignation (CDC) is a French public institution under the supervision of Parliament. Its main mission is to finance social housing, universities, business development and energy transition.

[35] The associations are made up of representatives of trade unions and professional employers' organizations.

[36] Authors' translation of https://travail-emploi.gouv.fr/ministere/acteurs/partenaires/opco

[37] *Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi*

levels. They are complemented by a variety of training schemes for employees (where the organisations can also benefit from in an indirect way), some of which are available to employees of MSME only (see Figure 9).

As part of the structural reform of vocational training, its financing system has been renewed. With the law "Avenir" (see 2.6.3), from 2018 on, enterprises still have an obligation to participate in the financing of vocational education and training by providing training activities for their employees and by paying several contributions each year. Thus, since 2019[38], the contribution to vocational training and the apprenticeship tax are combined in the single contribution to vocational training and apprenticeship (*Contribution Unique à la Formation Professionnelle* or *Contribution à la Formation*) (#86). For the time being, companies must pay this tax to their OPCO before a transfer to URSSAF (*Union de Recouvrement des Cotisations de Sécurité Sociale et Allocations Familiales* in French) planned for 2022. The amount of the contribution depends on the size of the company as specified below:

Table 9. Company contribution rates according to company size

Average number of employees in the company	Contribution rates (general business)	Contribution rates (temporary employment agencies)
Up to 10 employees	0.55%	0.55%
From 11 employees	1%	1.3%

Table 10. Co-funding rates according to company size

Company size	Partial activity	Long-term partial activity	Companies in difficulty (Covid) - Article L. 1233-3 of the French Labour Code (excluding cessation of activity)
Less than 300 employees	100%	100%	100%
From 300 to 1000 employees	70%	80%	70%
More than 1000 employees	70%	80%	70%

[38] In practice, the implementation of this single contribution is gradual, during a transitional period, which will lead to its final implementation in January 2021.

It can be noted that within the framework of the FNE, specific initiatives have been developed to support training actions of the smallest companies that suffer the most. Thus, for companies with less than 50 employees, the OPCOs can mobilize their resources under the skills development plan, to cover all or part of the trainees' wages during the duration of the courses.

Research under this project has identified a range of structural instruments supporting training in MSMEs. It can be noted that most of the structural initiatives are targeted at the smallest companies and intend to provide an advisory and support service for the development of training and human resources policies. Individual counselling arrangements are crucial in the context of adult learning reform. For example, professional development advice[39] has been introduced to support and provide guidance to individuals in their choice of training.

The Public Employment Service, through the Pôle Emploi agencies, has developed specific services to help companies in the identification of their skills needs, their recruitment needs, in supporting the recruitment process (#FR_02). In this framework, small and medium companies are especially targeted to advise them on how to implement human resources development and training practices. If the system is developed at the national level, it is the local Pôle Emploi advisors who intervene in the process. A similar incentive is implemented by Direccte providing counselling for SMEs in the context of the national Plan "*Tout pour l'emploi dans les TPE-PME*" (#FR_03). The Plan was launched in June 2015 with the main objective to sustain employment, to develop economic activity, to foster entrepreneurship and to reduce administrative formalities for SMEs.

At sectoral level, some OPCOs have put in place initiatives for smaller businesses. For example, Constructys, the Skills Operator (OPCO) in the construction sector has developed instruments to support SMEs in human resources management, including re-skilling of employees. In this special case, the network of counsellors of the OPCO support SMEs by counselling and evaluating their HRD policies, including identifying training needs (#FR_04).

The OPCO operator for small companies (AGEFOS-PME) has developed a similar type of initiative supporting the HRD in small organisations. Developed at a regional scale from 2014 onwards, the scheme aims to support small and micro enterprises in their skill development policies (#FR_05).

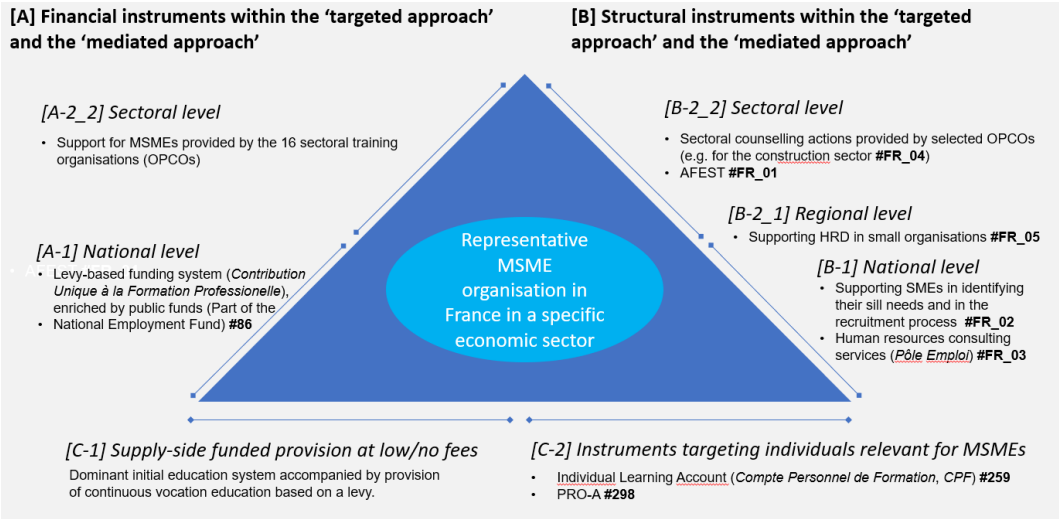
For companies and especially the smallest one (less than 50 employees), the AFEST (*Action de Formation en Situation de Travail*) (#FR_01) experiment appears to be an innovative and promising mechanism to increase participation rate to training. This is presented in more detailed below (see 2.6.5).

[39] CEP (Conseil en Evolution Professionnelle)

Finally, companies and their employees have a wide range of adult training facilities. Taking into consideration, that organisations also benefit from the participation of their employees in case the latter are supported via individual entitlements, Individual Learning Account (#259), PRO-A (#298), unpaid leave or paid training leave (*CPF de transition professionnelle*, or *CPF de transition* (Transition CPF)) are all initiatives to strengthen training participation in companies regardless of their size.

For example, when the Transition CPF[40] is carried out during working hours, the employee receives a remuneration equal to a percentage of his/her average reference wage. It is determined according to the wages received during a reference period. Funding is provided by the regions through the Transition-Pro organizations. It should be noted that the place of the CPF (Individual Learning Account) is complex when it comes to analysing company training systems. Indeed, now "autonomous" employees can access this type of training without prior agreement from their employer.

Figure 9. Interplay of financial and structural instruments – Support arrangement at national (skill formation system) level in France



Source: Cedefop

Figure 9 summarises the support available for the MSME in a specific economic sector. Speaking of targeted funding, MSMEs profit from schemes established on national level via their relevant OPCOs [A-1], which channel funding both stemming from general taxation and form the training levy. Micro organisation

40 Implemented on January 1, 2019, the professional transition project allows employees wishing to change jobs or professions to finance certification training related to their project.

profit from funding although they do not pay the levy. Small organisation pay a lower levy. Small and medium-sized organisations enjoy higher co-funding rates. Insofar as MSMEs profit from the availability of support for prolonged individual training of their employees (Transition Pro), with the regions involved in the funding of these activities, there is also a regional component to be considered.

Structural instruments are provided by the Public Employment Service (*Pôle Emploie*) based on national schemes [B-1]. More importantly, the OPCOs develop and offer structural instruments for the economic (sub-) sectors they are responsible for.

Overall, at least partly funded based on the training levy, a broad set of supply-side funded provision [C-1] for both employed and the unemployed is available, which is also a source for MSMEs.

Finally, France has a unique tradition where employees can use their individual entitlements (Individual Learning Account) to contribute to the costs of training activities jointly agreed with their MSME employer, as stated in their training plans.

2.6.5. Novel instruments developed by the OPCOs

The AFEST (Réseau ANACT-ARACT, 2018) experiment, for "*Action de Formation en Situation de Travail*", is an incentive that was set up in 2015 by the DGEFP (*Délegation Générale à l'Emploi et à la Formation Professionnelle*). It has been tested with 13 OPCAs[41] that have volunteered to carry out experimental projects. The experimentation aims to establish, for the benefit of SMEs and their employees, primarily the least qualified, the conditions for the development of on-the-job training to develop on-the-job training actions:

- Effective in terms of skills development;
- Recognized by the legislation as real training actions;
- Practicable by companies (especially small ones).

The experimentation appears to be innovative when studied against the backdrop of traditional arrangements in class-room based adult learning. Thus, in France, adult learning in companies is formal training, whether in or outside the company, for the simple reason that the adult learning financing system relies on formal adult learning since the creation of the levy-tax in 1971. Learning at the workplace, which is the dominant way of learning in small and micro companies, was out of the regulatory framework until the recent 2018 "Law for the Freedom to Choose One's Professional Future". In the experiment, three conditions were necessary:

[41] Organismes paritaires collecteurs agrées. OPCO (Opérateurs de Compétences) since 2019.

- To take place exclusively in MSMEs (with medium-sized enterprises defined as having less than 300 employees);
- To target low-skilled workers as a priority;
- To be organised around a generic model of alternating two sequences, a setting in situation organized for didactic purposes, articulated to a moment of reflexive hindsight in rupture with the course of the productive activity.

The evaluation of the AFEST experiment highlights several positive effects for all the stakeholders in the system: learners, companies and trainers. For learners, it increases acquisition, development and awareness of acquired skills and self-esteem. For companies, experimentation makes it possible to develop operational skills that have an effect on performance and to reexamine human resources practices. Finally, for trainers, it develops recognition and skills. Considering all of these results, the AFEST system appears to be an innovative system that makes it possible to unite all of the players in a virtuous training project.

Since 2018, AFEST can be (co-)funded on a regular basis. AFEST initiatives foreseen in the development plan of companies with less than 50 employees are funded by the relevant OPCO. Employees can participate as part of their ILA. Unemployed have access to AFEST as well.

The initiative has attracted considerable attention by research and policy making , given that it can address two key challenges of supporting training in MSMEs at once, however, by 2020, no formal evaluation of full implementation of the AFEST has been available.

2.6.6. Conclusions

The French CVET system is rather complex and, despite its strong emphasis on cost sharing among employers, the obligations of companies to set up training plans and public funding from central and regional budget lines adding to the resources collected by the training levy, in some ways, not very well adapted to the logic of smaller companies.

Data on access to training for employees of micro, small and medium-sized companies show that the latter train less than their larger counterparts. These differences are also visible the behavior of individual employees of MSMEs, at they make less use of training supported by the CPF than those of larger companies (Balmat, 2018). Research on CVET has highlighted the enterprises' role as a gate keeper in access to training (Lambert, 2014). The lack of a structured approach to human resource development and training in MSMEs and the consequent low level of training provision therefore translate into a severe disadvantage of MSMEs employees in access to training. While financial support for MSMEs in isolation

would be ineffective, a combination out of counselling and access of funding for a broad variety of development activities (including activities taking place in the work places) seems a promising strategy. In this respect, structural initiatives providing counselling to the small enterprises developed on local or sectoral level appear to be an appropriate response to the needs of MSMEs. In this context, in France, the role of the OPCOs is central. New frameworks as the AFEST allow the funding and provision of tailored training services near to the workplaces and thereby better aligned with the needs of MSMEs and their employees.

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Revised by: Günter Hefler (3s)

2.7. Italy. Role of interprofessional funds and their financial and structural support for MSMEs

2.7.1. Rationale for the case study

"Fondi paritetici interprofessionali per la formazione continua" (hereinafter Interprofessional Funds) represent the most significant policy approach for making support for training available to Italian companies, the MSMEs in particular. Interprofessional Funds (19 in 2021, however, their number is subject to frequent changes) can use a broad range of approaches for support (targeted, mediated) and types of instruments (financial instruments, structural instruments) and are enjoying autonomy how to use best the collected contributions of their members. This case study takes the example of one of the Interprofesional Funds, namely the *Fondo Formazione Piccole Medie Imprese (FAPI)* in order to review the range of activities implemented to support training in SMEs. Moreover, the interplay of the support and funding provided by the training fund with other schemes, notably regional schemes, is discussed.

2.7.2. Socio-economic context context

In 2019, in Italy, the GDP value was equal to EUR 1 787 664 million, with a 1.2% increase in comparison with year 2018. GDP by capita was PPS 30 100, the 12th highest value among the EU27 (2019) and close to the EU27 average (PPS 30 200)[42].

Prior to the Covid-19 crisis, the Italian labour market was gradually recovering from a prolonged recession of the years 2008 and following, with a continuously increasing employment rate reaching 59.0% in 2019, however, below the EU average of 69% (and the national EU2020 target of 67%-69%).[43] (see also (Rapanà and Vatrella, 2020))

MSMEs play an important role in Italy, as in 2018 they generate 78% of the employment (compared to the EU-28 average of 67%) and 67% of the overall value added (compared to 56% at EU level). Micro firms are particularly important, providing 44.9% of employment compared to the EU average of 29.7%.(European Commission, 2019)

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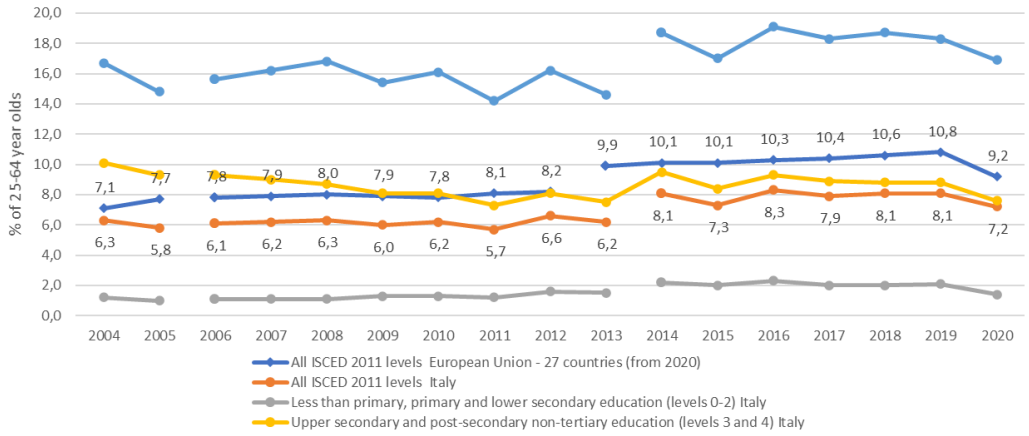
[42] SDG_10_10

[43] Eurostat

Participation in adult learning has improved moderately over the past decade, although from a low initial base, and reached 8.1 per cent in 2019 prior to the Covid-19 crisis.

Figure 10. Participation in adult learning (Structural Indicator) in the four weeks prior to the survey (25-64 year olds) – 2004-2020 – Italy and EU27



Source: Eurostat

As in all countries, in Italy, enterprises contribute significantly to the provision of CVET. Overall training performance indicators for Italian enterprises, as shown by CVTS 2015 data (see Table 11), are somewhat weaker than for the EU27 average. 60.2% of all enterprises provide any form of training, including 45.9 % of their workforce. On average, 9.6 hours of training are provided per employed (across all enterprises), spending 1.3 per cent of the payroll for training activities.

However – like in other countries – smaller companies are less likely to provide training to their workers: they include less workers in training activities, provide a lower number of hours of training for each employed and spent less financial resources on training. The training gap between small and large organisations is overall somewhat larger than for the EU27, with large enterprises in Italy performing better than the EU27 on average for their class of enterprises, while small enterprises performing much weaker than small enterprises in the EU27 on average.

Table 11. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Italy and the EU27

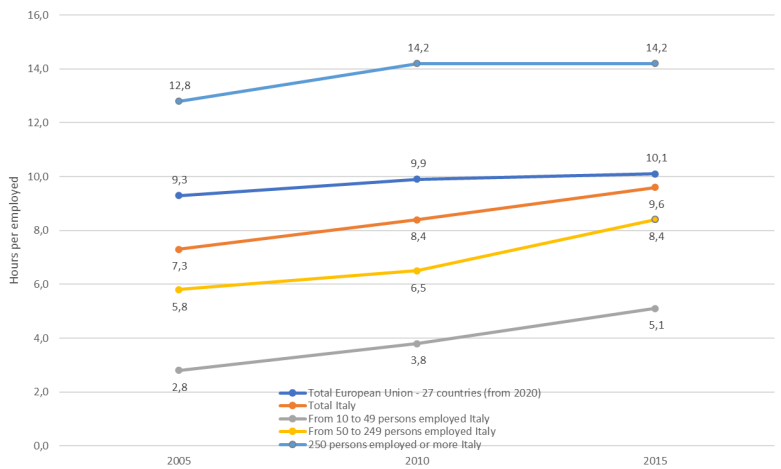
INDICATOR	ITALY				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	57.1	82	93.3	60.2	66.9	84.3	95	70.5

Participation rate (all enterprises)	28.4	42.9	63.1	45.9	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	5.1	8.4	14.2	9.6	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	0.9	1.1	1.7	1.3	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

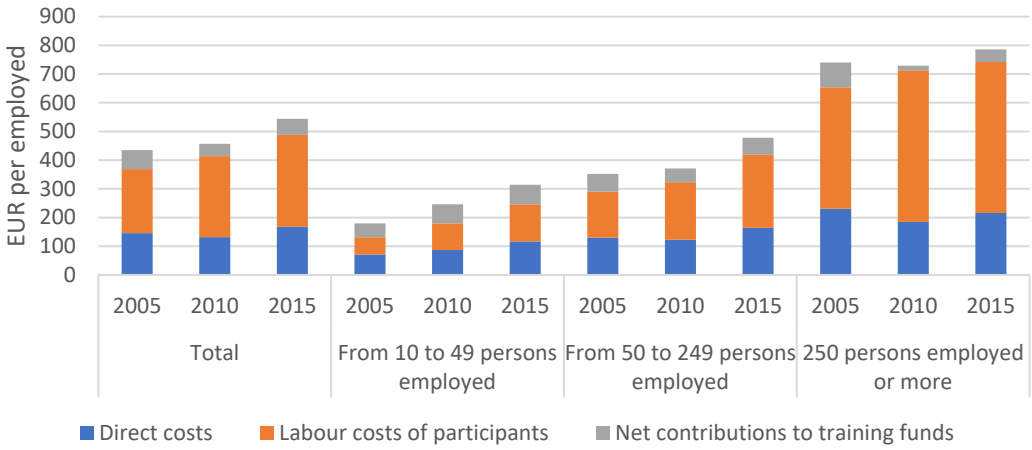
However, it is important to note that training performance of Italian enterprises has improved between 2005 and 2015, with the implementation of the Interprofessional Funds from 2004 onwards as among the potential drivers of change. Hours of training per employed (all enterprises) have increased from 7.3 to 9.6, with particular strong increases for small enterprises (2.8 to 5.1 hours) (see Figure 11). Investments expressed as costs per participant have increased as well, from EUR 535 to EUR 544 within 10 years. Increases had been stronger for small and medium-sized organisations than for large ones. Net contributions to collective funding arrangements (contributions minus receipts) had remained considerably stable despite the step-by-step implementation of the Interprofessional Funds, with small organisations contributing – relatively to their overall training costs – much more than large organisations to collective funding arrangements.

Figure 11. Hours of training per employed – 2005 – 2015 – Italy versus the EU27



Source: Eurostat Dissemination Database: trng_cvt_23s (Data Version: 08.02.2021)

Figure 12. Cost per employed and type of cost – 2005- 2015 Italy



Source: Eurostat Dissemination Database: trng_cvt_17s (Data Version: 08.02.2021)

2.7.3. Policy context and key organisations providing support relevant for MSMEs

Important segments of adult learning are funded mainly by supply-side funding approaches, including a system of formal adult education run by the central state on elementary and secondary level, supply-side funding schemes run by the regions, receiving ESF co-funding and the supply-side funded provision with active labour market policy, organised also on a regional basis. (European Commission et al., 2021; European Commission and Federighi, 2018)

Complementary demand-side funding instruments are in place, with – speaking of training in enterprises – a system of Interprofessional Funds as its key component established since 2000. The activities of the Funds are complemented in some regions by cofunding schemes based on ESF funding.

The framework of 'National bipartite interprofessional funds for continuous training' is established at national level in Italy, offering education and training to enterprises, including SMEs.

Interprofessional Funds were established in 2000, but were implemented in 2003 in fact by art. 48 of Law no. 289 of December 27, 2002 which stipulated that the Interprofessional Funds had to be authorized by the Ministry of Labour and Social Policies which was also responsible for supervision and monitoring. By 2021, 19 Interprofessional Funds were authorized, however, their number change over time.

In 2015, supervision and monitoring were transferred to the National Agency for Active Labour Policies (hereinafter ANPAL) which in 2018 issued the Guidelines on the management of the financial resources allocated to Interprofessional Funds.

The main feature of the Interprofessional Funds is their bilateral nature which means that employer organisations and trade unions are equally represented in the management bodies of each fund.

2.7.4. Interplay of financial and structural instruments

In Italy, responsibility for funding of adult learning is shared between the central state and the regions and the two autonomous provinces, with further division of labour across sub-segments of the adult learning system.

Interprofessional Funds represent the most important tool in supporting training in enterprises (MSMEs in particular) and equipping employees with the skills needed to thrive in the labour market. They have certainly contributed to improve access to training opportunities. Since their start of implementation from 2003 onwards, membership in the Interprofessional Funds has grown. In 2017, Interprofessional Funds covered almost 1 million companies and over 10 million workers. The Funds are run by social partners and are financed through a mandatory levy of 0.3 per cent of the payroll. Companies can allocate their mandatory contribution via the National Social Security Institute (INPS) to one of the currently 19 Interprofessional Funds (3 for employers and 16 for employees) of their choice (Table 12). However, the system of Interprofessional Funds is not sufficiently integrated with other sub-segments of the adult learning system, for which either the regions and the two autonomous provinces or the Italian PES are responsible.

Enterprises are free to choose one of the available Interprofessional Funds (and can even change their membership), with Funds competing for members in various ways. Interprofessional Funds enjoy considerable leeway in developing their own strategic approaches how to support their members best, implying a large variety of policies across the 19 funds currently in place. In case, no fund is chosen, the mandatory contributions are used for other training and employment policy related activities not led by one of the funds.

In terms of financial volume, in 2017 about EUR 737 million were collected, out of which about 60% were effectively transferred to Interprofessional Funds. The remaining share was absorbed into general government revenues or used for financing subsidised part-time contracts for older workers (OECD, 2019b).

Table 12. Overview of 19 operating Interprofessional Funds in Italy (2021)

Name of the fund (Italian)	Name of the fund (English)	Bodies involved
Fon.Coop	Fund for continuous training in cooperative enterprises	A.G.C.I; Confcooperative; Legacoop; CGIL; Cisl .; Uil
Fon.Ter	Fund for continuing education in the tertiary sector	Confesercenti; CGIL; Cisl; Uil
Fondo Enti Religiosi (Fond.E.R.)	Fund for continuing education in ecclesiastical bodies, associations, foundations, cooperatives, businesses and companies of religious inspiration	Agidae; CGIL; Cisl; Uil
Fondimpresa	Fund for continuing education (of companies)	Confindustria; CGIL; Cisl; Uil
Fondir	Fund for the continuing education of executives in the tertiary sector	Confcommercio; Abi; Ania; Confetra; Manageritalia; FederDircredito; Sinfub; Phidias
Fondirigenti	Fund for the continuing education of company managers producers of goods and services	Confindustria; Federmanager
FondArtigianato	Fund for continuing education in artisan businesses	Confartigianato; Cna; Casartigiani; CGIL; Cisl; Uil; Claai
Fondo Dirigenti PMI	Fund for managers of small and medium-sized industrial enterprises	Confapi; Federmanager
Fondo Formazione PMI (FAPI)	SME Training Fund	Confapi; CGIL; Cisl; Uil
Fondo Lavoro	Fund for continuing education in micro, small, medium and large enterprises	UNSIC; Ugl
Fondoprofessioni	Fund for continuing education in professional firms and in the companies connected to them	Confprofessions; Confedertecnica; Cipa; CGIL; Cisl; Uil
For.Te.	Fund for continuing education in the tertiary sector	Confcommercio; Confetra; CGIL; Cisl; Uil
For.Agri	Fund for continuing education in agriculture	Confagricoltura; Coldiretti; CIA; CGIL; Cisl; Uil; Confederation
FonArCom	Fund for continuing education in the tertiary sector, of crafts and small and medium-sized enterprises	Cifa - Italian Confederation of Autonomous Federations; Conf.s.a.l. - Confederation self-employed workers unions
Fondo Banche Assicurazioni (FBA)	Fund for continuing education in the credit and credit sectors Insurance	Abi; Ania; CGIL; Cisl; Uil
Formazienda	Fund for continuing education in the trade sector, tourism, services, professions and small and medium-sized enterprises businesses Commerce and Business System;	Sistema Commercio e Impresa; Conf.s.a.l.
Fondo Formazione Italia (Fonditalia)	Fund for continuing education in economic sectors of industry and small and medium-sized enterprises	Federterziario; Ugl
Fonservizi - Fondo Formazione Servizi Pubblici Industriali	Fund for continuing education in industrial public services	Confservizi (Asstra-Federambiente-Federutility); CGIL; Cisl; Uil

Name of the fund (Italian)	Name of the fund (English)	Bodies involved
Fondolavoro	Fund for the continuing education of Micro, Small, Medium and Big business	Unsic - National Union of Entrepreneurs e Farmers; Ugl
Fondo Conoscenza	Fund for continuous training in the commercial tourism-services sector of small and medium-sized enterprises	Fenapi (Small Autonomous National Federation entrepreneurs) CIU (Italian Confederation Union of professions intellectuals)

Source: ANPAL website

As in other countries, MSMEs are under-represented among recipients of Interprofessional Funds, due to the lack of sufficient number of employees to be eligible for funding, higher opportunity costs, lack of information about the availability of Interprofessional Funds and administrative barriers to access to funding. However, some Interprofessional Funds have responded to this issue following a solidarity principle in the distribution of funding.

In fact, enterprises have access to funding via two routes, the individual account and the collective account:

- the individual account provides a refund for incurred training costs in line with an individual companies' paid contributions – in short, enterprises receive some of their contributions back as a support for their training costs.
- the collective account provides funding for specific 'projects', the latter in the interest of the member organisations; funds are distributed via calls, and enterprises can profit from participating in the funded projects irrespective of their own contributions made to the fund.

The individual account is mainly used by large companies[44], while the projects funded via the collective account are designed to meet the needs of small businesses, which would otherwise be penalized by the system, as they pay contributions, however, often do not implement eligible training activities to elicit a refund.

Regarding the amount of funding, the Table 13 shows the resources paid to each of the operating funds over the period 2004-2018. The contribution varies enormously depending on the number of enrolled companies and workers. The data shows that the largest fund, Fondimpresa, absorbs almost half of all funds.

[44] "For example, data published by the largest Interprofessional Fund, Fondimpresa, shows that among all participants of training activities financed through individual accounts, 43.7% are part of a very large firm (500 employees or more), while only 3.5% are workers from microfirms (1-9 employees) (Fondimpresa, 2016[12]). This is despite the fact that micro-firms employ 45.9% of all Italian workforce" (OECD, 2019a, p. 46)

Table 13. Overview of budgets of funds 2003-2018

INTERPROFESSIONAL FUNDS	Resources 2004 – 2018
FONARCOM	246.183.908,57
FON.COOP	323.833.926,58
FON.TER	198.480.465,14
FOND.E.R.	59.966.239,83
FONDIMPRESA	3.555.526.667,27
FONDIR	119.954.412,76
FONDIRIGENTI	338.186.492,73
FONDITALIA	67.805.103,64
FONDO ARTIGIANATO FORMAZIONE	401.022.676,73
FONDO BANCHE ASSICURAZIONI	439.861.597,92
FONDO FORMAZIONE PMI	269.891.210,90
FONDO FORMAZIONE SERVIZI PUBBLICI INDUSTRIALI	66.628.985,42
FONDOPROFESSIONI	86.415.609,95
FOR.AGRI	45.515.310,64
FOR.TE	1.030.950.607,99
FORMAZIENDA	121.670.627,44
FONDOLAVORO	3.872.643,14
FONDO DIRIGENTI PMI	5.922.903,71
FONDO CONOSCENZA	649.028,81
Total	**7.382.338.419,17**

Source: Our elaboration on ANPAL, 2019, p. 87

As the Table 14 shows, 906 556 companies joined the Funds in 2017 out of a total of 4 397 623 active companies in 2017 (Istat, 2019). Thus, there are still many companies that are not a member of any Interprofessional Fund.

