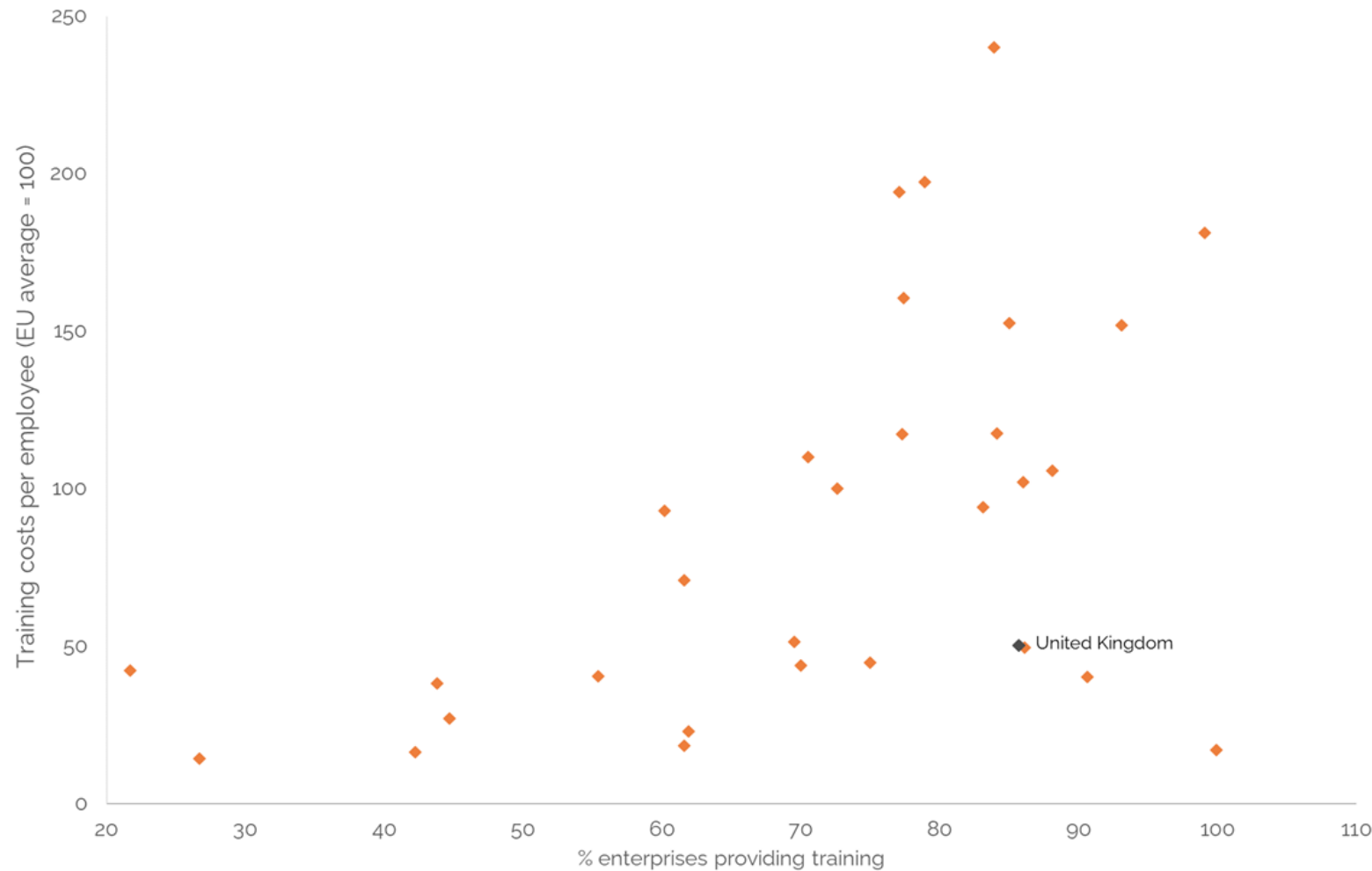

Employer Investment in Skills – International Context

12 December 2023

