European SMEs: HRD in the food, retail and tourism sectors: the case of some old and new Member States

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Supporting SMEs in a time of crisis: How to choose the right actions

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Cedefop work on SMEs

• To investigate how and under what conditions training is introduced in or for small enterprises in various sectors in some MS, 3 old ones (Greece, Germany and Ireland) and 4 new (Romania, Slovakia, Bulgaria and Czech Republic) and to draw comparisons between them, with particular emphasis to the “sector logic” and to the national, institutional, cultural and economic environment.

• To investigate how small enterprises plan Human Resources Development, if training is foreseen, how it is implemented, how the results and outcomes of training are assessed and evaluated and how conclusions are drawn from such evaluations and exploited for improving training.

• To make comparisons between countries and sectors and to formulate proposals for supporting SMEs in improving the quality of their HR by means of training and for the dissemination of identified good practices.
The background to the project:

✓ Small firms are predominant in all European economies;
✓ They are also an important provider of jobs and a source of dynamic development and innovation;
✓ They tend to carry out little training;
✓ They give priority to “on-the-job-training”, to training jointly with others in the same sector and/or region and they depend on external training providers;
✓ The issue of “quality” in small firms’ quantitatively limited training becomes even more important.

Surveys in firms (up to 50 employees, attention to micros); training providers; sectoral organizations and state agencies.
Some figures

- Over 99% of all firms in Europe are SMEs (25.3 million non-primary private firms);
- Over 90% of SMEs are micro-enterprises with fewer than 10 employees, the typical micro employs 3 persons;
- Micros account for 53% of all jobs in Europe’s workforce (around 95 million people);
- SMEs are responsible for half of Europe’s total turnover.
Sector data

✓ The **food and beverage industry** is the first industrial employer with more than 4.5 million employees (2006) of whom 61.3% in SMEs;

✓ SMEs account for more than 99% of the total – 282,000 undertakings, and for 49% of the industry’s total turnover;

✓ Micro enterprises represent 79% of all companies;

✓ The industry contributed with 1.8% to the EU gross domestic product (total share of the EU manufacturing GDP was 19.1% in 2004);

✓ A labour intense sector (2.3% of the total) with an important employment decrease in the past five years.
Sector data (cont’d)

- The **retail trade** provided in 2006 jobs to the 17.6 million people in the EU-25 + Norway and Switzerland;
- More than 4% of the EU-25 workforce has been employed in retail micros, 6.5 million jobs in 2002;
- Retail generated 7.4% of the total value added in the non-financial business economy as a whole;
- The sector is characterised by a high participation of women, part-time workers and self-employed. Its share in employment has decreased by half over the last five years.
The tourism industry (hotels and restaurants) directly employed in 2006 an estimated 8 million people representing about 5% of the total employment;

The sector accounts for 4% of the EU GDP and has an estimated 2 million enterprises, mainly SMEs;

The share of younger people (under 35 years old) accounts for more than 48% of the total employment in the sector at EU level;

Employment in tourism is characterised by a high turnover and seasonal jobs, and has increased over the past five years although at a slower pace than in the previous five years.
EU-VET Policy context

*Meeting the requirements of supply and demand in the European Labour market*, is one of the objectives of the Article 149 of the Treaty establishing the European Community, on which the whole Commission action on education/VET is based.

The reviewed priorities and strategies of the Copenhagen process (as defined in the Bordeaux Communiqué of 26 Nov. 2008) underline inter alia *the importance of improving the links between VET and the labour market*. 
SUMMARY THE MAIN FINDINGS
Main Survey findings
Trained personnel shortages

• Unattractive wage levels, lack of job security co-exist with high demand for trained personnel;
• Difficult to find specialized & trained personnel (esp. in Bulgaria and Slovakia);
• Owners/family members & Technical personnel are the groups mostly in need of training;
• Moderate employees’ willingness to participate in training activities (with sector variations: highest in retail-lowest in tourism).
Main Survey findings

- SMEs tend to operate under a flexible, informal structure and have short career ladders;
- Training activities in all companies are subject to the constraint of small company size;
- Dominant types of training: on-the-job, informal, non-formal;
- Most of CVT is addressed to SME owners;
- SME management lacks an appreciation of the beneficial role of training and they perceive training rather as a cost than as an investment in Human Resources;
- SMEs lack a professional HR management recourse to identify training needs and implement appropriate training solutions;
Main Survey findings - Perceived obstacles

- SMEs are affected by the disruption to business caused by staff unavailability as a result of attending training courses;
- SME owners/managers are at the centre of the competences development process as they are the group receiving most of the training. They are also instrumental in shaping intra-firm attitude for training;
- SMEs fear poaching of trained staff by competitors or abroad (in the case of the new MS);
- Higher qualifications lead to salary increases;
- Insufficient resources and low motivation, lack of information (especially in the new MS).
Main Survey findings - Drivers

There are compelling drivers for a Quality Approach to training operating in each of the sectors:

- Strict compliance with food safety and hygiene standards and regulations in the food sector;
- Need for SMEs in the tourism sector to provide satisfactory customer care;
- Combination of above drivers come into play in the retail sector.
Main Survey findings - Drivers (cont’d)