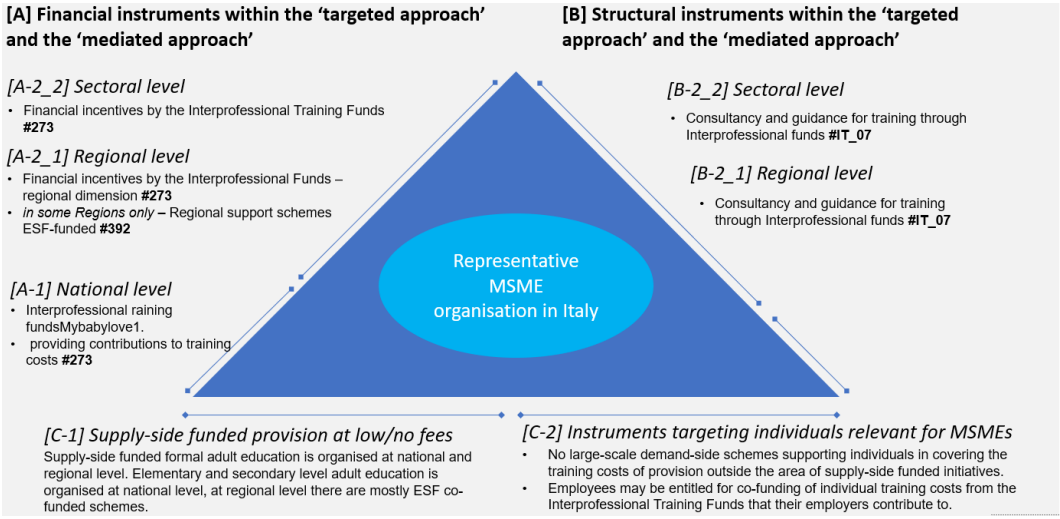
Table 14. Key indicators on 19 Interprofessional Funds in 2017

Interprofessional Fund	Resources 2017	N. Companies 2017	N. Employees 2017	Average value 0.30% per individual company (in EUR)	Average value 0.30% per employee (in EUR)
FONARCOM	38 856 711	158 660	1 038 060	244.9	37.4
FON.COOP	27 736 066	16 644	534 036	1 666.4	51.9
FON.TER	9 910 478	40 826	284 956	242.7	34.8
FOND.E.R.	4 901 267	8 084	122 950	606.3	39.9
FONDIMPRESA	298 166 926	177 171	4 662 564	1 682.9	63.9
FONDITALIA	12 217 026	79 597	402 919	153.5	30.3
FONDOLAVORO	992 178	7 096	39 669	139.8	25.0
FONDO ARTIGIANATO FORMAZIONE	24 458 385	154 036	595 308	158.8	41.1
FONDO BANCHE ASSICURAZIONI	39 817 246	1 196	462 377	33 292.0	86.1
FONDO FORMAZIONE PMI FAPI	12 165 955	36 179	291 187	336.3	41.8
FONDO FORMAZIONE SERVIZI PUBBLICI INDUSTRIALI	9 116 441	2 456	125 714	3 711.9	72.5
FONDOPROFESSIONI	6 623 680	46 791	167 834	141.6	39.5
FOR.TE	54 537 098	119 124	1 168 598	457.8	46.7
FORMAZIENDA	24 990 621	94 895	664 996	263.4	37.6
TOTAL	**564 490 080**	**906 556**	**10 285 058**	**622.7**	**54.9**

With reference to the territorial distribution of companies adhering to the Funds, the latter reflects the distribution of companies across Italy, meaning that most of them are in the North. To support companies in the centre and south, in some cases, the Interprofessional Funds act on the solidarity principle of the collective account.

Overall, it is important to emphasise that the Interprofessional Funds have not succeeded broadly in closing the 'MSME training gap' with large organisations being much more likely to 'regain' their financial contributions than small ones. The related OECD report quote ISTAT's elaborations based on Continuing Vocational Education Survey showing "that only 6.2% of small firms (10-19 employees) that provide training to their employees receive financial support from training funds, a share that evenly increases with firm size up to 64.1% for very large firms (with 1000 employees or more)" (OECD, 2019a, p. 43).

Figure 13. Interplay of financial and structural instruments – Support arrangement at national (skill formation system) level in Italy



Source: Cedefop

Figure 13 summarises the interplay of incentives supporting adult learning in Italy. Financial incentives targeting SMEs mostly stem from the Interprofessional Training Funds, established by law at national level [A-1; #273], however, partly organised on a sectoral level [A-2_2; #273] and following their own strategies with regard to providing support. Moreover, Interprofessional Funds at least partly aim to achieve a regional balance and provide more sources in economically weaker regions [A-2_1; #273]. Moreover, in some regions, there are voucher schemes (#392) targeted enterprises, and MSMEs in particular, which are co-financed by the ESF, such as the Enterprise training vouchers established in Lombardy region

(*Voucher formativi aziendali*, #392). Interprofessional Funds, moreover, provide a broad range of ever-changing structural instruments, with some instruments as e.g. the provision of counselling (B-1 and B-2; #IT_07) being more stable elements of their activities. Supply-side funding provisions [C-1] are established at national and regional level, e.g. elementary and secondary level adult education, and ESF co-financed schemes. With regard to incentives targeting individuals [C-2], employees may benefit from training incentives implemented through the Training Funds, while no other demand-side instruments supporting adult education are in place.

In the following, the activities of the Interprofessional Fund targeting MSMEs are explored in more detail.

2.7.5. Support for training provided by the Fondo Formazione Piccole Medie Imprese (FAPI)

Fondo Formazione Piccole e Medie Imprese (Fapi) is a joint interprofessional fund set up in 2002 to promote continuing education and training in SMEs, understood as a tool for improving companies' competitiveness and workers' competences.

Fapi associates more than 50 000 companies that employ approximately 500 000 workers. It is among the leading Italian funds both in terms of the number of workers and the number of associated companies.

In Lazio, Puglia and Basilicata, it is the first joint interprofessional fund in terms of the number of associated companies. The composition of members reflects the Italian reality characterized by small and medium-sized companies (almost 87% of companies have fewer than 20 employees) located mainly in the North (source: Fapi website).

As mentioned before Interprofessional Funds are governed bilaterally, that is, employer organisations and trade unions are equally included in their management bodies. Indeed, FAPI was founded by CONFAPI (Confederation of Italian small and medium private enterprises), as well as – on the workers' side – CGIL, CISL, and UIL (Trade Unions).

As stated in the "General regulations for the organization, management, reporting and control of FAPI", the management structure of the Fund, with governance and control tasks, is composed of:

- the Assembly, which is made up equally of 12 members, 6 of whom are appointed by Confapi and 6 by CGIL, CISL and UIL. The members of the Assembly remain in office for 3 years and may be reappointed.
- the President, elected by the Assembly upon nomination of CONFAPI
- the Vice-President, elected by the Assembly upon nomination of the Trade Unions;

- the Board of Directors composed equally of 6 members, of which the President and 2 members appointed by CONFAPI and the Vice-President and 2 members appointed by the Trade Unions;
- the Board of Auditors, made up of 3 members, one designated by CONFAPI, one by the trade unions and the President appointed by the Ministry of Labour and Social Policies.

FAPI's operational structure is inspired by the principle of separation between operational and control functions.

The Headquarters of the organisation are in Rome, but there are also 13 regional branches spread across the national territory with a role of representation and protection of bilateralism.

Although the statute allows for other forms of funding (Art. 6), by 2021, the only source of funding is the mandatory levy, that is the 0.30% of payroll/contributions that companies pay to INPS every month and that INPS pays to the funds to which companies adhere.

These resources are used by the FAPI mostly to finance the training activities of the workers of the member companies, while the remainder is used for management and preparatory activity.

Overall, since 2005, the Fund has financed training activities amounting to EUR 180 million, making it the Italian training fund that has used the highest percentage of resources to finance training plans for its members; in fact, over 90% of the resources collected are reused to finance worker training.

Table 15. Key indicators on FAPI 2016-2019 (in EUR)

Year	Total revenues	INPS contributions	Training expenses	Expenses for preparatory activities	Management costs	Calls
2019	15.078.043	13.708.463	13.019.128	1.406.874	652.041	4
2018	13.158.193	12.864.826	13.043.825	1.306.732	657.698	4
2017	9.632.977	12.144.016	8.875.369	1.482.523	658.070	6
2016	NA	13.144.533	14.352.952	NA	NA	3

Source: Our elaboration from FAPI financial statements published on the website www.fondopmi.com

Almost all FAPI member companies belong to the groups of micro enterprises, with fewer than 10 employees. For this reason, FAPI has chosen to operate almost exclusively through the "collective account" following the principle of solidarity whereby companies, even the smallest ones, can access support for training via projects designed in response to dedicated calls for proposals (“Avvisi”).

There are three types of calls used by FAPI:

- The Standard or general call ("Avviso standard o generalista"): the call specifies the total amount of funding and the regional distribution that shall be achieved. The regions are classified in three classes according to the contribution paid to INPS. The regions that pay more support those that pay less. Each call of this type has a deadline and is not related to specific themes.
- The Framework Plan call ("Avviso Piano Quadro"): networks consisting of a minimum of 10 companies and 300 employees are eligible to participate. The call remains open for a period of about 6-9 months (so called "avvisi a sportello"). A general training plan is presented by an intermediate body, i.e. a training body accredited by the region that has the task of coordinating the companies adhering to the network. The call is not related to specific themes. The intermediate body must also submit the list of companies that form the network. Once the plan has been approved, the the intermediate body implements the outlined training project together with the participating companies. The training project must be submitted at the latest 10 days before the start of the training activity. Each company can participate in only one network per year. Expenses will be reported at the end of the project. Only those related to training are eligible for reimbursement.
- Thematic calls ("Avvisi a sportello tematici") are calls on specific content that remain open for several months. They can be used to implement projects in areas considered as important by the governance body of the Fund and can be used to fill gaps in the training provisions relevant for the member organisations.

Within each call, each company participates only once during the year. However, it could participate in a 'generalist notice' and 'a framework' plan within the same year, but it only receives money in one of the two cases. (In case of framework projects, the money not taken by some network members are redistributed among the remaining eligible members). Generally, participation in thematic calls has no constraints, so funding is provided in addition to funding provided under the other two approaches.

Each call contains details on budget, type of activities financed, eligible groups and eligible costs.

Generally, all workers employed by companies that are members of FAPI can be beneficiaries of training, like:

- workers employed with an open-ended contract;
- workers employed with a fixed-term contract;

- workers with an apprenticeship contract;
- workers temporarily suspended due to economic crisis, company reorganisation and/or temporary reduction of activity;
- workers in ordinary redundancy funds

Additional types of workers admitted as participants (e.g. owners of micro-enterprises) are specified in the individual calls for proposals. Calls also specify whether training plans are to be submitted by a single company, by several companies in the same region or by companies across different regions.

In addition to training, costs are eligible for the following activities: (a) management activities; (b) preparatory activities for the training plans drafting (such as e.g., advertising, communication, etc.); (c) activities aimed at financing training projects (e.g. aimed at the adaptation of qualifications with the evolution of needs and contents of tasks, the improvement of skills and the acquisition of qualifications).

Each call is very detailed – an example (translated from Italian) is provided in Box 1. Projects based on the various calls are rather different in content and size; they could be smaller projects including a smaller numbers of enterprises or they could be large scale programmes implementing a particular type of activity (e.g. train the trainer provision) in a whole city or region. While some projects have total costs of below EUR 50 000, others have costs exceeding EUR 1 million. Comparable to calls by ESF funding agencies, some of the thematic calls generate highly specific types of activities. Thereby, the Fund can contribute to building up new infrastructures in the interest of its members.

Box 1. One example of the content of a call ("Avviso 4/2020 Generalista Territoriale").

Financial resources: EUR 4 000 000. Resources are allocated at regional level according to the details published in the call.

Subjects presenting and implementing the interventions:
Companies or consortia of companies that on the date of submission of the Plan are members, i.e. enrolled in FAPI and that commit to maintain the registration for at least

24 (twenty-four) months from the date of the declaration itself, under penalty of revocation of the contribution;

Training providers and/or training agencies accredited at the Region of relevance of the Plan, on formal assignment of the beneficiary companies;

Temporary associations of companies (ATI) or of purpose (ATS) between the above subjects, to which public and private universities and institutes of higher education can join.

If the Plan is financed by the FAPI, the proposing subject, owner of the financial contribution, becomes the implementing subject of the intervention.

Specifically, the company, as beneficiary:

1. Can be the owner and fully implement its own training plan, i.e.: a) Submit the application for the grant and the Projects contained therein; b) Directly manage the implementation of the Plans and Projects. In this case, the beneficiary Company is the owner of the financial contribution to the Plan, therefore it is responsible for the overall management (technical, didactic and administrative) of the implementation of the Plan and Projects in relation to FAPI. Therefore, the Company is both the Proposer and the Implementer.

2. or, in the case of a Plan presented by Business Consortia, the beneficiary company can formally delegate the Consortium to present and implement the Training Plan.

3. or, alternatively, for the presentation and implementation of Training Plans, the company can formally appoint third parties provided they are accredited by the Regions where the training activity takes place or accredited in a Region "bordering" the one where the training takes place.

Recipients of training courses: the following are the beneficiaries of this Call:

a) Workers employed under an open-ended contract;

b) Workers employed with a fixed-term contract;

c) Workers temporarily suspended for economic crisis, company reorganization and/or temporary reduction of activity;

d) Workers hired as apprentices.

e) Working members of cooperatives.

f) Workers with project contracts at risk of job loss.

The condition of risk of job loss for workers with fixed term contracts must be expressly indicated in the Declaration of sharing and approval of the Plan. This type is allowed only for a maximum total of 20% of the Project total and only for training activities with a minimum of 6 participants.

Finally, as an extraordinary measure, the following can participate in training:

(g) The owners of micro enterprises in accordance with Community legislation against adequate contribution to be paid by the owners of micro enterprises. The owners, whose participation must be expressly indicated in the Declaration of sharing and approval of the Plan, can participate in training without recognition of

Costs (they contribute to the calculation of the number of participants)

In the case of activities carried out outside working hours, whose commitment is not covered by pay, is not allowed to report the cost of labour of workers recipients of training of the training intervention.

Characteristics of interventions: The Training Plan is an organic program of concerted interventions between the social partners signatories, based on the needs expressed

by the territorial contexts concerned, the sectors, companies and workers. Each company may participate in only one Training Plan on this Notice.

Companies with a Plan funded on Notice 1-2020 cannot participate.

Each plan is presented to FAPI together with the training projects referring to it.

The following types of Plans are eligible:

1) Corporate Plans, consisting of one or more Projects involving a single company and its workers.

2) Intercompany Plans, consisting of one or more projects involving at least two companies and their workers. The companies, or production units involved, must belong to a single region.

The Training Project is the instrument that implements the objectives and the general lines identified in the Training Plan.

Each Training Project must be consistent with the goals and objectives it intends to implement and provide for a duration appropriate to the characteristics of the interventions to be carried out.

Any preparatory and accompanying actions to training activities are an integral part of the project. A Plan may contain a maximum of 20 projects.

The training project must meet the following parameters:

a. The minimum number of participants per project is 3; the maximum number of participants per project is 20 workers (20 people per classroom), net of 'auditors' ; and 'auditors';

b. has a minimum duration of 8 hours and a maximum of 60 hours;

c. must contain the list of beneficiary companies and the number of workers that each company puts in training.

d. each worker in training can participate in up to 2 projects

Funding ceilings: plans presented according to the following funding ceilings are considered eligible:

A. Companies with employees < 10: max € 9,000.00.

B. Companies with employees ≥10 and ≤ 50: max € 27,000.00 .

C. Companies with employees > 50 and < 200: max € 36,000.00.

D. Companies with employees ≥ 200: max € 45,000.00.

E. Companies with employees > 200 and at least 11 companies: max € 54,000.00.

For inter-company plans, the ceilings are calculated on the basis of the sum of the number of employees of all companies benefiting from the training plan according to the provisions set out above.

The requested funding cannot exceed the 'overall availability' calculated as above.

Assessment Of Interventions: for the evaluation of the Applications and Plans presented, the Technical Evaluation Committee proceeds immediately to the verification of eligibility and, only for those admitted, to the next phase of evaluation.

Evaluation criteria:

1. Consistency of training content and duration with the context, strategies and strategies and business objectives described in the plan: max vote 25

2. Consistency of training content and duration with the professional profiles of workers in training: max vote 20

3. Detail and clarity of training plan submitted: max vote 20

4. Presence of actions of innovation processes and / or complex interventions for the health and safety in the workplace consistent with the proposed training: max vote 5

5. Presence of innovative training models, in coherence with the didactic articulation and tools used in relation to the objectives and business processes described: max vote 5

6. Presence and detail of systems for surveying satisfaction and/or assessing the results achieved (level of definition of objectives and tools) of results achieved (level of definition of objectives and monitoring tools): max vote 5

7. Presence of recognized qualifications and/or certifications of learning outcomes: max vote 10

8. Presence of companies newly enrolled in FAPI (period of enrolment not before 1 January 2020) and/or that have never benefited from financing from the Fund: max vote 10

If the plan/project is shared by the employer and trade unions, a bonus of up to 30 points can be obtained.

Implementation Of Interventions: In each Plan, several training methods are allowed, appropriately integrated with each other, including:

(a) Classroom (didactically structured environments inside or outside the enterprise);

b) Training on the job, training in situation;

c) Coaching, knowledge management, tutoring;

d) Distance/online learning, communities of practice. They must be appropriately detailed with sustainability analysis of IT infrastructures and contain detailed monitoring procedures and verification procedures;

e) Participation in conferences, workshops, seminars.

The activities referred to in points b) and c) above may not exceed a total of 50% of the training hours provided. The activities referred to in points d), e) above cannot

exceed a total of exceed a total of 30% of the training hours provided. The activities from b) to e) cannot be combined.

Following the continuation of the epidemiological emergency from Covid-19 and the governmental measures in place, on this Notice is possible to schedule all the hours of training contained in the training projects online.

Consistent with the Project/Plan objectives, the implementer can foresee one or more preparatory and accompanying actions for each training intervention.

The implementer must describe in the presentation phase the activities that he intends to carry out, the objectives that he intends to achieve, and prepare at the end a report on the results achieved.

The preparatory activities will be recognized, in relation to the cost of the training activity, in the following percentages:

Up to 10% of the cost of the training activity the following activities:

needs analysis;

ex ante/in itinere/ex post monitoring

Assessment, focus groups.

The final cost is raised to 20% of the cost of the training activity if at least one of the following activities is added to the above activities adds at least one of the following activities

study and research, organizational analysis;

seminars/conferences to raise awareness - in-depth analysis and dissemination; work-shops;

study and elaboration of materials coherent with the characteristics and objectives of the interventions, to intervention support

Cost parameters (unit hourly cost)

The maximum contribution that can be paid by FAPI for each training intervention must be paid based on the standard unit hourly cost that provides the following parameters:

Minimum eligible unit cost for classrooms composed of 3 workers: Euro 130.00 + max. 20% of preparatory activities;

Maximum unit cost eligible for classrooms composed of 20 workers: Euro 170,00 + max. 20% of preparatory activities.

Unit cost eligible for classrooms composed of between 4 and 19 workers: is reproportioned on the number of workers in training + max. 20% of activities propaedeutic activities.

The standard unit cost is calculated through a formula in the call.

Funding disbursement: The amount of the financial contribution may be disbursed by FAPI, as follows:

First payment: equal to 50% of the financial contribution granted must be received no later than 90 calendar days from the date of the start of the plan and is disbursed within 30 days of receipt by FAPI of the necessary documentation;

Second payment: equal to 30% of the financial contribution granted

The balance, following the audit of the report and up to the maximum amount of the financial contribution, may be positive or negative

2.7.6. Conclusions

The current case study introduces into the system of Interprofessional Funds as a key element of the 'support arrangements' available to enterprises, MSMEs in particular, in Italy.

It discusses the approaches taken by the Fondo Formazione Piccole Medie Imprese (PMI), which mainly organised micro and small enterprises and which has developed a bundle of strategies to support small businesses successfully. By the help of the example, it is shown that the Funds apply a broad range of strategies, thereby combing targeted and mediated support, financial and structural instruments. Each Fund enjoys a high level of autonomy and develops approaches in line with the articulated interest of its members, represented in its governance boards. While there is a considerable competition for members between funds (and for winning non-affiliated enterprises in particular), little is known about the beneficial and harmful outcomes of the competition between the funds.

Nevertheless, micro and small organisations are not equally supported by the system of Funds than their larger counterparts. Small and micro enterprises usually do not have Human Resource Management and Development Offices required to implement training in a strategic way and limit their training activities to safety and health regulations. These training patterns had been only partly changed by the evolving landscape of training funds.

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2.8. Lithuania. Interplay of ESF/ERDF measures

2.8.1. Rationale for the case study

The rationale for the case study has been to study potential bottlenecks within a system for supporting MSMEs to provide training, which – due to the overall small size of the country – currently broadly lacks a well-arranged interplay of instruments which address sector- or region-specific needs of MSMEs. One reason for this perceived lack of integration of instruments concerns the strong dependency from EU funding and its consecutive policy and budget circles, which is not sufficiently balanced by the structures developed based on stable national funding.

2.8.2. Socio-economic context

In Lithuania, the GDP per capita at market prices in 2020 was EUR 17 460, which is lower than EU27 average (EUR 29 640) (Eurostat, 2021b). The average annual wage in Lithuania in 2018 was EUR 12 700, while the EU27 average was EUR 31 100 (2018). The vast majority (93.4%) of all enterprises in Lithuania are micro size (0-9 employees), the same tendency is seen on average in EU27 (93.2%) (Eurostat, 2018). 99.8% are micro, small and medium-sized enterprises.

Lithuania is one of the low-performing countries in terms of adult learning and has a relatively low participation rate in formal and non-formal learning– 28% of adults (aged 25-64) participated in education and training in 2016. Only 33% of employed adults in 2016 were participating in non-formal learning. By looking at the size of enterprises, 22%, 33%, 42% and 52% of employees of micro, small, medium and large size enterprises respectively participated in education and training. Public sector employees (56%) were participating in training much more than private sector employees (28%) (OECD Statistics database, 2021). Large enterprises show higher levels of training activity than smaller ones, however in Lithuania large companies account for barely 0.17% of all enterprises.

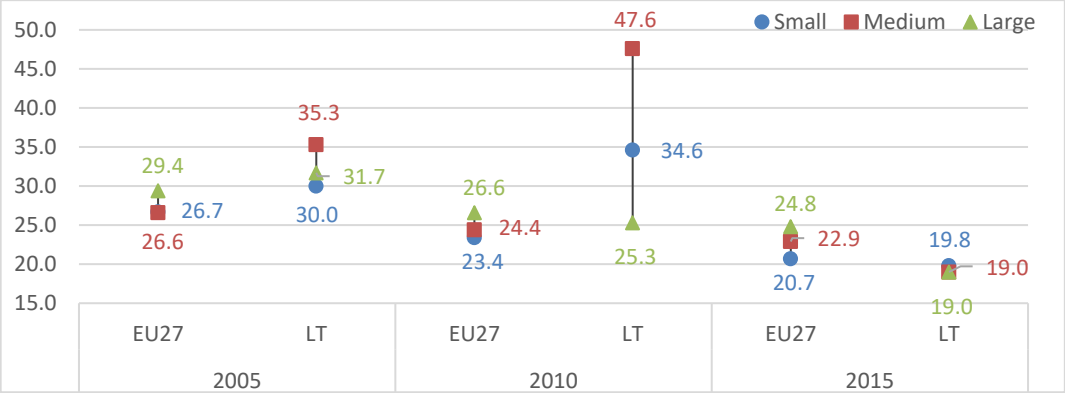
In 2015, Lithuanian enterprises spent on average 19.1 hours of training per employee, compared to the average of 23.6 hours in the EU27. In 2015, enterprises were spending significantly less hours in training employees than in 2005 or 2010. The largest difference is in the medium-sized enterprises (amount of training hours per employee dropped from 47.6 hours in 2010 to 19 hours in 2015) (see Figure 14) (2005 - 2015).

Table 16. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Lithuania and the EU27

INDICATOR	LITHUANIA				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	56.3	82	96.2	61.6	66.9	84.3	95	70.5
Participation rate (all enterprises)	14.4	24.1	38.3	25.6	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	2.8	4.6	7.3	4.9	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	0.9	1	1.3	1.1	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

Figure 14. Hours spent in CVT courses by size class - hours per participant



Source: CVTS5 survey, 2005-2015

2.8.3. Policy context and key organisations providing support relevant for MSMEs

Institutions providing support relevant for MSMEs are different to those providing support for individuals as part of adult learning. The Ministry of Economy and Innovation (MoEI) provides support for MSMEs while the Ministry of Education, Science and Sports supports adult learning. The support for training employees of MSMEs is mainly provided through ESIF (2021b), therefore the hierarchy of institutions corresponds to hierarchy of institutions for the purposes of managing EU funds.

The Ministry of Economy and Innovation designs the intervention and coordinates implementation of both financial and structural incentives discussed in this case study (see Section 3). The European Social Fund Agency (ESFA) is responsible for the implementation of the financial incentives (i.e., the grants for companies). ESFA organises evaluations of applications, monitors use of financial support and disburses payments to beneficiaries. Structural incentives are implemented by business development agencies under the Ministry of Economy and Innovation, namely LVPA (Lithuanian Business Support Agency), Versli Lietuva (Enterprise Lithuania) and INVEGA (Investment and Business Guarantees). In general, LVPA seeks to increase international competitiveness of Lithuanian business (LVPA, 2021); Enterprise Lithuania was established to promote entrepreneurship and foster export (Enterprise Lithuania, 2021a); and INVEGA provides financial engineering instruments, in particular, oversees loans, bonds and the functioning of various venture capital funds that combine public and private funding (INVEGA, 2021). All aforementioned agencies implement ESIF measures.

In addition, some national measures indirectly supporting training in MSMEs have emerged. For instance, Enterprise Lithuania coordinates the "National Mentors' Network", which seeks to facilitate cooperation with partners' networks in the area of export, to act as European one-stop-shop for entrepreneurs, to provide information about regulations, to provide quality support to establish business in Lithuania, and to coordinate start-ups in Lithuania. Participants can receive counselling in such areas as business, finance, marketing and communication, business law, HR management and training, social business (Enterprise Lithuania, 2021b). INVEGA also coordinates national support for MSMEs by reinvesting returning funds from ESIF-funded venture capital funds (INVEGA, 2021).

