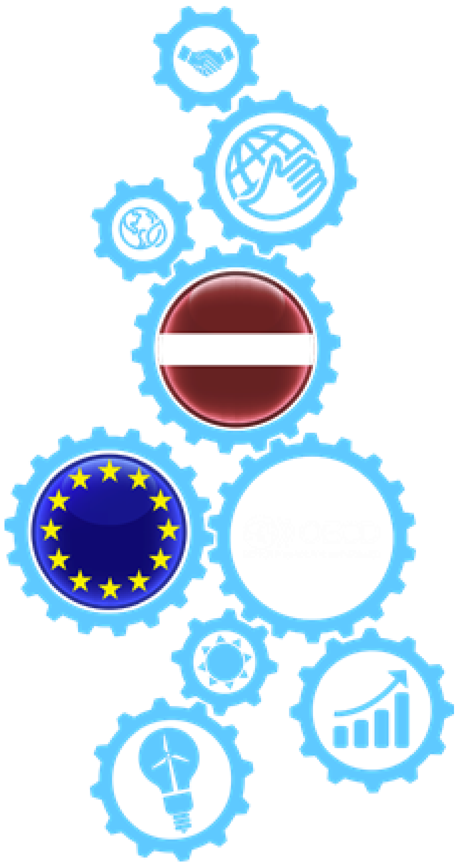
Good practices in Europe for supporting employers to promote skills development



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Foreword

The OECD and the Directorate General for Structural Reform Support (DG Reform) are cooperating to provide technical assistance to the Latvian Ministry of Education and Science (MoEs) as part of the Project "Supporting employers in promoting skills development in Latvia". The Project will enable the MoES to improve the regulatory framework that supports investment in skills development by employers, by developing a policy package including financial and non-financial measures. This report is one intermediary output in the framework of the Project, and aims to describe good practices in other countries in Europe for supporting employers to promote skills development. The good practices in this report provide Latvian authorities a suite of potential measures to consider for inclusion in the policy package (or as complementary policies to the package). They can inform the ongoing dialogue between Latvian officials and stakeholders on the most suitable measures to adapt and adopt in Latvia.

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Executive Summary

Background and objectives

The participation of workers in training imparts substantial benefits to enterprises, individuals and society as a whole. Training can allow for the adoption of new technologies and work practices in enterprises, leading to increased labour productivity, competitiveness and profitability. It also translates to higher wages, job satisfaction and lower risk of unemployment for employees, and can lead to positive spill-over effects for society as a whole. The importance of investing in skills development is growing for Latvia, as the megatrends of digitalisation, globalisation, demographic and climate change, as well as the more recent COVID-19 crisis, reshape skills demand and supply (OECD, 2022[1]).

Notwithstanding these challenges and opportunities, enterprises in Latvia are lagging behind in the provision of training to their employees. Enterprise investment in continuous vocational training as a percentage of total labour cost in Latvia (0.8%) is the lowest in the EU, well below the average (1.7%) for the EU (OECD, 2019[2]). This is one the key factors contributing to the limited participation in adult learning in the country. Only 7.4% of Latvian employees reported participating in education and training over a four-week period in 2020, compared to 11.4% on average in the EU, and 21.8% in Estonia (OECD, 2022[1]).

Against this background, the OECD and the Directorate General for Structural Reform Support (DG Reform) are cooperating on a project to support employers in promoting skills development. The project aims to provide technical assistance to the Latvian Ministry of Education and Science (MoEs) in the development of support measures for employers to invest in the skills of their employees. The Latvian Law on Education already foresees the need to introduce such measures, but the regulatory framework describing the eligibility criteria and the implementation procedures will only be introduced by the end of 2022, as a milestone of Latvia's Recovery and Resilience Plan (RRP). The project will enable the Latvian authorities to further improve the regulatory framework, by developing a policy package including financial and non-regulatory measures to support employers.

Developing the policy package requires an understanding not only of the key barriers and enabling conditions for employer supported training in Latvia, but also of how other countries have lowered these barriers through their policy measures. In its previous report the OECD assessed the key barriers and enabling conditions for employer supported training in Latvia (OECD, 2022[1]). The Latvian authorities are now seeking advice on the suite of potential measures that the policy package could include, based on international good practices. The present report brings together such practices to inform and inspire Latvia to be innovative and creative in how it overcomes the challenge of increasing enterprises' investments in skills development. These international practices are particularly useful for the ongoing dialogue between Latvian officials and stakeholders on the development of an effective policy package.

Approach

In order to provide Latvia with a relevant set of international good practices, the OECD has applied a range of criteria to select 25 practices from a longer list, categorised according to an established framework for policy measures to support employer training (OECD, 2021[3]). In generating the list of potential good practices, the OECD reviewed a range of existing OECD, EU, ILO and other international sources (including a previous OECD-DG Reform project with Italy), investigated primary materials from responsible national/regional agencies, and held interviews with a small number of experts for selected measures. In selecting 25 relevant practices from this list, the OECD applied criteria related to: the country's performance in employer-supported training and institutional similarities to Latvia; whether the measure filled policy gaps, addressed key training barriers and targeted priority groups for training in Latvia; and the strength of the evidence on the success of the practice (see Annex A).

On 24 May 2022, the OECD hosted a virtual good practices webinar and workshop to provide Latvian officials and stakeholders the opportunity to learn from good practices covered in this report, as well as from the experience of experts from Ireland, Sweden and Estonia who are involved in some of the good practices. Around 80 people attended the morning webinar to listen to presentations and engage in Q&A, while about 20 people attended the afternoon workshop to discuss: which (aspects of the) international good practices seem most relevant for Latvia; which policy measures should Latvia include in its own policy package; and who should be targeted by the measures (which groups). This report summarises key insights from the workshop discussions.

While the report does not seek to instruct Latvia on what it should adopt or adapt from these good practices, it does highlight several features of effective measures that Latvia should consider as it designs a new regulatory framework (and considers complementary measures for supporting and incentivising employers to train employees). These features are discussed below.

Findings

The 25 international practices explored in this report offer a range of relevant insights for Latvia as it designs a new regulatory framework, and considers complementary measures for supporting and incentivising employers to train employees (Table 1).

Table 1. Overview of identified EU good practices for supporting training in enterprises

Policy instrument	Type of measures	EU good practices
Regulatory requirements	Legislation requiring employer support for training	Training requirement - PRT Legal provisions on training leave – SWE
	Collective agreements and contractual arrangements requiring training	Collective agreements – DNK
Financial measures to lower the cost of training	Subsidies, e.g. Vouchers for training, Vouchers for consulting services, Grants	State co-funding for continuing vocational training – LUX Competence voucher – LTU Investing in Skills – MLT Paid Educational Leave – BEL
	Subsidised training schemes	Joint Purchase Training – FIN DigiABC programme - EST
	Others: Tax incentives, Levy schemes	Income tax deduction – EST Income tax deduction – FIN
Non-regulatory measures to lower the cost of training	Job Rotation schemes	Job rotation scheme – DNK

Policy instrument	Type of measures	EU good practices
	Inclusion of informal learning in subsidised training	AFEST (Learning at the workplace) – FRA
Support measures to build employers' capacity and learning culture	Diagnostic tools for skills anticipation and analysis	Regional Skills Fora – IRL Competence Centres – BEL (Wallonia)
	Workplace innovation	Kickstart Digitalisation, INDIGO – SWE Digital Skills Bridge – LUX
	Coaching and mentoring for managers and entrepreneurs	Innovation Norway – NOR SME Manager Academy – POL
	Information on training support	Kompetens.nu, Time to digitalise – SWE Jobsplus – MLT
Support measures to promote cooperation among employers and with the public/education sector	Learning networks	Impulse Training Networks – AUT Skillnet Ireland – IRL
	Enterprise-education co-operation	Mittelstand 4.0 Competence Centres – DEU Training Offices – NOR

Regulatory instruments can ensure minimum levels of training, but would not address key barriers to training

Strengthening regulatory requirements for training/leave in Latvia (as in Portugal, Sweden or Denmark) could ensure minimum levels of training/leave, but would not address underlying training barriers and may be difficult to implement. Regulatory instruments create requirements for enterprises to provide certain types of support for employee training, and can be enacted through legislation (as in Portugal and Sweden) and collective agreements (as in Denmark).

Legislative requirements for training

Portugal's Labour Code requires enterprises with 10 or more employees to provide at least 40 hours of training/training leave per year to employees, based on an enterprise training plan. Training may be developed or delivered by the employer, a certified training organisation or an approved educational institution. Unlike in Latvia, Portugal's requirements are not limited to health and safety training, but apply to a wide range of training (including ICT, foreign languages and other topics). Unlike in Latvia, Sweden's legislation sets workers' minimum entitlements for study leave, which is unpaid, can be used for any formal/non-formal training, and during which the worker's job is protected. Collective agreements can define these entitlements in more detail, with some setting a 40-hour annual limit for study leave for each worker.

In the Good Practices Workshop in May 2022, some Latvian stakeholders were favourable to a new minimum annual training/leave requirement for workers, which could target non-training and vulnerable workers. They discussed that sectoral bodies could potentially define minimum annual training/leave entitlements for each sector. Stakeholders also noted that any such requirements would need to be complemented by financial measures to reduce cost barriers to training, such as more generous tax exemptions/deductions.

Latvia could introduce minimum training requirements in the labour and/or labour protection laws, and require enterprises to assess training needs and develop training plans as in Portugal. However, stakeholders consulted during this project advised that getting support for amendments to the Labour Law would likely be challenging in Latvia (OECD, 2022[1]). Moreover, it would be complex and costly to monitor and enforce the legal requirements and ensure that training is of a high-quality. Study leave (Sweden) has additional challenges - worker absences would be particularly costly for smaller firms, while effective co-ordination between workers and employers would be needed to ensure that training benefits both parties. In the case of minimum training requirements (Portugal), enterprises may have incentives to log existing work activities as informal/non-formal on-the-job learning, rather than to increase actual training provision (e.g. in external courses). In the absence of measures to lower the costs of training and build enterprises' capacity and learning culture, regulatory requirements will likely be insufficient to increase employer support for high-quality training.

Training requirements in collective agreements

Expanding training provisions in Latvia's collective agreements (as in Denmark) could facilitate greater employer buy-in than legislative requirements. Denmark's collective agreements define certain workers' rights to a minimum number of days of paid training or training leave directly relevant to their work tasks. For example, some collective agreements entitle workers to 14 days paid on-the-job/off the-job training per year for "job-necessary" training, and define employers' rights to sectoral training funds to help pay for this training. As an alternative to legislation, social partners could introduce minimum training requirements for workers in collective agreements, which could be tailored to the needs of particular sectors. However, the potential to increase employer support for training in Latvia through collective agreements is limited, as the country lacks a strong tradition of social partnership, and only 27% of employees are covered by collective agreements (OECD, 2022[1]). Increasing employer-supported training through training provisions in collective agreements would also require a paradigm shift in the legal and social framework, and would not address underlying barriers to training.

Measures to reduce the costs and risks of training can address key barriers in Latvia

Improving and expanding financial and non-regulatory measures to reduce the costs and risks of training for employers could help to overcome cost barriers and poaching concerns in Latvia. This will be particularly important for micro-enterprises and SMEs, which face relatively larger barriers to training. Generous and accessible financial incentives will also be critical for boosting the participation of low-skilled and older workers in training, to achieve equity in access to training.

Financial measures to lower employers' costs and risks of training

Subsidies for training

A variety of good practice financial measures to lower employers' costs and risks of training are relevant to Latvia. Luxembourg's co-funding for continuing vocational training (FPC) reimburses enterprises' annual training expenses by 15%-20%, with higher support for SMEs and low-educated and older workers. The FPC subsidy covers not only training costs and wage costs during training, but smaller enterprises can apply for an additional EUR 500 reimbursement for the costs associated with preparing the co-funding application. Lithuania's Competence Vouchers (Kompetencijų vaučeris) provided an up-front grant of up to EUR 4 500 directly to enterprises to spend on training their workers, with the subsidy rate ranging from 70%-80% depending on the firm size. Malta's Investing in Skills (IIS) grant subsidises the training costs and wages of employees in training, for a range of accredited, non-accredited and self-led learning. Belgium's Paid Educational Leave (BEV) reduces the indirect costs of training to enterprises by partially reimbursing them for worker's salaries paid during training leave. Under Finland's Joint Purchase Training model the Public Employment Services (PES) helps enterprises plan, organise, and purchase external training courses, which the PES subsidises by between 50% and 70% depending on firm size. Finally, Estonia's DigiABC initiative provided basic digital skills training to industrial workers, focusing on the low-skilled.

In the Good Practices Workshop in May 2022, Latvian stakeholders focused much of their discussion on financial measures to lower employers' costs and risks of training. They discussed the importance of getting funding arrangements and incentives right, for example to cover indirect costs (e.g. travel), to minimise implementation complexity/costs for authorities as well as administrative complexity/costs for enterprises. Several stakeholder were favourable towards expanded tax deductions/exemptions for employer supported training, including extending deductions to higher education (including training abroad), more types of costs (e.g. wages, replacement workers, preparing applications), and potentially exempting the training programmes of various providers (including employer associations) from value added tax. However, consistent with previous findings (OECD, 2022[1]), stakeholders generally agreed that such tax benefits would likely be too limited in their impacts to be the main financial measure in Latvia's policy package, and partly for this reason some stakeholders noted that it would be important to assess the potential return on investment for government of any such deductions/exemptions. Some stakeholders discussed the importance of enterprises receiving up-front financial support, as in Lithuania's competence voucher, rather than a reimbursement for training, in order to overcome cost barriers for smaller firms in particular. Several stakeholders mentioned the need to minimise the administrative costs/bureaucratic barriers to accessing government support for training, and to support a diverse range of training that meet enterprises'/workers' skills needs.

Introducing training subsidies (as in Luxembourg, Lithuania, Malta, Belgium, Finland and Estonia) as part of Latvia's policy package could increase enterprises' investments in training, if the subsidies are sufficiently generous, accessible and targeted. Latvia could build on its experience subsidising training through the ERDF-funded projects to ""Promote the introduction of innovations in enterprises"" (SO 1.2.2 of the "Growth and Employment" OP). Latvian stakeholders appear highly supportive of subsidies within the policy package to increase enterprises' investments in training. Latvia could subsidise a range of training-related costs beyond course fees, e.g. travel and accommodation expenses (as in Luxembourg and Malta) and/or the wages of learners (as in Luxembourg and Belgium). However, depending on the total budget available, generosity with respect to the breadth of subsidised costs may come at the expense of the subsidy rate, as appears to be the case in Luxembourg (15% subsidy). As in Lithuania, Latvia could provide a generous training subsidy (e.g. 70%-80% of training fees) that is paid to enterprises up-front rather than reimbursed after training, making training more affordable for smaller enterprises in particular. Latvia could provide higher support to smaller enterprises (as in most countries above), and/or to vulnerable workers (as in Finland and Estonia).

