FOCUS ON

# Training in Enterprises

## HOW CAN ENTERPRISES BE SUPPORTED IN PROVIDING MORE AND BETTER TRAINING FOR ALL?

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## Key findings

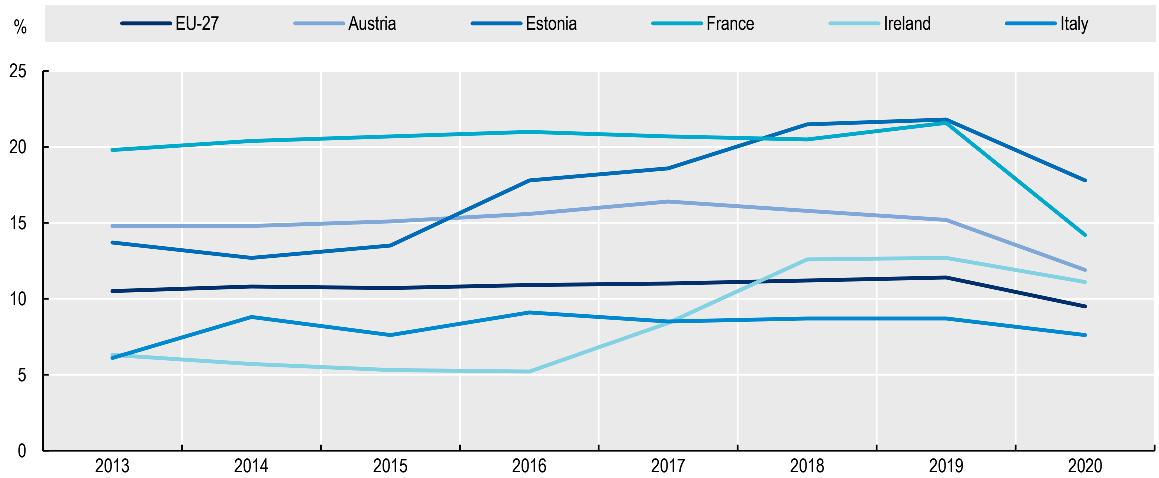
- Participation in training decreased substantially during the pandemic. Supporting firms to provide more and better training should be an important element of the recovery strategy.
- Public support to enterprises is important to reduce barriers, solve coordination problems, realise the wider societal benefits of training and improve equity in labour market outcomes.
- Policy makers can draw on five main instruments to support training in enterprises: information and guidance; capacity building; financial incentives; direct provision and regulation.

## The COVID-19 pandemic has hindered training in enterprises

**Enterprises are the main provider of reskilling and upskilling opportunities for adults.** Enterprises invest in learning opportunities because skilling their workforce helps them adapt to technological change, integrate new recruits, ensure health and safety of staff, and stay competitive. The COVID-19 pandemic has posed significant challenges for training in enterprises. Many firms were forced to shut or scale down operations for prolonged periods. Those providing essential services were operating at higher capacity than usual, leaving little time for training. And all firms that stayed in business had to change their working practices to introduce social distancing measures and teleworking, which hindered face-to-face training.

### Figure 1. Participation in education and training has decreased in the pandemic

Participation rate in education and training, 2013-2020



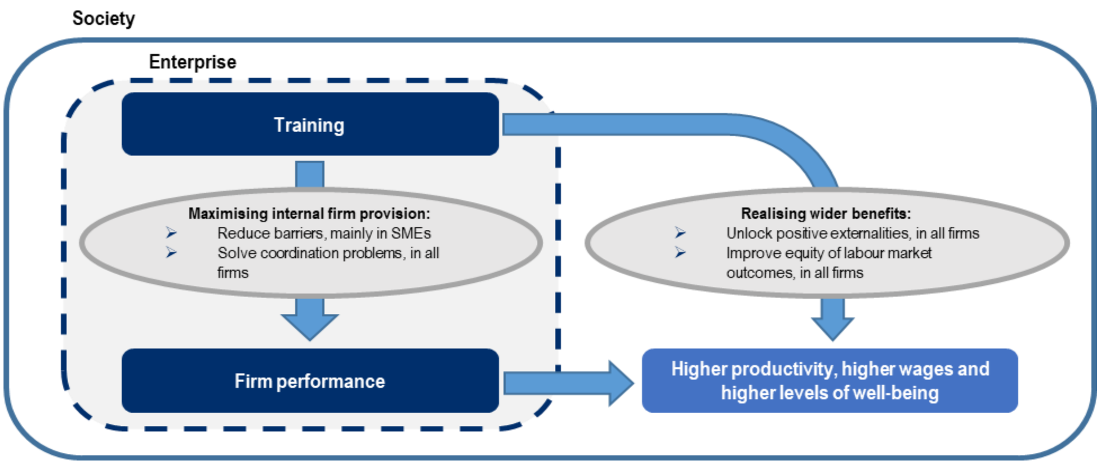

Note: Participation rate in formal and non-formal education and training in the last 4 weeks, employed persons, from 25-64 years
Source: European Labour Force Survey, for details see OECD (2021[1]), Training in Enterprises. New Evidence from 100 Case Studies, Getting Skills Right, OECD Publishing, Paris, https://doi.org/10.1787/7d63d210-en.