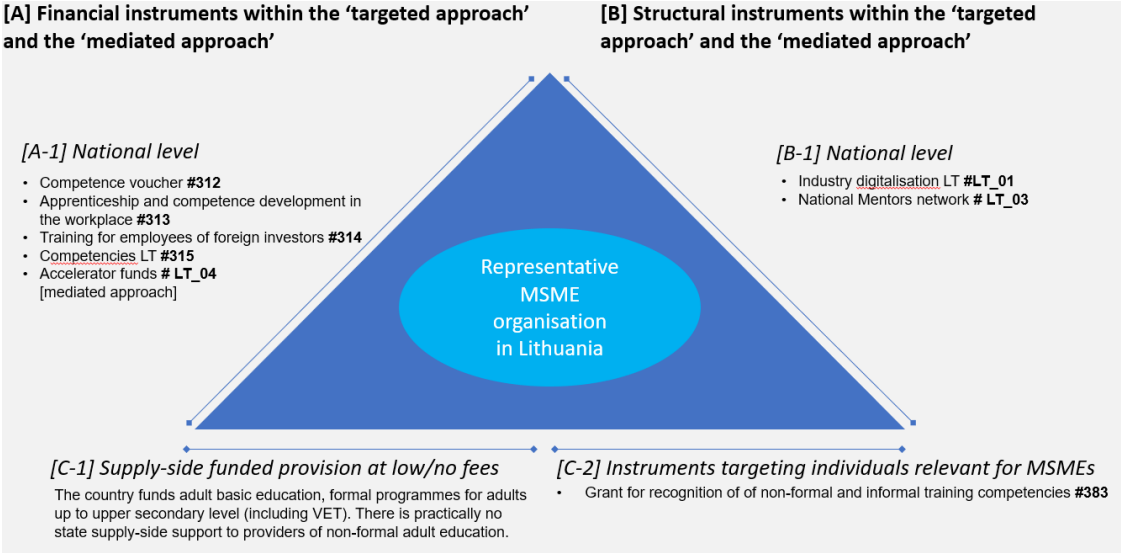
In Lithuania, all financial and structural incentives (relevant for MSMEs) are provided at the national level. The system is heavily reliant on EU funds. In terms of ESF and ERDF support, there are two priorities relevant for MSMEs, namely Priority Axis 3 "Promoting the competitiveness of SMEs" and Priority Axis 9 "Educating the society and strengthening the potential of human resources". The former supports exclusively MSMEs, while the latter supports education and training for employees of MSMEs but also for different target groups (e.g. researchers, people with special needs, unemployed). Priority Axis 3 aims to increase entrepreneurship, internationalization and productivity of SMEs and EUR 597 703 253 are earmarked for this. EUR 674 667 287 is dedicated to Priority Axis 9, one of the aims of which is to ensure equal opportunities for lifelong learning for all age groups, developing the knowledge, skills and competences of workers and recognition of acquired competences. However, there are other objectives of the

priority, such as better education infrastructure, student achievements and access to education and training, which are not relevant for MSMEs (esinvesticijos.lt, 2021; OP for the European Funds Investments in Lithuania, 2014).

2.8.4. Interplay of financial and structural instruments

As indicated above, financial and structural incentives (relevant for MSMEs) in Lithuania are provided at national level. The system is heavily reliant on EU funds.

Figure 15. Interplay of financial and structural instruments – Support arrangement at national (skill formation system) level in Lithuania



Source: Cedefop

In terms of financial incentives at national level [A-1], there are four grants for companies (all of them ESIF measures) which support skills development of employees in areas relevant to the companies. Eligible costs covered by "Competence voucher" (#312), "Apprenticeship and competence development in the workplace" (#313), and "Training for employees of foreign investors" (#314) include training fees and costs of organising training (e.g., teacher's salary, material, etc.). "Competencies LT" (#315) contributes to the costs of organising CVET within the groups of companies brought together by a project promoter (usually a business association or cluster coordinator). As an example of a mediated approach, where the provision of funding is the dominating aspect, the "Accelerator Fund" (#LT_04) (ESIF measure) has been identified. It aims at fostering SME competitiveness and entrepreneurship. At the time of this research, It has invested into respectively 36 and 24 companies as part of its pre-seed funds, and into respectively 3 and 7 companies through its accelerator funds.

Relevant structural incentives at the national level [B-1] include three measures. The business productivity measure “Industry digitization LT“ (#LT_01)) is an EU-funded measure aimed at encouraging small and medium-sized enterprises to carry out technological audits to assess the potential and prospects of digitization of production processes. The funding conditions of the measure provides for the costs of technological audit and the purchase and installation of new production process equipment and facilities with integrated digitization technologies. The “National Mentors’ Network” (#LT_03) is a virtual platform where experienced professionals share their knowledge and experience with young entrepreneurs. This platform was launched in 2015 and aims to create an environment which helps a new entrepreneur to learn business management and improve other necessary entrepreneurial skills.

As indicated above, financial and structural incentives (relevant for MSMEs) in Lithuania are provided at national level. The system is heavily reliant on EU funds. In particular, the “Industry digitization LT” measure finances purchase of new digital technology equipment, which aims to digitize production, but also provides indirect support for training by foreseeing the possibility to include expenses of training staff to use newly-installed equipment (a possibility which is widely used by MSMEs implementing projects).

In terms of support not specifically addressed to organisations/MSMEs, but which may be of relevance for MSMEs, and in particular supply-side funded education and training provision [C-1], in Lithuania there is practically no state supply-side support of non-formal adult learning. The latter is strongly dependent on fees paid by the participants. Among the instruments targeting individuals relevant for MSMEs [C-2] there is a grant for individuals dedicated to the support for recognition of non-formal and informal training competencies (#383). However, individuals are supported via demand-side instruments only to a very minor extent.

2.8.5. Interplay of ESF/ERDF measures in Lithuania

The complementarity of instruments between financial (mainly ESF funded) and structural incentives (mainly ERDF funded) on a national level [A-1 and B-1] stems from the design of ESIF support. The ESF provides support for “soft” interventions, i.e., support for skills’ development of individuals, while ERDF funds “hard” interventions, e.g., investment in infrastructure, equipment (and investment in training of staff to use the equipment), innovations, etc. The complementarities are taken into account during ESIF programming stage. Measures listed under A1- are co-financed by the ESF, while measures of B-1 are mostly co-financed by the ERDF (Accelerator Funds, Industry Digitalization LT).

However, there is an apparent mismatch between EU funding aimed at incentivising skills development in MSMEs, and its provision via the adult education system (A-1 and B-1 on the one hand, and C-1 and C-2 on the other). Various research and evaluations confirm the fact that the education system does not meet the skills needs of the economy (2021b), which might be exacerbated at regional/sectoral level. In Lithuania, all financial and structural incentives (relevant for MSMEs) are provided at the national level. Albeit recent reforms aimed at increasing the role of subnational-level organisations, regional and sectoral stakeholders (e.g. regional development councils, sectoral professional committees) have been identified to lack the capacities to fulfil their responsibilities delegated to them by central government (e.g. EU-funded project selection) (OECD, 2021c).

However, the system's heavy reliance on these EU funds itself also involves challenges for its MSME support arrangements. There is a perceived lack of integration of instruments due to the EU funding's consecutive policy and budget circles, which is not sufficiently balanced by structures developed based on stable national funding. This has been supported by a series of reports (OECD, 2017; 2018; 2021c). In particular, it has been emphasized that the long-term continuity of many measures (financial as well as structural) is challenged by this dependency, for example as funding for many ESIF-funded projects (including financial and structural incentives) is discontinued after contributions from the ESIF end (OECD, 2021c). This holds true, in particular, for economically weaker regions that cannot raise the necessary financial resources to continue such projects in the long-term, contributing to an overall weakly developed 'support arrangements' for MSMEs at the regional level.

A recent OECD report has also emphasized that the long-term stability of projects is often unsecure due to changing priorities of ESIF funding (OECD, 2021c). Also, in the programming period of 2021-2027, the design of interventions will change substantially. Synergies between "soft" and "hard" interventions will be strengthened only when it comes to supporting enterprises active in RIS3 areas. In particular, only those skills that are in shortage in enterprises active in RIS3 areas as shown via the Entrepreneurial Discovery Process will be supported under Priority Axis 1 "Smarter Lithuania" objective targeting skills development. However, other training interventions will be designed not with the primary goal of supporting fulfilment skills needs of the "general" MSME sector, but rather with the aim of fulfilling reskilling and upskilling needs of various vulnerable groups, such as low-skilled persons, unemployed, elderly persons. Such support will be channelled through Priority Axis 4 "More socially responsible Lithuania" (2021a). The "ownership" of the measures will change - MoEI will no longer administer such

ESF-funded projects in the new financial period, with this responsibility being transferred to the Ministry of Education (2021b).

A single MSME can benefit from all aforementioned financial and structural instruments if the enterprise meets the requirements set out in the description of the financing conditions of the measure (2021b).

Some structural measures target only sub-segments of the MSME sector, offering tailored support. In particular "National Mentors' Network" and "Accelerator funds" target start-ups or young enterprises, while "Industry digitization LT" targets more mature MSMEs (Ministry of Economy and Innovation, 2020). However, there are overall limitations that prevent MSMEs from obtaining support from different measures simultaneously (e.g., the share of absorbed funds). The aim of these limitations is to distribute the support to a wider variety of enterprises and avoid "freezing" the ESIF support, which would occur if one enterprise could capture funding simultaneously from several measures (2021b) [45].

Moreover, even a given complementarity is not necessarily perceived by the employers. For example, the "Industry digitalization LT" measure does not fund employee training directly, as such activities are not eligible for funding according to ERDF rules. However, indirect support for training occurs insofar as funding is provided for the purchase of digital technology equipment. According to the cost eligibility guidelines, the costs of training to use the equipment are eligible among the cost category of purchase of equipment. Therefore, if project promoters include the costs of training (how to use the purchased equipment) in the contract to procure equipment, such costs would be eligible to fund under these measures (2019). Such training is understood as a side cost, and not as an indirect incentive for training. There may be missed opportunities for greater synergies between instruments due to this perception.

Overall, the prevalent perception of direct synergy between financial and structural instruments appears to be limited.

2.8.6. Conclusions

In Lithuania, support for training in MSMEs is seen as one part of a coherent policy mix for support for the MSME sector. ESIF is channeled to MSMEs as they invest significantly less in training than large enterprises do. Low investment in training of employees can also be associated with the fact that the vast majority of enterprises

[45] A potential side effect is a limited complementarity between measures, as only a certain (set of) measure(s) can be accessed simultaneously. In certain cases, it might be impossible to combine measures aimed at incentivising MSME's training with consequent financial support to alleviate the costs of this training, if the maximum share of absorbed funds is exceeded. In how far this has been a problem in practice has not been assessed in this research project

in Lithuania are micro (93%) or small (5%) size. Support from ESIF aims to fill the MSME 'training gap'.

During the 2014-2020 programming period, the Ministry of Economy and Innovation was responsible for measures directed to fulfilling the skills needs of companies. Redesign of ESIF intervention logic for the 2021-2027 programming period will will likely imply the re-design of support and a larger abundance of demand-side grants for individuals (and no carry-over of grants for companies in their current design) (2021a) EU Funds Investment Program for 2021–2027, 2021). Although robust evidence is not yet available, there is a risk that this will widen the gap between MSME skills' needs and provision of relevant skills for the work force if MSMEs do not invest more in training on their own.

Furthermore, various research and evaluations confirm the fact that the education system does not meet the skills needs of the economy, which might be exacerbated at regional/sectoral level. Previous reports stressed that regional and sectoral stakeholders (regional development councils, sectoral professional committees) lack the capacities to fulfil their responsibilities delegated to them by central government (e.g. EU-funded project selection) (OECD, 2021c). In addition, the economically weaker regions struggle to raise the necessary financial resources to continue ESIF-funded projects in the long-term (OECD, 2021c).

ESIF rules are generally also quite restrictive, and priorities shift from programming period to period. This is evident in the shift from 2014-2020 to 2021-2027 where support for development of skills relevant to MSMEs will be provided only in companies operating in RIS3 areas, and no longer available to the "general" MSME population. In any case, ESIF support is not designed to be relied on for several subsequent periods but rather is intended to bring about a structural shift in the economy or to kick-star the creation of sustainable national funding structures. Although positive developments are visible in some areas (e.g., inter alia, national support structures for SME competitiveness through INVEGA), these changes are yet to occur in Lithuania in the ecosystem of adult learning.

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2.9. Hungary. Access for MSMEs to EU funding

2.9.1. Rationale for the case study

The case explores the ways European Union funding is used for supporting training in MSMEs, in a country with rather fragmented support to adult learning and lacking an overall strategy to increase participation in adult learning both for individuals and companies (and MSMEs) in particular.

2.9.2. Socio-economic context

The GDP per capita in 2021 was at EUR 13 640[46]. The national minimum wage: EUR 542/month[47].

According to the data of the Hungarian Central Statistical Office, at the end of 2019, 856 950 enterprises operated in Hungary, 99.9% of which — i.e., 855 870 enterprises — qualified as MSMEs. Only about 1 000 companies have more than 250 employees. However, the latter generate more than 40% of the economic output (see Table 17).

Table 17. Economic indicators by company size category in 2019

	Less than 10	10-49	50-249	250+
Number of enterprises	818 377	32 234	5 259	1 080
Share of enterprises	95.5%	3.8%	0.6%	0.1%
Number of employees	1 275 283	608 860	511 979	911 999
Share of employees	38.1%	18.5%	15.6%	27.7%
Gross value added	23.9%	17.1%	17.2%	41.8%

Participation in adult learning (age group 25-64) remained quite stable at around 6% over the last five years, reaching 5.8% in 2019 prior to the Covid-19 crisis, which is below the EU27 average of 10.8% in 2019.

As illustrated in Table 18, training performance differs largely by enterprise size in Hungary. Training incidence of small and medium-sized enterprises is

[46] Eurostat [SDG_08_10]

[47] Eurostat [EARN_MW_CUR]

below EU-average, showing considerably fewer hours of training per person employed compared to large firms, with 1.8, 2.4 and 8.7 hours per employee respectively. Small companies in Hungary are less likely to provide training to their workers with less than 40% of the enterprises providing training. They include less workers in training activities, provide a lower number of hours of training for each employed and spend fewer financial resources on training.

Table 18. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Hungary and the EU27

INDICATOR	HUNGARY				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	38	64.7	90.9	43.8	66.9	84.3	95	70.5
Participation rate (all enterprises)	10.6	14.6	27.4	19.4	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	1.8	2.4	8.7	5.1	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	1.1	1.3	2.2	1.8	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

2.9.3. Policy context and key organisations providing support relevant for MSMEs

The entrepreneurship and SME policy framework is set out in the new government Strategy on Small and Medium Enterprises for 2019 to 2030 (OECD, 2020c). While the strategy includes actions to develop entrepreneurial skills, and there is a Digital education strategy (adopted in 2016), there is a lack of comprehensive adult learning strategy in Hungary. (EC 2021)

During the past few years, the Government has launched several projects to promote adult learning, such as the mentioned Digital education strategy. In most cases, however, the goals and tasks have not been determined exactly, there has been no appropriate planning and co-operation and co-ordination among the actors involved, and the effectiveness of these projects has not been measured. Therefore, effectiveness and efficiency of the projects promoting training during the past few years have been extraordinarily low (É., 2020). This was recognised also by the Government in a strategy 'Vocational training 4.0: published in April

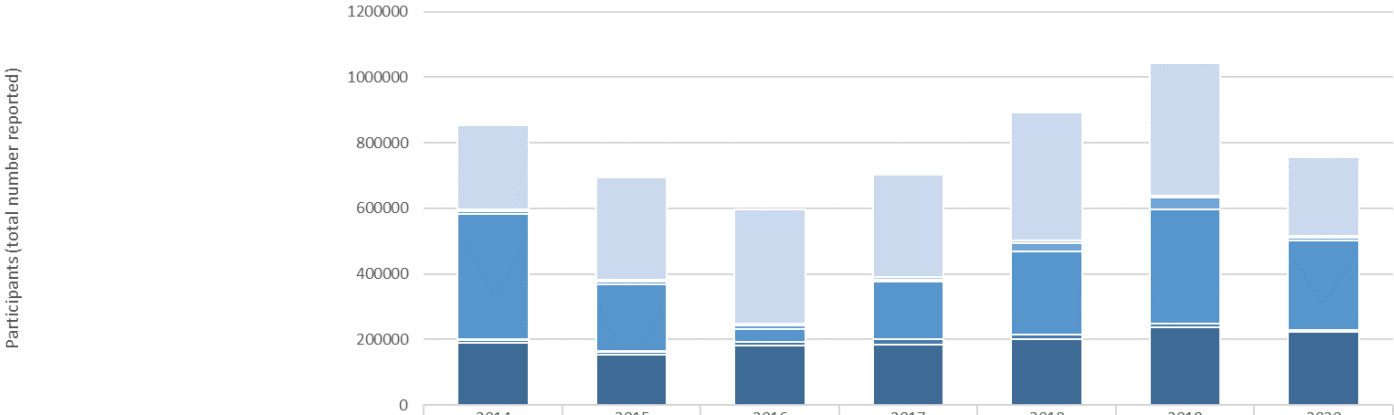
2019: titled “The system of adult education does not respond with appropriate flexibility to the demands of the labour market in the economy. The problem in the current system of adult education is that it is impossible to objectively measure its effectiveness and efficiency” (Innovációs és Technológiai Minisztérium, 2019). Thus, it seems that there has been no improvement in developing appropriate measurement methodologies to demonstrate the effectiveness of adult learning programmes.

The funds provided by the European Union have crowded out the national funding for adult learning. Data collected via a sophisticated national approach[48] (see Figure 16) indicates that, adult education received very little state funding during the last decade and most programmes were realised through the EU funding. The number of individuals participating in adult learning outside the school system is significantly influenced by the availability of European Union resources.

On the other hand, corporate activity grew significantly, as employers are responsible for financing training for about half of the participants in 2019 (see Figure 16). Employers primarily finance vocational continuing training, while individuals finance the types of training which are listed in the National Vocational Qualification Register, and which are of relevance for the labour market (OSAP Országos Statisztikai Adatgyűjtési Program).

[48] https://statisztika.mer.gov.hu/

Figure 16. Participation cases in adult learning (absolute numbers) with a breakdown for the main source of funding 2014-2020



	2014	2015	2016	2017	2018	2019	2020
Enterprises and budgetary organisations (as employers)	255318	313026	346422	314632	391313	401979	241973
Vocational training contribution	4402	5389	4972	6573	6969	5878	2338
Central budgetary resources other than the National Employment Fund	1382	636	681	1146	1051	1611	2585
National Employment Fund	9252	7858	12866	4119	23343	35217	9229
Eu funding	382037	205033	37803	176135	255613	348421	270974
Other international source	578	683	1663	1357	204	228	509
Other	8927	8368	10007	15488	12929	12150	4978
Individuals	190040	154529	181446	184282	200849	236385	224343

Source: OSAP Országos Statisztikai Adatgyűjtési Program (National Statistical Data Provision Programme): Number of persons participating in adult education outside the school system and with a break down for the source of fundingRetrieved from https://osap.mer.gov.hu/ [Data updated by 6th of Oct. 2022]

The key actors in relation to providing support relevant for MSMEs are as follows:

- Ministry for Innovation and Technology is in charge of the main business-oriented policies – such as the development of business environment, sectoral regulations, employment and promoting entrepreneurship in general. The Ministries responsible also for VET and Adult Learning and Education (ALE).
- The National Office of VET and ALE controlled by the Ministry for Innovation and Technology which coordinates a major part of EU-funded flagship government projects in the field of VET and ALE
- Hungarian Chamber of Commerce and Industry which provides information on Hungarian and foreign statutory provisions concerning the economy and on economic policy decisions and measures involving the activities of business organisations. The Chamber's role is to foster the development of economic cooperation.
- Sector Skills Council co-ordinated by the Hungarian Chamber of Commerce and Industry responsible for the development and up-date of

VET content and its structure, working towards a better match of labour market demand and VET provision.

- National Employment Service which comprises the National Employment Office (national level), the Labour Centres of Government Offices at County level and the Branch Offices at local level. It is responsible for tasks related to employment promotion subsidies, providing information and counselling related to labour market training or job retention programmes both for individuals and companies.
- Adult learning institutions (adult learning providers)

2.9.4. Interplay of financial and structural instruments

The coordination of policies supporting enterprises and individuals suffer from a lack of strategic policy making and the creation of a firm policy framework in the area of adult learning at the national level. Due to the dominance of EU funding, grant-type supply-driven (and not a target group-specific) measures are typical. There is a long tradition in the Hungarian adult learning sector that learning opportunities are made available free of charge, with provision mainly supported by supply-side funding mechanisms. However, in the flagship Vocational Training 4.0 reform strategy, there is an expressed intention to give priority to demand-side instruments, providing the employers with an active role while not putting individual learners into the drivers' seats (Várkonyi, 2020).

Figure 17 summarises the interplay of incentives supporting MSMEs in providing training/adult learning opportunities in Hungary. There are only a few financial incentives established at national level [A-1], such as the Vocational training contribution to the National Employment Fund (#100) and the Training subsidy for job retention (#103).

The vocational training contribution is a kind of training levy enterprises are required to pay. It is set at 1.5% of company payroll. Under the 2011 act on the vocational training contribution, it can be paid in several ways: (a) by providing apprenticeship training to apprentices in upper-secondary VET and certain higher education programmes (b) by providing or financially supporting employees' training (up to 16.5% of the training levy), under certain conditions (c) by paying it into the National Employment Fund training sub-fund. According to the 2011 act on the vocational training contribution, companies may allocate a part of their training levy to co-finance their employees' vocational and foreign language training. Micro enterprises receive a higher co-funding share of 70%.[49]

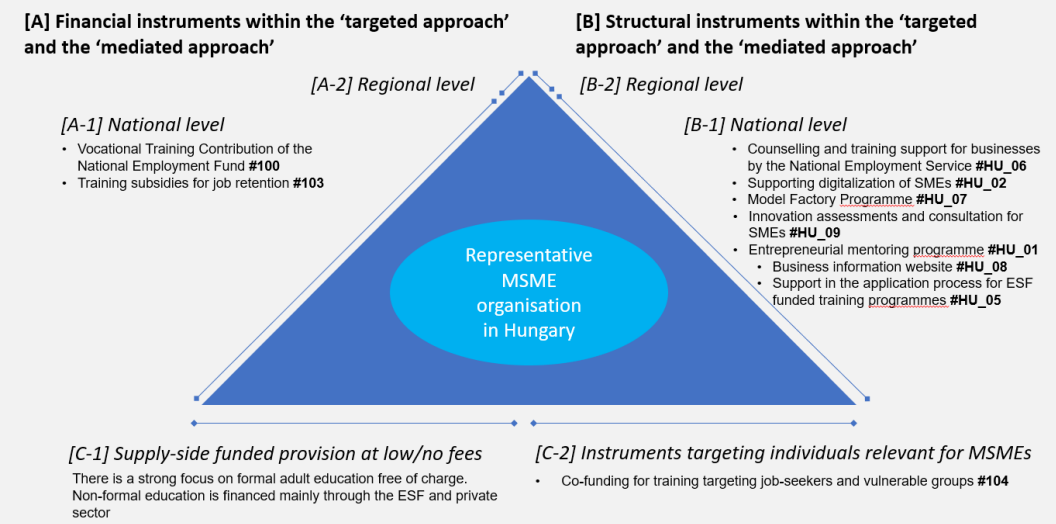
[49] The vocational training levy has been abolished. Since 1 January 2022 companies don't have to pay vocational training contribution (szakképzési hozzájárulás in

The Training subsidy targets companies with employees whose regular employment cannot be ensured without training. Companies can apply for a state-funded grant covering between 70% and 100% of the costs of training of these employees. Employers benefitting from the grant must continue to employ the employees concerned for at least the same period as the duration of training.

There are several structural incentives at national level [B-1], mainly co-funded through EU funds, providing support to MSMEs to train their employees.

Supply-side funding provisions [C-1] are established at national level with national financial resources spent mainly on formal adult education and the EU funds spent mainly used for funding non-formal adult learning. With regard to incentives targeting individuals [C-2], jobseekers and individuals belonging to vulnerable groups may benefit from public co-funding for training.

Figure 17. Interplay of financial and structural instruments – Support arrangement at national (skill formation system) level in Hungary



Source: Cedefop

At the end of May 2021, a new form of Student Loan named a "training loan" was introduced as a type of adult learning/continuing education and training version of the Student Loan for higher education students. The training loan is available for those who are between 18 and 55 years of age and participate in adult

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Hungarian). https://nav.gov.hu/print/ado/szocialis_hozzajarulasi_ado/uj-szochokedvezmeny-2022.-januar-1-jetol. The training fund is financed now based on general taxes.

education and vocational training. (However, the scheme has not been prolonged after the 30th of September 2022).

2.9.5. Use of EU funds in supporting training in MSMEs

The Economic Development and Innovation Operational Programme (EDIOP) of the programming period 2014-2020 was a main funding source supporting training in MSMEs. Through different calls (6.1.6-17 - Support for on-the-job trainings for employees of micro, small, medium-sized enterprises[50] and Support facility for micro, small and medium-sized enterprises and large companies to be able to apply for training grant under EDIOP 6.1.5-17 and EDIOP-6.1.6-17) MSMES are supported to train their employees in recent years.

The above-mentioned schemes primarily provide support to companies to promote workplace learning, in particular in MSMEs, and help their workforce to adapt to the social and economic changes.

The main goal is to increase the competitiveness of enterprises by improving the employability of employees, improving the workplace skills and competencies of their employees that are required for the Industry 4.0 specific applications and solutions, as well as the process-based Industry 4.0 organisational philosophy, increasing access to training for MSMEs and encouraging employers to continuously improve their employees' knowledge. Another objective is that businesses (by using public funding and supplementing it with their own resources) can ensure that more employees are involved in training and training is also considered to be an investment in their own interest. Considering that one of the most typical areas of adult learning is the workplace this set-up also helps to increase participation in adult learning. Between 2017 and 2020, a total of 718 companies received support in the total amount of approx. EUR 30 million[51].

The EDIOP 6.1.6 project is supplemented by another one (EDIOP 6.1.7.52) to facilitate the application of MSMEs for the training grants and provide professional support to workplace learning. It aims to support MSMEs in meeting their training needs, taking into account the specificities of the sector, ensuring the appropriate quality and follow-up of training organised and implemented by enterprises. Another aim of the professional support programme is to help the companies that have received support to exchange experiences.

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[50] Call for proposal – EDIOP 6.1.6-17 "Support for on-the-job training for employees of micro, small and medium-sized enterprises Available: https://www.palyazat.gov.hu/ginop-616-17-munkahelyi-kpzsek-tmogatsa-mikro-kis-s-kzpvllalatok-munkavllali-szmra

[51] Széchenyi 2020 statisztikák: https://www.palyazat.gov.hu/aktstat?lang=hu

[52] Support facility for micro, small and medium-sized enterprises and large companies to be able to apply for training grant under EDIOP 6.1.5-17 and EDIOP-6.1.6-1

The total budget of the facilitation project is approx. EUR 7 million. The National Office for Vocational Education and Training and Adult Learning in a consortium partnership with the Hungarian Chamber of Commerce and Industry and the Ministry for Innovation and Technology has implemented the project in the period from 1 February 2018 to 31 December 2020.

The Hungarian Chamber of Commerce and Industry provides information days and events and operates a website (https://munkaerokepzes.hu/) with a list of training programmes. By the end of 2018, 34 information events had taken place, in which 645 companies participated. No evaluation study has been conducted.

Companies are encouraged to invest in training of employees only via the specific EU funded projects over a specific period of time (e.g., EDIOP 6.1.6 and 6.1.7 projects). Generally, for MSMEs, the same subsidies are available as for larger enterprises. However, the size of the business often determines the opportunities, as e.g., smaller businesses often have difficulty in granting their employees days off for training purposes. Especially for smaller companies, it is important to be able to reconcile employee training and related additional administrative tasks with the company's activities.

2.9.6. Conclusions

Training activities of MSMEs are supported mainly by frameworks funded by the European Union, with project-based frameworks following a structural approach. Subsidies for training are typically made available within frameworks supporting innovation, thereby following a structural approach. Based on ESF means, also other support services are offered to MSMEs, including counselling on training. However, little is known about the effectiveness of these initiatives due to a lack of monitoring and evaluation activities (OECD, 2020c).

Support for CVET in the MSME sector based on national means is limited and practically restricted to a reduction of the vocational training contribution for supporting the costs of school-based IVET, however, the latter is practically only a theoretical source of support for MSMEs and used only by large enterprises and overall quantitively insignificant.