Quality assurance arrangements before training (e.g. eligibility requirements, training plans, etc.) and after training (e.g. reporting, monitoring and evaluation) will be important for assuring the quality of publicly-subsidised training in Latvia. Furthermore, learning from the limited impact of direct subsidies to enterprises in Latvia (OECD, 2022[1]), and the experience of Lithuania not hitting its targets for enterprises' uptake of training vouchers, Latvia would need to carefully design financial support. For example, Latvia should minimise the administrative burden of accessing training subsidies (through streamlined processes, subsidising applications for smaller firms as in Luxembourg, etc.), and make a diverse range of training eligible for support (as in Malta), to ensure broad uptake by enterprises.

Tax incentives for training

Expanding tax exemptions in Latvia to include enterprises' expenditure on higher education (as in Estonia) and various training-related costs (as in Finland) could boost high-skilled training, but would have less benefits for smaller firms and low-skilled adults, and may be difficult to implement. Estonia's Income Tax Act offers tax deductions for enterprises' training-related expenditures, including on general and higher education. Finland's business income tax deductions on work-related training expenses includes course fees, travel and accommodation fees, and wages paid during the training for eligible training. Exempting expenditure on higher education from enterprises' payroll taxes in Latvia could incentivise investment in specialised university programmes, e.g. in the ICT sector. However, bigger firms with larger budgets and higher-skilled workers would likely benefit more from such tax incentives than smaller firms (who may not be able to afford the up-front costs of training before reimbursement) and low-skilled workers (who are unlikely to access higher education). Moreover, getting support for such a decrease in tax revenue in Latvia may be difficult, in part because it would be difficult to predict uptake or monitor the returns to such an investment (it is partly for this reason that Estonia and Finland lack evidence on the effectiveness of these measures) (OECD, 2022[1]).

Non-regulatory measures to lower employers' costs and risks of training

Job rotation schemes

Introducing a job rotation scheme (as in Denmark) could help alleviate enterprises' concerns about the opportunity costs of training (especially for smaller firms and low-skilled sectors/workers), but would be difficult to implement due to the relatively small size of Latvia's labour market and the major investments required in the public employment service. Providing support to enterprises to recruit and pay an unemployed person(s) to temporarily replace workers on training (as in Denmark) could help increase workers' training participation, as well as the employability of unemployed or underemployed replacement workers. It would particularly help smaller enterprises, whose production is reduced/halted by sending a worker(s) away on training, and low-skilled workers, as finding and preparing replacement workers is most feasible for lower-skilled jobs. However, the scheme requires a sufficiently large pool of job-seekers, and while Latvia's unemployment rate exceeded Denmark's over the last decade, Latvia has less than half the number of unemployed persons than Denmark. Furthermore, Latvia would need to make major investments in the State Employment Agency build capacity to administer the scheme, for example in strengthening links with employers, promoting the measure to enterprises, identifying and (as needed) training suitable replacement workers, and supporting and supervising participating enterprises and replacement workers. Indeed, the success of Denmark's scheme largely depended on strong social partnership between the PES and employers.

Inclusion of informal learning in subsidised training

Making certain informal learning in workplaces eligible for financial support (as in France's *Action de formation en situation de travail* [AFEST, Learning at the workplace] programme) could help lower the costs and increase the impact of on-the-job training for smaller firms in particular in Latvia. However, it is unlikely to support the development of transversal skills, and requires a substantial investment in planning, delivering and evaluating training by enterprises and authorities. Through the AFEST programme in France, authorities recognise certain informal on-the-job learning to allow employers to access public funding that is normally reserved for structured non-formal/formal training. Recognising informal learning in workplaces could help Latvian firms reduce the cost and duration of skills development, and preserve and build their know-how in the areas of training. This could be particularly beneficial for smaller firms that have less capacity to incur the direct costs (such as course fees) and indirect costs (such as lost staff time/production) of training. As in France, sectoral institutions (such as Latvia's employers' associations) could take the role of implementing the scheme, including validating informal learning. However, while on-the-job learning supported under the AFEST scheme can help develop job-specific skills, it is less likely to develop the transversal skills that many workers in Latvia require (e.g. digital or language skills). Furthermore, ensuring that informal learning is high-quality and assessing/meeting eligibility for public funding requires a significant effort by authorities, enterprises and learners. These efforts include planning and designing training, selecting and preparing the trainer, monitoring implementation of the training, reinforcing lessons learned in different contexts; assessing the outcomes of training, etc.

Supporting firms' capacity and learning culture can build positive attitudes to training

Measures to build enterprises' learning culture and capacity in Latvia could help lower enterprises' attitudinal, informational and capacity barriers to training. Latvia largely lacks such policy measures, but some initiatives in development, such as the Digital Innovation Hubs are positive steps. For Latvia, introducing measures to build employers' learning culture and capacity could be particularly valuable for micro- and small-sized enterprises, who exhibit relatively higher barriers to training, starting with a lack of learning culture (OECD, 2022[1]).

While stakeholders participating in the Good Practices Workshop in May 2022 did not discuss measures to build enterprises' capacity and learning culture in detail, they did highlight the critical importance of providing information and reaching out to enterprises to motivate them to train. For example, they mentioned that employer associations, training/competence centres and/or municipalities could perform such outreach. They also discussed the possibility of an improved single portal with information on training opportunities and government support in Latvia.

Supporting skills assessment and providing training information

Various good practice measures to build firms' skills assessment and anticipation capacity are relevant for Latvia. Ireland's nine Regional Skills Fora offer a skills audit toolkit to help enterprises diagnose their skills and learning needs, as well as offering workshops and one-on-one assistance for managers to enterprises to use the toolkit, create skills development plans, and navigate available education/training services and support. Competence Centres (Centres de Compétence) in Wallonia, Belgium are regional hubs which, among other things, analyse the structural, material and organisational profile of enterprises, to help identify their skills needs and develop a customised training programme. Finally, Luxembourg's Digital Skills Bridge programme provided tools to enterprises analyse the impact of new technologies on the business and workforce, and Skills Bridge coaches used profiling and AI-based tools to help enterprises analyse the skills profiles and preferences of their workers.

Introducing measures to build Latvian enterprises' capacity to assess their skills and training needs (as in Ireland, Wallonia, Belgium and Luxembourg) could increase (particularly smaller) enterprises' understanding of training benefits and willingness to train, but would require investing in regional infrastructure, and new tools and services. Latvia could develop tools that enterprises can use to diagnose their skills and learning needs, and offer training, workshops and one-on-one advisory services to support use of these tools, develop training plans and find appropriate training. Latvia could potentially provide such services on a regional basis, e.g. through accredited training providers (as in Wallonia), public employment service offices (as in Luxembourg) or through new, regional fora (as in Ireland). Alternatively, they could be offered on a sectoral basis (e.g. through Latvia's employer associations). Such services could help overcome misperceptions among many Latvian enterprises that they don't need and will not benefit from training, particularly for smaller enterprises. However, introducing measures to build Latvian enterprises' capacity to assess their skills and training needs would require substantial investments to develop diagnostic tools and associated support services (training, workshops, one-on-one advice, etc.).

Providing accessible online information about available training opportunities and public support for enterprises (as in Malta and Sweden) can in theory help reduce informational barriers to training, but existing government portals in Latvia are not widely known or used (OECD, 2022[1]). Latvia could develop online portals that provide enterprises with up-to-date information about relevant training opportunities (as in Malta and Sweden) and available public support (as in Malta). Such portals could even allow enterprises to apply for public support or undertake online learning (as in Sweden), in order to make training more accessible. Indeed, centralising the application process for public support for enterprise training in one portal could help Latvia address its challenges with the administrative burden to enterprises of accessing support. However, Latvia has struggled to raise awareness and uptake of its existing portals for government services, and so the success of any new portal would depend on user-friendly design and effective awareness raising efforts, among other things. Furthermore, expanding the provision of online learning opportunities for enterprises and workers would not likely reach the many workers in Latvia who have low levels of digital skills, as they would struggle to access such learning.

Promoting modern workplace practices and managerial skills

Promoting modern workplace practices and fostering management skills in enterprises could directly and indirectly increase enterprise training in Latvia, but would require a suite of tailored services that do not currently exist in the country (e.g from coaching to “kickstart” events). Latvian authorities could fund coaching, mentoring, consulting and/or advisory services for enterprises (as in Sweden, Luxembourg, Norway and Poland) to help build enterprises’ management/leadership capacity, implement modern workplace practices and/or spur innovation/digitalisation, thereby creating the conditions for training. Latvia could also create informal learning and networking opportunities, for example via peer-learning workshops, “kick-start” events and seminars which could focus on themes such as workplace digitalisation and digital skills (as in Sweden and Luxembourg), and additionally subsidise more structured training for managers/leaders in enterprises (as in Luxembourg, Poland and Norway). One-on-one services and learning opportunities could particularly benefit smaller firms lacking managerial or innovation capacity. The measures could be implemented by various actors, such as employer associations, the LIAA, private consulting/advisory firms, the new Digital Innovation Hubs (for workplace digitalisation), etc. However, active outreach and awareness raising for entrepreneurs and smaller firms would be critical to get one-on-one services into enterprises, and employers into learning opportunities.

Measures for promoting co-operation could help reduce numerous training barriers

Measures to promote sectoral co-operation between enterprises and co-operation between enterprises and education institutions in Latvia can help to address co-ordination and other barriers to employer-supported training. Again, Latvia largely lacks measures of this sort, although some initiatives such as the current sectoral expert councils (which bring together experts to help align vocational and higher education with labour market needs) and the planned Skills Funds (which will pool resources from employers to jointly fund training opportunities) are positive steps (OECD, 2022[1]). Introducing such measures in Latvia may be particularly beneficial for SMEs, who have lower capacity to train or to initiate partnerships and networking.

In the Good Practices Workshop in May 2022, several Latvian stakeholders highlighted involvement of / co-operation with enterprises (“self-organisation”) as highly relevant for Latvia’s policy package going forward. They stated that employer associations / sectoral associations could have a key role in implementing new measures, and should have some flexibility to adjust over time programme details over time. Stakeholders cited Skillnet Ireland as prime example of such an approach, and said that employer associations could target micro- and small-sized firms, under-developed regions, and certain sectors (such as Global Business Service centres). Stakeholders also highlighted the critical importance of connecting measures for employer training with other major initiatives, such as Sectoral Skills Funds, Individual Learning Accounts, taxation reform, etc. which could be enabled by effective co-ordination mechanisms.

Instituting learning and training networks in Latvia (as in Ireland and Austria) could help overcome employers’ limited resources and capacity for training, building on Latvia’s experience implementing support for enterprise training through employer associations. However, this would require substantial investments to ensure the capacity of, and create the right incentives for such networks. Latvian authorities could contract sectoral and/or regional bodies to develop business networks (as in Ireland), or fund consulting/advisory services for enterprises that form their own networks (as in Austria). Enterprises within a network could benefit from public financial and non-financial support, pooled resources and peer-learning to assess, anticipate and address their skills and training needs, including co-ordinating with providers to design new, tailored training. The activities of the networks could be co-funded by the State and enterprises, drawing on European Structural and Investment (ESI), State and enterprise funds (as in Ireland and Austria), in order to balance the generosity of support with the need for financial sustainability and buy-in from enterprises. The planned sectoral Skills Funds pilots could provide Latvia with valuable experience for funding training networks in the future (similar to Ireland’s National Training Fund, which comes from a training levy on enterprises). Latvia could require a minimum number of smaller enterprises in each network (as in Austria) and/or provide smaller enterprises relatively higher support. However, learning from the experience of ERDF-funded training projects implemented by employer associations in Latvia (OECD, 2022[1]), a successful sectoral/regional training network would need sufficient funding and incentives, including to raise awareness about its services and to cooperate and exchange good practices within and outside of the network. The role of such a network with respect to training subsidies and skills funds would also have to be clear and coherent.

Formalising business-education collaboration in Latvia (as in Germany and Norway) can facilitate highlytailored training for firms, and support innovation and digitalisation more broadly. This could be done by involving key providers in the learning and training networks described above, and/or by expanding the role of Latvia's sectoral expert councils to include adult education and training. In either case, providers would need incentives to participate and customise/develop training that meets the precise needs of different sectors/networks of enterprises. This in turn would depend on the effectiveness of other measures to subsidise the costs of training, help enterprises understand their skills and training needs, etc. (see above).

Next steps

Co-ordination and discussion between Latvian officials and stakeholders will be critical to select among these international good practices and to judge how to best adapt them locally. In doing so, it could be useful to consider several questions, including:

- What specific problem(s) in Latvia would be addressed by the measure, and what would be the measures' objective(s)?
- Who should be eligible for the measure, and with what level of support?
- How would the measure interact with and complement other measures to promote employer support for training?
- What would be the role of different government and non-government actors in designing, implementing and evaluating the measure?
- How would the measure be financed and costs-shared, from state, international and private sources?
- How would the success of the measure be monitored and evaluated?

The remainder of this project on supporting employers to promote skills development in Latvia will provide opportunities for Latvian officials and stakeholders to discuss such questions in detail, in order to develop an effective regulatory framework for incentivising employers to up-skill and/or re-skill their employees in Latvia.