Given these challenges, it is not surprising that fewer employees participated in training programmes during the pandemic. According to the European Labour Force Survey, 9.5% of employed adults in the EU-27 in 2020 had taken part in education and training in the previous 4 weeks, down from 11.4% in 2019 (see Figure 1). This was the first decline in a decade, bringing participation rates down to 2012 levels. The decrease in training participation during the crisis poses a clear threat to long-run growth in productivity, wages and well-being.

## Supporting enterprises to train must be a key element of recovery strategies

**To get back to pre-pandemic training levels and beyond, there is a strong economic rationale to support enterprises in providing more and better training.** In a recent report, the OECD has reviewed existing research on training policies and collected additional evidence through 100 case studies across five countries: Austria, Estonia, France, Ireland and Italy (OECD, 2021[1]). According to the report, even prior to the pandemic, many enterprises were underproviding training with respect to maximising their own productivity and the performance of economies as a whole. Public support can help address the underprovision of training in four main areas, leading to an increase in productivity, wages, and overall levels of well-being.

### Figure 2. Why governments should support enterprises to provide training




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

**Enterprises frequently lack the capacity** to provide effective learning opportunities for their employees. This is especially the case for small and medium enterprises. They face a range of attitudinal, informational, time and financial barriers to deliver training. New evidence from the OECD's case studies suggests that lack of time appears to be the most important impediment to training provision. This includes both a lack of time on the side of employees due to productivity pressures and the rigid organisation of work schedules – in particular in the manufacturing industry – and lack of time on the side of human resource functions to organise training. Firms that have a dedicated training manager/ specialist, provide more training, according to the case studies (OECD, 2021[1]).

**Enterprises also underprovide training because they face coordination problems**. These can be internal to the firm, for example, if management and employees don't agree how to share the costs and benefits of training. New evidence from the case studies shows that in around two in three enterprises, employees have a voice in training decisions, which can result in better provision of training, but also that line-managers are often gate-keepers when it comes to accessing training. Coordination problems can also be external, for example when enterprises don't provide training because they are concerned that staff will be poached by other firms. However, new evidence suggests that poaching concerns may be less frequent than previously thought (OECD, 2021[1]).

**Firms fail to consider the positive externalities of training in terms of productivity and well-being.** Participation in training leads to a wide range of economic and social benefits, such as greater innovation, improved health and higher well-being, which are often not taken into account by enterprises when making their training decisions. New evidence from the case studies suggests two new areas where firms might not consider the wider benefits of training. Firms underprovide certified training, even if it can be valuable for their employees, because of larger organisational costs and lower flexibility in the choice of the learning content. Firms might also underprovide training targeting green skills and green management practices, because the benefits from climate change action are realised at the social or even global level.

**Enterprises do not train all groups of employees equitably**. Younger, higher-skilled, higher-paid employees and those on permanent contracts tend to train more than others (OECD, 2019[2]). In addition, the OECD's case studies suggest that employees' specific position and role in the company matters at least as much for training participation (OECD, 2021[1]). This includes new employees, who often take part in induction training, employees in occupations where there are regulatory requirements for training, as well employees in specific positions, such as sales, HR, management, IT and client services. Such differences stem from both higher benefits and lower costs of providing training to these employees, according to enterprises.

## There are five main policy-levers to increase training in enterprises

**Policy-makers can draw on a tool-box of five main instruments to support training in enterprises** (see Table 1). It should be noted that this tool-box focuses on interventions targeted at enterprises (not individuals) and that there is a degree of overlap between instruments.

### Table 1. Overview of policy instruments to support training in enterprises and their rationale

| | 1. Information and guidance for firms | 2. Capacity building | 3. Financial incentives | 4. Direct public provision of training | 5. Regulatory instruments |
|---|---|---|---|---|---|
| **Examples** | Awareness raising campaigns<br>Information services<br>Guidance services | Vouchers for consultancy services<br>Training employee representatives<br>Funding training networks | Subsidies<br>Tax incentives<br>Training levies<br>Loans | Provision of training with specific content<br>Provision of training with specific mode of delivery | Legislation<br>Collective agreements<br>Pay-back clauses |
| **Main objective of instrument** | Reducing informational barriers<br>Reducing attitudinal barriers | Reducing informational barriers<br>Reducing attitudinal barriers<br>Reducing financial barriers<br>Reducing time barriers<br>Overcoming co-ordination problems | Reducing financial barriers<br>Reduce time barriers<br>Overcoming co-ordination problems<br>Unlocking positive externalities<br>Improving equity of labour market outcomes | Reducing financial barriers<br>Overcoming co-ordination problems<br>Unlocking positive externalities<br>Improving equity of labour market outcomes | Overcoming co-ordination problems<br>Unlocking positive externalities |

Source: OECD (2021[1]), Training in Enterprises. New Evidence from 100 Case Studies, Getting Skills Right, OECD Publishing, Paris, https://doi.org/10.1787/7d63d210-en.