While participation in adult learning remained quite stable in the last years, it is difficult to adequately assess the quality and effectiveness of the adult learning system. There is no national scale, standardised information database available for actors taking a decisive role in shaping the processes in the labour market, which could describe how adult training can be utilised in the economy of the country (Századvég Gazdaságkutató Zrt., 2016). There are no reliable data available on these features even today. It is impossible to demonstrate the

effectiveness and utilisation in the labour market of the resources provided by the state and the European Union. Overall, the perceived positive developments in Hungary's adult learning system derives mainly from frameworks supporting individuals (OECD, 2020a)

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2.10. Malta. Malta Enterprise and its support for an economy almost exclusively composed of MSMEs

2.10.1. Rationale for the case study

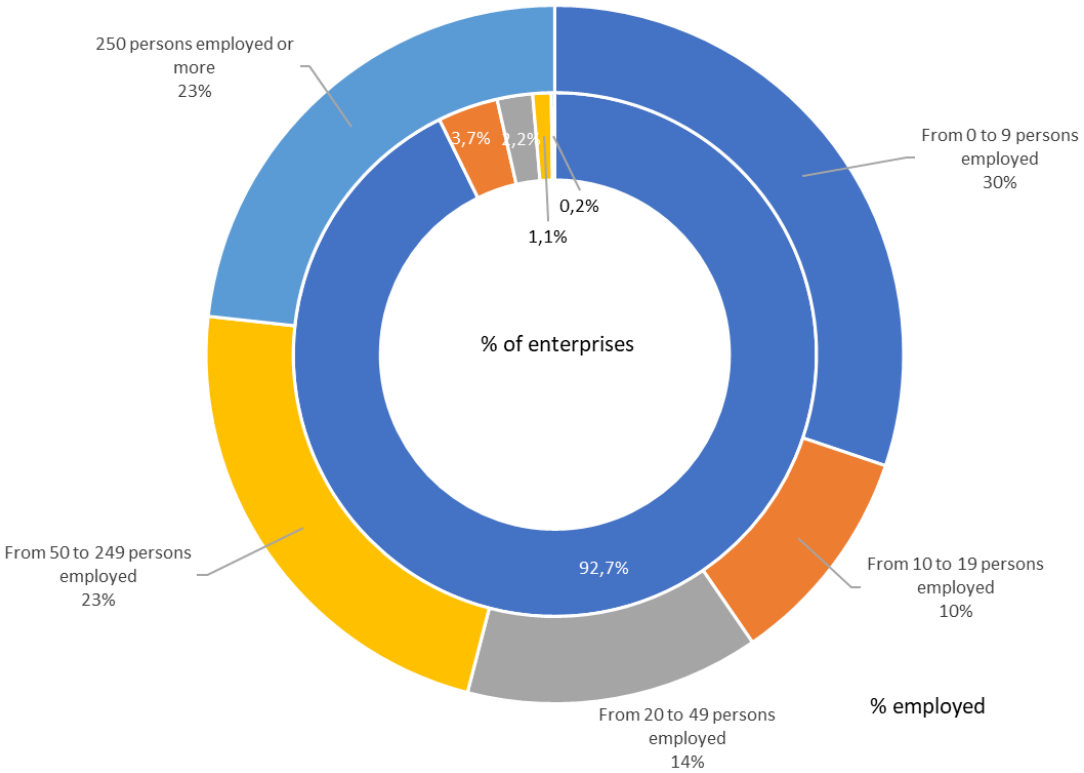
The case study investigates the capacity of a single organisation – Malta Enterprise - to support training activities of MSMEs in a small country, seeking to coordinate its activities with the activities of a second organisation working in the field (the Public Employment Service).

2.10.2. Socio-economic context

Malta is the smallest member of the European Union in terms of area, population and Gross Domestic Product. In recent years before the pandemic, Malta experienced robust economic growth and low unemployment. According to a study of the Central Bank of Malta, SMEs (including micro enterprises up to 10 employees) in Malta accounted for the lion's share of growth observed recently. Official data suggests that the contribution of Maltese business economy SMEs was close to half of total value added, which is significantly higher than the proportion of total value added that is generated by SMEs in the EU (which is around two-fifths). Limiting the analysis to just the activity of the business economy sector, Maltese SMEs accounted for nearly 80% of value added, compared to 56% across the EU. (Grech Aaron G., 2018)

MSMEs constituted 99% of all firms, with the vast majority, almost 93%, being micro firms employing less than 10 persons. Small firms, employing between 10 and 49 workers, accounted for approximately 6% of all enterprises, while 1% of all firms were medium-sized. The share of individuals employed in MSMEs is also significantly higher compared to the EU-27 average (77% in Malta, 65% in the EU-27), showing the overall importance of MSMEs in Malta (European Commission, 2019).

Figure 18. Share of enterprises and share of employed in Malta by company size



Source: Eurostat, [sbs_sc_sca_r2]

In absolute numbers, the importance of MSMEs in Malta compared to the EU-27 average is illustrated in Table 19. It shows the small number of large enterprises, and the resulting lower number of employed in this kind of enterprises, resulting in the strong focus of the business development agency on MSMEs offering schemes targeting e.g., small family businesses.

Table 19. Number of organisations and number of employed in Malta and the EU27 by company size (in 2018)

		Company size					
		From 0 to 9 persons	From 10 to 19 persons	From 20 to 49 persons	From 50 to 249 persons	250 persons	Total
Malta	organisations	29 455	1 183	696	364	68	31766
	Employed	47 633	16 205	21 517	35 878	36 725	157958
EU27	organisations	21 150 689	861 923	452 283	200 000	40 000	22 704 895
	Employed	37 615 929	11 865 037	13 894 416	20 630 605	45 367 993	129 373 980

Source: Eurostat [sbs_sc_sca_r2]

Participation in formal adult learning is slightly above the EU-27 average, at 7.2% compared to 5.1% at EU-level. Contrary, participation in non-formal adult learning is significantly lower (at 42%), compared to the EU-28 average (60%).

A s visible in Table 20, training incidence of small and medium-sized firms is slightly below EU-average. In addition, small and medium-sized firms show considerably fewer hours of training per person employed compared to large firms.

Table 20. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Malta and the EU27

INDICATOR	MALTA				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	55.9	80.4	95.3	61.6	66.9	84.3	95	70.5
Participation rate (all enterprises)	18.9	34.2	52.8	35.8	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	5.6	11.5	23.3	13.7	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	1.3	2.1	2.7	2.1	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

2.10.3. Policy context and key organisations providing support relevant for MSMEs

The provision of adult learning in Malta is guided by the Malta National Lifelong Strategy 2020 which was adopted to reach the goals of the Framework for Education Strategy for Malta 2014-2024. This framework was adopted by the then Ministry for Education and Employment after the European Council passed a resolution in 2011 for a renewed European Agenda for Adult Learning.

The major players in this area have traditionally included the State, with respect to general education and labour market training, through Ministry for Education and Employment. The State provides its own supply-side adult learning programmes through its Directorate for Educational Services.

The State through its annual budget allocations provides funding for services rendered by state institutions in the areas of general adult education, health promotion and vocational education and training. The EU through its various actions and other sources, notably the ESF, is increasingly becoming a key provider of funds for adult learning. The central actor in this regard is the business development agency Malta Enterprise, which implements a number of financial and structural incentives, including those promoting training in companies. Its key role is analysed in detail in Chapter 2.1.

Other players in the field, but only relevant for individuals, is the Public Employment Service and the Catholic Church through its own provision at national

and parish levels as well as through its larger network of NGOs. The rest of adult learning is provided by state funded academic institutions especially Higher Education institutions such as the University of Malta and The Malta College of Arts, Science & Technology (MCAST), the private institutions, private (for profit) ICT and language schools, cultural centres connected with a foreign country (e.g. Alliance Française, Circolo Cultural Hispano Maltés) and, of course, NGOs.(European Commission and DG Employment, 2017)

2.10.4. Role of Malta Enterprise for the provision of demand-side adult learning in Malta

Malta Enterprise plays a key role in implementing schemes promoting adult learning, including the incentives for companies to provide training. Malta Enterprise is the state-funded national economic development agency responsible for promoting enterprise and related business undertakings, encouraging the establishment of new business undertakings and the expansion of existing ones in Malta. Malta Enterprise was established in the 1950ies. While more recently it has been focusing on the support for enterprises, in the past, it also used to support individuals to take up training (mostly in relation to IT-skills). The Covid-19 pandemic resulted in an increasing demand for training in the companies due to the economic downturn and having the time to send people to training instead.

Furthermore, Malta Enterprise acts as an intermediary body for the utilisation of structural and cohesion funds. It operates a number of grant schemes financed through these EU funds.[53]

Overall, Malta Enterprise implements a large variety of funding schemes, out of which seven include the promotion of training or adult learning in private enterprises (by the 1st of February 2020). This shows that, while Malta Enterprise plays a key role in implementing schemes related to training/ adult learning, it is also a central actor for other kind of schemes, e.g., in relation to facilitating investments, attracting foreign enterprises and research and development. Malta Enterprise offers a large variety of schemes, e.g., from targeting micro enterprises in the craft sector and family run businesses to the Skills Development Scheme which is attractive also for large enterprises. However, the schemes are often implemented for a limited period of time only, and then get replaced by other (similar) schemes with modified content depending on the changing demand of the companies.

[53] https://rio.jrc.ec.europa.eu/country-analysis/organisations/malta-enterprise-corporation-malta-enterprise

Table 21. Incentives including the promotion of training/ adult learning implemented by Malta Enterprise by 1 February 2020

Financial / Structural incentive	Type	Name of the incentive	Budget	Number of beneficiaries
Structural	Targeted support	Skills Development Scheme	3 724 000	266 (2019-2020)
Structural	Mediated support	Family Business Support Services	120 000	49 (2018-2020)
Structural	Mediated support	Aid for Research and Development Projects (Tax Credits)	Not available	Not available
Structural	Mediated support	Certify (Tax Credits) 2018 – 2020	Not available	Not available
Structural	Mediated support	Investing in Crafts	204 000	19 (2019-2020)
Structural	Mediated support	Cooperate for Growth	Not available	Not available
Financial	Tax incentive for individuals	Get Qualified	20 904 000	9 833

Source: http://www.maltaenterprise.com/

Malta Enterprise strongly interacts with the Public Employment Service (named JobsPlus), which offers the ESF co-funded scheme Investing in Skills, which also provides funding to MSMEs. Due to different eligibility criteria and regulations, the Skills development scheme was recently more in the focus of larger enterprises, while MSMEs tend to choose the Investing in Skills scheme (due to different reasons, e.g., the standardised cost option and the simpler application procedures of the Investing in Skills theme).

The schemes offered by Malta Enterprise complement the incentives established and implemented by the PES. The provision of new incentives is based on either decision taken by the national government or by Malta Enterprise's choice when spotting a gap that needs to be addressed.

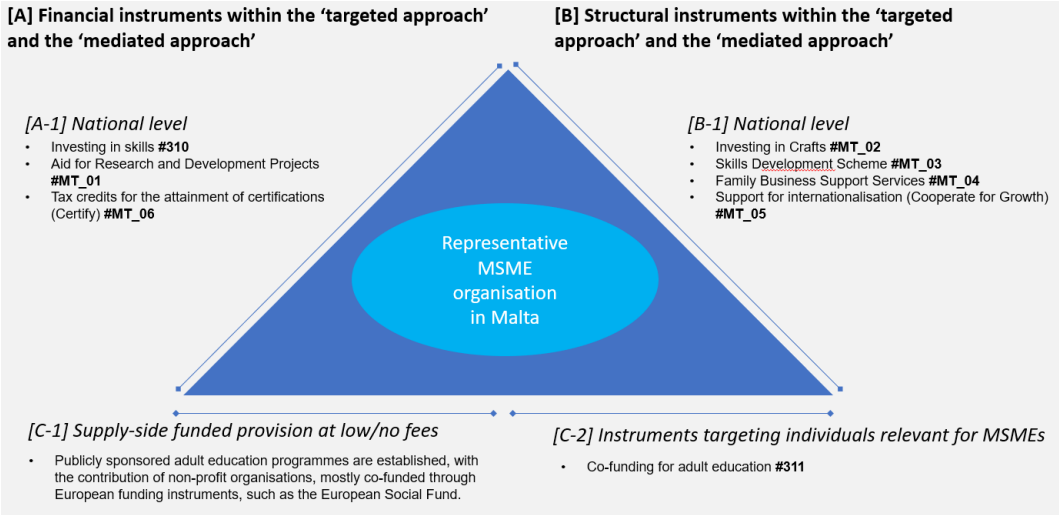
To summarise, the business development agency Malta Enterprise plays a crucial role supporting MSMEs established in Malta. By implementing support measures for companies which include the promotion of training/adult learning and by complementing the schemes offered by the PES, Malta Enterprise can be seen as the main facilitator of adult learning in Malta.

2.10.5. Interplay of financial and structural instruments

In Malta, both financial and structural incentives to promote training in MSMEs/adult learning are implemented at national level, while sectoral level approaches are less developed. In terms of financial incentives [A-1], there is one major ESF co-funded incentive providing co-funding (from 50% to 70% depending on the company size) to the company training expenses including a subsidy to employee wages, being implemented by the Public Employment Service (#310). Two instruments, following a mediated approach, are providing mainly financial support, implemented by Malta Enterprise, including Aid for research and development projects (#MT_01) which allow companies to claim tax credits on costs incurred directly or indirectly in carrying out research and development (R&D) projects as well as 'Certify' (#MT_06). Regarding structural incentives supporting MSMEs [B-1], there are further four incentives established, all being also implemented by Malta Enterprise. The largest incentive in terms of financial volume is the Skills Development Scheme (#MT_03; being discussed in detail in the following chapter) with a total funding of EUR 30 million, co-funding the development and update of skills and knowledge of the employees. Others include the smaller schemes (Investing in Crafts (#MT_02), Family Business Support (#MT_04) and Cooperate for Growth (#MT_05) targeting particular sectors (artisans) or micro-enterprises.

On the other hand, supply-side funded provisions [C-1] exist in form of publicly sponsored adult education programmes, with the contribution of non-profit organisations, mostly co-financed through the ESF and the ERDF. With regard to support for individuals relevant for MSMEs [C-2] there is one grant for individuals implemented by JobsPlus established, which is also co-financed by the ESF, providing a contribution of 75% of costs related to training up to EUR 1 000 (#311).

Figure 19. Interplay of financial and structural instruments – Support arrangement at national (skill formation system) level in Malta



Source: Cedefop

2.10.6. Discussion on the selected structural instrument and the lessons available from it

The Skills Development Scheme is the largest and most relevant structural incentive targeting MSMEs in Malta. By its nature, it complements the ESF co-funded scheme Investing in Skills implemented by the PES. It supports companies to provide training to develop and update the skills and knowledge of their workforce. Through the supported training it is envisaged that assisted undertakings will upgrade skills of employees, address skills shortages, facilitate re-skilling, tackle skill mismatches and work towards developing a knowledge-based workforce. It is administered by the Malta Enterprise Corporation, which acts as the country´s economic development agency with the objective (among others) to facilitate the growth of existing operations (Malta Enterprise, 2020).

With a total budget of EUR 30 million it is one of the largest schemes available for companies in Malta. In principle the aid is granted in the form of a tax credit, however the Malta Enterprise Corporation may consider awarding assistance in the form of a cash grant. The tax credit shall be taken as a deduction from the tax payable by the undertaking on its chargeable income. The maximum support is of EUR two million per skills development project. Eligible costs include consultancy costs for developing the training programme, wage costs of trainees and trainers, travel expenses and other costs such as rental of training rooms and equipment. Aid intensity varies between 50% (for large companies) and 70% (for small companies). Training which is mandatory for the role of the employee is not eligible for funding.

2.10.7. Conclusions

The economy of Malta is characterized by a large share of MSMEs compared to the EU average, both in terms of entities established and share of persons employed. The importance of MSMEs is also shown by the added value, as (limiting the analysis to just the activity of the business economy sector) Maltese SMEs accounted for nearly 80% of value added, compared to 56% across the EU.

The business development agency Malta Enterprise is the central actor when it comes to the implementation of financial and structural incentives with the aim of promoting enterprise and related business undertakings, encouraging the establishment of new business undertakings and the expansion of existing business undertakings in Malta.

With regard to incentives that include the promotion of education and training for MSMEs, Malta Enterprise implements a number of different schemes, focusing on the development and update of skills and knowledge of employees. The largest incentive in terms of financial volume is the Skills investment scheme with a total funding of EUR 30 million, providing co-funding for the training of employees.

Drafted by: Jakob Weiss (3s)
Revised by: Günter Hefler (3s)

2.11. Austria. Support for adult learning (and learning in MSMEs) in the City of Vienna

2.11.1. Rationale for the case study

In Austria, the responsibility for supporting adult learning, including the support for training in enterprises, MSMEs in particular, is divided across fields and layers of policy making, making policy coordination a particular important activity for the effectiveness of regional support arrangements. The nine Austrian federal states (*Bundesländer*) have developed different approaches for coordination. The case study discusses the support arrangement of the City of Vienna, and the role of one particular semi-autonomous agency, the Vienna Employment Promotion Fund (Wiener ArbeitnehmerInnen Förderungsfonds waff) in particular.

2.11.2. Socio-economic context

Austria belongs to the group of most economically prosperous states of the EU (with PPS 39 400 per capita[54], the 5th place among the EU27 in 2019) and the world. After the economic downturn in 2009 and a relative recovery of the Austrian economy in 2010 and 2011, several years of low economic growth and a sharp rise in unemployment were followed by a marked increase of people active in the labour market (Hefler and Steinheimer, 2020). The federal provinces have large differences in unemployment with by far the highest unemployment figures in Vienna. It was not until 2017 that the economy significantly expanded. Austria was hit hard in 2020 by the Covid-19 crisis, especially with regard to particular fields of tourism (city tourism, Winter tourism).

The Austrian economy is highly diversified, with a highly specialised, export-oriented manufacturing sector, however, the tourism sector plays a particular role. The size structure of Austrian enterprises is patterned rather similar to the EU27 average. Micro enterprises (up to 9 employed) make up for 93,3% of organisations and 29,6% of employment, small enterprises (10-49) represent 5,7% of organisations and 22,9% of employment, and medium-sized enterprises (50-249%) make up for 1,7% of the organisations and 18,1% of the employment. Together, the MSMEs represents 99.6% of the enterprises and 64.6% of the

[54] Purchasing power adjusted GDP per capita [SDG_10_10]

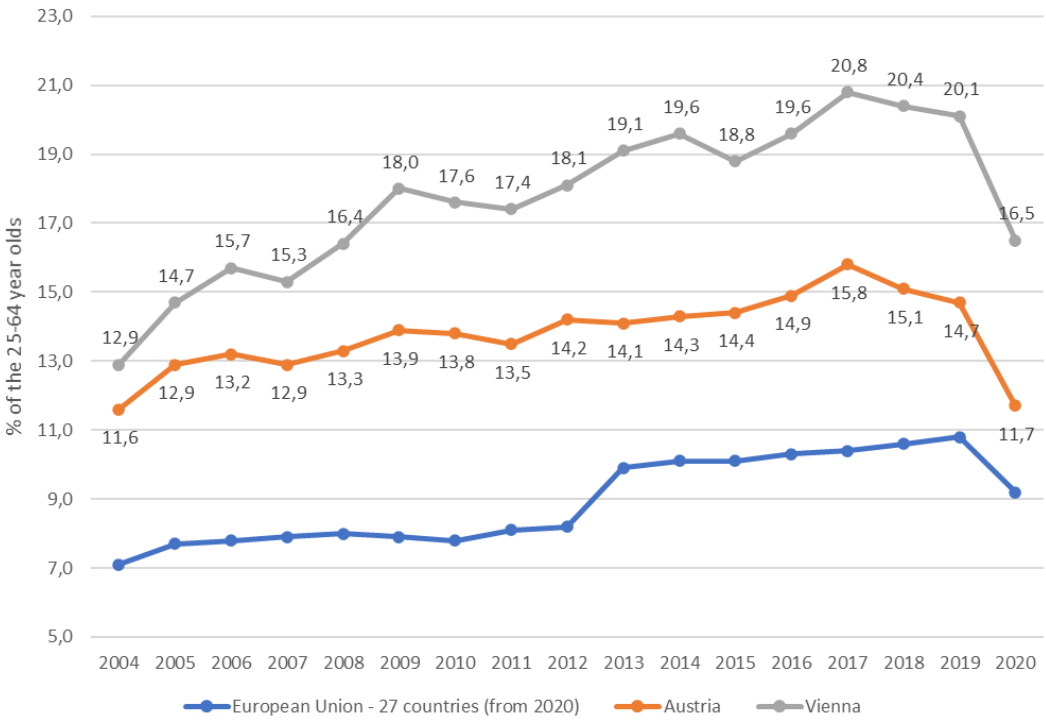
workforce in the business sectors covered[55]. 0.4% of the organisations are large, employing 35.4% of the workforce.

Vienna is a strongly growing city with close 1.9 million inhabitants (2020). It is Austria's capital and one out of nine federal states (Bundesländer) holding one fifth of Austria's population. Its workforce is characterised by the highest proportion of highly qualified and the largest share of low qualified adults in Austria. The city faces above average levels of unemployment, mainly among the low qualified, with demand for unskilled work further shrinking. More than 40% of the current population have migrated to the city from abroad, three times as much as in the Austrian average, comprising of both low-skilled and highly-skilled migrants. Competences for active labour market policy are on central state level, however, with the city government represented in the local PES. Support for lifelong learning of adults is mainly within the competence of the regional government, with the waff as one of cities' main actors in the field. The city is ruled by the social-democratic party since the Second Word War; however, the party is in opposition in the Austrian parliament since 2017.

The economic structure of Vienna differs from the overall Austrian pattern, as public administration and education (universities in particular) makes up for a much larger share of the work force than in the Austrian average and manufacturing has practically disappeared from the city, although many firms active in manufacturing hold administrative or research units in the city. As a major city, Vienna attracts large numbers of day commuters (2019: 275 000 excluding trans-border commuters from e.g. Hungary, Slovakia or Czechia), making the labour market of the city even more competitive.

[55] NACE Rev. 2 sections B to J, L, M and N; Source: 2021 SME Country Fact Sheet's Background Document for Austria

Figure 20. Participation in Adult Learning (within the 4 weeks prior to the survey) – LLL structural indicator for Vienna, Austria and the EU27 (2004-2020)



Source: Eurostat Dissemination Database: Participation rate in education and training (last 4 weeks) by NUTS 2 regions [trng_lfse_04] (Data Version: 19.10.2021)

Since the accession to the EU in 1995, participation in adult learning has strongly increased in Austria, with the Active Labour Market policy among the key drivers of the development. Participation in lifelong learning (LLL) in Austria is comparatively high and among the top third of the EU27, although still significantly lower than in the top-performing Scandinavian countries. In 2017, after a decade of steady increase, the LLL indicator reached 15.8% thereby exceeding the ET2020 target, before declining somewhat in 2018 and 2019. With the onset of the Covid-19 crisis, participation in adult learning dropped sharply in Austria as in most EU member states. Vienna has participation rates in LLL strongly exceeding the Austrian average, partly driven by above average participation rates in formal adult education reflecting the fact that Vienna holds many of Austria's largest universities (see Figure 20).

Enterprises play an important role as providers of CVET in Austria, however, as demonstrated by Table 22, performance indicators based on the CVTS 5 survey show an overall training performance of enterprises close to the EU27 average. The MSME training gap is substantial, however, somewhat smaller than reported

for the EU27. In particular, small organisations (10-49) in Austria show a somewhat stronger performance than in the EU27 average[56].

Table 22. Indicators on enterprises' training performance– CVTS 2015: Austria and the EU27

INDICATOR	AUSTRIA				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	86.6	94.8	98.7	88.1	66.9	84.3	95	70.5
Participation rate (all enterprises)	35.3	41.2	54.9	45.4	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	6.8	11.2	12.2	10.3	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	1.1	1.4	1.5	1.3	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

2.11.3. Policy context and key organisations providing support relevant for MSMEs

In Austria, the responsibility for policies aiming at supporting adult learning and CVET provided by enterprises, MSMEs in particular, is scattered across fields of policy making and layers of policy making. Table 23 provides a summary.

The Austrian Public Employment Services (PES) has emerged as the key actor in providing and promoting adult learning. The PES is a semi-autonomous agency under the control of one dedicated ministry (with frequent changes over time; since 2021, there is a dedicated Ministry of Employment, usually, the PES had been governed by the Ministry of Social Affairs). While training provision for the unemployed has remained a priority of PES, in the field of adult learning, further policies have been developed too. The PES provides the key co-funding schemes supporting the training costs of enterprises for particular groups, with preferential treatment for MSMEs. Moreover, it provides targeted structural support, as organisational counselling on HRD and support for setting up training networks, both frameworks mainly used by MSMEs. The PES provides also various training incentives to enterprises, which employ former long-term unemployed. Finally, key schemes supporting individuals to access training or to acquire a vocational qualification in adulthood are run by the PES, which also administrate the rather generous educational leave schemes. While the PES and its schemes are

[56] Data on employer-sponsored training on regional level are not collected in Austria.

established on national level, it is important to understand that the Austrian PES is organised in nine regional branches, with a strong influence of the regional government and the regional Social Partners on the ways, nation-wide frameworks are exploited regionally. Across schemes and over time, there are stark differences in the use of various instruments across regional PES units, reflecting different preferences in the regional bodies steering the local policies.

The Ministry of Education is responsible mainly for the provision of formal education for adults within the systems of schools, VET schools and higher education (yet, with the exclusion of the apprenticeship system). Since 2012, it oversees the Adult Basic Education in Austria (Hefler and Steinheimer, 2020). It provides financial support to the network of Austrian Adult Education providers and run various initiatives in general adult education, however, it has no significant role in the steering and funding of CVET.

Support for training in enterprises is also provided as part of broader packages aiming at supporting economic development and the MSME sector in particular. On national level, one agency Aws provides instruments accessible for all Austrian enterprises, however, economic development is mainly pursued by the dedicated organisations of the Austrian regions.

Austria represents still a form of Corporatism with employers and employees organised in interest organisation which enjoy a significant influence on policy making in general and much autonomy in arranging collective bargaining (Mailand, 2020; Pernicka and Hefler, 2014). For enterprises, membership in the Chamber of Commerce (Wirtschaftskammer) is mandatory. While the latter play a minor role in the provision of financial support for training, the local and sectoral branches of the organisations contribute to interest aggregation in the field of CVET policies and provide various forms of counselling to their members. Moreover, the Chamber of Commerce runs the by far the largest CVET provider in Austria (*Wirtschaftsföderungsinstitut – Wifi*). The regional branches of the Chamber of Commerce enjoy autonomy, exerted by their elected governance bodies and services are mainly provided on the regional level, with often stark differences across the nine federal states.

On the regional level, the federal states hold the legal responsibility for supporting dependent employees (*Arbeitnehmerföderung*), which includes the support for CVET of employed. While schemes supporting the individual costs of adult learning had an even longer tradition, the *Bundesländer* started to develop a much more active role in the field after Austria's accession to the EU (Hefler et al., 2013). Some *Bundesländer* created semi-autonomous agencies which became responsible for multiple policies supporting job-related lifelong learning, with the Vienna Employment Promotion Fund (Wiener ArbeitnehmerInnen

Förderungsfonds) as one of the most prominent and sustainable examples. These agencies provide also support services to enterprises, MSMEs in particular, although this is not their main field of activity.

The Austrian regions are furthermore responsible for regional business development and have created a broad variety of organisations, often combining a sectoral with a regional component. The most important business development agency in Vienna is the Vienna Business Agency (Wirtschaftsagentur Wien), which issues various calls each year, thereby providing both financial support and an ever-changing set of structural instruments, where training in MSMEs is supported based on a mediated approach.