1 Employer support for skills development

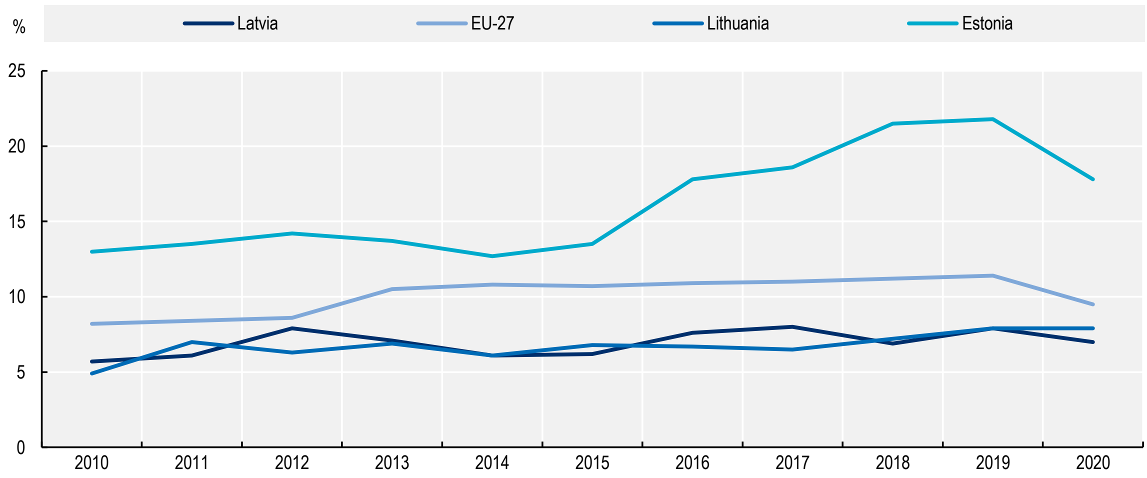
Employer investments in employees' skills development '

The participation of workers in training has a positive effect on workers' performance and satisfaction, and as a result, on firms' productivity and profitability. For individuals, training can increase wages and job satisfaction and to reduce the risk of unemployment (OECD, 2021[4]). For enterprises, employee training helps companies to boost innovation, and maintain competitiveness. Across EU and OECD countries, enterprises play a crucial role to provide opportunities for training and skills development, as the majority of adult learning happens in the workplace.

Notwithstanding these benefits, the OECD's recent report for this project found that employer support for employee training is relatively low in Latvia (OECD, 2022[1]). According to the EU Labour Force Survey, the percentage of employed persons who participated in education and training in Latvia in 2019 was 7.9%, compared to 11.4% on average in the EU, and 21.8% in Estonia (Figure 1.1). In Latvia, as in other EU Member States, this rate declined in 2020 during the COVID-19 pandemic.

Figure 1.1. Participation in education and training of employed persons

Percentage of employed persons aged 25-64 years who participated in education and training, 2010-2020



Note: Data refers to variable trng_lfs_03, which measures the participation rate in formal and non-formal education and training in the four weeks prior to the survey response.
Source: Eurostat (2020[5]), European Labour Force Survey, https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=trng_lfs_07&lang=en.

Training in smaller enterprises and via courses (as opposed to on the job learning) is relatively uncommon in Latvia. According to the Continuing Vocational Training Survey (CVTS), 27% of small firms (10-49 workers) provide training courses in Latvia, compared to 56% in the EU; and 50% of medium enterprises provide training in Latvia, compared to 76% in the EU. Conversely, the share of large enterprises (250+ enterprises) providing training is closer to, but still considerably lower than, the EU average (77% in Latvia vs. 92% in the EU). Latvian companies are more likely to offer short on-the-job training (e.g. learning from colleagues) than external courses, workshops and seminars. In 2019 one-third of enterprises in Latvia reported that they offered training sessions during paid work-time to at least 40% of the workforce (below the EU average), compared to over one-half offering on-the-job training (above the EU average) (OECD, 2022[1]). The 2019 OECD Skills Strategy Latvia: Assessment and recommendations report concluded that "For employed adults [...] participation could be raised through creating incentives for employers to invest and support adult learning for their employees" (OECD, 2019[2]).

Against this backdrop, the OECD and DG-Reform are cooperating on a project that aims to enable the Latvian authorities to amend the regulatory framework that incentivises employers to up-skill and/or re-skill their employees. The objective of the project is to develop a policy package for the regulatory framework, that is, a set of measures that supports employers in Latvia to invest in the skills development of their employees.

In its previous report for this project (OECD, 2022[1]) the OECD undertook desktop analysis and field work to assess the key barriers and enabling conditions for employers to invest in skills development in Latvia. This has led to several key findings and recommendations (Table 1.1).

Table 1.1. Key findings and recommendations

Key findings	Recommendation
1. Under-provision of training by micro-enterprises and SMEs: While Latvian firms of all sizes and sectors underperform in providing training, the under-provision is particularly pronounced in micro-enterprises and SMEs.	**1. Provide tailored support to micro-enterprises and SMEs:** The measures in the policy package will need to be tailored to expand training provision in micro-enterprises and SMEs.
2. Barriers to training provision: Latvian enterprises face a range of attitudinal, informational and financial barriers that prevent them from maximising training provision. These barriers are stronger for micro-enterprises and SMEs.	**2. Introduce measures to build firms' capacity and learning culture:** Diagnostic tools and support for coaching and mentoring could help reduce attitudinal and informational barriers, especially among micro-enterprises and SMEs. These barriers are not addressed by existing policies. The newly launched Digital Innovation Hubs could support enterprises in adoption of digital technologies, but more general measures could also be beneficial.
3. Coordination problems: Latvian enterprises face significant coordination problems to offer employee training, both with other enterprises, through poaching concerns, and with education institutions.	**3. Introduce measures to promote cooperation:** Measures to promote cooperation could help improve communication between different stakeholders, identify current and future skill demands and encourage the pooling of resources. Sectoral expert councils could play an important role in promoting cooperation on adult education and training. The piloting of the Skills Funds is also a promising initiative on this front.
4. Under-provision of training to vulnerable groups: Enterprises provide little training to low-qualified and older employees due to a perceived lack of return to their business. These vulnerable groups face deteriorating labour market prospects. Non-Latvian citizens are also under-represented in training.	**4. Subsidise training for vulnerable groups through enterprises:** Channelling support for training of low-qualified and older employees through enterprises could increase their engagement in training, by improving their motivation and reducing time-related barriers. Latvian language courses might facilitate access to further training for non-Latvian citizens.
5. Lack of data on take-up of policy instruments: Latvian authorities do not gather systematic information on the take-up of some policy instruments, such as additional training agreements and tax exemptions. This makes it difficult to monitor their effectiveness.	**5. Gather data on take-up of support measures:** In developing and implementing the policy package, it will be important to gather comprehensive data to assess and monitor the uptake, functioning and effectiveness of the support measures. More broadly, Latvian authorities should consider gathering centralised information on additional training agreements and tax exemptions.

Key findings	Recommendation
6. Lack of clarity in some aspects of legislative framework on training: Although the legal framework works well overall, the definition of training "necessary" for a job could be made clearer. The uncertainty over the definition of "necessary" training can leave room for legal disputes, which could discourage investment by employers.	**6. Define all key aspects of legislation clearly:** In the policy package, it will be important to define all key aspects of legislation to limit potential uncertainty for beneficiaries.
7. Tax treatment of training expenditures: Few countries provide a more generous tax treatment of training expenditures than Latvia. However, training expenditures on higher education and general education programmes are not exempt from payroll taxes.	**7. Expand tax exemptions on higher education and general education programmes:** Making higher education and general education programmes exempt from payroll taxes could incentivise investment in specialised university programmes, e.g. in the ICT sector, or second-chance education for low-qualified employees.
8. Effectiveness of the implementation model for ERDF-funded projects on training: The implementation model of ERDF-funded projects on training relying on employer associations works well overall. However, there is little coordination and exchange of good practices, and associations receive insufficient resources to raise awareness about the project, especially beyond their own members. Moreover, strict eligibility criteria, unfavourable financing conditions and burdensome bureaucratic requirements limit the participation of micro-enterprises and SMEs.	**8. Involve employer associations in the delivery of policy package and minimise administrative burden:** Employer associations can play an important role in the delivery of the policy package, but should receive incentives to cooperate and exchange good practices, and should be given sufficient resources to raise awareness about the support measures. To achieve a strong uptake among micro-enterprises and SMEs, it will be important to ensure that the eligibility criteria and financing conditions are not too strict, and the bureaucratic requirements are not too burdensome

Source: OECD desk and field research in the Output 2 report (OECD, 2022[1]).

In the present report, the OECD seeks to support Latvia's reform efforts by describing good practice policy measures from other EU member countries that align with the findings and recommendations above. The selection of good practices and structure of the report are discussed below.

Selecting good practices for employer-supported training

This report explores financial incentives and non-regulatory measures used by various European countries to encourage employers to invest in the skills of their employees. The practices come from a mix of EU member states, with at least one good practice for each type of policy measure identified in the OECD's policy framework for employer-supported training (Table 1.1).

In selecting the good practices, the OECD has favoured practices which meet the most criteria below:

1. The country from which the practice originates outperforms Latvia on one or more metrics of employer-supported training.
2. The country from which the practice originates has some similar education, training and labour market institutions/characteristics to Latvia.
3. The practice is a policy lever that appears to be under-utilised in Latvia currently.
4. The practice addresses the training barriers of most importance in Latvia (e.g. attitudes, cost, time, information, poaching concerns).
5. The practice targets the groups/skills/training most in need of support in Latvia (e.g. micro and SMEs, older adults, transversal skills, external training courses).
6. There is evidence that the practice has been effective in the origin country.

The OECD applied these criteria to a long list of 61 potential good practices from 22 EU member states/regions in order to select 25 practices for this report. Information on the practices was collected primarily through desk research, and in some cases by correspondence with country representatives. Key sources included (but were not limited to) OECD, EU and other publications and reports, international and governmental websites, legal documents, press releases, etc. Several of the selected good practices were first presented in the SRSP project on employer training support with Italy (20IT26). More information on the criteria and selection is available in the Annex.

Structure of the report

The report groups the good practices according to the OECD's policy framework for employer-supported training (OECD, 2022[1])), although the included practices often could fit in more than one category in this framework. Each chapter begins with a brief introduction that includes definitions of the policy measures and their key strengths/weaknesses, as well as a summary of Latvia's existing measures and opportunities to improve those measures, based on the Output 2 report. The end of each chapter discusses the relevance, transferability and hypothetical target population of the policy measures in the Latvian context, reflecting the main takeaways from a virtual good practices webinar and workshop with Latvian officials and stakeholders held on 24 May 2022 (Box 1.1).

Box 1.1. Good Practices Webinar and Workshop – 24 May 2022

On 24 May 2022, the OECD hosted a virtual good practices webinar and workshop to provide Latvian officials and stakeholders the opportunity to learn from good practices covered in this report, as well as from the experience of experts from Ireland, Sweden and Estonia who are involved in some of the good practices. Around 80 people attended the morning webinar to listen to presentations and engage in Q&A, while about 20 people attended the afternoon workshop to discuss: which (aspects of the) international good practices seem most relevant for Latvia; which policy measures should Latvia include in its own policy package; and who should be targeted by the measures (which groups). The key insights from the workshop discussions are summarised at the end of chapters 2-5 of this report.

Chapter 2 explores examples of countries that have created regulatory requirements for employers to support training. These include legislation requiring employer support for training, as in Portugal's and Sweden's training (leave) entitlements, as well as collective agreements requiring training, as in the case of Denmark.

Chapter 3 explores examples of financial and non-regulatory measures that aim to reduce the costs and risks of training to employers. The financial measures discussed in this chapter include subsidies in Luxembourg, Lithuania, Malta and Belgium, and subsidised training schemes and tax incentives in Finland and Estonia. The non-regulatory measures discussed in this chapter include the job rotation scheme in Denmark, and France's scheme to make informal learning in enterprises eligible for government subsidies.

Chapter 4 explores examples of measures to build employers' capacity and learning culture. This includes measures to build enterprises' skills assessment and anticipation capacity in Ireland and Wallonia, Belgium, measures promoting innovative and modern workplace practices in Sweden and Luxembourg, measures to foster enterprises' management and leadership skills in Norway and Poland, and the provision of easily accessible information on training support to enterprises in Sweden and Malta.

Chapter 5 explores examples of measures promoting co-operation among employers and with the public/education sector to spur training. This includes measures to promote learning and training networks in Austria and Ireland, and efforts to leverage collaboration between businesses and with educators/trainers in Germany and Norway.

2 Creating regulatory requirements for employers to support training

Introduction to regulatory instruments for employer-supported training

Regulatory instruments create requirements for enterprises to provide certain types of support for employee training. Regulatory instruments include legislation, collective agreements and contractual agreements (OECD, 2021[4]). Legislation (and sub-ordinate regulations) can compel enterprises to provide certain training, such as health and safety training. Collective agreements can define training responsibilities, based on bargaining and dialogue between enterprises and workers (or their representatives). Contractual agreements involve a bilateral agreement between the employee and employer, which can include specific conditions on eligibility for training support.

While regulatory instruments can guarantee a minimum level of training provision by enterprises, they are unlikely to deliver a socially-optimal level of training. Regulations can make training obligations more visible to employers, and increase training when baseline training levels are low (Checcaglini and Marion-Vernoux, 2020[6]; OECD, 2021[4]). Regulatory instruments can overcome co-ordination problems within or between enterprises. They do this by requiring employers to support certain types of training, and by guarding against a “race-to-bottom” in health and safety standards, whereby enterprises seek to minimise training expenditure. However, regulatory instruments may increase the cost of training for the government and the employer and reduce competitiveness when they are designed and implemented poorly (National Audit Office, 2014[7]; OECD, 2021[4]). Collective and contractual agreements provide employers and workers with flexibility to coordinate their needs and to reach an agreement on training, according to the norms and culture of the enterprise, industry and/or sector (Batthyány, Bruno and Perrotta, 2021[8]). Governments typically consider regulatory instruments as complementary to other policy measures for achieving a desired level of employer support for training.

As noted in the Output 2 report (OECD, 2022[1]), currently the Latvian labour law makes it mandatory for employers to provide employees with essential job-related training and allows employers to negotiate collective agreements with employees (Table 2.1). However, Latvian stakeholders reported that some specific aspects of the legal framework could be strengthened, including more clearly defining “necessary training”. Furthermore, the coverage of collective agreements could be increased in order to boost training, but this would require a paradigm shift in relations among government, employers and unions.

Table 2.1. Regulatory instruments for employers supporting training in Latvia

Instruments	Description
Legal obligation to providing training	• Obligation for the employer to provide the training necessary for the job (Section 96, Paragraph 1 of Labour Law) • Obligation to provide training on health and safety (Labour Protection Law) • Mandatory training in specific professions (e.g. teachers)
Collective agreements	• Employers and employees can negotiate collective agreements (Section 17 of Labour Law), e.g. covering training which is not strictly “necessary” for the job and future changes in remuneration.

Source: OECD (2022[1]).

Further improving regulatory instruments in Latvia could help reduce training co-ordination challenges, and ensure that all workers are entitled to participate in training. This may be particularly important for low-skilled workers who are least likely to receive training. However, getting diverse stakeholders’ support for amendments to the Labour Law and increasing the coverage of collective agreements would be challenging in Latvia (OECD, 2022[1]). Relevant good practices for Latvia include legislation requiring employer support for training, as in Portugal’s training requirement and Sweden’s training leave entitlement, as well as collective agreements requiring training, as in the case of Denmark.