**Information and guidance instruments** work on the assumption that by providing more information, enterprises will be able to make decisions that are more informed and change their behaviour. Their advantage is that they are relative light-handed, adaptable and empower enterprises and individuals to make their own choices. Their disadvantage is that their success hinges on reaching those in need of information, and targeting such instruments is often difficult.

**Capacity building instruments** aim to increase the skills, experience, management and technical capability of firms and specific actors within firms. The functioning of such interventions is based on the assumption that a lack of capability – and time to build such capability – is the key obstacle for firms to make more effective and efficient decisions about training. Capacity building has the advantage that it works to strengthen firms from within, empowering decision-makers and minimising their dependence on other types of support in the future. However, to be successful, these measures must avoid imposing structures and processes top-down and try to build capacity in a sustainable way.

**Financial incentives** can help enterprises overcome liquidity/credit constraints. They can also help align enterprise incentives with wider economic and societal objectives by steering investment towards specific types of training or training for specific target groups. Their advantage is that they maintain enterprises' freedom to make training decisions based on their assessment of costs and benefits. However, they come with a number of design challenges. For example, they presuppose the existence of a training market and may lead to deadweight losses, i.e. employers may obtain subsidies for training they would have provided anyway.

**The direct public provision of training** is equivalent to a full government subsidy, but where governments or social partners are also taking ownership of the co-ordination/organisation of training. It is typically limited in scope, focusing on either specific content – e.g. digital skills – or a specific mode of delivery – e.g. online learning. On the plus side, the direct provision of training allows policy makers to increase training that is beneficial for society and the economy as a whole, as well as to alleviate inequalities in access to training. On the downside, governments may not be best placed to make decisions about the type of training needed and direct provision may be inefficient.

**Regulation** has traditionally been the first response by governments to react to policy issues, but today, many governments have adopted the approach that regulation should only be used if satisfactory outcomes cannot be achieved by alternative approaches. The principle of regulation is that it sets rules that 'command and control' the behaviour of actors, giving a clear indication of what to do and what not to do. In the area of training in enterprises, many countries regulate that there is a minimum level of training related to health, safety and security in the workplace. In fact, evidence from the case studies shows that much of the offer of certified training in enterprises is driven by regulatory pressures. On the downside, regulation can create costs for governments and businesses, and may curb competitiveness and growth if poorly designed and implemented.

Policy makers need to carefully consider the advantages and disadvantages of the five instruments in the tool box. To help guide their decision-making process, the OECD has put together a list of **7 key questions that should be considered when planning inventions to support training in enterprises** (see Box). These questions can help policy makers to make training policies an important element of the recovery from the pandemic.

## 7 questions for policymakers to consider when planning inventions to support training in enterprises

1. **Is there a need for intervention?** What is the evidence of underprovision of training? Are there any barriers for enterprises that need to be addressed? Do enterprises face co-ordination problems? Are there any wider societal and economic benefits that intervention may achieve?
2. **What learning opportunities should be supported to achieve the policy objectives?** Which skills are needed to improve the productivity and competitiveness of firms? Which training/learning modes are most effective? Can this be taken into account in the procurement process?
3. **What instruments are most appropriate to achieve the given objectives?** Do different instruments need to be combined to reach these objectives?
4. **Should specific types of enterprises or groups of individuals be targeted with the intervention?** Which ones? What is the rationale for this?
5. **What similar interventions have been tried in the past here or in other countries?** What have they achieved? How convincing is the evidence on their achievements?
6. **How will enterprises find out about the intervention?** Is there a need for outreach and awareness raising activities? How can access to the support be made as easy as possible?
7. **How will the success of the measure be evaluated?** Is there a need for an evaluation strategy and funding for an independent evaluation?

Source: OECD (2021[1]), Training in Enterprises. New Evidence from 100 Case Studies, Getting Skills Right, OECD Publishing, Paris, https://doi.org/10.1787/7d63d210-en.

## References

OECD (2021), *Training in Enterprises. New Evidence from 100 Case Studies*, OECD Publishing, Paris, https://doi.org/10.1787/7d63d210-en. [1]

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