Table 23. Organisations providing support for training in MSMEs – National and regional level

	Activity/-ies		
Organisation	**Financial instruments – targeted support**	**Structural instruments**	**Other relevant activities**
Country-wide operating organisations			
Public Employment Service (*Arbeitsmarkt-service*)	Financial support for corporate training for specific target groups (low qualified; 45 and older) (#5) Some schemes are delegated to a regional organisation	Counselling on HRD (AT_01)	In charge of powerful individual support schemes (e.g. training leave, the key upskilling scheme – *Fachkräfteintensivau s-bildung*); wage support for former long-term unemployed
(Level bund) Österreichische Wirtschaftsförderung		Aws support for digitalisation (AT_02)	In charge of a large number of support schemes for MSMEs, without (in)direct support for training

Chamber of Commerce (*Wirtschaftkammer*)	Support for self-employed (marginal)	(Institutionalised) Counselling on various topics, however, counselling on training is provided as a fee-based service provided by the affiliated CVET provider (key provider in Austria is the *Wirtschaftsförderungsinstitut (wifi)*)	Run the largest CVET provider in Austria, however, fees are broadly market-based
Regional organisations – Example Vienna			
Vienna Employment Promotion Fund (*Wiener ArbeitnehmerInnen Förderungsfonds)*	Cofunding for some forms of corporate training (German as a second language; adult apprenticeships) Support to the training costs during phases of educational leave	*Förderung Innovation und Beschäftigung Implacementstifungen*	Various support schemes for individuals Largest provider on lifelong guidance for employed *Arbeitsstiftungen*
Vienna Business Agency *(Wirtschaftsagentur Wien)*		Various instruments supporting innovation, however, related training costs are not explicitly highlighted as among the eligible costs (however, they might be accepted)	

2.11.4. Interplay of financial and structural instruments

In Vienna, enterprises can receive contributions to the costs of for particular groups of employees (#5) (the low qualified in particular) from instruments established nation-wide by the PES.

Companies with employees who have only completed compulsory education (ISCED11 Level 2), an apprenticeship or a vocational school (ISCED11 Level 3) or are 45 years or older are entitled to apply for the grant to co-fund training activities (for each group there are specific conditions in relation to the training funded). Generally, public co-funding is 50% of the eligible costs up to EUR 10 000 per individual employee. Beyond training costs, a contribution to the wage costs during participation in training is available.

Moreover, via a network approach, further support to the training costs can be achieved. Companies' networks composed of at least three companies where at

least 50% of them are SMEs can apply for the grant. 100% funding is provided for external consulting for building and operating the network, identifying training needs and designing training plans, advising on the development of HRD programmes, organising trainings, providing support during the application process, etc., (10 days of consulting max).; moreover, up to 50% of training costs are provided for men with only compulsory education (ISCED11 0-2), women holding an intermediate level of education (ISCED11 3) yet without Higher Education Entrance permission (Matura), and all employees age 45 or older. Beyond training costs, a contribution to the wage costs during participation in training is available. However, while training networks had never been strongly supported in Vienna, by the end of 2020, all training networks in Vienna had been closed based on a decision of the regional PES, reflecting the overall lower need for this type of instrument in a large city with a broad variety of training opportunities in place.

The city of Vienna, mainly via the Vienna Employment Promotion Fund, provided contributions to the costs of specific forms of training and/or for specific subgroups of employees (#265). In 2020, e.g., support had been available for the provision of German as a Second Language courses and for training costs covered by an enterprise during an employee's educational leave. However, both schemes were discontinued. In 2021, financial support available for enterprises' training costs is focussed on support for apprenticeships (including support for adults in IVET). While many of the Austrian Bundesländer have their own schemes supporting enterprises' training costs, changes in the support schemes are frequent. (Fleischer and Hefler, 2013; Hefler et al., 2013).

Structural instruments include in particular access to counselling on HRD related topics for free (#AT_01) and financial support to the costs of projects related to digitalisation (#AT_02).

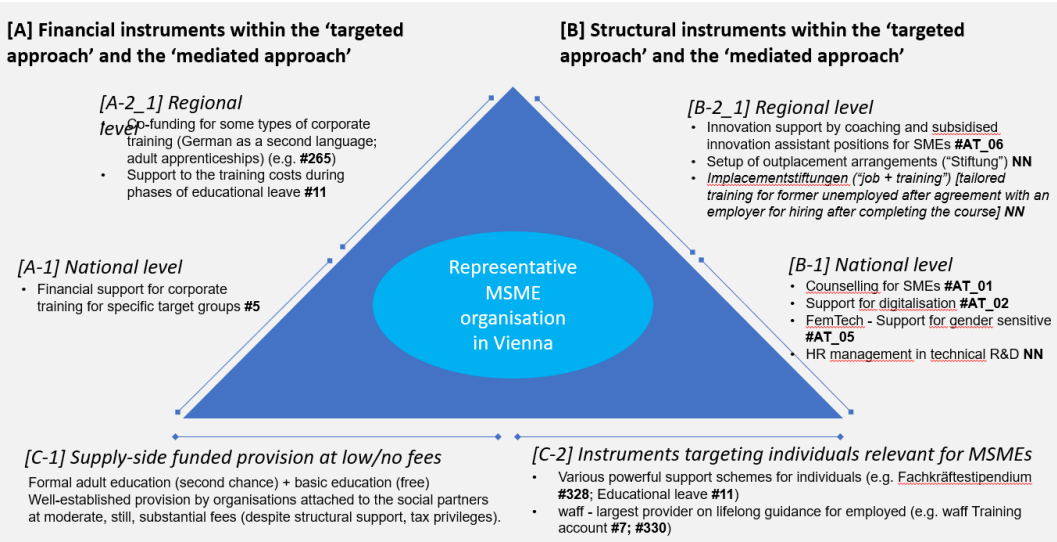
On regional level, the waff provide support for innovation projects, where contributions to the wage costs of one or more newly hired supporting employees are given and contributions are made to any training costs incurred for the whole team as part of the innovation project (#AT_06).

Supply-side funded adult learning in Austria [C-1] is mainly restricted to two areas. First, since 2012, to adult basic education (European Commission et al., 2021; Hefler and Steinheimer, 2020). Second, to various forms of formal adult education, provided by upper secondary schools. For everyone with a higher education entrance permission (mainly the so-called *Matura*), universities of applied science or universities can be also attended by adults for free or at relatively low fees. However, for the majority of CVET courses, it is required to pay fees, and the latter can be substantial despite the dominance of non-profit

providers (in particular, the training centres of the social partners) and some public contributions to the Austrian network of adult education providers.

MSMEs can profit via their employees [C-2] also from the numerous support schemes in place targeting individuals, some of them provided by the PES (e.g., Skilled workers grant (Fachkräftestipendium) #328), many of them provided by the *Bundesländer*. In Vienna, the waff provides a broad range of demand-side cofunding schemes for individuals, with up to 100% of cofounding, with a ceiling of EUR 5 000 (e.g., #330). However, many of the more generous schemes are available only for low-wage earners (with a net income below EUR 1 800 (e.g., #7), which is close to the median net income of employees in Vienna, meaning that 50% of adults are excluded from these forms of generous support).

Figure 21. Interplay of financial and structural instruments – Support arrangement at the skill ecosystem level in the Vienna region (Austria)



Source: Cedefop

Figure 21 summarises the support arrangement pertinent to the Vienna skill ecosystem. Schemes available on a national level form the basis, however, are not always accessible for enterprises in Vienna, reflecting the strong regional governance structures of the Austrian PES. Nevertheless, the financial contributions to the costs of training for low-qualified and older employees form the most significant public contribution accessible in Vienna (#5). Vienna based agencies contribute to the available financial and structural support, however, support schemes targeting enterprises are subject to frequent changes and sometimes short-lived. MSMEs in Vienna might profit more from the overall support available for adult learning in Vienna than from measures supporting their training activity directly. Overall, in Vienna, the overall Austrian pattern is equally dominant,

that public support for adult learning is mainly provided to the individuals, with a strong emphasis on the unemployed, the latter balanced by regional schemes targeting also other groups of individuals. Overall, support for training in enterprises and MSME in particular is not strongly developed, with the exception of policies belonging to the core of the Active Labour Market Policies.

2.11.5. Local agencies as facilitators within support arrangements

Introducing new dedicated agencies responsible for developing support policies and coordinating the contributions of various stakeholders to a given regional support arrangement is considered as a promising strategy. In the following, the main agency in Vienna taking much of the responsibility for coordination of policies is portrait.

The Vienna Employment Promotion Fund (Wiener ArbeitnehmerInnen Förderungsfonds (waff), is a semi-autonomous agency in Vienna, working mainly in the fields of employment and lifelong learning policies. The organisation was founded in 1995 with the mission to ease the negative consequences of Austria's accession to the European Union on selected occupational fields. Already by 1996, the waff entered the emerging field of lifelong learning related policies, introducing a grant for CVET for individuals and a lifelong guidance offer. Starting with a yearly budget of less than EUR 5 million and eleven employees in 1995, the organisation took on more responsibilities soon, received extended funding, stemming partly from EU funding lines, and expanded its workforce. In 2020, the waff commanded a budget of EUR 77.2 million and supported near to 35 000 people (despite the limitations due to the Covid-19 crisis) with its services and employed 211 employees. It provides lifelong guidance to the employed (2020: 9 329 new clients) and offers financial support to the individual costs of CVET (2020: 10 675 cases, EUR 11.55 Mio). The waff is active in the development of various related policies, including the support of the accreditation of prior learning and educational outreach.

The waff as an organisation is to be understood as an example of a (semi-)autonomous agency (Pollitt, 2004), which implements the requirements of the political executive (Vienna city government – Landesregierung) or other administrative units (e.g. Vienna Public Employment Service) with a considerable degree of individual responsibility and control. The waff is based on the Vienna Foundation and Fund acts like other funds of the City of Vienna (Wiener Landes-Stiftungs- und Fondsgesetz). The granting of additional leeway – among others also for the involvement of the interest groups represented in the committees - in the implementation of tasks represents a substantial reason for the establishment of semi-autonomous agencies. The granted leeway opens the possibility to

achieve an independent impact, to report on this and to expand it in continuous organisational learning processes by shaping the implementation process of political requirements or transferred administrative tasks. Within the government structures of the waff, the representatives of the Vienna's city government have the leading role, however, all parties represented in the city parliament are represented in the board of trustees (waff Kuratorium). Mirroring Austria's vivid corporatism (Pernicka and Hefler, 2015) the Austrian social partners are also represented on the board, with a strong say of representatives of the Austrian trade unions in particular.

In its early years, the waff was seen mainly as an organisation implementing a key instrument of Austria's emerging active labour market policy (Atzmüller, 2009) – the so-called labour foundations. The scheme allows workers made redundant to enter a prolonged phase of lifelong guidance and CVET, including the completion of formal programmes (even on higher education level) for up to four years. During the whole period, participants receive the full unemployment benefits and a small extra premium. Employers are expected to contribute to the training costs of their former employees by contributing a lump sum[57]. Other examples for employment policies include schemes for promoting women and men after parental leave and for example, a non-profit temporary work agency (up to 2010).

Policy activities related lifelong learning policy has grown steadily in importance within the organisation's portfolio over the years. The waff is responsible for some of the key instrument of lifelong learning policy in Vienna, including

- The provision of career guidance (including guidance on educational opportunities) – while there are other lifelong guidance providers for the employed, too, the "waff counselling centre for career and continuing education" (*waff Beratungszentrum für Beruf und Weiterbildung*) is by far the largest one, with more than 10 000 waff clients in 2016.
- The provision of various grants supporting different target groups to bear the costs of CVET. Various schemes cover from 30-100% of course fees up to a ceiling of EUR 5 000 (for some groups and programmes). In 2016, EUR 9.3 million of cofounding for activities has been distributed to more than 8 600 clients.
- As part of its counselling portfolio, the waff have experienced with approaches to assess competences acquired in informal learning and is

[57] for details on Austrian labour market instruments see http://www.ams.at/_docs/basic_information_report.pdf

currently active in the establishment of Qualification portfolios Vienna (*Qualifikations-Pass Wien*)

- The waff runs a regional data base on CVET courses
- The waff has contributed to the establishment of quality assurance systems for CVET providers, later mainly taken over by an agency working on the national level.

The waff has also played and continues to play an important role when it comes to policy coordination in the field of lifelong learning. In 1997 the waff was acknowledged as Territorial Employment Pact (TEP) by the EU and later played a key role in the implementation of the territorial employment pact (TEP) as partnership in Vienna. It had contributed to establishing the policy network behind the implementation of Vienna's Vocational Training guarantee in 2010. It has a coordinating role in the implementation of the Vienna 2020 Qualification Plan and the Vienna 2030 Qualification Plan.

Moreover, the waff has become an intermediate body for the implementation of the ESF priority "promote social inclusion and combat poverty" in Vienna and has a coordinative function.

The provision of support for enterprises forms one aspect of the waff portfolio since the waff's foundation. The waff's original structure mirrored the structure of the Austrian PES. It became semi-autonomous in 1994. The service for the individuals (employed, unemployed) is complemented by the service for the employers, regarded as a second group of clients. Employers had been targeted mainly as (paying) partners of various forms of outplacement frameworks (based on the legal institution of the *Arbeitsstiftung*[58] or other legal constructions allowing for the joint investment of an employer and the public authority in the training of former or future employees.). Moreover, the waff provides support for enterprises, partly by providing subsidies for newly hired employees, who have individually participated in one of the offers as the future employers of support individuals. However, the support activities for enterprises constitute only a smaller part of the waff's policies. In addition, over the years, various schemes supporting training activities in enterprises had been implemented, often only over shorter stretches of time. The exception is the support for 'innovation assistant' (see #AT_06), a scheme which is provided in various forms also in other *Bundesländer*.

For 2020, the waff reported to have supported 735 enterprises, MSMEs in particular in the following ways:

[58] The instrument allows employees made redundant to go through an intensive form of lifelong guidance and to enter any form of adult learning for up to four years in order to work towards the identified career goals, with a wage replacement payment available (for more information, see {Cedefop, 2020 #10372}).

- cooperating with enterprises which need to let off employees and wish to support their transition via one form of labour foundation (Arbeitsstiftung) or a related measure (117 enterprises)
- supporting qualification of future employees (including new employees as part of innovation projects) (provided in cooperation with the regional PES)

2.11.6. Conclusions

In Austria, support for adult learning has been expanded significantly over the past two decades, with a temporary reduction in activities between the 2017 and 2019 (Hefler et al., 2018; OECD, 2020d). Participation rates in adult learning had increased up to an all-time high in 2018. In Vienna, regional policies have added to the national level initiatives, the latter strongly concentrated in the field of active labour market policy field.

The analysis of the support arrangement in the Vienna Skill Ecosystem reveals, that within an overall support rich skill ecosystem, direct support for training provided to enterprises is considerably limited, with strategies mainly focussing on the individual employee or the individual unemployed. Only one instrument established on national level provide a significant amount of financial contributions to the training investments of enterprises.

However, enterprises profit indirectly by the comparatively generous support provided to employees, who can receive contributions to their training costs, can use a training leave scheme, or can use a combination of supply-side funded upskilling programme and a wage subsidy (as in the case e.g. of the Skilled workers grant *Fachkräftestipendium* #328).

Nevertheless, it remains interesting to note that support strategies targeting the enterprises and aiming to increase the training activity of enterprises in a direct (targeted) or mediated (non-targeted) way remain marginalised despite declared policy commitments (e.g. in the Austrian LLL strategy of 2011 (Republik Österreich, 2011) and a comparatively fruitful cooperation among stakeholders representing business and labour in Vienna (see also (waff (Wiener ArbeitnehmerInnen Förderungfonds), 2021)) or Austria as a whole. Providing support to enterprises for improving their training performance remains one of the least developed areas of LLL policy making in Austria and in Vienna alike.

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2.12. Poland. ‘Support arrangements’ for MSMEs in the Warmińsko-Mazurskie region

2.12.1. Rationale for the case study

The case study aims to demonstrate how a ‘support arrangement’ mainly using instruments established at a national level can be purposefully further developed to match the needs of an economically disadvantaged region, thereby safeguarding that regional MSMEs have effective access to support instruments established on national level. It looks into the outcome of a regional strategy process inspired by an OECD framework in Warmińsko-Mazurskie region.

2.12.2. Socio-economic context

Warmińsko-Mazurskie is a region (voivodship) located in the north-eastern part of Poland, famous for its well-preserved natural landscape, and called ‘the land of a thousand lakes’, as there are around 3 000 lakes located there. The region is the fourth largest one in Poland (covering 7.7% of the total surface), however with only 3.7% of Poland’s population, which translates into low population density (59 persons per km^2, compared to national average which amounts to 123). Due to its agricultural character, and the legacy of the domination of the state-owned farms in the region’s economic structure during the centrally-planned economy times (pre-1990s), the region recorded exceptionally high unemployment and social exclusion rates during the transition process.

These unfavourable conditions have not been reversed till now, although the region’s recovery has been remarkable, and the economic stance and situation in the labour market have improved significantly since the 1990s. Still, the registered unemployment rate is much above the Poland’s average (9.1% and 5.2%, respectively as of 31st December 2019), average gross monthly wage constitutes 84.1% of the national average, net migration for permanent residence is negative (-2.63 persons per 1000 population). GDP per capita (in current prices) in 2019 accounted for 68.5% of Poland’s average (only Lubelskie region performed worse: 68.4%); at the EU-27 level Warmińsko-Mazurskie is one of the poorest NUTS2 regions with GDP per capita (in PPS) at 50% of EU average. Unsurprisingly, the region is classified as less developed region in terms of EU structural funds eligibility. As in other Polish regions, MSMEs sector dominates – in 2020 micro companies accounted for 96.2% of all companies in Warmińsko-Mazurskie region, small enterprises for 3.0%, while medium and large ones for 0.8% (SO, 2021). In

consequence, when we consider the structure of employment according to company size, it is clear that employment in MSMEs in the region constitutes perceptibly large part of total employment comparing to the Polish average (76.6% and 48% respectively – see Lojko (2016)).

Overall, the provision of adult learning (measured by hours in adult learning per capita in formal and non-formal education, according to AES 2016), is considerably low in Poland and below the EU27 average. Training provision of enterprises, as measured by CVTS, is also considerably weak by comparison, in particular within small enterprises.

Table 24 summarises the key results for the latest CVTS survey available (2015). While the training performance of large companies in Poland is in the aggregate better than in the EU27, in particular, the training performance of small enterprises is much worse than in the EU27, as expressed by each of the four key indicators presented. Overall, the SME training gap in Poland is therefore much larger than in the EU27 average.

Table 24. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Poland and the EU27

INDICATOR	POLAND				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	38.7	65.4	85.6	44.7	66.9	84.3	95	70.5
Participation rate (all enterprises)	15.1	26	55.4	37.1	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	2.1	3.9	13.4	7.9	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	0.5	0.7	1.7	1.2	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

2.12.3. Policy context and key organisations providing support relevant for MSMEs

The system of training incentives aimed at supporting MSMEs' development in Poland encompasses instruments provided by national, regional and sectoral organisations. However, regional (and to some extent sectoral) organisations are, in practice, key players in providing such support, although funding instruments supporting training are established mainly based on nation-wide regulations.

Large number of financial instruments enhancing adults' training are managed by Public Employment Services – however most of them are targeted at individuals

(the unemployed and job seekers who are registered in district job centres) not MSMEs. PES at regional level (regional and district job centres) are also important stakeholders within networks and agreements focussing on human capital development.

The National Training Fund (Krajowy Fundusz Szkoleniowy)[59] is an exception, as its services and instruments are targeted at companies (with preferential treatment for MSMEs) to provide training activities tailored to their needs.

A vital element of the overall Polish support framework is the Entity Financing System[60] (which is linked to the Database of Development Services). It is coordinated centrally by the Polish Agency for Enterprise Development, however, support to MSMEs is provided regionally by the so-called regional operators (real access points). The support provided within the framework of the Entity Financing System is supplemented by infrastructure and training investment schemes made available to MSMEs within the Regional Operational Programmes co-funded by the European Funds (with Marshall Offices (Urząd Marszałkowski) acting as the main access points in each region).

Finally, business interest institutions and business development organisations (e.g., chambers of commerce, business associations, training institutions, regional development agencies) provide wide range of support to MSMEs, including skills development schemes. The support offered often combines financial and structural instruments. Among key players in the region belonging to the groups mentioned, there are: Warmia and Mazury Association of Private Employers (http://www.wmzpp.org/), Warmia and Mazury Regional Development Agency S.A. (https://www.wmarr.olsztyn.pl/), Warmia and Mazury Chamber of Craft and Entrepreneurship (https://www.izbarzem.olsztyn.pl/) [61].

[59] The National Training Fund offers grants to companies which undertake training actions being in line with NTF priorities set for each year by the Ministry and the Labour Market Council. All organisations which employ at least 1 person can apply for the grant. The eligible education and training activities include certified and non-certified continuing general education and CVET, postgraduate studies as well as exams that certify acquired skills and qualifications. The public co-funding share is 80% of employee training cost (but not exceeding 300% of the average monthly salary). In the case of micro-enterprises, reimbursement covers 100% of the training cost (but not exceeding 300% of the average monthly salary).

[60] This demand-driven system, co-financed by the ESF, covers 14 out of 16 regions in Poland and is available only to MSMEs. The co-financing to development services (including consulting and training), which are available in the Database of Development Services, varies from 50% to 80% of the total cost of the service. Training programme to be provided to employees or employers is chosen by the employer (in line with company's needs) or in cooperation with consultants from the regional operators. Preferential treatment is given to micro enterprises.

[61] More detailed information with regard to business support institutions is presented in the following chapters.

2.12.4. Interplay of financial and structural instruments

The intended interplay of financial and structural instruments in the Warmińsko-Mazurskie region, with regard to training opportunities, is outlined both within national programmes and regional strategic documents – e.g. *Updated Employment and Human Resource Development Strategy in the Warmia and Mazury Region until 2025* (WMRB, 2015) or *Strategy for the socio-economic development of the Warmia and Mazury Region until 2025* (WMRB, 2013).

In Poland, the representatives of business support institutions involved in provision of training schemes argue, that the system of enhancing skills development for adults is based predominately on programmes co-financed by public resources (national and ESF resources). Only a limited number of specialised courses in specific branches (e.g., in the maritime sector) are provided in a fully fee-based, commercial mode. Business representatives stress the fact that financial constraints are of less importance than time-constraints, the latter regarded as the key barrier for increasing training activities in MSMEs. This type of barrier is pointed out especially by micro-enterprises, as each hour spent on training by worker translates into, for the time being, lower productivity. Long-term positive effects of training on productivity remain thereby largely unnoticed as efforts for workers' training are still not perceived as an investments.

Moreover, it is argued that only a small fraction of skills-enhancing instruments delivered by job centres are targeted at enterprises (including MSMEs), while the instruments targeted at the unemployed or job seekers registered in the job centre are of relatively low effectiveness, since many individuals rotate between training programmes and unemployment, not entering into employment. As a result, the main financial instrument provided by job centres, which has a real impact on MSMEs, is the National Training Fund (NTF), not active labour market schemes targeting individual unemployed. Means of the National Training Fund are distributed across the regions. The initial allocation of resources within NTF in the region in 2019 accounted for PLN 6.1 million (about EUR 1.4 million, more than doubled in comparison to 2018), however as the companies' training needs were higher, the Ministry of Family, Labour and Social Policy provided additional resources. With the total of PLN 7.1 million (EUR 1.6 million) allocated, 3 463 individuals (almost 1 400 persons more than in 2018) took advantage of training co-financed by the NTF in the region (WMRB, 2020).

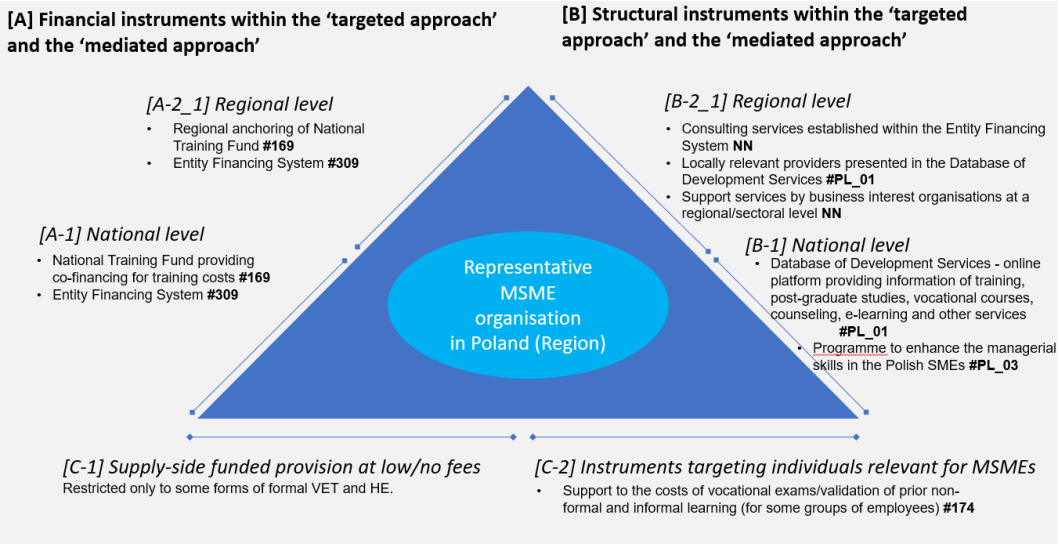
The other essential financing incentive in the Warmińsko-Mazurskie region is the WA-MA FUR System (Wamińsko-Mazurski System Finansowania Usług Rozwojowych), which provides training within the Entity Financing System. The WA-MA FUR system is managed by the four regional operators: Stowarzyszenie "Centrum Rozwoju Ekonomicznego Pasłęka", Techpal Sp. z o.o., Warmińsko-

Mazurski Związek Pracodawców Prywatnych, and Krajowa Agencja Informacyjna "INFO" Sp. z o.o.

The WA-MA FUR scheme provides reimbursement for incurred training costs. The regional operator makes a diagnosis of a company's training needs and recommends on this basis suitable training/development service available in the Database of Development Services. Since 2019, the system in the region provides co-financing to micro companies (employing fewer than 10 persons, and having either an annual turnover or an annual balance sheet total not exceeding EUR 2 million) and small companies (employing fewer than 50 persons, and having either an annual turnover or an annual balance sheet total not exceeding EUR 10 million) only, with maximum co-financing at 80% for training activities, and 50% for consultancy services, with support capped at PLN 70 000 per enterprise (about EUR 13 000). However, the main beneficiaries of the Entity Financing System in the region, since the beginning of its operation (2017), have been micro enterprises (accounting for 67-79% of all companies which received support between 2017-2020).

Importantly, both NTF and the Entity Financing System have been equally designed as demand-driven systems to support training and development services provision, with preferential treatment to MSMEs. Training courses are delivered by the certified institutions listed in the Register of Training Institutions or the Database of Development Services. Most training programmes targeted at MSMEs are provided based on public co-financing (this holds for the whole Poland, not only Warmińsko-Mazurskie region). However, for providers being accepted for inclusion into these registers, overall business opportunities are at least somewhat boosted even beyond services co-funded by public sources, as they enjoy a higher level of visibility and trust in the market.

Figure 22. Interplay of financial and structural instruments – Support arrangement at skill ecosystem level in Warmińsko-Mazurskie region (Poland)



Source: Cedefop

Figure 22 summarises the 'support arrangement' in place for the Warmińsko-Mazurskie skills ecosystem. National level support instruments (the National Training Fund (#169) and the Entity Financing System (#309)) [A-1] are implemented by local organisations regionally [A-2] and thereby adjusted to the regional needs and specificities. Financial support and some forms of structural support (in particular consulting services) [B-1 and B-2] are delivered as a package under the Entity Financing System. Moreover, individual employees of MSMEs can gain from public support [C-2] for vocational exams or the costs for the validation of non-formal and informal learning by the regional branch of the PES, however, support for CVET of the PES is mainly targeted to the unemployed. Overall, the supply-side funded provision of CVET [C-1] is limited to programmes within the system of VET schools and the funding going to the HE system.

2.12.5. Developing a local skill strategy

Against the backdrop of the weak level of economic development of the region under study and a framework, where national level support instruments foresee local level institutions to exploit the opportunities available, the regional stakeholders took in 2007 a decision to develop a strategy based on the skills ecosystem approach (in line with OECD approach of local skills ecosystem – see Martinez-Fernandez and Weyman (2013)) in the region, by launching the "Warmia and Mazury Pact for the Development of Vocational Counselling".