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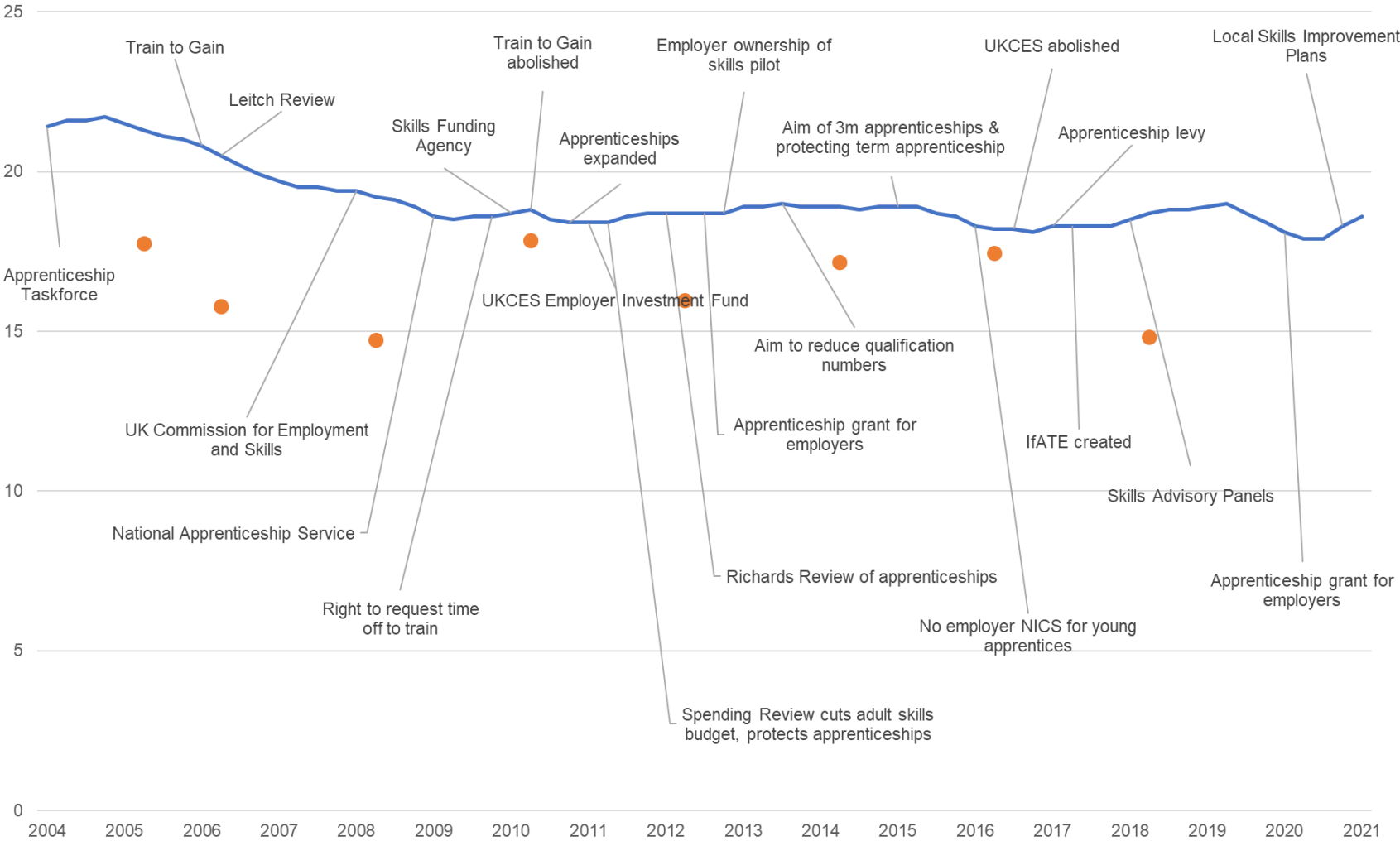
Training costs are half the EU average