Legislation requiring employer support for training

Portugal’s training requirement overcomes the problem of under-provision of training by enterprises. It does this by requiring employers to provide, or ensure employees are given time off to attend, a minimum amount of training (40 hours per annum), and by requiring employers to create a training plan (Box 2.1). Portugal’s training requirement may be of interest to Latvia as it is not limited to health and safety training (as in Latvia), and it results in enterprises assessing training needs and developing training plans in co-ordination with workers (or their representatives). On the other hand it provides some flexibility, by exempting micro-enterprises and by allowing certain details of the training to be negotiated in collective or individual agreements.

Box 2.1. Training requirement in Portugal

The training requirement in Portugal’s Labour Code delineates employers’ responsibilities for skills development planning and/or execution, including the conditions on minimum training time and co-ordination (Labour code; Law 105/2009, amended by Law 93/2019). According to the code, employers with 10 or more employees must ensure that all employees receive, or are given time off to attend, at least 40 hours of training per annum (Eurofound, 2021[9]). A minimum of 10% of employees must receive training from the employer each year, as opposed to time off (ACT, 2021[10]). The requirement applies to any employees who have been on a fixed contract for three months or more, with the minimum training hours differing for fixed-term contracts in proportion to the duration of the contract. The employer must assess an employee’s training needs, create a one-year or multi-year training plan based on the assessment results, and provide (or sponsor) the training. The employer can provide annual training up to two years in advance or defer it (ACT, 2021[10]).

In the training plan, the employer must clearly state the objectives, training entity, subjects, the means of delivery, and time frame of the training. This plan is based on the decision made during consultations with the employee to be trained and the opinion of the worker representative body, which can be union representatives at the workplace or an elected workers council (ETUI, 2016[11]). The training can be developed by the employer, a certified training organisation, or an educational institution approved by the government. When the employer develops training on their own, the content must be job-related and cover certain priority subjects such as transversal skills (e.g. ICT, health and safety, foreign languages). The training can be provided in-house or externally. In the case of external training, the training plan must specify the terms for time off from work to attend the programme, or the employer must otherwise discuss these terms with the employee concerned, union representative or workers council. In order to assure the quality of the training, authorities require that a training certificate be submitted to the National System of Qualification (Caderneta Individual de Competências nos termos do regime jurídico do Sistema Nacional de Qualificações) at the end of the training.

While drawing up a training plan is required by law, the implementation of the training plan can be modified in practice through collective agreements based on the sector, trainee qualifications, establishment size and scope. For example, establishing a training plan is not mandatory for micro enterprises with less than 10 employees (ACM, n.d.[12]). Also, enterprise declaring economic difficulties have the flexibility to temporarily re-direct training efforts to supporting the enterprise's viability and the maintenance of jobs, or the development of the workers' qualification in order to increase their employability.

Sweden's legal provisions on training leave help to overcome the time barriers associated with employee participation in the training during working hours.

Sweden's *Act on Workers' Right To Leave For Studies* (Lag 1974:981) sets study leave entitlements for workers, which collective agreements can define in greater detail. The legislation has two key aims; to encourage social and occupational mobility and to facilitate access to education for employees with the lowest levels of compulsory education (Anxo, 2009[13]). All workers who have been employed for 6 to 12 months during the last two years are eligible for this leave (Cedefop, 2012[14]; Batthyány, Bruno and Perrotta, 2021[8]). The study leave is job-protected (meaning the employer must allow the learner to return to their job), it is unpaid, and can be used for formal or non-formal, full-time or part-time education and training. While the Act defines no limit for unpaid study leave, collective agreements can define such limits. The employer is also entitled to decide when the training shall start, and can defer the training for up to six months without the express agreement of trade union representatives. While the law does not provide for financial support during the study leave, a separate system of individualised non means-tested public grants and low-interest loans for employees support the uptake of study leave. Most provisions in Sweden's labour laws can be amended by collective agreements (Anxo, 2009[13]). In the case of training leave, some collective agreements set a 40 hour annual limit for each worker (German Economic Institute, 2018[15]), although relatively limited information is available on the details and effectiveness of these agreements.

Sweden's training leave provisions appear to have facilitated worker participation in training, but have some limitations. One study found that Sweden's study leave entitlement has increased working time flexibility and facilitated smooth transitions between work and learning (Anxo, 2009[13]). While evidence is limited, data from 2009 showed that 277 400 workers benefited from legislated study leave plus training leave under collective agreements in Sweden (a take up rate of over 6%) (Cedefop, 2012[14]). However, trade unions report that limits on the duration of study leave in some collective agreements (e.g. to 40 hours in total) limits the take-up and benefits of the leave. They also argue that better co-operation between employers and employees on training leave – e.g. by jointly defining skills and training needs, selecting training and co-funding training – could increase the benefits of the provisions to both parties (German Economic Institute, 2018[15]).

Collective agreements and contractual arrangements requiring training

Denmark uses collective agreements to both regulate employee training and provide a platform for social dialogue about training between the social partners (as does Sweden, see above).

In Denmark, collective agreements help reduce employers' cost- and time-related barriers associated with training, and help promote training in external courses. They do this by defining eligible workers' entitlements to paid training or training leave that is directly relevant to performing their work tasks (up to 14 days per annum), and defining rights for external funding for training fees and workers' wages during training (Box 2.2). Denmark's collective agreements may be of particular interest to Latvia as it seeks to better understand the impacts of Latvian collective agreements on training, and to strengthen social partners' role in and commitment to employer-supported training. A key advantage of this approach is the tailoring of training measures to the needs of particular sectors and groups of enterprises and employees. However, the potential to increase employer support for training in Latvia through collective agreements should not be overstated, as the country lacks a strong tradition of social partnership, and only 27% of employees are covered by collective agreements.

Box 2.2. Collective agreements in Denmark

In Denmark, collective agreements play a "substantial" role in facilitating continuing vocational training by establishing rights to training for the vast majority of employed adults (Eurofound, 2009[16]). Legislation and social dialogue, including collective agreements, are the two major pillars of Denmark's training system. Bipartite committees of social partners have a key role in developing sector-specific continuous vocational training programmes (e.g. for transport drivers). The government then legislates the contents of training programmes, based on dialogue with employer associations and worker organisations, in addition to legislating the economic framework (e.g. pay rates or allowances for workers in training). Considering the high share of workers covered by the collective agreements in the country (100% in the public sector, 74% in the private sector in 2019 (CO-industri, 2019[17])), collective agreements at the national, sectoral, and company levels have significant impacts on employee training in Denmark (Eurofound, 2009[16]).

Two recent collective agreements – the "Industrial Agreement" and the "Collective Agreement for Salaried Employees in Industry" – provide good examples of the common provisions made in such agreements for employer-supported training. These three-year collective agreements were concluded in 2020, and cover employees working on a time-rate basis, and technical and administrative workers paid on a salary basis (CO-industri, 2021[18]). They state that an employee bound by the agreement[1] is entitled to 7-14 days of paid on-the-job/off-the-job training (or training leave) per annum, depending on how long the worker has been employed by the enterprise (Confederation of Danish Industry and CO-industri, 2020[19]).

[1] One should be a member of United Federation of Danish Workers, Danish Metalworkers' Union, Union of Commercial and Clerical Employees, Danish Association of Professional Technicians, The Electrical Union, Danish Union of Plumbers and Allied Workers, Danish Railway Federation, Danish Union of Workers in Service Trades, or Danish Union of House Painters (CO-industri, 2021[18]).

The worker's wages during the training can be supported by the Competence Development Fund of Industry (IKUF), a training fund established by this sectoral collective agreement and financed by employer contributions (DKK 520/employee). Given that continuing vocational training qualifications are almost always free of charge in Denmark, only a very small share of the training funds are allocated to reimbursing employer expenditure on training fees (Cedefop, n.d.[20]). The employer can apply for the Competence Development Fund to pay for the remaining course fee for a training plan jointly agreed with the worker, and can receive a replacement worker during training (see Box 3.5). Various details, such as when workers take time off for training, are negotiated between individual workers and their employer. Approximately 600 000 employees in the private sector are currently covered by these collective agreements (CO-industri, 2021[18]).

Conclusions on regulatory requirements for employers to support training

Box 2.3. Conclusions on regulatory requirements for employers to support training

- Strengthening legislative requirements for training/leave in Latvia (as in Portugal or Sweden) could ensure minimum levels of training/leave, but would not address underlying training barriers and may be difficult to implement. Latvia could introduce minimum training requirements in the labour and/or labour protection laws, and require enterprises to assess training needs and develop training plans as in Portugal. In the Good Practices Workshop in May 2022, some Latvian stakeholders were favourable to a new minimum annual training/leave requirement for workers, which could target non-training and vulnerable workers. They discussed that sectoral bodies could potentially define minimum annual training/leave entitlements for each sector. Stakeholders also noted that any such requirements would need to be complemented by financial measures to reduce cost barriers to training, such as more generous tax exemptions/deductions.
- However, stakeholders consulted during this project also advised that getting support for amendments to the Labour Law would likely be challenging in Latvia (OECD, 2022[1]). Moreover, it would be complex and costly to monitor and enforce the legal requirements and ensure that training is of a high-quality. In the case of study leave (Sweden), worker absences would be particularly costly for smaller firms, while effective co-ordination between workers and employers would be needed to ensure that training benefits both parties. In the case of minimum training requirements (Portugal), enterprises may have incentives to log existing work activities as informal/non-formal on-the-job learning, rather than increasing training provision (e.g. in external courses). In the absence of measures to lower the costs of training and build enterprises' capacity and learning culture, regulatory requirements will likely be insufficient to increase employer support for high-quality training.
- Expanding training provisions in Latvia's collective agreements (as in Denmark) could facilitate greater employer buy-in than legislative requirements, but will not affect training for the majority of enterprises and workers. As an alternative to legislation, social partners could strengthen training provisions for workers in collective agreements, which could be tailored to the needs of particular sectors. However, the potential to increase employer support for training in Latvia through collective agreements is limited, as the country lacks a strong tradition of social partnership, and only 27% of employees are covered by collective agreements (OECD, 2022[1]). Increasing employer-supported training through training provisions in collective agreements would also require a paradigm shift in the legal and social framework, and would not address underlying barriers to training.

3 Reducing employers' costs and risks of training

Introduction to measures for reducing employers' costs and risks of training

Governments can incentivise employers to support employee training by reducing the costs and risks of training through both financial and non-regulatory instruments. Financial instruments to reduce the costs and risks of training are more common than non-regulatory instruments across EU countries (OECD, 2022[1]), but the two can complement each other to promote employer-supported training. If these instruments successfully target low-skilled workers and the development of transversal skills, they can impart broader public benefits in addition to the private benefits of training to the enterprise and worker (OECD, 2021[21]).

Financial instruments include all types of monetary assistance or reimbursement given to employers to support training, including subsidies (such as vouchers for training) and subsidised training schemes[2], tax incentives, levies, and loans. They can also come in the form of a reimbursement for the cost of training leave. Tax incentives include tax deductions, exemptions, credits, reliefs, and deferrals (OECD, 2021[4]). International evidence suggests that public financial incentives are a common and generally effective instrument for promoting employer-supported training, especially when co-ordinated with private funding sources and targeted to SMEs (OECD, 2021[3]). However, financial incentives need to be carefully designed to minimise the administrative burden to employers and deadweight losses associated with enterprises being reimbursed for training that they would have undertaken in the absence of public funding (OECD, 2021[3]; OECD, 2021[4]; Stone, 2010[22]).

Non-regulatory instruments aim to reduce the direct or indirect cost of training without direct regulations or monetary support, and include job rotation schemes, schemes to make informal learning eligible for public subsidies, and payback clauses. Job rotation schemes support enterprises to find a replacement for the worker(s) participating in training, thereby reducing co-ordination problems with external workers/other employers, and reducing the indirect costs of training arising from lost production. Making informal learning (e.g. learning by doing, learning from peers or a supervisor on the job, etc.) eligible for public subsidies requires employers to demonstrate informal learning activity and expenditures to authorities, who then make public support available to reduce cost barriers to this form of learning. Payback clauses are contractual conditions that require workers to pay back a portion of the training fees to the employer if they leave their job within a certain period after completing the training, thereby reducing employers' concerns about trained staff being poached (OECD, 2021[3]). However, the impacts of payback clauses are unclear according to international evidence, and likely to be limited in skills systems where training is often free (e.g. Nordic countries) or effectively subsidised (Cedefop, 2012[23]).

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[2] Subsidies and subsidised training schemes differ in terms of who receives the support: a subsidy is a cash transfer directed to individuals (individual employers in this context), whereas in the case of a subsidised training scheme the transfer is directed to training and service providers.

As noted in the Output 2 report (OECD, 2022[1]), for Latvian employers, the cost of training is one of the major barriers to investment in the training their employees: half of Latvian enterprises (49%) consider excessive training costs a key barrier to training (Līce, 2019[24]). The current policy framework for employer-sponsored training provides some financial and non-regulatory measures to address concerns about the costs and risks of training, namely tax incentives, EU-funded subsidised training programmes and payback clauses (Table 3.1). However, these measures have some limitations. For example, the current tax incentives do not apply to higher education and general education programmes. Despite the possibility to include payback clauses in training agreements, Latvian enterprises still raise concerns about their sufficiency to limit poaching after training. With respect to both tax incentives and payback clauses, Latvian authorities lack evidence on their uptake and impact, which inhibits authorities' capacity to assess and improve their effectiveness. Also, the employer associations implementing EU-funded projects to "Promote the introduction of innovations in enterprises" report that there is little coordination and exchange of good practices between associations, and insufficient resources to raise awareness about the projects. Also, evidence from consultations and previous studies indicate that strict eligibility criteria, unfavourable financing conditions and burdensome bureaucratic requirements also limit the participation of micro-enterprises and SMEs in these projects, and they do not appear to be reaching many low-skilled or older workers (OECD, 2022[1]).

Table 3.1. Financial and non-regulatory measures to reduce the costs and risks of training for employers in Latvia

Types	Instruments	Description
Financial measures to reduce the costs and risks of training	Corporate and payroll tax exemptions	• Expenses on training are exempt from corporate and payroll taxes (Enterprise Income Tax Law and Law on Personal Income Taxes)
	ERDF-funded projects to "Promote the introduction of innovations in enterprises" (S.O. 1.2.2 of the "Growth and Employment" O.P.)	• A total of 18 projects, run by employer associations and the LIAA,that provide subsidised training programmes to companies for a total budget of 35.8 million EUR
Non-regulatory measures to reduce the costs and risks of training	Additional training agreements	• Employer and employees can negotiate an additional training agreement, which allows employees to receive training, but compels them to spend up to 2 years in the company after completion, or to reimburse the employer for the training expenditures (Section 96, Paragraph 2-9 of the Labour Law)

Note: S.O., O.P. and LIAA refer to the "special objective", "operational programme" and the "Latvian Development and Investment Agency", respectively. ERDF stands for European Regional Development Fund.
Source: OECD (2022[1]).