The Pact was initiated by the Regional Job Centre in Olsztyn, and encompasses around 80 institutions[62] (e.g., labour market institutions, training providers, schools, universities, research institutes[63]). The activities undertaken within the Pact are coordinated by seven Task Groups, and include, among others: conferences and seminars focused on labour market situation in the region, workshops, career weeks, study visits in schools, companies and business support institutions.

One of the most important added value of this initiative is a system of knowledge sharing about actions focused on lifelong learning in the region, as well as the opportunity to get to know many institutions involved in development of lifelong learning. Schools, universities and training providers are important stakeholders of the Pact. From the point of view of providing support to MSMEs, the essential role is played by stage vocational schools, technical secondary schools, and post-secondary schools, which provide education leading to vocational exam (in the school education system). Such schools are usually managed by vocational training centres (e.g. Centrum Kształcenia Zawodowego w Ełku: http://ckpiu.pl/index.php/start/o-centrum; Elbląskie Centrum Edukacji Zawodowej: http://www.ckziuelblag.pl/), which also provide vocational counselling, apprenticeship opportunities, and training courses for adults which lead to acquiring formal qualifications in line with EQF[64]. Higher Education Institutions (e.g. University of Warmia and Mazury in Olsztyn: http://www.uwm.edu.pl/en; the State University of Applied Sciences in Elbląg: https://study.pwsz.elblag.pl/) are also important players in terms of providing highly qualified individuals to MSMEs in the region (especially in STEM programmes, like mechanical engineering or IT-related courses). Finally, training providers, listed in the Register of Training Institutions managed by the Regional Job Centre in Olsztyn (527 such institutions), and in the Database of Development Services[65] (56 organisations only in Olsztyn – the capital of the region) deliver training programmes in response to adults and MSMEs needs.

Many business support institutions are not members of the Pact, however they participate actively in developing the regional skills ecosystem in the Warmińsko-Mazurskie Region, by creating semi-formal networks of cooperation. One group of such institutions covers craft organisations, which play important role in developing

[62] There has been a proposal to include the Pact into framework of Regional Operational Programme 2021-2027 and provide ESF+ co-funding to its initiatives. At the time of this research, the final decision has not been taken yet.
[63] The list of institutions involved is available at https://wupolsztyn.praca.gov.pl/web/doradca/uczestnicy-paktu
[64] Examples of such training courses are carpentry, welding, car repair, which are in high demand by MSMEs in the Warmińsko-Mazurskie region.
[65] e.g. SIMITU https://uslugirozwojowe.parp.gov.pl/wyszukiwarka/dostawca-uslug/podglad?id=11324; TECHPAL https://uslugirozwojowe.parp.gov.pl/wyszukiwarka/dostawca-uslug/podglad?id=7404; Instytut Badawczo-Szkoleniowy https://uslugirozwojowe.parp.gov.pl/wyszukiwarka/dostawca-uslug/podglad?id=19039

and validating skills (qualifications). These institutions (e.g., Warmia and Mazury Chamber of Craft and Entrepreneurship; Craft Guild in Olsztyn http://cecholsztyn.pl/) organise practical vocational programmes in companies for the young (individuals between 15 and 18 years of age), provide vocational training courses for adults and organise exams to validate vocational qualifications. The other group comprises regional and local agencies, and employers' organisations who provide consultancy services, training opportunities and financial resources to companies in the region[66], including MSMEs. Business support institutions usually provide both financial and structural instruments enhancing training in MSMEs, often co-funded from European Funds within operational programmes (mainly Regional Operational Programme). These institutions also act as regional operators in the Entity Financing System (see previous section).

Since many activities related to development of skills ecosystem in the Warmińsko-Mazurskie region have been co-financed from public sources (EU funds and Polish public funds), public bodies play an important role in the ecosystem. Except regional and district job centres (falling under PES), Warmia and Mazury Marshall Office is a key stakeholder of the skills ecosystem. Its role is to initiate and support regional development, to manage the EU-funded programmes at the regional level, and to introduce LLL instruments into the strategic framework – the example of such initiative is the strategic document "Warmińsko-Mazurskie 2030. Strategy for socio-economic development", adopted by the Board of Warmia and Mazury Region in February 2020, which includes the elements of the skills ecosystem, and links the actions related to LLL with the "Integrated Skills Strategy 2030" (which is a national strategy for skills development) and the Integrated Qualifications System.

Facilitating role of the Integrated Qualifications System in strengthening the skills ecosystem in the Warmińsko-Mazurskie region has recently been more and more important. The Integrated Qualifications System has been implemented in Poland since the end of 2015 (the Act of 22 December 2015 on the Integrated Qualifications System constitutes the legal basis of the register). IQS contains descriptions of qualifications awarded in formal education system (general, vocational and higher education systems), as well as the ones outside this system – the so-called "market qualifications". IQS supports the "Warmia and Mazury Pact for the Development of Vocational Counselling" and other actors of the skills ecosystem, serving as platform for knowledge-sharing and development of new market qualifications (finally included into IQS) in line with companies' needs. This "demand-driven" approach, facilitated by IQS specialists in the region, has led to

[66] Key institutions outside Olsztyn are Dzialdowo Development Agency S.A. https://nida.pl/o-fundacji/; Association "Center for Economic Development of Paslek" https://www.screp.pl/; Nidzica Development Foundation NIDA https://nida.pl/

an innovative initiative to describe, validate and introduce qualifications related to drone and VR technology into IQS, since these modern qualifications are perceived by companies as competitive advantage and have potential to enhance new smart specialisations of the region.

2.12.6. Conclusions

The example of the Warmińsko-Mazurskie region shows, that even in the less developed region (in line with the EU definition) it is possible to mobilise stakeholders for contributing to the improvement of local skills ecosystem, which enhances skills development in line with companies' (including MSMEs') needs. This ecosystem combines and thereby tailors instruments and incentives available at national and regional level, which are delivered by public and private stakeholders.

Undoubtedly, the public support in the form of co-financing training programmes (including EU funds) and the provision of at least some forms of structural services (counselling in particular) constitute an important pillar of this regional skills ecosystem[67]. However, achieving local cooperation among stakeholders is even more important the overall effectiveness of single instruments and the skill ecosystem. Starting with an OECD inspired project, much emphasis has been given to developing a system where many different organisations operating in the region (including business development organisations, schools and universities, and job centres) cooperate on a regular basis and thereby guaranteeing that nation-wide support schemes are also explored within the region. The main driver of this skills ecosystem lies in the assumption, that all training activities must be linked to the companies' dynamically changing needs. Thus, the ecosystem needs to be able to quickly react to these changes and provide required skills development options within the framework of national and regional strategies, including the Integrated Qualifications System. In fact, the ability to integrate various instruments and incentives aimed at enhancing training in companies is the main added value of this regional approach to further developing the regional ecosystem.

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[67] This public support in co-financing training provision may be perceived as potential weakness of the system. The other weakness is related to relatively large set of instruments targeted at the unemployed and job seekers, while larger focus on developing skills in cooperation with enterprises would be more beneficial.

2.13. Romania. Community Education Centres as local support facilities relevant for training in MSMEs (outreach approach)

2.13.1. Rationale for the case study

Romania has the lowest participation rate in lifelong learning in the EU and the training performance in enterprises, MSME in particular, is considerably low. Support for adult learning strongly depends on project-based funding schemes using European Union funding, the ESF in particular (European Commission and Sava, 2018). Although on project base only, there has been made an attempt to establish local Community Centres for Lifelong Learning (CCLL), which should strengthen the backbone of learning provision in disadvantaged regions. The approach was successfully used in Hungary (OECD, 2020d) and Portugal. In the case of Portugal, based on an established training structure the implementation of the CCLL scheme had an impact in terms of increased accessibility and scope of learning offer for individuals as well as for MSMEs. It is hence likely that the networks of Community Centres represent a particular framework within the larger context of educational outreach strategies which could allow the cooperation with local enterprises, although the latter are mainly micro ones or work only based on informal arrangements.

This case study analyses the Community Centres for Lifelong Learning (Centre Comunitare de invatare permanenta) in Romania and seeks to understand

- The extent to which they can address part of the multiple barriers to the participation in adult learning in Romania
- The geographical reach countrywide, and the target groups
- The interinstitutional cooperation at the regional and local level, mainly the local partnerships with typically very small organisations to address adult learning needs and provide learning opportunities
- How they can address the infrastructure needs of the adult learning system
- How they can represent a new type of institution/ framework toward a more flexible, non-traditional pathway to access the adult learning

2.13.2. Socio-economic context

Romania's economic growth has been one of the highest in the EU since 2010, with continuous growth until 2019: 4.8% in 2016, 7.1% in 2017, 4.4% in 2018, and 4.1% in 2019. After facing the consequences of the Covid-19 pandemic, economic growth was at 5.9% in 2021.

Romania's economy contracted by 3.9 percent in 2020, one of the lowest contractions in the European Union (EU). However, the country has the lowest vaccination rate among the EU member states with a result in a record-high Covid-19 infection rate in Q4, 2021. This situation, coupled with a poor health care infrastructure, could impact on economic activity, building up on the current political instability.

In 2019, Romania GDP per capita in purchasing power standards reached 69% of the European Union average, up from 44% in 2007. This represents the highest growth rate in the EU. Based on the GDP per capita, in 2019 the World Bank classified Romania as a high-income country for the first time. However, the COVID pandemic crisis brought the country back into the upper-middle-income group.

To ensure a sustainable recovery, the absorption of the EU funds is of utmost importance. In this regard, a notable step forward was that on 27 September 2021 when the European Commission approved the country's recovery plan, preparing the delivery of EUR 29.2 billion of EU funds.

Despite the encouraging trend in economic growth, In the medium to long term, Romania needs to address major structural constraints to be able to reach shared prosperity:

- A persistent fiscal deficit; at the end of 2020 the fiscal deficit surged to 9.2 percent of GDP and will remain high in 2021
- A high urban-rural gap: While Bucharest has already exceeded EU average income per capita and some secondary cities are prosperous and dynamic, Romania remains one of the least urbanized countries in the EU, with a high rate of poverty (10,9% in 2018)
- Low productivity
- Lack of strong institutions for economic and social development
- Problems with quantity and quality of labour due mainly to shortcomings in education, adult education system included

Over the last decade, in Romania, as stated in the European Education and Training Monitor (2019), the overall participation rate of adults in lifelong learning decreased from 1.8% in 2009, to 0.9% in 2018, placing the country in the last place amongst the Member States. The negative trend for Romania is in contrast with the increasing EU average participation rates.

Table 25. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Romania and the EU2727.

INDICATOR	ROMANIA				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	21.7	38	67.4	26.7	66.9	84.3	95	70.5
Participation rate (all enterprises)	8.8	13.7	32.6	21.3	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	2.3	5	11.7	7.5	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	0.5	0.7	1.3	1	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

There are several factors that contributed to the downward trend in Romania's adult learning. At individual level, the Eurydice study {European Commission, 2021 #11468} revealed that more than 40% of respondents reported the financial obstacle. There is a limited culture of participation in LLL (i.e., people do not label some activities as learning when reporting participation in LLL). The overall low level of participation in adult learning in Romania is also confirmed by the data from the CVTS survey. Performance indicators on employer-provided training (Table 25) how an overall weak performance of enterprises in the field of training, with this statement holding true for small, medium and large enterprises. The gap in the average training performance between small and large organisations is very pronounced. For enterprises between 50 and 249 employed, the indicators also show a comparatively low level of training performance, when studied against the backdrop of the EU27 average.

At system level, the low rates compared to the EU27 average can be explained by the inability to ensure sufficient public funding given a limited fiscal space. The public expenditure for education was only 2.7% from GDP in 2018, which is among the lowest in the EU27. More specifically, policy makers place adult learning very low priority on their agenda, for example, there is no coordinating body to formulate and implement the action plans. Furthermore, there are significant delays in launching calls for EU funded projects.

2.13.3. Policy context and key organisations providing support relevant for MSMEs

Modern economics has placed lifelong learning (LLL) at the centre of an ongoing political debate, and consequently, the policy of pursuing lifelong learning rather than jobs for life is a major part of the EU agenda.

For the policy environment of the Romanian adult learning system the year 2010 marks a turning point as the policy makers started to mention the adult learning in various policy documents, thus expressing an initial political will to support the sector. From the legal point of view, the adult learning system is quite well covered. In spite of this, the percentage of adults participating in lifelong learning did not increase, placing Romania on the bottom of the performer's list. Romania is still pending to prove implementation of the effective solution for improving the performance of the educational system for adults, as a whole.

The most relevant policy document that addresses (conceptualizes) adult education in Romania is governed by the Law of Education 1/2011 (*Legea Educatiei*) adopted by the Ministry of Education *(Ministerul Educatiei*) that comprises a dedicated chapter on lifelong learning. Within the lifelong learning chapter, education and training of adults for professional development, for ensuring the basic skills level, for community participation and inclusion, and for personal development is distinctly stipulated. It covers adults aged 16-66 years old. For the first time, the concept of Community Centre for Lifelong Learning, *(Centrele Comunitare de Invatare Permanenta)* is defined as a possible framework for providing non-formal and informal training programmes. They fall under the responsibility of the local authorities but there is no budget anticipated for them.

The law also includes the following organizations as providers of non-formal adult learning: workplace, cultural institutions such as museums, theatres, cultural centres, libraries, documentation centres, cinemas, cultural houses/ homes, professional and cultural associations, trade unions, NGOs. No special provision is made regarding the MSME's workplace, neither any other implication on their part concerning adult education.

To respond to the new needs of the education sector in Romania, a new Law of Education was announced to be released in 2021, but it was not been published at the time of this research (March 2022). The new law was expected to include:

- the conclusions from the 'Educated Romania' strategic orientation. The Educated Romania (*Romania Educata*) is an initiative of the Presidency of Romania that generated a large public consultation and debate, with the aim to formulate a vision for the development of education and training by the year 2030.

- the methodology of functioning the Community Centres for Lifelong Learning that has been approved
- setting-up a coordination body for adult learning - a proposal that was previously included in the National Strategy for Lifelong Learning NSLL (*Strategia National pentru invatarea pe tot parcursul vietii)*

Although the Ministry of Education (*Ministerul Educatiei*) has the leading role in defining and implementing the various public policies, the responsibility is shared with a number of other ministries, mainly with the Ministry of Labour (Ministerul Muncii) which takes the second place for policy formulation in adult education in Romania. The National Employment Agency -NEA-(*ANOF- Agentia nationala de ocupare a fortei de munca*) that detains 42 branches across Romania, one branch assigned to each county, is the main arm of the Ministry of Labour and Social Justice to foster employment. NEA manages funds and has an extensive network of regional training centres, both public and private, in majority with a vocational scope. One of the active measures supported by the NEA that includes concrete figures in yearly actions plans is related to granting financial support to companies for on-the-job training.

In addition to the Law of Education, several other policy documents contribute to defining a vision for adult education in Romania. Most often they are part of policies designed and implemented in the areas of business development, innovation, and regional development. For the largest part they address social protection, digital transformation for the technologically advanced sectors, integration of women with a focus on women entrepreneurship, poverty and social exclusion, integration of older workers, reduce school drop-outs, vulnerable groups and marginalised workers in general.

2.13.4. Interplay of financial and structural instruments

Public funding for adult education is available mainly as part of EU structural funding (particularly through the ESF), primarily focussing on supporting enterprises via demand-side schemes in providing training to their workforce. The consecutive European Funding Periods of EU frameworks are therefore a key driver for demand-side schemes in Romania.

Enterprises can receive co-funding for projects including the provision of training for their employees with up to 85% of co-funding for the costs of training and partial co-funding for the wage costs. They can also receive co-funding for training costs for their managerial personnel; both frameworks are organised based on funding from the ESF (#305, #306, #307, #308). Moreover, enterprises may receive a tax refund (as long as they make profits) for the costs of training provided to defined categories of employees and for prescribed forms of activity

(#187 ‘Private scholarship’). Finally, costs for training measures are regarded as operational costs, reducing a companies’ tax base; however, no further incentive for training is provided.

In addition to the ESF co-financing schemes mentioned above there are additional schemes managed by the Ministry of Investments and European Projects (former Ministry of the European Fund) - (Ministerul Investitiilor si Proiectelor Europene). They involve awarding the grants which is a competitive and very demanding process and the chances of winning depend on how well applicants meet the objectives of the programme for which they apply.

Within the Operational Programme Human Capital (OPHC), the programme that received attention was the development of Digital Competencies for employees, with a significant SME’s employees training component. According to the data available at the time of this research, Romanian IT and non-IT firms were to receive grants totalling almost €500 million for digitisation projects. Up to 5,492 projects submitted by SMEs would be funded from this money.

Other programmes financed by the ESF and implemented through the OPHC are: Improving the level of knowledge / skills / aptitudes for employees from competitive economic sectors and Professional Romania - Competitive human resources.

Both programmes derived from The National Strategy for Competitiveness 2015-2020 that identified the economic sectors with competitive potential and with intelligent specialization i.e., bioeconomy, IT, communications, space and security technologies, energy, medium and climate change, eco-nano technologies and advanced materials.

The objective of increasing the qualification level of the employees through continuous training programmes correlates with the needs of the labour market. The eligible beneficiaries of the programme are: Chambers of Commerce, Industry and Agriculture, trade unions, members of sectorial committees and sectoral committees with legal personality, employers' organisations, professional associations, public or private centres for validation / certification of previous learning, authorized CVT providers, public and private, professional / career counselling and guidance service providers, NGOs.

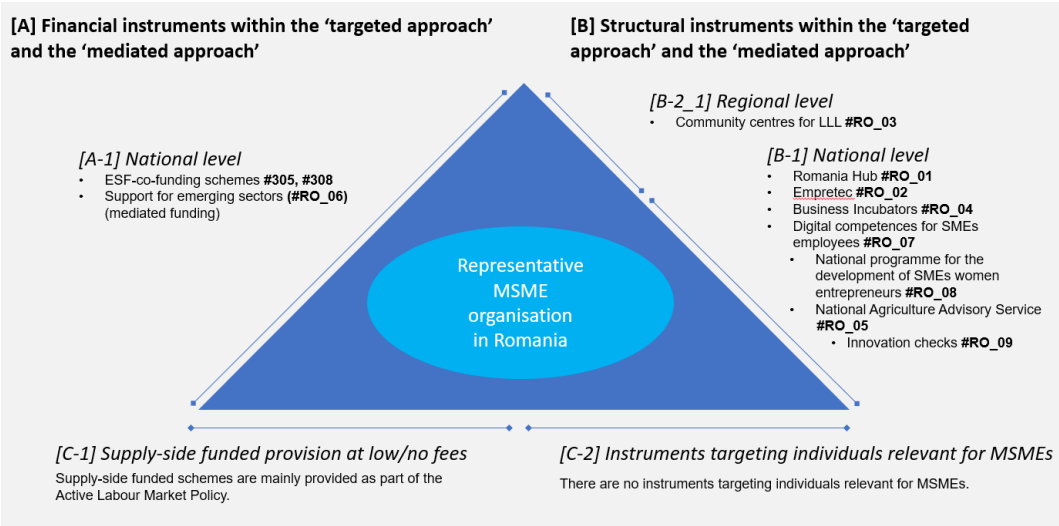
The Youth Employment Initiative represents another programme with high priority within OPHC with a major SMEs training component.

Structural Instruments tend to be project-based and may be developed and delivered at both the national and the regional levels. They range from targeted support to a mediated/development approach and may include counselling and funding incentives. It is notable how the design and implementation of structural instruments have the potential to bring together a large number of contributors and

human resources, such as public authorities, entrepreneurs, universities, research organisations, chambers of commerce, employers' associations, and the civil society (with an increasingly active role of NGOs).

Some structural instruments with a predominant counselling component are: The National Agriculture Advisory Service (Serviciul National de Consiliere Agricola) – applying and sharing good practices of MSMEs in the rural area (#RO_05), Romania Hub - Support to Start-ups (#RO_01), the Community Centres for Lifelong Learning (Centrele Comunitare de invatare permanenta) - community development (#RO_03), EMPPRETEC a capacity-building program of UNCTAD to support the entrepreneurial and managerial skills of entrepreneurs and managers in MSMEs (#RO_02), Business Incubators in Romania (Incubatoare de Afaceri in Romania) – managerial support for newly established MSMEs (#RO_04), The National Programme for the development of SMEs Women Entrepreneurs (Programul National pentru dezvoltarea antreprenoriatului in rindul femeilor din sectorul intreprinderilor mici si mijlocii) – eliminate gender disparities and ensure inclusion in entrepreneurship and start-up development (#RO_08). Several other structural instruments offer funding incentives, i.e., Innovation checks in Romania (Cecuri de Inovare in Romania) - Accelerate the technology transfer from research organisations to SMEs (#RO_09); Support for Emerging Sectors (Sprijin pentru sectoarele Emergente) (#RO_06); Digital Competences for MSMEs Competente digitale pentru angajatii din IMM-uri) with support to organise working place for training (#RO_07).

Figure 23. Interplay of financial and structural instruments – Support arrangement at national (skill formation system) level in Romania



Source: Cedefop

Figure 23 represents the support arrangement as built by instruments. The 'support arrangement' as relevant for MSMEs for the Romanian skill formation system relies mainly on project-based funding arrangements using the means of the ESF, with companies invited to suggest training projects cofounded to a large extent (75% to 85%) with a total volume of up to EUR 960 000 per project. Overall, about EUR 500 million will be made available for training projects, however, the details about how effectively the resources are used for setting up training opportunities in MSMEs are broadly unknown. Beyond these project-based cofunding framework, there are practically no further instruments in place. Beyond the unemployed, support for individuals' CVET is also absent. Where it had been possible to establish some examples of instruments providing structural support following targeted or mediated approach, overall, they seem to be scarce.

2.13.5. Community Centres for Lifelong Learning in Romania

According to the methodology for establishment and functioning of the Community Centres for Lifelong Learning (CCLL) in Romania approved in 2017 by a Government Decision, the CCLL is a public entity subordinated to the local public administration and set up by the decision of the local authorities.

The CCLLs role was formulated to implement lifelong learning strategies and policies at the community level, primarily enhance access to non-vocational skills and knowledge development in an integrated way, and generate a lifelong learning mindset. By involving more adults in learning activities, participants should become more open to participate in job-related learning activities, respectively, CVET as well.

The expected medium and long-term results were to trigger an increase in the adult learning participation rate, mainly in developing essential skills and competencies adapted to the region's socio-economic context and development requirements.

The Law of Education/ 2011 stipulates in the NSLL that CCLLs have a crucial role in enhancing the implementation of adult education provisions in their community. However, the target of 200 CCLLs was not achieved.

In the rural areas of Romania, the Houses of Culture (*Casele de cultura*) subordinated to the mayor's office, with a budget primarily allocated for cultural events, serve as the only accessible venue for adult learning activities. Houses of Culture charge typically a participation fee for education courses; given the low levels of income of the local population, fee-based provision finds limited demand, so that Houses have often stopped course provision altogether. The CCLL's are expected to address this gap in the provision of adult learning opportunities.

The Methodology of functioning defines the CCLL's role as a promoter of public and private sector partnerships, NGOs, Trade Unions, employers' organiSations that will deliver training programmes for career orientation and certified programmes for crucial competencies. Career counselling with self-discovery of personal interests and skills evaluation, interaction with human resources professionals were high on the agenda. No specific reference of SMEs' involvement was made but it could be assumed that they would be part of the mix as representatives of the private sector.

In the Western Region of Romania CCLLs were implemented in the rural communities of four counties, namely: Timis, Hunedoara, Caras Severin and Arad, constituting a framework for a more integrated adult learning system at the local level.

The project started in 2015 and it was coordinated by the Romanian Institute for Adult Education *(Institutul Roman de Educatie a adultilor)* (IREA) a research institute in the field of adult education, the Romanian Social Institute Banat – Crișana *(Institutul Social Roman*) (ISRBC) and the German Institute for Adult Education (DIE).

The project received funds from the ESF (Swiss Contribution to the EU development) in the amount of CHF 222 772.27, representing 90% of the total project budget with the balance of 10% co-funded by the IREA, ISRBC and the DIE. The entire project budget was CHF 247 524.75. This funding scheme stopped at the end of 2017. The other members of the Consortium were The Romanian German Foundation and the Foundation for Rural Assistance *(Centrul Roman Agricol – CAR)* an organization that no longer exists. The Consortium proceeded with a needs analysis to formulate the learning activities following the socio-economic status of the active adult population in each regional area proposed for the CCLLs establishment.

The preparation of the pilot project benefited substantially from the start from collaborating with the Hungarian experts who were part of the team to establish the Community Centres in Hungary.

Hungary shared the implementation and sustainability concept of the Community Centers as good practice, with a significant contribution to preparing the documentation to launch the request to the Ministry of Education in Romania to elaborate a methodology for the establishment and functioning (operating rules, procedures) of the Community Centres. A Hungarian expert conducted the training session to form the community facilitators. The training course lasted two days, and all the materials were in English and approved by the National Authority for Qualifications (NAQ) (*Autoritatea Nationala de Calificari* – ANC) in Romania. The

NAQ had a significant role in setting up the CCLLs as the initial concept of the curriculum included accredited courses as well.

Unfortunately, the CCLLs did not achieve the accreditation requirement during the pilot phase due to lack of time to comply with the intense bureaucracy of the accreditation process.

However, the structure of the Centres has remained the same as the structure mentioned in the Law of Education/ 2011. The target group was formed by socially disadvantaged adults aged 25 -64, with a low level of skills and qualifications. The instruments designed for implementation should be equipped with modern digital services to provide informal learning (digital boards, tablets, smartphones and laptops). They should provide a variety of curricula, including one for community development (Digital literacy training for teachers at the local schools, training for entrepreneurship skills development to encourage and support local people to explore entrepreneurial opportunities, especially those linked to the existing local resources specific to the rural area, i.e., land, livestock, forests, beekeeping etc.) Community related courses covered basic bookkeeping, preparation for tax and reporting documentation, applications to access start-up funds,

Moreover, the courses should support reintegration into the labour market of the unemployed through career and personal development counselling. They should support basic skills development covering fields as specific as basic installation of electric devices /appliances at home or simply how to read an installation guide). The courses should support leisure time activities and promote traditions in the rural area with a focus on peer-to-peer learning.

This should be coordinated by Community Facilitators, recruited in the rural communities, and being responsible for the preparation of promotional material, coordination and scheduling of learning activities, experts' linkage for courses delivering.

As the centre initially had to meet the needs of socially disadvantaged adults, it has been opened to other categories of adults to meet the demands of community development. The most significant example is the teachers' training from the village schools in basic digital skills.

The four CCLLs established had different thematic focus areas, depending on the regional and local needs, its demographic structures, employment levels and specific needs. The village located in Timis County, is close to a prosperous hub (two big cities, Timisoara and Lugoj) and most adults are employed and commute daily / weekly. Therefore, the priority was to organize leisure time activities during weekend and personal development counselling, i.e., parenting, cultural activities jointly organized with the school and the church.

Overall, 1 000 beneficiaries were enrolled in a form of adult education during the pilot 6-month period. There were several development phases in the deployment of the pilot project, which can be summarized as follows:

- 2015: The establishment of a selection strategy of communities according to the number of inhabitants (communities with about 1 500 inhabitants were considered) and mainly according to the openness of local authorities to collaborate in the project. On completion of this process, the four communities were selected from a shortlist of seventeen localities. The preparation of a needs analysis to support the response to the adult education requirements, based on the socio-economic context in each community. The needs analysis also incorporated the input from the employers already established in the community on how the project could respond to their human resources challenges.
- 2016: The signing of a contribution agreement with the local authorities whereby the Mayor's Office would provide the project with the necessary infrastructure, mainly schools and cultural houses. In parallel, during the same period, community facilitators were also recruited and trained.
- 2017: from January to April, the preparatory work took place for the curriculum. The Swiss partner made a significant contribution during this preparation period. Under the agreed curriculum during the second part of 2017, the project activities started daily.
- The pilot phase of the project ended in the middle of 2018.

As the external funding stopped at the end of 2017, for the project part of 2018, IREA ensured the financial support from local sources for the continuation of activities.