✓ The tension between drivers and constraints explain the deficit in SMEs training behaviour;
✓ SMEs are aware that they do not spend as much on VET as their larger competitors;
✓ SME managers will invest in short-term training to meet immediate demands for staff skills. They also recognise the argument in favour of more strategic long-term training

**BUT…**

*There is a gap between what managers believe and what actually do in practice!*

✓ Only a few adopt the perspective that envisions the risk of non-training (and of not-applying QA procedures).
Main Survey findings
Awareness of training needs

• SMEs claim to be aware, based on their own understanding of needs;
• Providers and Sectoral Associations express doubts about this!
• No real participation of employees’ representatives in training needs identification processes. Few only instances of consultations! (as in the case of Ireland and Germany).
• AWARENESS HOWEVER DOES NOT IMPLY ABILITY TO DEFINE TRAINING NEEDS!
Main Survey findings
Factors creating training needs

• COMPETITION – NEW PRODUCTS – NATIONAL AND EU LEGISLATION are the main “drivers’ for training initiatives

• Sector-specific characteristics determine relative importance of these “drivers”
Training practices of SMEs

• On the job training is by far the main practice.
• Already employed experienced staff and the owner himself undertake to do most of the training!
• Open seminars is an emerging practice!
• Relevant government schemes do exist…but
• Using them is problematic (lack of information, red-tape and lack of financial resources, especially in the new MS).
Training practices of SMEs – new MS

• Supply-side led processes. “Aggressive” training providers and little cooperation with SMEs;
• Poor Sectoral Associations information dissemination;
• Selection criteria of programmes: Relevance & Cost;
• Employees’ indifference, programmes little relevance and lack of sufficient financial resources are the main obstacles for programmes implementation;
• Reservations are also expressed for trainers’ skills and training techniques being used;
• External providers are regarded as having poor understanding of SMEs’ needs;
• Level of satisfaction is low! (Public Agents and Sectoral Associations are at least satisfactory).
Messages to get across… *new MS*

- Small firms lack orientation and strategic thinking in matters of HRD. They seem to be captive to outdated culture and old structures (internal/external). They are however “quick” in boasting of “modern thinking”!

- Isolated “good practices” do exist, like “oases” that few know about! No channels for dissemination and creating demonstration effects!

- Training providers take advantage of small firms’ immaturity and ignorance. Do they do this responsibly?

- Networking is very undeveloped! There is a lack of catalysts and facilitators. Who could these be?

- Hostile bureaucracy, suspicious of private initiatives and slow in accepting small firms’ legitimate requests for support! Sectoral Associations not yet ready to undertake a role and to perform in the way their counterparts in other countries do.
The “sector logic”

Our surveys suggest that it is not the sector classification per se that impacts on the firm’s propensity to invest in training. Instead there exists a wide range of interrelated factors that influence each firm’s training strategy and practice. Some of these factors are sector-specific, i.e. soft skills and foreign languages are required more in the tourism and retail sectors than in the food. Other factors are specific to the individual firm or related to the external environment, i.e. in Greece mandatory intensive training is provided in the travel agencies sub-sector upon demand of the international operators’ networks. Both in Ireland and Greece, managers need an array of hard and soft skills (personal, communication and HR skills). This is not the case in Germany, where these skills are actively promoted by the chambers and the trade unions. Many of the factors are common to all sectors and all small firms, i.e. the need for skills related to IT or production technology.
Firm Characteristics
- Size of firms
- Extent of internationalization
- “Closeness” to the market
- Age of firms

Management Characteristics
- Type of ownership/management
- Extent of internationalization
- Small-Large firms relations
- Labour mobility-Labour market conditions

Labour Force Characteristics
- Specificity of skill requirements
- Age of employees
- Employees’ mobility-Labour market conditions

Product – Market Characteristics
- Level of Technology
- Rate of technological change
- Extent of internationalization
- “Closeness” to the market
- Small-Large firms relations
- Market growth rate
- New products introduction rate

Environmental - Institutional Characteristics
- Extent of internationalization
- Government sector specific policies - Regulations
- Existence of competent sector-specialized training providers
Policy Recommendations

• Support to SMEs’ owners!
• New training techniques
• Monitoring & Evaluation of training providers’ services
• Incentives for Training of Trainers of such providers
• Information campaigns must be extended and reinforced
• Simplified procedures for small firms!
Recommendations

There is a need for continuing Government intervention to reinforce the case for more strategic training in SMEs

✓ ...by awareness programmes;
✓ ...by helping providers to deliver SME-friendly programmes;
✓ ...by stimulating QA approaches to training in both the supply and the demand side;
✓ ...by recognising the crucial role of SME owners/managers as “host” and “relay agents”/“multipliers” of competences development efforts.
Recommendations

- Given the particular difficulties of SMEs in accessing well-designed and convenient human resource development opportunities, the setting-up of networks like the Irish Skillnets could be promoted.

- The Hospitality Management Skillnet is an industry-led, publicly-funded organisation which partially funds the training costs of groups of companies that form networks.

- Such networks could serve as a useful facility to support learning across SMEs in all sectors under investigation. This would be particularly helpful if clusters of SMEs were established on a regional basis to form a mutually reinforcing learning network.
A Model for Action
“Generators” and “Facilitators of Change”
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