Improving and expanding financial and non-regulatory measures to reduce the costs and risks of training for employers, could help to overcome cost barriers and poaching concerns in Latvia. This will be particularly important for micro-enterprises and SMEs, who face relatively larger financial barriers to training. Generous and accessible support will also be critical for boosting the participation of low-skilled and older workers in training, given that the benefits of their training may spill-over beyond the employer. For Latvia, changes to certain instruments, such as payback clauses in training agreements, are unlikely to have large impacts on enterprise training (OECD, 2022[1]). For any future measures, minimising eligibility and administrative barriers to access, and providing sufficient funding and incentives to the organisations implementing the measures, will be critical (OECD, 2022[1]). Latvia could consider various good practice financial measures, including subsidies in Luxembourg, Lithuania, Malta and Belgium, as well as subsidised training schemes and tax incentives in Finland and Estonia. It could also consider various good practice non-regulatory measures, including the job rotation scheme in Denmark, and France's scheme to make informal learning in enterprises' eligible for government financial support.

Financial measures to lower employers' costs and risks of training

EU Member States employ a range of financial instruments to promote employer-supported training, including training subsidies, subsidy schemes and tax incentives.

Training subsidies

Luxembourg, Lithuania, Malta and Belgium provide good examples of training subsidies to lower the costs of training for enterprises, as well as helping to address other barriers to training.

In **Luxembourg, state co-funding for continuing vocational training (le cofinancement public en matière de Formation Professionnelle Continue, FPC)** helps reduce financial barriers to training, with SMEs eligible to receive greater financial support. The FPC subsidy is also designed to promote training in transversal skills (such as language, computer and management training), which can be particularly important for low-skilled workers (Box 3.1). In seeking to implement effective financial instruments, Latvia could consider several elements of Luxembourg's FPC subsidy that appear relevant to its own training barriers and challenges. The FPC subsidy covers a wide range of training-related costs beyond the course fees, as it also subsidises enterprises for the time required to apply for the scheme. Finally, it targets priority areas of training (such as languages and management) and has various measures to assure quality and relevance (e.g. training plans), while allowing some flexibility to users (e.g. covering various forms of training). However, the relatively low rate of the subsidy (15%) may explain the low uptake by smaller firms.

Box 3.1. Co-financing for continuing vocational training in Luxembourg

In Luxembourg, enterprises can apply for a subsidy called the State co-funding for continuing vocational training (le cofinancement public en matière de Formation Professionnelle Continue, FPC). The FPC subsidy is available to enterprises for training employees who are employed under a fixed- or indefinite-term contract and pay social security contributions.

The subsidy can cover up to 15% of an enterprise's annual investment in training during a fiscal year, including wages, registration fees, travel and accommodation expenses, salaries of in-house trainers, and expenses for external training providers (The portal for lifelong-learning, 2022[25]; Chambre des Salaries Luxembourg, 2019[26]). In the case of training for low-educated worker (without qualifications recognised by the public authorities and less than 10 years of service) or older workers (aged 45+), the wage support component of the subsidy is raised to 20%. Support for the training is limited to seven themes which include languages, IT/Office automation, management and business training. Eligible types of training include external training, structured in-house training, and online training courses, which should be aligned with a training plan or the terms and conditions defined in a collective agreement. The training must be provided by persons or organisations approved by the Labour Code (e.g. professional chambers). If the co-financing is granted, the employer will receive an additional EUR 500 as a reimbursement for the cost associated with preparing the co-funding application.

However, the size of the FPC subsidy is capped depending on the size of the enterprise. The subsidy covers training up to the value of 20% of total payroll for enterprises with less than 10 employees, 3% for enterprises with 10 to 249 employees, and 2% for enterprises 250 or more employees, respectively. Also, compulsory training for certain professions by law or training courses subsidised by another State scheme are not eligible. Funds received under the FPC are taxable.

In 2018, the co-financing of in-company training under the FPC amounted to EUR 35.4 million, and benefited 2 288 businesses (Observatoire de la Formation and INFPC, 2021[27]). The subsidy reduces financial barriers by covering the cost of employee training, helping to increase the time employers and employees invest in training (Chambre des Salaries Luxembourg, 2019[26]). Nonetheless, although the FPC subsidy is larger for enterprises that typically offer less training (i.e. SMEs), the scheme does not seem to avoid the deadweight losses of subsidising training that would have occurred in the absence of the subsidies. Indeed, enterprises that typically offer more training (i.e. large firms) are the main users of the subsidies, which likely reflects the weak learning culture in smaller enterprises. Based on the administrative data from the Ministry of Education, Children and Youth (MENJE), in 2017-2018, nearly two-thirds of the FPC funding was granted to large enterprises with 250 or more employees, whereas only about 10% of funding went to small enterprises with less than 50 employees. Broader measures to promote training, build capacity and develop a learning culture among smaller enterprises would likely be necessary to increase their uptake of the FPC subsidy.

Lithuania's Competence Voucher (Kompetencijų vaučeris) is one of the country's main incentives to reduce financial barriers for employers investing in continuing vocational training (OECD, 2021[28]). Launched in 2017, a voucher up to the value of EUR 4 500 is granted to employers to purchase training services for their workers. To receive the voucher, enterprises must first develop a training plan identifying the training needs, number of participants, modes of training and costs in advance of the training, and submit proof of training completion and payment after the training.

The employer can use the voucher to purchase an existing training programme from an approved list of programmes and providers published on Enterprise Lithuania (Versli Lietuva), or to request a new programme from one of the providers (Cedefop, 2018[29]). The training must be delivered by accredited formal or non-formal education and training providers, or other accredited training institutions, and develop skills for using priority technologies, equipment, hardware or software as defined by Enterprise Lithuania. As of 2018, 68 educational institutions offer 513 programmes (Versli Lietuva, 2018[30]). Both on-site and remote learning are eligible. The reimbursement rates of training costs are 80% for micro, small- and medium-sized firms and 70% for large firms, and the voucher is valid for 20 months after reception by the employer (INVEGA, n.d.[31]). The vouchers are funded primarily from the European Social Funds.

Thousands of workers have participated in training funded by competence vouchers, although less than initially planned. By 2020, EUR 2.2 million had been spent on competence vouchers for 806 enterprises in total, and 3 583 workers in SMEs (Ministry of Economy of the Republic of Lithuania, 2020[32]). However, the Ministry's original aim was to support over 30 000 workers with the vouchers. The administrative burden of the application process, and the focus of the eligible training programmes on low- and medium-level technical skills (e.g. in manufacturing, repairing, maintenance, or services professions) have been identified as barriers to greater uptake by enterprises (Versli Lietuva, n.d.[33]; OECD, 2021[28]).

Malta's Investing in Skills (IIS) grant reduces the costs to employers of investing in external training, especially for SMEs. Jobsplus, Malta's public employment service (formerly the Employment and Training Corporation) is responsible for the overall management, implementation and monitoring of the IIS (Cedefop, n.d.[34]).

As of 2020, the grant to the employer covers the training costs and the wages of an employee in training at the hourly rates of EUR 26.6 and EUR 5.25, respectively. There is no limit for using the IIS grant for accredited training or non-accredited classroom-based and structured online learning, but there is a 25-hour limit for non-accredited self-led online learning and distance learning (Ministry for Education and

Employment, n.d.[35]).[3] The reimbursement can be made at the maximum of 8 hours a day (40 hours/week) for up to 15 workers participating in the same training. If the employer receives the State wage supplement related to COVID-19, the amount of the IIS grant is reduced accordingly (Ministry for Education and Employment, 2021[36]). The co-financing rate is greater for micro and small-sized enterprises (70%) than medium-sized (60%) and large enterprises (50%), within the aforementioned limits. In addition, air travel expenses associated with the employee's training can also be covered by the Erasmus Plus Grant Support, up to a maximum of EUR 1 500 per person. The IIS grant is open to a wide range of employers from enterprises to NGOs and social partners, and is limited to continuing vocational training for existing employees (not new recruits or apprentices).

The budget for the IIS grant is set to approximately EUR 5 million (80% from the ESF) for the second call for applications between 2020 and 2023 (Ministry for Education and Employment, n.d.[35]). In the period since its launch in 2017 to 2021, the IIS grant supported 2 302 employers and 20 723 training participants with EUR 3.5 million of funding (Jobsplus, 2022[37]). More than 70% of the grant beneficiaries were micro enterprises and SMEs. The training completion rate for IIS grant recipients, measured by the number of training certificates or qualifications obtained, was 99% in 2021. According to a 2020 report, 96% of the employers who participated in the IIS grant held an overall positive attitude to the grant scheme, reporting their willingness to re-apply for the grant and spread the word to others, and their satisfaction with the service delivered by Jobsplus (Jobsplus, n.d.[38]).

In **Belgium**, **Paid Educational Leave** (BEV) reduces the indirect costs of training to enterprises by reimbursing them for worker's salaries paid during training leave. The programme allows workers to take leave for training programmes provided by external providers or created by their employers. Eligible training courses must involve at least 32 hours of learning, except for e-learning or foreign courses. Leave-takers can receive wages of up to EUR 2 928 a month (as of 2020) during the leave, and employers can apply for reimbursement for these wages at an hourly rate of EUR 21.30 from their regional governments (Flanders, Brussels, or Wallonia).

While evaluation results of the BEV are lacking, expenditure and participation data highlight the number and types of employers and workers who are benefiting from the scheme. In 2013, the budget for the national training leave amounted to EUR 97 057 606 and 51 439 individuals used the leave programme during the year (Cedefop, n.d.[39]). In Flanders in the period 2013-2019, EUR 64-66 million was spent on paid educational leave for approximately 50 000 workers from more than 6 600 companies per year on average (Department of Work and Social Economy, 2021[40]). In the Walloon region in the period 2014-2018, EUR 21 million was spent on paid educational leave for around 15 720 workers from nearly 2 300 companies per year on average (Forem, n.d.[41]). In the Flanders region, the top three sectors requesting the BEV were the manufacturing, health, and additional white-collar sectors. Male workers and blue-collar workers were the main beneficiaries of the BEV in the Flanders region (Department of Work and Social Economy, 2021[40]). The leave-takers' characteristics were similar in the Walloon region: the BEV was mainly taken by male workers mostly in the manufacturing, human health and social work, and construction industries (Forem, n.d.[41]).

Subsidised training schemes

Unlike subsidies directed to employers, subsidised training schemes seek to reduce the costs of employee training by directing support to training and service providers. Among the subsidised training schemes for employer-sponsored training in the EU, Finland, Estonia, and Belgium have well-regarded practices.

[3] Non-accredited training refers to the training programmes not approved by the National Commission for Further and Higher Education (NCFHE), Institute of Tourism Studies (ITS), University of Malta (UOM), and Malta College of Arts, Science & Technology (MCAST).

In **Finland**, the **Joint Purchase Training** (or Joint Procurement Training) reduces financial barriers by offering subsidised support for organising employee retraining activities to prevent redundancies (Box 3.2). Several elements of the scheme may be of interest to Latvia. For example, the training is jointly procured by the Finnish Public Employment Services (PES) and employers, with the PES subsidising training by between 50% and 70% depending on firm size. This is complemented by a range of non-financial support from the PES, which helps enterprises plan, organise, and purchase external training courses. This is particularly relevant for SMEs, which often lack both funds for training and the capacity to plan and select relevant training.

Box 3.2. Joint Purchase Training in Finland

Finland's Joint Purchase Training scheme (*Yhteishankintakoulutus*) reduces employers' training costs by providing government-funded training aimed at updating skills and preventing layoffs or redundancies (Eurofound, 2021[42]; ELY-keskus, 2021[43]; TE-palvelut, 2022[44]). The training is jointly procured by the Public Employment Services (PES) and employers (individually or as a group), and is designed to be tailored to the training needs of individual enterprises and workers. Among the services offered, Tailored Training (TäsmäKoulutus) offers customised vocational training to enterprises. The PES subsidises this training by between 50% and 70%, depending on the firm size in terms of employees and budget (with smaller firms receiving the most support). Employers can use the scheme to retrain the workers in need of skills development due to the operational or technological changes in the sector (Eurofound, 2021[42]).

In Finland, enterprises are required to establish a training plan by law. When enterprises participating in the Joint Purchase Training scheme develop their plan, the PES often helps to identify the training needs and workers to be trained (OECD, 2021[3]). Then, the PES selects the training provider through a public tendering process and purchases the training for workers from the enterprises' proposed list. The training provider can be an educational institution specialised in adult education or a private educational service (ELY-keskus, 2021[45]). Eligible training includes both formal teaching at an educational institution and practical learning on the job, and it should last for 10 days or more (and up to 2 years). The training can take place during the worker's employed period and even during (or instead of) a temporary layoff. The training cannot be used for standard personnel training or orientation, and it does not confer any diplomas upon completion (TE-palvelut, 2022[44]).

Annually more than EUR 10 million is spent on the Joint Purchase Training and around 3 000-4 000 workers participate in the training services under the scheme (OECD, 2021[3]; Tonttila, 2021[46]). It fosters a positive learning culture for employers and is found to have a positive influence on competence development (OECD, 2021[3]). Nevertheless, it has been reported that the minimum duration of the training (10 days) could prevent SMEs from utilising the scheme, as they may not be able to afford the costs associated with lost production and revenue.

The **DigiABC** programme in **Estonia** sought to reduce financial barriers to employers providing basic digital skills for workers, by fully funding external digital training. It was introduced by Estonia's Digital Skills and Jobs Coalition, which included representatives from private companies, non-profit organisations, policy making, e-service providers and IT-training companies, and aimed to develop the digital skills of Estonians. The goal of the DigiABC programme was to promote digital literacy for (low-skilled) industrial workers (e.g. manufacturing and shipping) in the period 2017-2020. The Ministry of Economic Affairs and Communications funded basic digital literacy training for 3 000 workers and awareness-raising activities for 1 000 managers, drawing on the European Social Funds (Ministry of Economic Affairs and Communications, 2017[47]). The training was organised by IT Koolituskeskus OÜ, a Baltic ICT project management and training service provider, and the Estonian Employers' Confederation. The training equipped workers with basic computer skills such as how to use e-mail, search the internet, create a document or table, etc. (Ministry of Economic Affairs and Communications, 2017[47]). DigiABC finished at the end of the European funding period (2013-2020), with the re-organisation of Estonia's Digital Skills and Jobs Coalition. However, it has been recognised as a flagship Estonian programme for promoting digital skills development, and contributed to Estonia being a leader in Europe in digital upskilling (NESTA, 2019[48]; Jākobsone, 2021[49]).