The following is known about outcomes of the framework. A major problem of the rural communities concerned, as well as rural communities in general in Romania, is that the economic development lags far behind urban areas, with a negative effect on the employment potential of the inhabitants, going in line with a low number of MSMEs. The CCLL pilot project had quite a remarkable achievement for job creation in the area.

In Arad County, the Village Hall attracted an investor who started a leather processing factory that employed about 20 project participants. The CCLL programme trained them especially for the job application process, CV preparation, job interview, and a form of onboarding required by the employer to comply with operation and security regulations at work.

In Caras Severin County, a cable factory located in a remote area employed 20 participants with providing daily transportation to work.

In Hunedoara County, a large group of former miners were identified who had lost their jobs for a long time, exceeded their unemployment, and were in a state of inactivity. They benefited from the project mainly by receiving career and personal counselling. As a result, most of them regained their active status and found jobs but outside Romania.

There have also been successes in the field of start-ups. Two cases are worth noting, one start-up in beekeeping and another in leather processing. The project empowered the owners with basic knowledge of bookkeeping, reporting, grant proposal documentation. Both are currently operating, with the beekeeping business becoming particularly successful as it expanded into other country counties and employs about 70 people.

The project also scored an absolute success by bringing together several community and regional partners that contributed to the project's development and implementation. For example, the partnership with the Teaching Training Centre *(Casa Corpului Didactic)* that supported village school teachers' digital literacy training is worth noting as it brought such an immense value for the community development.

An essential part of CCLLs' establishment was the communication and promotion plan of action that covered various methods to help increase awareness about the centre's services and attract adults to take part in learning events. The promotion activities fell primarily under the responsibility of the community facilitator. The most common methods used for promotion included launching a website that describes the project, using social media - preparing a Facebook page for the Village Hall, door to door advertising, set up a stand in the lobby of the Village Hall to display the schedule of activities.

In addition, various traditional events to raise awareness about the existence of a learning space were used for promotion. Other important social gatherings such as the church which plays an important role in the rural area in Romania, but also schools played a relevant role, with children as multipliers informing their parents about the existence of a a learning space.

Key elements of the sustainability phase: The CCLLs sustainability phase that started in June 2018 will deploy over five years. At the moment, the CCLLs can ensure sustainability at a bare minimum. An important aspect that contributes to ensuring sustainability is the continuation of the partnerships formed by IREA both at the start of the pilot project and those created during the project implementation. Examples of the enduring constructive partnerships the Teacher Training Centre *(Casa Corpului Didactic)*, that continues to offer training courses for teachers, the village schools, and the village halls that continue to promote CCLLs activities and in some cases offering their premisses, the Seniors' Association *(Asociatia*

Seniorilor) that leads an initiative to help their members to access basic IT technology, i.e., how to use skype to talk to their children who live abroad.

The consortium that initiated the pilot project, i.e., The Romanian German Foundation and the ESF (Swiss Contribution to the EU development), is the most relevant resource for the CCLL continuation as they are part of various other projects initiated by the IREA, mainly in ERASMUS+ programme, e.g. the West University offers training on how to prepare grant applications to access EU funds for adults who are interested in business start-up.

The CCLLs are currently operating, mainly with in-kind contributions and some spin-off contributions derived from the ERASMUS+ programs, when the content of certain Erasmus learning activities is in line with the CCLLs requirements.

The human resources involved in the CCLLs activities are provided voluntarily, such as the community facilitators and IREA's student volunteers network that supported the community in Timis County during the pandemic to teach parents and children to use the technology for distance learning. However, the centres mainly serve as infrastructure and venues for activities resulting from ERASMUS + projects.

For the activities specific to the CCLLs learning programs, the same infrastructure spaces (schools and houses of culture) continue to support the CCLLs as an in-kind contribution. Despite certain CCLLs activities overlapping with ERASMUS + activities in the same learning space, the CCLLs maintain their initial objective of providing socially disadvantaged adults with professional and personal development activities to ensure basic skills levels for community participation and inclusion.

Additional sources of funding are coming from the County Council *(Consiliul Judetean)* as an annual grant. The grant application process for funds release from the County Council is very competitive, and it has never surpassed the amount of RON 10 000/year (approx. EUR 2 500). Moreover, the Ministry of Youth and Sports *(Ministerul Tineretului si Turismului)* contributes sporadically with grants to some activities that fall precisely under its profile.

The target group's age expanded to people younger than 25 years of age, and children were included but still with the provision that they have to belong to the socially disadvantaged group. The group of youth in situation of early school leaving, mostly not completing secondary school or high school is addressed as well. The frequency of learning activities declined, and the scope of the curriculum is no longer entirely following the provisions of the pilot project.

In 2020, the four CCLLs enrolled around 36 participants per centre, therefore a total of about 150 participants, representing a drastic drop compared to the pilot

phase.It included activities such as a five-day module of training for young adults up to 35 years old on very basic skill, i.e., how to use a banking card, the majority of participants only completed school up to the 4th grade.

A major challenge posed to the continuation of the four CCLLs is the accreditation of at least part of the courses offered in the project. The local village hall must start the accreditation process through the school inspectorates of each county; however, the process had not started yet. The pending accreditation procedure hinders the functioning of the CCLLs. In contrast, the lack of accreditation leads to reduced participation and engagement of adults with CCLLs. In Romania, certification for any form of learning is paramount for both employees and employers.

The organisational structure of the centre foresees the inclusion of a manager in charge of managing and administering the centre's resources, both material and human, with an essential role in attracting funds after the end of the pilot period. The manager should be part of the village hall organigram, but no mayor has yet dedicated a budget to create such a position.

2.13.6. Conclusions

The future of the CCLLs in Romania is emerging against the general background of the low priority given to adult learning.

The approach aims at establishing a basic level of provision of adult learning opportunities in rural areas, where practically no provision of adult learning has survived the dire years after the system change of 1989.

In absence of any provision of adult learning courses, adults' awareness of and interest in any organised forms of adult learning are very limited, making it the key priority of the centres to restore an interest in learning activities. Only based on a restored interest in organised learning, job-related or CVET related courses can be developed, tailored to the specific needs of the local population.

Local micro and small enterprises partake in the difficulty, that there is no local provision of adult learning whatsoever and that their local employees are neither accustomed nor motivated to take up any form of organised training. The CCLLs are thereby fulfilling an important role for the local enterprises as well, as they prepare the ground for the potential use of CVET in the future. Moreover, the owners of micro and small enterprises, as well as their employees are addressed by the centers' activities. Where a need is established, learning opportunities in line with a small organisation's needs can be organised by the centres, for examples, with courses in the fields of gardening, agriculture, or hospitality.

Overall, the case study presented a framework for addressing highly impoverished environments, where practically no form of adult learning activity is present and where mainly micro enterprises lack any experience with CVET.

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2.14. Finland. Role of structural support for MSMEs within a framework of the support built on supply-side funding arrangements for adult learning

2.14.1. Rationale for the case study

Finland has a well-developed adult learning system with an emphasis on supply-side funded learning opportunities requiring no or low fees. The latter can be put to good use by MSMEs, respectively, their employees. While demand-side, targeted financial support for training in enterprises play no significant role, a set of structural instruments following a targeted or mediated approach are in place capable of increasing the training performance of MSMEs. The case study emphasises the need to consider these alternative strategies which are present also in countries with a preference for supply-side funding of adult learning. Beyond presenting the overall framework, an innovation voucher targeting MSMEs is presented as an example for the 'mediated approach' to expand MSMEs training activities.

2.14.2. Socio-economic context

Finland's real GDP per capita of EUR 36 140 is above EU-average, but below countries like its Nordic neighbours Norway, Sweden and Denmark (Eurostat, 2021e). Its mean annual wage in full-time employment is EUR 46 071, which is above the EU-average (Eurostat, 2021f). In the aftermath of the global financial crisis, Finland's economy recovered slower than other Nordic countries, showing lower GDP growth. Finland only returned to economic growth in 2015, but saw robust economic growth between 1 and 2% until the Covid-19 pandemic (Eurostat, 2021d). Reflecting this positive economic performance before the Covid-19 crisis is the unemployment rate, which decreased from 9% to 6.7% between 2015 and 2019, which is roughly around the EU average (Eurostat, 2021c).

Similar to EU-average, most persons (around 65%) are employed by MSMEs. However, within the group of MSMEs, Finland has a lower share of micro-sized enterprises (1-9 employees), and a higher share of small (10-49 employees) and in particular medium-sized companies (50-249 employees), compared to the EU-average (Eurostat, 2021a). In terms of employment, they account for 23%, 23%, and 19% respectively.

In international skills assessment tests like PISA and PIAAC, Finland usually scores among the leading countries worldwide, pointing towards high skill levels

not only for youth, but also among adults (OECD, 2020b). In international comparison, Finland's participation of those aged 25-64 in formal and non-formal job-related learning is the second highest amongst EU countries, only surpassed by Denmark (OECD, 2020b). While formal adult education, is growing, participation in non-formal learning, while still comparatively high, has been decreasing in last years. Potential reasons are non-formal learning becoming increasingly formalized (modularization, partial degrees, recognition of prior learning), and drawn-out initial education careers (OECD, 2020b).

Finish firms provide training to a degree above the EU27 average in terms of hours per employed, as visible in Table 26. However, they also strongly profit from the collective, supply-side funded training provision available to their employees. The latter is mirrored by comparatively low percent of labour costs spent by enterprises on training, which is below EU average. The MSME training gap is relatively low in Finland compared to the EU27 average, in particular between medium-sized and large companies. For example, in 2015, small enterprises provided about 6,8 hours of training per employed (when all enterprises are considered), medium-sized enterprises provided 11.2 hours, and large organisations provided about 12,2 hours.

Table 26. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Finland and the EU27

INDICATOR	FINLAND				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT AND/OR other forms)	86.6	94.8	98.7	88.1	66.9	84.3	95	70.5
Participation rate (all enterprises)	35.3	41.2	54.9	45.4	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	6.8	11.2	12.2	10.3	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	1.1	1.4	1.5	1.3	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

2.14.3. Policy context and key organisations providing support relevant for MSMEs

Finland has a strong, publicly-funded adult learning system with educational provision mainly based on supply-side funding arrangements. Beyond basic and general lower and upper secondary education, adult and youth education are not clearly distinguished, both groups often attend the same institutions. For example,

the distinction between youth and adult VET has been abolished in 2018 (OECD, 2020b). Learning providers are mostly public and non-profit, long-term institutionalised education institutions that provide courses mainly free of charge or at a very low cost to individuals. The importance of private (for-profit) providers is marginal, they typically provide staff training in the fields of ICT or language (OECD, 2020b). In sum, rough estimates by the OECD show that individuals spend around an annual EUR 500 million, private employers around EUR 1 to 1.4 billion, and government around EUR 5 billion for adult education (vocational, higher and liberal adult education, labour market training) (OECD, 2020b).

As shown by the OECD (2020b), VET is provided in schools run by (groups of) municipalities, state-owned institutions and foundations operated jointly by municipalities and private organisations/companies. Also, adult liberal education institutions (Adult Education Centres, Folk High Schools, Study Centres, Summer Universities) increasingly offer job-related programs, with certain courses being recognised for VET qualifications. While initial VET is free, further and specialized vocational qualifications (1-1.5 years depending on prior competence) are subject to low fees (below EUR 500). They can be gained through competence tests in 65 further and 56 specialist vocational qualifications, for which individuals usually take-part in preparatory training. In addition, shorter vocational training can be undertaken in the form of labour market training for the unemployed, staff training ordered by the employer, "joint-purchase training" (see next section) as well as the independent completion of certain modules or part-qualifications. Higher education is provided free of charge in Universities and Universities of Applied Sciences, with the latter being more practically oriented (including work-placements). In cooperation with employers, higher education institutions also provide specialisation studies for adults with higher education degrees (EUR 120 per credit for individuals, minimum 30 ECTS credits), as well as in-service/continuing professional education (covered 100% by employers) (OECD, 2020b).

2.14.4. Interplay of financial and structural instruments

Finland's strong supply-side funded provision of adult learning reduces the need for financial (demand-side) incentives for individuals and employers, as well as for additional structural incentives. For example, during unemployment, adults can profit from a broadly developed, supply-side funded provision of training courses. Employers can take advantage from the overall system characteristics by sending their employees to supply-side funded courses requiring no or low fees (more than 140 000 participants in public provided courses commissioned by employers; OECD (2020b)).

Existing financial demand-side instruments have a clear focus on providing support for the living costs/wage replacement payments for the individuals and covering costs of wages borne by employers during employee training participation (foregone productivity) (European Commission and Larjanko, 2018; OECD, 2020b). Many demand-side financing instruments are managed and funded by the Employment Fund, which has emerged out of the Education Fund for Individuals (founded in 1970) and the Unemployment Insurance Fund (TVR) (established in 1992, however, with union funds in the so-called Gent-system existing much longer[68]) on the 1st of January 2019 (Työllisyysrahasto, 2021). Employees and enterprises contribute to the fund via the unemployment insurance system (Employment Fund, 2021); resources are distributed by the administrated co-funding instruments and various other funding approaches (supply-side funding). The Employment Fund manages and finances the Adult Education Allowance (#81), which is by far the most important demand-side financing instrument for adults. It provides a basic lump sum and a wage-replacement payment related to the disrupted or paused (= unpaid training leave) employment. On average and in case of full-time education, this payment is EUR 1 460 (OECD, 2020b). Various groups of skilled workers may receive additional support (Scholarship for Qualified Employees #82; one-time EUR 400 for completing a programme).

From the general tax-based government budget, adults in higher education can benefit (on similar grounds that their initial education peers) from the Study Grant and the Study Loan (#84) to cover living costs. However, the latter two instruments are mainly seen as part of support for young people in higher education. If individuals complete the study in time, they may benefit from a reduction of their loans too (#221). Adults can deduct some self-borne costs for maintaining their occupational skills from the tax base (#220), however, the role of tax deduction is marginal. While having in mind the overall moderate fees for adult education, particular groups of adults (migrants; adults with special needs in particular not included in the support system for the un/employed) can profit from the "Voucher system in liberal adult education" (2015: about EUR 2 million budget, 80 000 beneficiaries, #83). Individuals can also use the Job alternation leave and compensation for pursuing education[69]. Moreover, since 2009, the unemployed

[68] https://www.eurofound.europa.eu/publications/article/2005/independent-unemployment-insurance-fund-undermining-unions

[69] Job alternation leave, with a wage subsidy corresponding to 70% of the unemployment benefits entitlement, is available to adults with at least 20 years of employment for between 100 and 180 days. The scheme is part of the active labour market policy and is intended for supporting productive ageing while supporting long-term unemployed to enter the employment. Beneficiaries are free to decide how to use the time off, with

are entitled to choose training activities on their own and pursue training without losing their unemployment entitlements[70]. However, a positive evaluation of the labour market relevance of the education chosen is required. 2018 about 30 000 unemployed have pursued "self-motivated studies" while receiving this form of unemployment benefit, which makes up by far for the largest share of unemployed within training activities.

Employers may agree on an unpaid training leave, where the employee can profit in particular from the already mentioned Adult Education Allowance (#81) or the Study Grant and the Study Loan (#84)[71]. Schemes where employers directly receive co-funding for direct or indirect training costs are rare. From the general tax-based government budget, tax deductions in company income tax for employee training costs are granted (#219). Enterprises can receive contributions to the wage costs of former unemployed who are preparing for acquiring an occupational qualification while working as an apprentice (#222). Furthermore, there are also structural measures directly targeting employers, and in particular MSMEs. These policies can increase MSMEs participation in adult learning by providing tailored training opportunities to MSMEs and/or potentially increasing MSMEs skills requirements. Many of these programs also entail financial benefits for MSMEs.

For example, "joint purchase trainings" (# FI_03) are organized and designed jointly by the regional PES in collaboration with companies. The underlying rationale is to bring more flexibility into labour market trainings, make the trainings more oriented to companies' needs and encourage companies to contribute to them financially. Training is either targeted at existing staff to upgrade their skills and prevent lay-offs, at laid-off workers to find new jobs, or at potentially new employees to close skill gaps (suomi.fi, 2021a; b). Joint purchase training is also rather exceptional in Finland, given that SMEs (including micro enterprises) receive co-funding for their training costs. They only have to cover between 30% and 50%

education among the options. Employers are mandated to employ a former long-term unemployed based on a fixed term contract during the absence of the employee. (https://www.te-palvelut.fi/en/jobseekers/finding-job/job-alternation-leave#:~:text=The%20purpose%20of%20the%20job,the%20purpose%20of%20the%20system.)

[70] "Self-motivated studies allow job seekers above the age of 25 to pursue a degree at a regular education institution full-time, while they continue to receive unemployment benefits. Job seekers can take-up self-motivated studies if the Employment and Economic Development offices of the Finnish public employment services agree on the need and relevance of the training to improve job seekers' skills and employability. The unemployment benefit itself is paid by the Social Insurance Institution or an [Trade Union related] unemployment fund." (OECD, 2020b, p. 46)

[71] For older employees, the job alternation leave exists as well.

of the costs, depending on size, revenue, balance sheet, and type of training. The main criticism towards these trainings are related to some of the requirements (minimum duration of 10 training days, minimum financial cost to companies, etc.) and to the administrative burden.

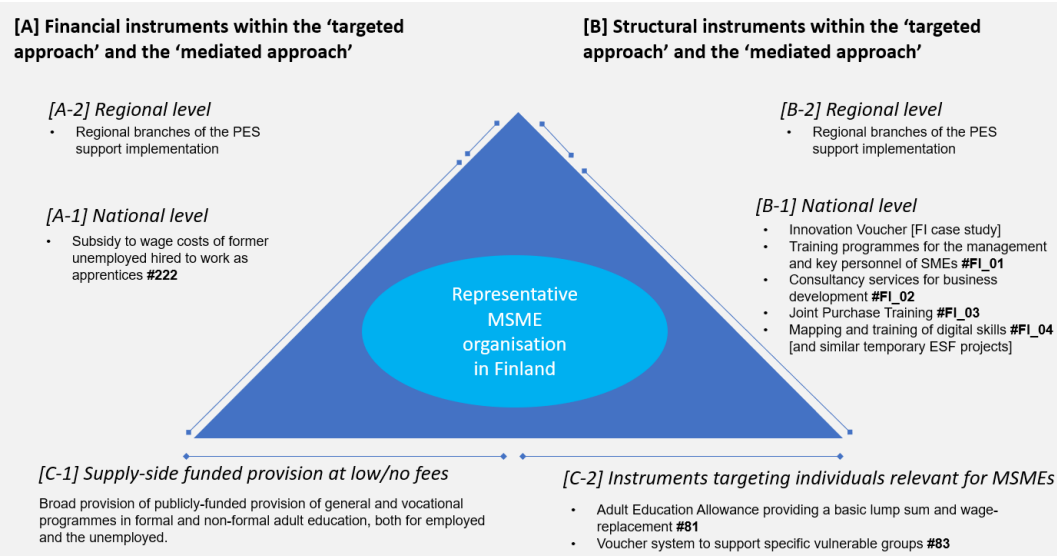
Other structural measures are training programmes for the management and key personnel of SMEs (#FI_01) offered by the regional PES (Centre for Economic Development, 2021). Programmes are provided for managing growth, finance and productivity, and marketing and customer relations. The training consists of five 2-day team training sessions plus 2 consulting days. Providers of the training courses (educational service providers e.g., educational institutions, consultants, etc.) are selected into a framework agreement through a national procurement process, and courses are organised based on demand from the SMEs. Costs are subsidised by the government (70%, de-minimis) and the remaining price per participant is EUR 1 470 (+VAT) (30%).

Regional PES also offers support for SMEs (min. one full financial year and 1 employee) to use consultancy to facilitate business development, including the area “management and staff” (Centre for Economic Development, 2021). This area focuses on mapping and devising strategic plans for developing the quality of management, well-being at the workplace, and staff competences in view of the company's future goals, thereby also potentially increasing SME’s future participation in adult learning. The national network of PES manages a network of certified consultants, which the SME may choose from. The consultancy depends on the needs of the SME and is typically 2-5 consulting days. The SME can use this consultancy several times as long as the volume doesn’t exceed 15 days over any 3-year period. Costs are subsidised by the national government (70%, de-minimis) and the remaining price per participant is normally EUR 300/day +VAT, but during the corona crisis/restrictions it has been lowered to EUR 30/day. A precondition for this consultancy is that the SME has undergone an analysis of its current challenges and identified areas for further development, which is also offered and subsidized by the PES (1-2 day consultancy, de-minimis subsidised, normal price EUR 220/day + VAT, corona price EUR 30/day).

Figure 23 summarises the support arrangement as present on national level. Support for adult learning is mainly provided via supply-side funding schemes [C-1] and via demand-side support for individuals [C-2], leaving little scope for financial support for MSMEs following a ‘targeted approach’, with a scheme providing wage subsidies for former unemployed being the only exception. There is a broad bundle of structural incentives targeting enterprises, and MSMEs in particular, with the PES and its local branches having a key role. Large-scale schemes are temporarily complemented by project-based initiatives, e.g. based on

ESF funding (see the examples presented in the case vignettes #FI_04, 05, 06, and 07). Overall, instruments are established at the national level, however, local branches of public institutions, the PES in particular, anchor the programmes within the regions and tailor them to the local needs. Sectoral approaches play no prominent role.

Figure 24. Interplay of financial and structural instruments – Support arrangement at national (skill formation system) level in Finland



Source: Cedefop

In the next section, the "innovation voucher", a particularly recent structural incentive targeting SMEs, will be analysed in detail.

2.14.5. Support for innovation available to MSMEs

In this section, a key scheme following a mediated approach by supporting innovation in MSMEs is discussed in detail. Moreover, it provides an example how the regional branches of the Public Employment Service (PES) are used to deliver the support. PES plays a key role in the regional implementation of instruments supporting training in MSMEs. The innovation voucher (Innovaatioseteli) was piloted in 2016 as part of the "Enterprise Package" (supposed to boost entrepreneurship) launched by the Finnish government (Business Finland, 2017b). It is currently offered by Business Finland, which emerged out of the Finnish Funding Agency for Technology and Innovation (Tekes) and Finpro, a government-owned company for export promotion in 2017 (Business Finland, 2017a). Business Finland is a publicly funded organisation that promotes innovation by providing funding and consulting to universities and research institutes as well as companies,

including a variety of programmes directly targeted at MSMEs. It is based in Helsinki and represented in the regional PES offices.

In its first year, the voucher proved to be highly popular among companies, and 2 000 vouchers were issued (Härmälä et al., 2017), so about 2,5% of all MSMEs used the offer. Only MSMEs are eligible for the innovation voucher, and a voucher can be received only once by a company. The voucher necessitates a EUR 1 000 + VAT self-financing contribution, with up to EUR 4 000 + VAT being consequently covered by Business Finland (de-minimis) (Business Finland, 2021). The voucher can be used for purchasing expert services related to "innovation activities", which refers to all measures employed by a company to develop new products, services or processes that have international potential. This explicitly also includes the need to "acquire new knowledge and competencies required for innovation activities". In the first year after the vouchers implementation, typical applications directly concerned product and service development as well as investigations of intellectual property rights (Härmälä et al., 2017). Innovation activities related to products or services already available in markets or only targeted at the domestic market are excluded (Business Finland, 2021). Consulting, sales, marketing and staff training activities that are consequently *not* related to innovation activities and respectively new products or services cannot be financed by the voucher. In its first year, one third of applications have been rejected for not matching those criteria (Härmälä et al., 2017).

Companies can freely choose their service provider, including private companies, universities, universities of applied sciences and research organisations (Business Finland, 2021). Individual service providers can also register in Business Finland's database of providers, in order to facilitate access by companies. Initially, concerns were voiced that due to the voucher, services might be marketed too aggressively by service providers and would not respond to the needs of companies. In a survey among service providers, 6 out of 10 service providers indeed explicitly mentioned the voucher when advertising among companies (Härmälä et al., 2017). However, only one fifth of providers developed new services designed specifically for the innovation vouchers. Furthermore, 9 out of 10 companies using the innovation voucher were satisfied with the services received and the respective projects carried out. Nevertheless, in particular small companies emphasized the need for more counselling concerning the choice of the service provider.

According to a company survey conducted as part of the innovation voucher's evaluation process in 2017, the voucher had positive effects on companies innovation activities, and also encouraged them to use their own resources in the process (Härmälä et al., 2017). More than half of all companies have spent

additional resources on the respectively implemented projects. Only one-third of the companies indicated that they would have carried out respective projects without the voucher. Furthermore, more than half of the participating companies expected a growing number of staff due to the new projects implemented.

One of the main goals of the voucher was also to expand and diversify the range of companies that access Business Finland's services (Härmälä et al., 2017). By providing an easy to access entry-level service for SMEs, it is supposed to act as an entry point to a range of other services aimed at improving innovation activities. This is also reflected in the access criteria, as companies that have already accessed Business Finland's (or previously Tekes') innovation funding services, are currently running innovation projects funded by Business Finland itself, or have filed applications to Business Finland, are exempt from the voucher (Business Finland, 2021). In its first year after implementation, in particular young companies consequently received a voucher, with 55% of all recipient companies being below the age of 6 years (Härmälä et al., 2017). 9 out of 10 companies indicated that they are considering using other services by Business Finland after the innovation voucher project.

2.14.6. Conclusions

Finland's strong supply-side funded provision of adult learning needs to be considered as a strong resource for meeting the training and skills demands of enterprises, the micro, small and medium-sized in particular. It is likely to substantially reduce the scope for financial (demand-side) incentives targeting the MSME sector. In consequence, no demand-side co-funding schemes targeting enterprises of systemic importance are established.

While instruments providing targeted contributions to MSMEs' costs of training play no role, there is obviously scope for instruments aiming at either overcoming other barriers for training in MSMEs (structural instruments providing targeted support) or expanding the skill utilisation, mainly by promoting innovation and cooperation (financial and structural instruments providing mediated support).

Examples for structural targeted or mediated support measures for MSMEs could be easily established pointing to a rich field of business development activities, regional and sectoral, which would be worth to be reviewed in full detail.

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Revised by: Günter Helfer (3s)

2.15. United Kingdom. Union Learning Fund and its role in facilitating access to training in MSMEs (outreach approach)

2.15.1. Rationale for the case study

The case study explores the example of the British Union Learning Fund (ULF) as well as the framework of Union Learners Representatives (ULR) funded by the former. The overall framework combines the support for interest aggregation and collective bargaining in the field of CVET. Moreover, by the type of project work supported by the ULF, enterprises are invited to become partners in educational outreach targeting their employees. Since 1998, via the state endowed Union Learning Fund (ULF), unions receive public means for

(a) setting up and sustaining a system of Union Learners Representatives (ULR), which are employees trained by the unions to provide co-workers with information about learning opportunities and make a case for better learning and development opportunities vis-à-vis the management in their companies;

(b) supporting union-led educational projects, with enterprises partly invited to enter as co-investors.

The framework established in variations throughout the United Kingdom (UK) plays a key role in the provision of adult learning and training in MSMEs. It is a rare example of public support for the industrial relations in the UK's weakly coordinated liberal industrial relation system. It is regarded as a source for the unions renewal and proved to be effective in raising participation in CVET.

2.15.2. Socio-economic context

Prior to 'Brexit', the United Kingdom used to be the European Union third largest Member State, with close to 67 million inhabitants (2019) or 13 per cent of the EU28 population. With its liberal non-coordinated political economy, it used to stand out among the EU Member States in many aspects, including education (e.g. with its strong emphasis on higher education) and its industrial relation system (Gumbrell-McCormick and Hyman, 2013)

In 2019, the UK registers a GDP per capita of – in Purchasing Power Standards – PPS 32 600[72], being close to the EU28 average and putting the UK on the 10th place within the EU.