Enterprises providing training (%) and training costs per employee (EU average=100), UK



Source: CVTS, Eurostat, 2015

Training and employer investment has fallen despite the well-intentioned efforts of policy



OECD Framework of potential support interventions

The OECD categorises interventions in this area into five categories:

1. Information and Guidance for firms	2. Capacity building	3. Financial incentives	4. Direct public provision of training	5. Regulatory instruments
<ul style="list-style-type: none">Reducing barriers: informational and attitudinal.	<ul style="list-style-type: none">Reducing barriers: informational, attitudinal, financial, and time.Overcoming coordination problems.	<ul style="list-style-type: none">Reducing barriers: financial and time.Overcoming coordination problems.Positive externalities (e.g. productivity, wellbeing).Improving equity of labour market outcomes.	<ul style="list-style-type: none">Reducing financial barriers.Overcoming coordination problems.Improving equity of labour market outcomes.Positive externalities.	<ul style="list-style-type: none">Overcoming coordination problems.Positive externalities.

Information and guidance

- Campaigns to increase business and individual awareness of the benefits of training.
 - E.g. **Switzerland**: Lifelong Learning campaign: online campaign including a pledge by more than 140 employers to commit to championing lifelong learning. Interactive tools provide employers with aspects to consider when planning employee training.
 - E.g. **Germany**: Competence Centre performs a similar function, targeting SMEs.

Capacity building

- Access to consultancy to provide technical assistance and training to companies in identifying and addressing training needs.
 - E.g. **Finland**: Joint Purchase Training provides support for employers to define training needs, select candidates for training, and find a training provider.
- Funding and supporting industry training networks
 - E.g. **Ireland**: Skillnet supports a network of ~70 sector skill networks, bringing together mostly SMEs to address skill gaps through the development of training plans.

Financial incentives: tax incentives

- Via the tax system: tax allowances, exemptions, credits, and deferrals.
 - E.g. **Germany**: system tax allowance system that classifies training investments as business expenses. Deductible from gross income.
 - E.g. **Austria**: the Training Tax Allowance allowed employers to deduct 120% of eligible costs of external training (and internal training in some specific circumstances).
 - E.g. **Mississippi**: the Skills Training Income Tax Credit grants a 50% credit to employers on the costs of training via a Community College, up to \$2,500 per employee over a 3-year period. Credit is focused on basic skills and retraining and businesses in manufacturing, processing, distribution, wholesaling, R&D, and warehousing.
 - E.g. **New York**: the Employee Training Incentive Programme gives a credit of up to \$10,000 per employee of eligible training costs. Businesses must submit a plan to be eligible and it is targeted on businesses in 'strategic industries' that are making capital investments to create jobs or improve productivity.

Financial incentives: training levies

- Levies on particular areas of enterprise that are used to fund training.
- **Can be targeted at particular groups of employees or particular industries, e.g. SMEs, or lower-wage workers.**
 - e.g. **Germany**: Social and Further Training Fund for Temporary Workers.
 - 0.35% levy on temporary employment agencies, funds used for training of temporary workers when between temporary work.
 - e.g. **Italy**: Training Funds
 - 0.3% levy in targeted sectors, locations, or based on size of enterprise.

Direct provision

- Government provision of training, typically targeted at particular groups or industries to meet particular needs.
 - E.g: **Estonia**: DigiABC provided digital literacy training for primarily low-skilled employees in the industrial sector.

Regulation

- Many countries use legislation to mandate minimum levels of training in particular industries, typically related to health, safety, security, etc.
 - E.g. **Italy**: safety representatives in enterprises are required to be provided with 32 hours of paid health and safety training, with this refreshed each year.
- Potential for regulatory approach to encompass more aspects.