Tax incentives

Estonia's Income Tax Act offers broad-based tax deductions for training-related expenditures to lower employers' financial barriers to investing in training (Box 3.3). Estonia's arrangements are particularly relevant to Latvia as it considers whether to expand corporate tax exemptions for education and training. For example, unlike in Latvia, Estonia's tax incentives also make higher education and general education programmes exempt from payroll taxes. In Latvia, this could help incentivise investment in specialised university programmes, e.g. in the ICT sector, in micro-credentials or second-chance education for low-qualified employees.

Box 3.3. Income tax incentives for employers' training expenses in Estonia

In Estonia, employers can deduct expenditure on employee's job-related training from taxes on business income. Employers in Estonia generally must pay income tax on fringe benefits granted to employees. However, the Income Tax Law provides that employer expenditure on both formal and non-formal education and training (including second-chance secondary and higher education) are eligible for deductions from income tax on fringe benefits, as long as they are related to performing work tasks (Cedefop, n.d.[50]). The tax-deductible costs include education and training fees, costs of materials, travel expenses, lodging, wages, daily allowances in case of training outside the municipality, and personnel absence costs (Cedefop, n.d.[50]).

The available deduction on income tax on fringe benefits for expenditure on employee's job-related training is not capped. Employers are allowed to decide how much training costs they will claim, but a tax authority can decide if and how much of the training expenses are job-related if necessary. If the total amount of deductions, including training expenses, exceeds business income, the surplus may remain qualified for deduction from business income for 10 subsequent taxation periods at maximum.

Estonia also seeks to balance training tax incentives for employers with training tax incentives for individuals, to minimise distortions in the tax system. Under the same Income Tax Law, individuals also have the right to deduct training expenses incurred at a range of institutions, including state or local government educational establishments, universities, licensed private schools registered in the Estonian Education Information System or with the right to provide instruction of higher education, or equivalent foreign educational establishments. This balanced tax treatment minimises the incentives for employers to pressure workers to pay for training, or for workers to pressure employers to pay for training (Torres, 2012[51]).

Likewise, **Finland** has offered **business income tax deductions on work-related training expenses** since 2010 under the Tax Administration Act (Koulutusvähennys), in order to reduce financial barriers to employer training. Enterprises can deduct the cost of employee training (e.g. course fees, travel and accommodation fees, etc.) from income if the training continues for at least an hour during the employee's contract period. Since 2014, wages paid during the training have also been tax-deductible. Enterprises can deduct a maximum of 50% of employee's wages for 18 hours of training (equivalent to six hours for three days) (OECD, 2015[52]; Piiroinen and Johansson, 2014[53]).

To be eligible for deductions, training must be directly related to the participants' work tasks and take place during working hours, and workers must be paid during training (all of which may be subject to verification by tax authorities). Eligible training includes non-formal courses, seminars, conferences or internal training organised by the employer itself. Employers must discuss the idea of training with the worker as part of his/her professional development, create a training plan, and choose the training provider and format. In addition, employers can also receive an income tax deduction for the cost of training required for specific professions (e.g. safety education for construction workers, transport permit courses for truck drivers). On the other hand, entry-level, basic introductory training about the company does not qualify for the tax deduction (Piiroinen and Johansson, 2014[53]). At the same time, the worker participating in the training can also claim an income tax deduction for training costs they incur, for example for course fees if training exceeds 18 hours (Vero Skatt, 2022[54]).

Official statistics on take-up of the business income tax deductions on work-related training expenses are unavailable. However, it has been reported that the strict conditions for accessing the deductions (e.g. creating a training plan) makes the cost of accessing the deductions greater than the benefits for some enterprises (Myllymäki and Klemola, 2021[55]). According to the Finnish Tax Administration, in May 2022 authorities commissioned an evaluation study of the tax incentive for training.

Conclusions on financial measures to lower employers' costs and risks of training

Box 3.4. Conclusions on financial measures to lower employers' costs and risks of training

- Improving and expanding financial measures to reduce the costs and risks of training for employers could help to overcome cost barriers in Latvia. In the Good Practices Workshop in May 2022, Latvian stakeholders discussed the importance of getting funding arrangements and incentives right, for example to cover indirect costs (e.g. travel), to minimise implementation complexity/costs for authorities as well as administrative complexity/costs for enterprises. Several stakeholder were favourable towards expanded tax deductions/exemptions for employer supported training, including extending deductions to higher education (including training abroad), more types of costs (e.g. wages, replacement workers, preparing applications), and potentially exempting the training programmes of various providers (including employer associations) from value added tax. However, consistent with previous findings (OECD, 2022[1]), stakeholders generally agreed that such tax benefits would likely be too limited in their impacts to be the main financial measure in Latvia's policy package, and partly for this reason some stakeholders noted that it would be important to assess the potential return on investment for government of any such deductions/exemptions. Some stakeholders discussed the importance of enterprises receiving up-front financial support, as in Lithuania's competence voucher, rather than a reimbursement for training, in order to overcome cost barriers for smaller firms in particular. Several stakeholders mentioned the need to minimise the administrative costs/bureaucratic barriers to accessing government support for training, and to support a diverse range of training that meet enterprises'/workers' skills needs.
- Introducing training subsidies (as in Luxembourg, Lithuania, Malta, Belgium, Finland and Estonia) as part of Latvia's policy package could increase enterprises' investments in training, if the subsidies are sufficiently generous, accessible and targeted. Latvia could build on its experience offering ERDF-funded subsidies for employer-supported training (Table 3.1), and Latvian stakeholders would likely support such subsidies. Latvia could subsidise a range of training-related costs beyond course fees, e.g. travel and accommodation expenses (as in

Luxembourg and Malta) and/or the wages of learners (as in Luxembourg and Belgium). However, depending on the total budget available, generosity with respect to the breadth of subsidised costs may come at the expense of the subsidy rate, as appears to be the case in Luxembourg (15% subsidy). As in Lithuania, Latvia could provide a generous training subsidy (e.g. 70%-80% of training fees) that is paid to enterprises up-front rather than reimbursed after training, making training more affordable for smaller enterprises in particular. Latvia could provide higher support to smaller enterprises (as in most countries above), and/or to vulnerable workers (as in Finland and Estonia).

- Quality assurance arrangements before training (e.g. eligibility requirements, training plans, etc.) and after training (e.g. reporting, monitoring and evaluation) will be important for assuring the quality of publicly-subsidised training in Latvia. Furthermore, learning from the limited impact of direct subsidies to enterprises in Latvia (OECD, 2022[1]), and the experience of Lithuania not hitting its targets for enterprises' uptake of training vouchers, Latvia would need to carefully design financial support. For example, Latvia should minimise the administrative burden of accessing training subsidies (through streamlined processes, subsidising applications for smaller firms as in Luxembourg, etc.), and support a diverse range of training that meets enterprises'/workers' skills needs (as in Malta), to ensure broad uptake by enterprises.
- Expanding tax exemptions in Latvia to include enterprises' expenditure on higher education (as in Estonia) and various training-related costs (as in Finland) could boost high-skilled training, but would have less benefits for smaller firms and low-skilled adults, and may be difficult to implement. Exempting expenditure on higher education from enterprises' payroll taxes in Latvia could incentivise investment in specialised university programmes, e.g. in the ICT sector. However, bigger firms with larger budgets and higher-skilled workers would likely benefit more from such tax incentives than smaller firms (who may not be able to afford the up-front costs of training before reimbursement) and low-skilled workers (who are unlikely to access higher education). Moreover, getting support for such a decrease in tax revenue in Latvia may be difficult, in part because it would be difficult to predict uptake or monitor the returns to such an investment (it is partly for this reason that Estonia and Finland lack evidence on the effectiveness of these measures).

Non-regulatory measures to lower employers' costs and risks of training

Various EU Member States have sought to lower employers' costs and risks of training through non-regulatory measures, namely job rotation schemes and schemes to make informal learning in enterprises eligible for public subsidies. Non-regulatory measures in Denmark and France appear particularly relevant for Latvia.

Job rotation schemes

Denmark's job rotation scheme seeks to reduce the opportunity costs of training for employers (Box 3.5). Through the scheme, Denmark's Agency for Labour Market and Recruitment (STAR) and regional Job Centres support employers to recruit, train (if necessary) and partially pay the wages of an unemployed adult to temporarily replace a worker who is training. The scheme may be particularly relevant for Latvia as it seeks to increase SME's support for training. The scheme is considered particularly advantageous for SMEs who face larger opportunity costs (in foregone production) than larger enterprises when sending workers away on training. The focus on hiring unemployed replacement workers could also support the re-employment of low-skilled and older adults to upskill, as these adults are more likely to be unemployed.

Box 3.5. Job rotation scheme in Denmark

Denmark's job rotation scheme supports employers to recruit an unemployed person to temporarily replace workers on training. This policy aims to upgrade the skills of Denmark's workforce in two ways: by supporting existing workers' further education and training, and by supporting the employment and upskilling of unemployed or underemployed replacement workers (Cedefop, 2022[56]). Blue-collar workers and low-skilled workers experiencing unemployment are major beneficiaries of the programme (Eurofound, 2021[57]).

The job rotation scheme prioritises the training of existing workers with no or little vocational training, allowing them to attend a wide range of training courses (Cedefop, 2022[56]). The replacement worker is selected by the local Job Centre (centres which combine national and regional employment services) from among the pool of adults facing unemployment. The local Job Centre in each municipality is responsible for administering the job rotation scheme, including promoting the policy to private and public employers, and supporting and supervising participating employers and replacement workers. Employers may also receive help from the social partners – like the Federation of Trade Workers – when recruiting the replacement candidates.

Before the job starts, the replacement worker is eligible for short-term training if they are expected to have difficulty in performing the job tasks. The enterprise must employ the replacement worker from 10 hours to 26 weeks, and pay their wages according to collective agreements, or the usual wage level for similar work. The employer then receives a hiring subsidy from the municipality/Job Centre for the hours when a worker is on training and the replacement is working ("hour-to-hour relation") (Danish Ministry of Employment, 2019[58]; OECD, 2021[3]). In 2022, the subsidy rate is approximately EUR 25.95 (DKK 193.11) for each hour spent in training, which can partially cover salaries of the replacement and existing workers and training costs (Danish Agency for Labour Market and Recruitment, 2022[59]). The state reimburses 60% of these expenses to the relevant municipality/Job Centre.

Denmark's job rotation scheme has garnered positive feedback from employers and replacement workers. The number of programme participants peaked in 2014 at 13 500 persons, although participation has since been lower, especially during the COVID-19 pandemic (Eurofound, 2021[57]). The job rotation scheme supports employers to reorganise the workers and perform a smooth transition with financial support, reducing their concerns about filling the staff vacancy during the training (Eurofound, 2021[57]). The long-term unemployed replacement workers often report positive effects of the job rotation scheme, including through the preparatory training to fill the vacant job post (OECD, 2021[3]). The scheme is considered particularly advantageous for SMEs who face larger opportunity costs (in foregone production) than larger enterprises when sending workers on training (OECD, 2021[3]). However, the success of this programme largely depends on a close collaboration between employers and the STAR in matching replacement workers to positions, and providing training when their skills are not closely matched (OECD, 2021[3]).

Recognising the costs of informal learning

France makes certain informal learning eligible for financial support via its **Action de formation en situation de travail (AFEST, Learning at the workplace)** programme, in order to reduce financial barriers to employer training (Box 3.6). The experience of France's AFEST could be especially relevant to Latvia as it seeks to increase the provision of training by micro- and small-sized enterprises, including for low-skilled workers. In addition to giving enterprises access to financial support for informal learning, the AFEST approach provides external support for identifying learning needs, and seeks to assure quality by requiring participants to reflect on and assess learning outcomes.

Box 3.6. Action de formation en situation de travail (AFEST, Learning at the workplace) in France

The AFEST in France recognises informal on-the-job training to allow employers to access public funding that is normally reserved for formal training. The AFEST was introduced into the labour code in 2018 after a two-year, nationwide pilot experiment (Duclos, 2021[60]). Its aim is to support continuous training, particularly for small businesses and low-skilled workers.

In order to ensure quality and impacts, the AFEST only recognises informal learning that meets four conditions: the work activity that is utilised in the on-the-job training is modified as needed to match the specific purpose of the training; the training provider is appointed before the training begins; the training includes reflection outside of the workplace to reinforce the lessons learned; and an assessment of training outcomes is carried out after the training. In this last step, the learner and trainer evaluate the learners performance, which may give rise to additional training. The employer and worker determine the training objectives and the skills to be gained, and assess the effects of training on skills acquisition (OECD, 2021[3]).

Within the AFEST framework, OPCOs (Opérateurs de compétences) or “skills operators” serve several roles for employers. OPCOs are an intermediary body organised by professional sectors (e.g. the private health sector) that support SMEs with less than 50 employees in the definition of their training needs (OECD, 2021[3]; Duclos, 2021[60]).OPCOs validate informal learning for AFEST support based on the four criteria, and can cover the cost of learning fully or partially, or direct employers to other public funding opportunities (e.g. National Employment Funds, local authorities) (Monmentor, 2021[61]). OPCOs can also guide an employer to find an external third-party service provider to help structure informal learning. OPCOs also promote the AFEST in their other dealing with enterprises, particularly for micro enterprises and SMEs (OPCO Santé, 2021[62]; ANACT, 2019[63]).

Compared to purchasing external training, employers participating in the AFEST can reduce the cost and duration of skills development, and preserve and build their know-how in the areas of training (Duclos, 2021[60]). The programme helps address skills mismatches while facilitating the internalisation of the training function. Evaluation results from the pilot programme in 2015-2018 demonstrated that the AFEST helped employees identify and develop skills immediately applicable to their current jobs and increased awareness of the skills acquired (Le réseau Anact-Aract, 2018[64]). Among 50 companies that participated in the pilot, 100% of managers and learners reported that the skills acquired were useful for their current job operation. However, in the same report, some employers raised a doubt about the effectiveness of formalised on-the-job training for low-skilled workers, who are often wary about structured education. The benefits of the programme are likely to be amplified for micro- and small-sized firms, as it helps to reduce a range of barriers which are typically larger for smaller firms: the opportunity costs of lost production during training, high costs of training courses, a lack time of time for training courses, an inadequate supply of relevant training, etc. (OECD, 2021[3]).