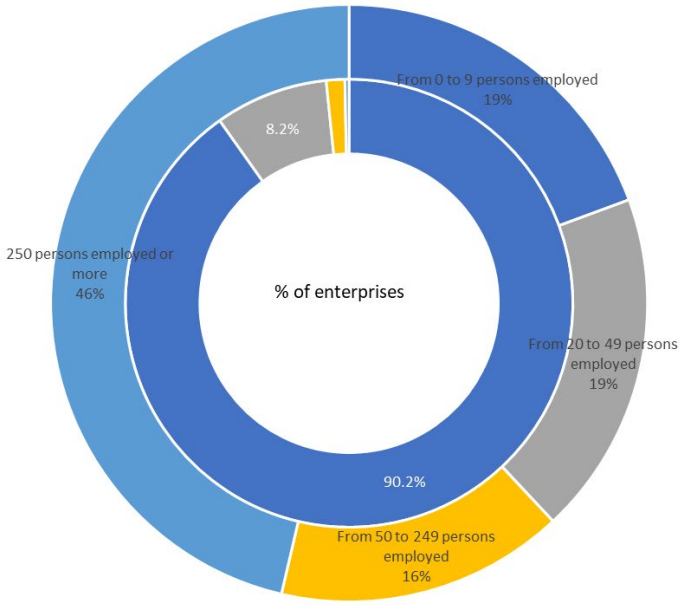
[72] SDG_10_10

The long Brexit process was concluded on 1st February 2020, and the UK left the European Union by the 1st of January 2021, including the single market and the customs union and the EU-UK Trade and Cooperation Agreement entered into force.

The Brexit and the Covid-19 pandemic among other factors led to a decline of the GDP per capita of 7.4% in 2020[73], compared to a related the decline of for the EU27 of 4.8%

MSME's make up 98% of all businesses in the UK, 90% of which are micro-businesses, employing no more than 10 people, leaving just 1.6% for large organisations. SMEs have experienced solid growth in recent years. MSMEs in the United Kingdom generate slightly less than half of all total value added and just over half (54%) of total employment in the UK's 'structural business economy'. This is lower than the EU averages of 56.4% and 66.6%. From 2014 to 2018, MSMEs employment increased by 10.4% while the MSMEs value added rose by 3.4% from 2017 to 2018, similar to the 4% value-added growth in large firms.

Figure 25. Share of enterprises and share of employed in the UK by company size



Source: Eurostat, [sbs_sc_sca_r2]

Training activity of enterprises in the UK is a fiercely debated and contested area, with a broad agreement among observers that British enterprises are caught in a 'low-skills equilibrium' and invest less in CVET than their counterparts in the leading industrial nations in Europe (Finegold and Soskice, 1988; Thelen, 2004; Thelen, 2014b). Investment of British enterprises in initial vocational education and

[73] Based on SDG_10_10

training (IVET) is very low, with a long series of reforms to overcome this perceived bottleneck in IVET provision the latter also thought to heavily contributing to the continuation of the 'low-skills equilibrium'. The latest intent to overcome this was the introduction of the apprenticeship levy of 2017 for large enterprises (0.5 per cent of the payroll) which is used to expand the funding for the reformed apprenticeship system (which supports, however, both, IVET and CVET) (Fuller et al., 2015).

Measuring CVET activity of enterprises in the UK is a contested field of work. The key issue concerns that there is no applicable distinction between IVET and CVET, meaning that surveys on either of the two components tend to overstate the relevant levels of activities.

The UK has its bi-annual statistical system observing training in enterprises (without distinguishing IVET from CVET) across all sectors (including public administration) based on a very large sample (more than 80 000 interviews completed) (Winterbotham et al., 2020a; b).[74] Survey results suggested a constant decline in UK enterprises' training activity since 2000 (Green et al., 2013) from what had been regarded a rather low starting point. For the UK (with the exclusion of Scotland), the decline in training hours per employee is represented by Figure 26. It is also shown that in particular the average days of training per participant had declined over the past decade.

[74] For all available results see Employer skills survey 2019: UK (excluding Scotland) findings - GOV.UK (www.gov.uk).

Figure 26. Training days per participant and by employed – Breakdown by enterprise size classes (2-4; 4-25; 25-49; 50-99, 100-249; 250+), 2019 – UK except Scotland

Source: UK Employer Skills Survey

The UK Employer Skills Survey also shows an outstanding pattern that is that the training performance of micro, small and medium sized enterprises is better than for large organisations. The absence of the MSME training gap is mainly the consequence of exceptionally low training performance of large companies in the UK. The – in the aggregate – underperformance in training of large enterprises is also present by other key performance indicators (see (Winterbotham et al., 2020b) for details).

For international comparison, the CVTS 2015 data for the UK are available, which differ in many aspects from the main national survey[75] discussed above. Related data represented in Table 27 confirm the absence of a 'gap in training performance between small and large organisations– while indicators for small and medium-sized enterprises are above the EU27 average for all indicators, for large enterprises, all indicators are considerably weaker than the EU27 average for the relevant indicators. For example, speaking of training per employed, enterprises with 250 and more employed provide the least number of training hours across the EU27 (without the UK). In other words, the absence of a training gap reported for

[75] "The ESS is a large survey of establishments (approximately 87,000), sampling establishments with at least two workers; a 43 per cent response rate of contacted establishments was achieved in 2017. By contrast, the CVTS in 2015 is a much smaller survey of enterprises (3,315 cases) where there are at least 10 workers. It is restricted to the private sector, and excludes agriculture and related sectors; a 37 per cent response rate was achieved. The domain coverage for ESS is all forms of training, while CVTS excludes initial training for new employees. The two surveys thus have varying characteristics and different content." (Green and Henseke, 2019) (page 21).

the UK is to a great extent the consequence of the strong underperformance of large enterprises in the UK and only partly the result of a – by international comparison – stronger performance of SMEs.

Table 27. Indicators on enterprises' training performance, breakdown according to size classes (10-49; 50-249, 250+) – CVTS 2015: Finland and the EU27

INDICATOR	UNITED KINGDOM				EU27			
Size class	10-49	50-249	250+	Total	10-49	50-249	250+	Total
Enterprises with training (CVT and/ or other forms)	83.8	94.3	97.1	85.7	66.9	84.3	95	70.5
Participation rate (all enterprises)	30.3	32.2	29.9	30.4	29.9	37.9	52.3	42.9
Hours per employed (all enterprises)	13.5	12.9	6.8	9.2	6.2	10.5	13	10.1
% of the labour costs (direct, indirect, net contributions)	2.4	2.5	1.5	1.8	1.2	1.5	2	1.7

Source: Eurostat Dissemination Database: trng_cvt_01s, trng_cvt_12s, trng_cvt_23s, trng_cvt_16s (Data Version: 08.02.2021)

2.15.3. Policy context and key organisations providing support relevant for MSMEs

The provision of support for skill acquisition, CVET and adult learning, following the example of other areas of education and training, fall under the authority of the four countries, respectively, their governments, that is England, Scotland, Wales and Northern Ireland. Policies differ widely across the four countries; agreed-on UK-wide frameworks, as for example, the Apprenticeship Levy introduced in the 2017 or the Union Learning Fund (ULFs) discussed in Section 2.15.5 are implemented independently and with considerable levels of variation across the four countries.

Central-level government documents for the whole of the UK regarding skills, CVET or adult education are rare and there is no UK-wide lifelong learning strategy or national policy framework for adult learning (European Commission and Ravenhall, 2018). However, this does not imply that strategic policy documents on education, skills or adult education are absent; quite to the contrary, Britain is often portrait as obsessed by the idea of education and skill policy reforms, with successive governments overhauling key elements of the institutional frameworks haunted by the idea of 'national failure' compared to other 'large countries.' Many

CVET and skill related policies in the past decades had been short-lived irrespective to their relative success or failure. A constant stream of policy papers on behalf of the government, the House of Lords, prestigious academic or professional organisations[76] (e.g. (Centenary Commission, 2019) drive the policy debate and propel government to adopt policy reforms. Moreover, the creation of (temporary) intergovernmental councils (as e.g. the Industrial Strategy Council in 2018)[77], which commission work in the field of skills and learning, is a frequently used approach. However, EU policy recommendation played only a minor role and typically did not lead to the adoption of policy documents (as e.g. Lifelong Learning strategies) following an European Union blueprint (Milana et al., 2014).

In England, the implementation of skills and adult learning policies is partly devolved to the regional and in particular municipal level. In the other parts of the UK, the policies are more centralised on regional-government level (European Commission and Ravenhall, 2018).

The general direction of skills policy in the UK in the past two decades has been the reinforcement of market mechanisms and the competition between educational providers, with the further education colleges as the key group of providers. Moreover, with the introduction of tuition fees in higher education (1998) and their stark rise in particular in England and Wales from 2012 onwards (caped by GBP 9 250 a year in England in 2021) (Garritzmann, 2016), an overall high-fee regime for post-compulsory education has been reinforced.

The particularities of supply-side funding for CVET need to be seen against the backdrop of post-compulsory education in general. After (mainly general) compulsory education, young people not transferring to higher education (about 60% of a cohort)[78] are mandated to pursue general and/or CVET at a further education college (up to 18). For 16–19-year-olds, fees are fully covered by public sources. For non-graduates up to 23 and specific groups of unemployed, fees are covered mainly be public sources. For the groups eligible for free participation or for participating at reduced fees, FE colleges reive funding per student supported. FE compete for fee paying adult students and – to a lesser extent – employers

[76] For a broad selection, see The History of Education in England - Documents Archive (educationengland.org.uk)

[77] https://industrialstrategycouncil.org/ e.g. Industrial Strategy Council, Lyons, Hayley , Taylor, Abigail , & Green, Anne (2020). *Rising to the UK's Skills Challenges*. Retrieved from https://industrialstrategycouncil.org/sites/default/files/attachments/Rising%20to%20the%20UK%27s%20skills%20challenges.pdf

[78] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/843542/Publication_HEIPR1718.pdf

paying for their employees as well, with fees varying greatly by type of program and qualification awarded.

The acquisition of skills and vocational qualifications, including IVET, used to be regarded mainly as within the responsibility of the enterprises and the households. Former institutions regulating IVET had been dismantled in up to the 1980s, later policies inviting enterprises' voluntary commitments were found as mainly ineffective to overcome the perceived under-provision of vocational qualifications. Publicly cofunded schemes to support forms of apprenticeship open for young people and adults alike were piloted, leading up to the introduction of a mandatory apprenticeship levy (0.5% of the pay role for large companies) in 2017. Subsidised apprenticeships can be used both for funding the training of young novice workers, but also for the upskilling of existing employees who (without changing their employer/position) formally entering a 'training spell' (so that their training becomes eligible for public funding) before changing back to their previous position (so called 'conversion'). For FE colleges, course work funded via the apprenticeship schemes are an important additional source of income. (Fuller et al., 2015; Richmond, 2020)

Therefore, employers have been included at the centre of the skills system and have been granted increased influence over the design and structure of various vocational qualifications and therefore build the demand for skills. This requires employers to meet a greater proportion of the overall cost of initial vocational education and training. Current approaches are to better integrate this demand-driven approach to other policy sectors, in particular innovation, enterprise and regional growth.

2.15.4. Interplay of financial and structural instruments

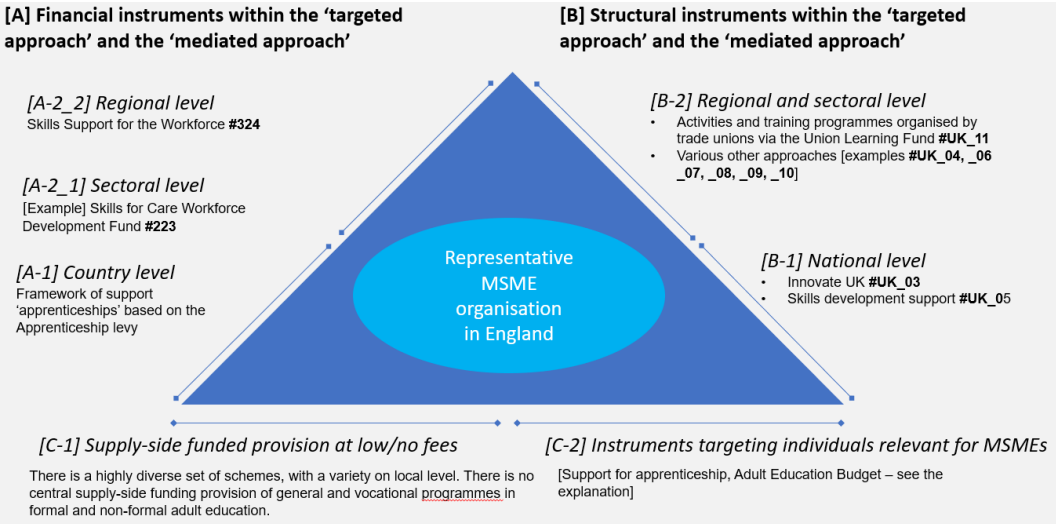
As illustrated in the figure below, there is a highly diverse set of schemes both at regional and sectoral level. It is important to note that there is no settled UK-wide national approach, although some key instruments (as the apprenticeship levy as a funding generating tool) and legislation are implemented across all four home nations. In terms of demand-side instruments targeting individuals, there are several significant instruments across the four nations[79].

Adult learning is diversely organised through the devolved nations. In England, adult learning is primarily the responsibility of the Department for Education, Department for Work and Pensions, the public employment service, and local councils. In Northern Ireland, the Assembly has devolved legislative control over employment and skills and employs the Skills Strategy, implemented by the Department of Education, Department for the Economy, and Department

[79] See for example Advanced Learner Loan: Overview - GOV.UK (www.gov.uk).

for Communities. In Scotland, there are various bodies responsible for adult learning, including the Scottish Funding Council (SFC), Skills Development Scotland (SDS), along with enterprise-focused groups (Scottish Enterprise, Highlands and Islands Enterprise). In Wales, the Welsh Government has responsibility and the Minister for Lifelong Learning within the Ministry for Education and Skills coordinates the instruments.

Figure 27. Interplay of financial and structural instruments – Support arrangement at national (skill formation system) level in England



Source: Cedefop

Figure 27 captures the key dimensions of support for CVET as provided for MSMEs in England. To start with, the overall level of support provided to enterprises is comparatively low. Therefore, arrangements available, yet, not necessarily seen as support for employers, are used in ways which are allowing for somewhat filling the gap. The most significant example is the way apprenticeship programmes are used as a form of public support for enterprises. Prior to the introduction of the apprenticeship levy (2017)80, enterprises may send regular employees for having an 'apprenticeship programme' to Further Education Colleges, with programmes highly diverse in length and content and often not different from more generic forms of training courses providing vocational skills, typically having to pay only 50 % of the course fees, which had been an important incentive to enterprises. This form of use, where enterprises motivate regular employees to use 'apprenticeships' as a way of CVET is covered by the term 'conversion' {Fuller, 2015 #6429}, with regular employees – not young people

80 https://www.cedefop.europa.eu/en/tools/financing-apprenticeships/financing-instruments/apprenticeship-levy

entering the labour market – making up in various fields for the majority of users of the scheme. Since 2017, enterprises with more than GBP 3 million of turnover need to pay an apprenticeship tax (0.5 % of the wage bill) and can reuse their contributions for funding apprenticeship training, including CVET for regular employees via conversion. Small enterprises, not paying the levy, however, can also use the apprenticeship programmes offered, and need to pay only 5% of the course fees {Richmond, 2020 #11270}, so are even in a better position than prior to the reform. Overall, the use of apprenticeship support for CVET is politically contested and the scheme has more features of a supply-side than a demand-side financing instruments, with the Further Education Colleges competing for funding of their programmes in the first place. Employers are also recommended to consider schemes designed for individual support like the Adult Education Budget (#326) a scheme mainly supporting individuals via supply-side funded provision (again with the Further Education Colleges competing for funding and delivering to the end users, with no or variated levels of fees), for working towards their organisational goals.

The overall void of public support scheme for financing CVET in enterprises is partly compensated by quantitatively smaller schemes, supporting MSMEs in particular, as the Skills Support for the Workforce (#324). For this scheme, intermediatory organisations are responsible, which provide a range of coursers free to MSMEs within their catchment areas (so again, an approach mainly following a supply-side funding logic). Other forms of support apply only to specific (small) sectors, as the Skills for Care Force Development Fund (#223). Instruments. To conclude, instruments providing financial aid for training using a targeted approach are scare in England.

The comparatively low level of financial support using a targeted approach is further compensated by structural policies following a targeted or a mediated approach. Large-scale policies include Skills development support (#UK_05) providing packages out of counselling on and cofunding for training to MSMEs or Innovate UK (#UK_03) supporting innovation projects, including related costs for CVET. Overall, there are various other approaches and organisations (e.g. professional bodies) engaged in provided structural instruments targeting (mainly) MSMEs, following a targeted or mediated approach, for which examples have been identified (see #UK_02, 04, 06. 07, 08, 09, 10). Furthermore, the highly specific framework around the Union Learning Fund (ULF) (#UK_10) represents a particular policy, which overall defies a classification, however, can be seen as an outreach instrument or as a specific form of targeted support (improving interest mediation). The policy is discussed in detail in the following section.

2.15.5. Strengthening cooperation in CVET and educational outreach: The British Union Learning Fund (ULF) and its framework of Union Learners Representatives (ULR)

In the UK, as in other liberal countries, there is a long tradition of trade unions organising learning opportunities at or near the workplace. By providing learning opportunities, unions can strengthen their membership base within one single enterprise, which is of key importance in a system, where collective bargaining mainly takes place at a firm-level. Moreover, unions use the collectively improved skills as a basis within the negotiation with the management (Bratton et al., 2003; Clough, 2008; Fenwick, 2008; Stuart, 2019). The trade union had also a strong position within the dismantled system of levy-based sectoral skill councils (Thelen, 2004). With the Social Democrats led by Tony Blair winning the majority in parliament in 1998, an attempt had been made to revive weakened traditions of union-led workplace learning.

Therefore, the Union Learning Fund (ULF) was established in 1998 by the government, in line with an overall strong emphasis of the Blair government on the importance of lifelong learning. From the beginning, the ULF have had two main approaches:

First, to provide the sources for establishing a system of Union Learning Representatives (ULR), that are specifically trained union members who can give advice on CVET to their peers on company/shop floor level. By using peers in the workplace to inform about and encourage to take up learning opportunities, one hoped to increase participation of workers (in particular, the low-skilled) in lifelong learning activities, whether union-led, employer provided or provided by any other public framework.

Second, to provide the means for innovative union-led CVET projects, with unions expected to use the funding available to create broader coalitions and elicit funding from the employers as well, the latter understood as underinvesting in CVET, in particular for unskilled workers.

As a side effect, the Union Learning Fund and the related frameworks should contribute to the recovery of the Trade Union Movement, with the expectation that stronger unions would create a ‘beneficial constraint’ (Streeck, 1997) for employers in favour of taking a ‘high-skills-road’ instead of deskilling strategies. The framework had not been disrupted after the Conservatives regained power in 2010, however, government funding had been reduced over the past decade.

The Union Learning Fund is managed and administered by unionlearn, the UK TUC’s (Trade Union Congress) Learning and Skills Organisation, under an agreement with the UK Department for Education (DfE). Its aim is to provide an ongoing framework to support union led learning in England. Similar schemes exist

in Scotland and in Wales. In Scotland, the Scottish Government invests £2.3 million in Scottish Union Learning, which is managed by the Scottish Trade Union Congress (STUC). The aim of Scottish Union Learning is to deliver, in partnership with unions, workplace learning opportunities in all sectors across Scotland, in line with STUC policy on learning and skills. In Wales, the Wales Union Learning Fund (WULF) is provided by the Welsh Government to Wales TUC. It aims to "support workplace learning activities in unionized workplaces, and to support partnership working between unions and employers".

The scope of the ULF has gradually broadened as union capacity has grown and government strategic objectives have changed. Unions have been encouraged to work on improving access to work and to work in the community.

Any trade union, or national organisation representing trade unions, is eligible for the fund, whether it is affiliated to the TUC.

The ULF is intended to effectively engage with employers to create and facilitate learning programmes which tackle both organisational and individual needs. In this regard, Union Learning Representatives, trained by unionlearn, play a key role in the success story of the implementation of the Union Learning Fund in the UK. Since 1998, about 40,000 ULRs have been trained. Among the functions of a ULR is to analyse training needs, provide information and advice on training, promote the value of training and consult the employer over these activities. They can strike Learning agreements with the companies. (Stuart, 2011)

They have the right for reasonable paid time off to train and carry out their functions in a similar way as union representatives in general. ULRs are widely recognised as trusted intermediaries. Their role has been seen by the government as crucial to help to deliver the national learning targets, particularly in respect to literacy and numeracy and low levels of vocational qualification. Several evaluations found that the Union Learning Representative (ULR) network is particularly important and effective in reaching individuals often with poor experiences of education and whose return to learning can have major positive implications for them, their employers and their families.

Funding for ULF is provided by government to unions through a series of funding rounds. Within the UK, monies have been apportioned to projects via the Union Learning Fund (ULF) in England, the Wales Union Learning Fund (WULF) in Wales and the Scottish Union Learning Fund (SULF) in Scotland – with 'ULF' a generic term. A similar, yet separate fund is in place in Northern Ireland (the Northern Ireland Union Learning Fund).

The programmes funded under ULF are delivered in collaboration with the Association of Colleges, the Association of Employment and Learning Providers, City and Guilds and many others to ensure that relevant education and training is

provided. The learning activity supported by the ULF covers a broad spectrum from higher education to vocational and non-vocational courses, apprenticeships, functional skills learning, GCSEs, CPD and other forms of CVET provision. Projects must specify learning outcomes and show evidence in support of their projects. ULF increasingly funds online distance learning in partnership with online training providers: union members and other workers can access free online courses.

While the ULF and the ULRs represent interesting features, the size of the overall framework should not be overestimated. A recent OECD study (OECD, 2021b) reports about 150 000 participants within the framework for 2019/2010, down from 210 000 in 2016/17.

Table 28. Number of learners who participated in training and/or assessment through the Union Learning Fund projects

		2019-20	2018-19	2017-18	2016-17
All training		149 496	156 377	141 000	210 000
Adding learners and reps accessing training directly from Unionlearn and TUC Education		189 100	205 000	188 000	-
English and maths		37 736	35 822	27 733	27 501
	English and maths by Unionlearn's direct support	-	8 107	6 114	5131
ICT		24 992	28 568	19 613	-
ESOL (English for speaking of other languages)		985	838	-	-
Initial English and maths assessments		30 499	25 827	25 723	-
	English only	10 517	13 347	-	-
	maths only	19 982	12 480	-	-
Initial ICT assessments		11 079	11 852	7 649	-
New employer learning agreements		247	123	96	137

Source: Unionlearn (2017[23]), *Unionlearn Annual Report 2017*, https://www.unionlearn.org.uk/sites/default/files/publication/Annual%20Report%202017.pdf; Unionlearn (2018[24]), *Unionlearn Annual Report 2018* , https://www.unionlearn.org.uk/sites/default/files/publication/Unionlearn%20Annual%20Report%202018.pdf; Unionlearn (2019[25]), *Unionlearn Annual Report 2019*, https://www.unionlearn.org.uk/sites/default/files/publication/Unionlearn%20Annual%20Report%202019.pdf; Unionlearn (2020[26]) *Unionlearn Annual Report 2020*, https://www.unionlearn.org.uk/news/unionlearn-publish-2020-annual-report

Source: (OECD, 2021b)

The TUC commissioned research into the effectiveness and efficiency of the ULF, with the latest results summarised in the following.

From 1998 to 2016, the ULF has disbursed £180 million to unions to support learning and skills opportunities. This has resulted in learners participating in 1.45 million learning episodes.

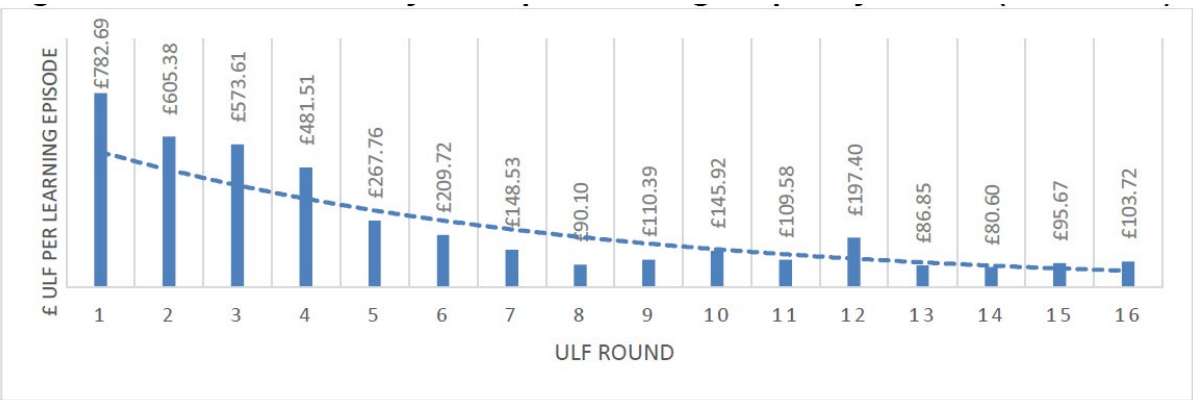
The most recent evaluation of the ULF published in 2016 included a large-scale survey, and revealed the following results with regard to its effectiveness (among others):

- The benefits of union learning are recognised by learners, employers and wider stakeholders. One in five learners (19%) achieved a higher level of qualification and over three-quarters of employers (77%) report they get a positive return on the investment that they make when supporting ULRs and union learning.
- One in five union learners report gaining a promotion or increased responsibility at work, 13 per cent report that they had stayed in a job that they might otherwise have lost, 7 per cent got a new job and 11 per cent received a pay rise.
- 11 per cent of employers reported that employees were more likely to get a pay rise as a result of union learning. A third of employers (32%) report that organisational performance has increased as a result of union learning and nearly half (47%) that employee commitment has improved.

The evaluation of the ULF conducted in 2016 concluded that the economic impact assessment shows that in Round 16 union learning made an estimated net contribution to the wider economy of £1,452 million. For every £1 invested in the ULF there is a return to the economy of £12.30, of which £7.60 accrues to individuals and £4.70 to employers. This is higher than the previous estimate of £9.15 of which 5.80 accrued to individuals and £3.40 to employers.

Furthermore, calculations of the value for money showed an increased efficiency, when looking at the cost per learning output from Round 1 to 16, as illustrated in Figure 28.

Figure 28. Value for money: Cost per learning output by Round (1198-2016)



Source: Stuart et al. (2016)

2.15.6. Conclusions

The British Union Learning Fund is one of the best studied framework to promoting CVET and to strengthen cooperation of the social partners within non-coordinated market economies (Alexandrou, 2010; Bennett, 2020; Bridgford and ILO, 2017;

Mustchin, 2012; Saundry et al., 2017; Stewart, 2009; Stuart, 2011; 2019; Wallis et al., 2021). Several evaluations and studies illustrate the success and the positive take-up of the approach since its start in 1998. It is regularly selected as an effective policy framework supporting CVET and upskilling (e.g. (Cedefop, 2020)). It showed that the organisation through trade unions and ULR as intermediary bodies is an effective way of reaching both employees and employers, as for example, over half of workers indicated that their likelihood of undertaking this learning was increased if organised through a union. In this regard, unions can provide assurance for vulnerable employees in revealing any skills deficits or learning difficulties. Evaluations showed that ULFs have gained employer support and company policies on learning have improved and employers have benefitted from workforce upskilling. Union-led workplace learning can thus offer mutual gains to unions, employers and all employees. It has also helped deliver government policy in the UK aimed at boosting learning capacity and skill and qualification acquisition of the workforce.

However, evaluations also revealed some weaknesses, e.g. the fragmentation by country and the lack of a common reporting system of outputs and activities. Furthermore, the latest review concludes that "...there are variations in the extent to which learning has become formalised within union operations and structures, and a debate within unions about the purpose of learning: as a service in itself, enhancing the employability (and non-working lives) of members or a means to another end – increasing rates of unionisation. These operational challenges often relate to the level of employer support. Whilst often negotiated in workplaces between unions and management, union-led workplace learning is not an embedded bargaining issue between employers and unions. In this respect, the key weakness of union-led workplace learning through the ULF is its sustainability. Despite over 20 years of operation and its presence in many UK workplaces, the ULF remains dependent upon support from whichever government is in power and there have been redu*ctions in available funding since 2015-2016".*

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