Conclusions on non-regulatory measures to lower employers' costs and risks of training

Box 3.7. Conclusions on non-regulatory measures to lower employers' costs and risks of training

- Introducing a job rotation scheme (as in Denmark) could help alleviate enterprises' concerns about the opportunity costs of training (especially for smaller firms and low-skilled sectors/workers), but would be difficult to implement due to the relatively small size of Latvia's labour market and the major investments required in the public employment service. Providing support to enterprises to recruit and pay an unemployed person(s) to temporarily replace workers on training (as in Denmark) could help increase workers' training participation, as well as the employability of unemployed or underemployed replacement workers. It would particularly help smaller enterprises, whose production is reduced/halted by sending a worker(s) away on training, and low-skilled workers, as finding and preparing replacement workers is most feasible for lower-skilled jobs. However, the scheme requires a sufficiently large pool of job-seekers, and while Latvia's unemployment rate exceeded Denmark's over the last decade, Latvia has less than half the number of unemployed persons than Denmark. Furthermore, Latvia would need to make major investments in the State Employment Agency build capacity to administer the scheme, for example in strengthening links with employers, promoting the measure to enterprises, identifying and (as needed) training suitable replacement workers, and supporting and supervising participating enterprises and replacement workers. Indeed, the success of Denmark's scheme largely depended on strong social partnership between the PES and employers.
- Making certain informal learning in workplaces eligible for financial support (as in France's AFEST, Learning at the workplace programme) could help lower the costs and increase the impact of on-the-job training for smaller firms in particular in Latvia. However, it is unlikely to support the development of transversal skills, and requires a substantial investment in planning, delivering and evaluating training by enterprises and authorities. Through the AFEST programme in France, authorities recognise certain informal on-the-job learning to allow employers to access public funding that is normally reserved for structured non-formal/formal training. Recognising informal learning in workplaces could help Latvian firms reduce the cost and duration of skills development, and preserve and build their know-how in the areas of training. This could be particularly beneficial for smaller firms that have less capacity to incur the direct costs (such as course fees) and indirect costs (such as lost staff time/production) of training. As in France, sectoral institutions (such as Latvia's employers' associations) could take the role of implementing the scheme, including validating informal learning. However, while on-the-job learning supported under the AFEST scheme can help develop job-specific skills, it is less likely to develop the transversal skills that many workers in Latvia require (e.g. digital or language skills). Furthermore, ensuring that informal learning is high-quality and assessing/meeting eligibility for public funding requires a significant effort by authorities, enterprises and learners. These efforts include planning and designing training, selecting and preparing the trainer, monitoring implementation of the training, reinforcing lessons learned in different contexts; assessing the outcomes of training, etc.

4 Building employers' capacity and learning culture

Introduction to measures for building enterprises' capacity and learning culture

Governments can introduce measures to build employers' learning culture and capacity for training, in order to raise employers' support for training. Such measures can lower enterprises' attitudinal and informational barriers to training by: 1) supporting enterprises' skill assessment and anticipation capacity, 2) promoting innovative and modern workplace practices, 3) fostering enterprises' management and leadership skills, and 4) providing easily accessible information on training support (OECD, 2021[4]). Assessing and anticipating enterprises' skills needs can support enterprises' efforts to develop and use skills effectively (OECD, 2021[3]). Likewise, innovative and modern workplace practices, such as workplace digitalisation initiatives, help to create a conducive environment for developing and using skills. Managerial and leadership training can help to raise enterprises' awareness of the benefits of workforce upskilling and reskilling, and foster a strategic approach to skills within enterprises. Finally, making training-related information easily accessible and visible helps employers make better use of available training services and supports. Countries fund and/or provide various supports independently or in combination to achieve these policy goals, including diagnostic tools for skills anticipation or workforce innovation, HR support, counselling and consulting, peer-learning from other employers, coaching and mentoring for managers and entrepreneurs, competence centres and online platforms.

A key potential benefit of measures to build employers' learning culture and capacity is increasing enterprises' intrinsic motivations for training (OECD, 2021[4]). In the long run, this can help decrease enterprises' dependence on extrinsic motivators, such as public subsidies. More specifically, measures to build employers' learning culture and capacity can support individualised and tailored training for enterprises, rather than a top-down or on-size-fits all approach. They can also give the beneficiaries an enduring sense of ownership of newly acquired knowledge, skills and experiences (OECD, 2021[4]).

As noted in the Output 2 report (OECD, 2022[1]), in Latvia employers exhibit various attitudinal, informational and capacity barriers to training, which could be addressed by measures to build employers' learning culture and capacity. Latvia has the largest share in the EU of enterprises reporting that the value of training for the enterprise is "low" (41% compared to the EU average of 25%). The difficulty in gathering information about learning opportunities and available support measures appears to be limiting Latvian enterprises' take-up of external (formal or non-formal) training programmes in particular. Finally, Latvian enterprises, especially SMEs, often lack the internal capacity to identify training needs, organise the training and choose the training provider (OECD, 2022[1]).

However, Latvia currently lacks policy levers to build employers' learning culture and capacity for training. Although the EU-funded projects to "Promote the introduction of innovations in enterprises" include some courses on project management and leadership skills, they are not designed to accomplish the policy goal of improving employers' motivation to and capacity for training. From November 2022, two Digital Innovation Hubs will become operational to help companies develop a digitalisation strategy. The hubs could support enterprises to adopt digital technologies, contribute to building their capacity and learning culture, but more general measures to build employers' learning culture and capacity for training will still be lacking (OECD, 2022[1]).

For Latvia, introducing measures to build employers' learning culture and capacity could help lower attitudinal, informational and capacity barriers to employer training. Such measures are likely to be particularly valuable for micro-enterprises and SMEs in Latvia, which exhibit relatively higher barriers to supporting training. The following good practices provide relevant examples for Latvia of how other countries have sought to build employers' learning culture and capacity for training, through building enterprises' skills assessment and anticipation capacity, promoting innovative and modern workplace practices, fostering enterprises' management and leadership skills and providing easily accessible information on training support.

Building enterprises' skills assessment and anticipation capacity

Various countries and regions in the EU have measures in place to build enterprises' skills assessment and anticipation capacity. Often these measures are delivered by skills hubs or networks that provide employers diagnostic support to analyse workforce skills needs, and offer tailored training opportunities to help meet needs. Regional skills fora in Ireland and Competence Centres in Wallonia, Belgium, are two prime examples of this support.

In **Ireland**, **Regional Skills Fora** are networks that provide opportunities for employers and education and training providers to work together to meet regional skills needs. Among other things, the fora help employers to assess their skill needs, and identify training to meet those needs (Box 4.1). In seeking to support enterprises to understand and address their skills needs, Latvia could consider several elements of Ireland's Regional Skills Fora. The Regional Skills Fora offer a skills audit toolkit to help enterprises diagnose their skills and learning needs, which can be complemented with workshops and one-on-one assistance for managers. Each of the 9 regional fora also employs a contact person (Regional Skills Forum Manager) who facilitates access to the services of the Fora, including through outreach and awareness activities targeting SMEs.

Box 4.1. Regional Skills Fora in Ireland

Ireland's Regional Skills Fora provide a range of networking opportunities and services to enterprises, including helping enterprises identify their skills needs and find training matched to these needs. Nine Regional Skills Fora were launched in 2017 to support partnerships between the education/training sector and enterprises to help identify and meet emerging skills needs (Department of Education and Skills, 2021[65]). The Regional Skills Fora are one of the key measures under Ireland's National Skills Strategy 2025, which establishes a framework and includes more than 125 measures for skills development across the country (Regional Skills, 2017[66]).

Through the Regional Skills Fora's *Skills for Growth* project, enterprises have access to a skills audit toolkit to diagnose their skills and learning needs (Eurofound, 2021[67]). The project also provides workshops to help senior managers gain knowledge on how to assess skills needs, and develop a skills plan with the toolkit (Eurofound, 2021[67]; Enterprise Ireland, 2022[68]). Regional Skills Managers, a single contact point for each forum, can also provide one-on-one assistance to enterprises to use the toolkit, create skills development plans, and navigate available education/training services and support. If the existing services do not meet the identified needs of the enterprise, the Fora may develop new pilot programmes and tailored services (Department of Education, 2020[69]).

The Fora engage with businesses of all sectors and sizes, but have a particular focus on SMEs. In 2019, the nine Regional Skills Fora engaged over 1 400 enterprises employing over 100 000 employees across all regions (i.e. the enterprises participated in a fora event and/or received information/advice from the fora). This represented an increase in engagement of 42.4% from 2018 (Department of Education, 2020[69]). The majority of enterprises (64%) engaged by the Regional Skills Fora were smaller-sized enterprises, made up of micro- (9%), small- (23%) and medium-sized (32%) enterprises. In total, 8% of the engaged enterprises received support from the Regional Skills Fora to undertake skills needs assessment. Testimonials from the participants are positive, overall. For example, a SME in the South West recognised the South-West Regional Skills Forum as "a great talent development and management platform" and sees the Forum's benefits are ongoing (Department of Education, 2020[69]). As to Regional Skills' EXPLORE programme, the employers and the employees who participated in the programme have reported increased confidence in digital skills (e.g. MS Excel, email) and improvements in teamwork, business processes and production efficiency (Regional Skills, n.d.[70]).

Competence Centres (Centres de Compétence) in Wallonia, Belgium support employers' skills anticipation capacity and foster relevant skills development. Since 2000, the Centres have functioned as a regional hub for training, labour market projections, employment information, and awareness-raising activities with the mission of providing professional vocational training tailored to learners' and employers' needs and supporting the competitiveness of enterprises (Cedefop, 2017[71]). The Competence Centres take an integrated approach to skills development and utilisation (a "new-generation" approach) that mobilises the resources from both industrial partners and research institutions based on public-private partnerships (Forem, n.d.[72]; European Social Fund, 2012[73]). Forem, Wallonia's public employment and vocational training service under the supervision of the Wallonian Minister of Employment and Training, approves education/training institutions as a Competence Centre, and supervises individual centres and the network as a whole (Forem, n.d.[74]).

The Competence Centres analyse the structural, material and organisational profile of enterprises, to help identify their skills needs. Based on the needs identified, the Centres develop a customised training programme considering the enterprises infrastructure and financial situation. The Centres offer education and training courses for workers, jobseekers, students, teachers, entrepreneurs, and managers in 13 strategic areas of activities[4], which employers often participate in to meet their training needs. Upon special request, the Centres develop new educational tools fully customised for individual employers (Forem Cepegra, n.d.[75]; Technifutur, n.d.[76]). At the end of the training, the Centre sends a team of coordinators to the participating enterprise to complete an evaluation report.

The Competence Centres are also responsible for sharing information and raising awareness across the sectors and professions by 1) disseminating information on trades, fairs, or other events related to skills development, 2) organising seminars, open houses, roundtables, or workshops for awareness-raising, and 3) opening information sessions about the Centre's training programmes for future workers to be trained (SIEP, n.d.[77]). Besides this, the Centres monitor trends in trades and qualifications in the labour market in order to respond to the most recent needs for training and jobs.

The Competence Centres have been recognised by the Minister-President of Wallonia for their "very important" role for employment and economic development (Agoria, 2020[78]). Currently, there are 23 Competence Centres across the Walloon region, each of which is dedicated to one of the strategic areas of activities (see footnote 4), providing the training to approximately 111 000 people each year (Le site

[4] Food, transportation and logistics, cultural and creative industry, environment and sustainable development, design, space and aeronautics, tourism, construction and carpentry, chemistry and biotechnology, mechanical and industrial engineering (automotive), mechanical and industrial engineering (technology industry), management and commerce, and ICT/digital.

officiel de la Wallonie, 2020[79]). In 2020, three Competence Centres of the technological and digital sectors received awards for 2020-2024 to train 50 000 people for 1.6 million hours, which is estimated to represent 35% of the activities of the whole network (Agoria, 2020[78]).

Promoting innovative and modern workplace practices

Some countries in the EU have measures in place to promote innovative and modern workplace practices. These measures typically involve informal learning and/or non-formal training for managers/leaders, and encourage enterprises to become more favourable towards training. Sweden and Luxembourg promote innovative and modern workplace practices by supporting enterprises to digitalise their operations, which in turn can have positive spill-overs for training.

In **Sweden**, the **Kickstart Digitalisation** (Kickstart Digitalisering) and **INDIGO projects** have helped enterprises build digital capacity through peer-learning and coaching (Box 4.2). Both projects target leaders and managers in enterprises with support for digitalisation, primarily via workshops and seminars (Kickstart) and coaching (INDIGO). Both projects were implemented and funded by the DigiLift initiative under Sweden’s Smart Industry Strategy 2016-2020, and while the DigiLift funding cycle ended in 2020, the Kickstart and INDIGO methods are still used in the government’s new digitalisation strategy. The experience from Kikstart and INDIGO projects could be particularly relevant to Latvia as it seeks to make two Digital Innovation Hubs operational by late November 2022. In particular, the Swedish approach suggests that informal learning via peer-learning events and workshops can complement more individualised support through consulting and coaching. Active outreach to entrepreneurs and smaller sized-firms also appears critical to engaging SMEs in modern workplace practices that facilitate training.

Box 4.2. Kickstart Digitalisation and INDIGO projects in Sweden

Sweden’s Kickstart Digitalisation and INDIGO projects target leaders and managers in enterprises with support to digitalise their operations. This support involves informal learning, peer-learning and coaching, and can help to create the conditions for more widespread skills development in the enterprise.

Kickstart Digitalisation helps employers to become familiarised with and initiate digitalisation through peer-learning (OECD, 2021[3]). Peer-learning is provided though three free-or-charge meetings, in the form of workshops and seminar series over a six-week period. In the meeting, representatives from about 10 companies share their experiences of and ideas for business digitalisation. The initiative is financed by the Swedish Agency for Economic and Regional Growth and involves diverse actors from different levels, including the Association of Swedish Engineering Industries, RISE Research Institutes of Sweden, IF Metall, IUC and Swedish Incubators & Science Parks (SISP).

In 2016-2020, the Swedish Agency for Economic and Regional Growth invested EUR 1.9 million in the Kickstart Digitalisation project (Tillväxtverket, 2020[80]). 627 companies participated in 75 “Kickstarts” during the period, of which 75% were small enterprises with 50 or fewer employees (OECD, 2021[3]). By sector, manufacturing companies accounted for 70% of participants, while the remainder were services companies. Over 90% of the enterprises that participated in the Kickstart Digitalisation project rated the programme as “good” or “very good”. Most companies (81%) reported having initiated or accelerated the digitalisation process, while many gained new insights about the relevance of digitalisation, thanks to the project (Interreg Europe, n.d.[81]).

The INDIGO programme provides employers with in-depth knowledge on digitalisation through a one-on-one coaching scheme, combined with networking meetings and workshops (OECD, 2021[3]). The support begins with a start-up meeting between the coach/consultant and the enterprises’ manager(s), and involves coaching for 20-80 hours, knowledge seminars and follow-up meetings. The participating enterprise receives tailored advice on digitalisation opportunities and creating a digital development strategy, based on an in-depth analysis of the enterprise's situation and strategic goals. The budget for the INDIGO programme was approximately EUR 1.5 million, including EUR 0.2 million separately allocated for SMEs (Tillväxtverket, 2020[80]).

The Kickstart Digitalisation project exceeded its targets for the number of projects (75 instead of 60) and participating companies (627 instead of 600). On the other hand, the coaching programme (including INDIGO) fell slightly short on its target number of participants (331 instead of 400) (Tillväxtverket, 2020[80]). Overall, as a result of the Kickstart and INDIGO programmes, many enterprises in Sweden have become aware of and begun to realise opportunities to digitalise. The available evidence suggests that the programme's flexibility, simple eligibility criteria and concrete objectives, as well as targeted outreach to entrepreneurs, have been particularly important to ensure SME participation (Tillväxtverket, 2020[82]).

Note: The monetary values are presented in 2020 European Union currency (EUR).

Luxembourg's **Digital Skills Bridge** pilot project in 2018-2019 supported enterprises challenged by technological change to adapt their work processes and workforce to the latest digitalisation trends. It did this by providing guidance, training and funding to businesses that anticipated disruptions from digitalisation and automation (Eurofound, 2021[83]). The Luxembourg National Employment Agency (ADEM) implemented the pilot project, with a focus on up-skilling workers whose positions were at risk (because of the digital transformation) (Cedefop, 2019[84]).

While a key goal of Digital Skills Bridge was to prevent unemployment for at-risk workers, it did so by supporting enterprises to implement various modern workplace practices to encourage training over an 18-24 month period. The process started with the enterprise utilising tools provided by ADEM to analyse the impact of new technologies on the company and the mobility of the workforce, and to project future workforce needs. This culminated in a skills development plan, which was certified by Luxembourg's Economic Committee (Comité de conjoncture). SkillsBridge coaches from ADEM then used profiling and AI-based tools to help the enterprise analyse the skills profiles and preferences of implicated workers, and to match these workers to relevant jobs (whether internal or external) and to relevant training. Finally, each participating employee attended training in transversal, digital, or job-specific skills in accordance with their individual skills development needs (Le Gouvernement du Grand-Duché de Luxembourg, 2020[85]). The Government co-financing for each participating enterprise included: up to 12 days of technical assistance for workforce analysis and planning, up to 1 day of personal coaching per employee, up to 35% of the training expenses and 90% of the salary expenses during the training period ("chômage partiel").

By November 2018, 15 companies and 350 workers received support under the Digital Skills Bridge. Four training providers were also selected through a public tender to deliver transversal and digital skills to participating enterprises, and 25 advisers were trained and certified to analyse workforce skills within the enterprises (Cedefop, 2019[84]; Le Gouvernement du Grand-Duché de Luxembourg, 2020[85]). The same month, ADEM received the "Talent Management Award" by a jury made up of representatives of the Luxembourgish HR community (Le Gouvernement du Grand-Duché de Luxembourg, 2018[86]). One expert review concluded that the strengths of the Digital Skills Bridge project were that it: raised awareness and understanding of the digital transformation challenge in enterprises; provided both financial and non-financial support; involved social partner oversight; and guided employees towards, and trained them for jobs requiring digital skills, within the company or without (Eurofound, 2021[83]). ADEM reports that it is using the experience gained and lessons learned from the project to orient its future service offering and tools to best support enterprises in their workforce and skills planning initiatives.

Providing easily accessible information on training support for enterprises

Various EU countries seek to provide accessible information on training support, to encourage enterprises' participation in skills development. In Sweden and Malta, the governments have created online platforms where employers can access, search and find up-to-date information about relevant training opportunities available to them. In Sweden's case, enterprises can participate in training and informal learning through the same portal.

Sweden has developed a free online learning portal for enterprises in selected industries, **Kompetens.nu**, and a public knowledge repository, **Time to Digitalise**, to support learning and development in the area of business digitalisation (Box 4.3). The Kompetens.nu portal funds up to 80 course licences for eligible enterprises from a database of over 5 000 diverse courses (from higher education institutions, IBM, LinkedIn Learning, etc.), but fines enterprises if they do not use the licenses. The Time to Digitalise knowledge repository offers free learning content in 12 areas linked to digitalisation (industry 4.0, AI, etc.), including over 200 training videos as well as specific content for SMEs. Latvia could consider several elements of Sweden's Kompetens.nu and Time to Digitalise portals as it seeks to improve the supply and uptake of online learning courses. For example, eligible enterprises have centralised portals and personalised support to choose relevant training, as well as full financial support for a set number of course licenses. Some of the learning content is specifically tailored to the needs of SMEs, who face relatively higher training barriers in Latvia. Promoting and disseminating the portals through seminars, lectures and direct contact with enterprises has also helped to ensure enterprises' use of the services.

Box 4.3. Kompetens.nu and Time to Digitalise in Sweden

Swedish enterprises in the hospitality, transportation, trade, industrial and technology sectors can access free digital training through the Kompetens.nu (www.kompetens.nu/) learning portal, run by the Swedish Agency for Economic and Regional Growth (Tillväxtverket, 2021[87]). The portal provides over 5 000 short and longer courses on computer science, digital transformation, leadership, new ways of working, technological skills, and personal development, sourced from well-known online education providers, such as Civil Engineer 4.0 (Civilingenjör 4.0), Coursera and LinkedIn Learning.

Employers can apply online for training places for their employees, and are contacted by the portal administrator to help them choose suitable training courses (Kompetens.nu, n.d.[88]; Tillväxtverket, 2021[87]). Employers can be granted 80 course licenses at maximum, and are fined SEK 3 000 (approximately EUR 290 as of 2022) if the licenses are not used. The cost of this training is covered by ESF funds until June 2022.

In addition, all Swedish employers can access free content on business digitalisation offered by the Time to Digitalise knowledge bank (www.dagsattdigitalisera.se). The knowledge bank opened in 2019 and is currently managed by RISE – the research institute of Sweden – and funded by the Swedish Agency for Economic and Regional Growth. The aim of the knowledge bank is to complement physical projects carried out under the government's digitalisation initiative (e.g. Kickstart Digitalisation) with online learning tools on business digitalisation. The platform offers free and easily accessible content in 12 areas linked to digitalisation, with over 200 training videos divided into basic and advanced levels. Some of these videos are designed to highlight particularly how SMEs work with digitalisation. The contents are updated over time and allow enterprises to access to learn about digitalisation in a modularised way.

A relatively large number of Swedish enterprises have benefited from Kompetens.nu and Time to Digitalise. The Kompetens.nu portal has had more than 15 000 views and 6 500 users, of which 780 have created their own accounts. The users of Kopentens.nu have expressed their satisfaction with having both short and long courses on offer, the flexibility of online learning, and the wide selection of courses (Kompetens.nu, n.d.[88]). A range of businesses, from established companies to start-ups, as well as municipal administrators, have also benefited from Time to Digitalise (RISE, 2020[89]). One evaluation concluded that the government's digitalisation initiatives, including Time to digitalise, helped enterprises establish new contacts and networks, improve their knowledge of customers, better define their digital challenges and find appropriate solutions (Tillväxtverket, 2020[80]). Enterprises' interest in Kompetens.nu and Time to Digitalise is likely partly attributable to efforts by RISE to promote and disseminate the portal through seminars and lectures, and direct contact with enterprises (OECD, 2021[3]). The free and real-time provision of knowledge through the platforms has been particularly useful for SMEs to access information to support their digitalisation initiatives (OECD, 2021[3]).

In **Malta,** the **Jobsplus one-stop-shop website** (https://jobsplus.gov.mt/) helps to lower informational barriers to enterprises engaging in training. The Jobsplus website was launched by the government in 2016 initially as a job-matching system for employers and job-seekers, providing an information platform and search engine for employee recruitment and hiring. However, over the years the Jobsplus website has been gradually broadened into a one-stop-shop, which also offers a range of information on opportunities and public support for training for employers and employees.

The website provides information about financial support for employee training and available training courses, among others. The training course catalogue enables employers to search for a training course of interest by course category, fee, language, location, course type, and provider. The catalogue includes training for a range of skills, such as leadership and managerial skills, language/numeracy skills, business skills, communication, and ICT skills. Jobsplus staff also seek to promote the service by directly contacting individual employers.

The available data suggest that many enterprises are using the Jobplus website, and that outreach efforts have contributed towards this usage. In 2019, 2 625 employers created Jobsplus accounts and 1 401 different enterprises were contacted with offers for one-on-one meetings to promote Jobsplus' services and support the use of the website. 757 employers in various sectors took up the offer (Jobsplus, n.d.[90]). In 2020, Jobsplus newly opened 2 963 employer accounts and the employers' acceptance rate of meetings increased by 45% compared to the previous year (Jobsplus, n.d.[38]).

Fostering enterprises' management and leadership skills

In some European countries, public measures directly target the development of management and leadership skills in enterprises, especially in SMEs. Norway and Poland are two such cases.

Innovation Norway (Innovasjon Norge) is a national agency with numerous regional offices that offers enterprises a range of services aimed at advancing innovation and enterprise/industry development, and which helps to enhance the managerial and leadership skills of managers (Box 4.4). The Innovation Norway example may be relevant to Latvia as it seeks to invest in the management and leadership skills of managers, including through the Latvian Investment and Development Agency. In particular, Latvia could consider the relatively holistic nature of Innovation Norway's support services across the country – online courses and training, informal learning through subsidised mentoring/advice, networking opportunities, etc. – which combine to support managerial capacity and help to reduce broader barriers to training.

Box 4.4. Innovation Norway

Innovation Norway (Innovasjon Norge) offers a range of services to managers in startups and established businesses to advance innovation and enterprise/industry development, including support to develop management and leadership skills (OECD, 2021[91]). These services include online courses and training, mentoring and advisory services, networking opportunities and promotional/marketing support (Innovation Norway, 2020[92]).

For start-ups (enterprises less than three years old), Innovation Norway provides various advisory, financial, networking and training services. Among its advisory services, Innovation Norway connects the enterprise's CEO to experienced people in the same field of business and finds a mentor to provide one-on-one advice. Through the mentoring programme, the CEO can seek advice about start-up business management, business development, and market opportunities for approximately 2-12 months. Innovation Norway covers the cost of mentoring for up to 30 hours (Innovation Norway, 2020[92]). In addition, a series of webinars and online training for developing the business strategy and establishing the business model are available to the start-up.

For established enterprises (older than three years), Innovation Norway offers advisory services, funding opportunities, business network, competence network, and courses. It provides managers with individualised advice on innovation projects and business development (e.g. on the innovation process, future business opportunities, marketing strategies, financing strategies, and sustainable development). An Innovation Advisor helps the enterprise identify their current situation and business opportunities, and create an action plan for business development. More general management and leadership skills training is available on the Innovation Norway website, as part of the courses on business restructuring, growth and exporting. At the same time, the Innovation Norway website provides information on workshops, courses, and events, and showcases success stories from other enterprises to facilitate peer learning.

According to the Customer Impact survey in 2020, 96% of the companies reported that Innovation Norway had had a "decisive impact" on the implementation of their business projects (Innovasjon Norge, 2021[93]). On average, businesses supported by Innovation Norway are estimated to generate larger revenue than businesses without the support by 10.3 percentage points. The gains in sales revenue, value creation, and productivity are largest for start-ups than established businesses (Innovasjon Norge, 2021[93]).

In **Poland**, the **SME Manager Academy** supports the development of the business skills of entrepreneurs, business owners and managers of micro, small and medium enterprises (MSMEs), with subsidised consulting and managerial training. The programme helps lower managers' attitudinal barriers to training, while encouraging the use of external training courses.

Operated by the Polish Agency for Enterprise Development (PARP), the SME Manager Academy offers government-funded advisory and training services to the leaders and managers of MSMEs, focusing on business and human resource development (PARP, 2022[94]). The services seek to 1) diagnose the needs of MSMEs, particularly the competence gaps of the leadership, and 2) upskill the senior staff, including the enterprise owner, current managers, and employees up for promotion to a managerial position. Based on the diagnosed needs and recommendations for training, the employer selects a training programme from the Development Services Database – an online search engine with a directory listing training and consulting providers verified by the PARP. The PARP covers up to 80% of the training costs, depending on the size and location of the enterprise. Five "macro-region operators" manage and implement the SME Manager Academy from the application stage, including verification of the eligibility criteria, and providing the training and advisory/consulting services (PARP, 2021[95]; PARP, 2020[96]; PARP, 2022[94]).

PARP has also introduced the digital PARP Academy, which is an e-learning platform that offers 50 free-of-charge online training sessions tailored to the needs of SMEs (OECD, 2021[28]). The sessions are organised in four thematic areas related to setting up and running a business, and include the thematic area of "managerial and personal skills".

Activity data and available evaluation evidence suggest Poland's SME Manager Academy programme has generated benefits for many enterprises. Since 2006, over 180 000 participants have benefited from the SME Manager Academy training. The budget was approximately 12 million euros, including about 10 million euros allocated to the five macro-region operators in 2020 (PARP, 2020[96]). According to the official evaluation report, in 2017-2020 programme participants reported very high satisfaction with the training service, from improvement in management skills (68-70%), daily use of knowledge gained (90+%), to willingness to recommend the programme to others (90+%) (PARP, 2021[97]).

Conclusions on building employers' capacity and learning culture

Box 4.5. Conclusions on building employers' capacity and learning culture

- Measures to build enterprises' learning culture and capacity in Latvia could help lower enterprises' attitudinal, informational and capacity barriers to training. While stakeholders participating in the Good Practices Workshop in May 2022 did not discuss measures to build enterprises' capacity and learning culture in detail, they did highlight the critical importance of providing information and reaching out to enterprises to motivate them to train. For example, they mentioned that employer associations, training/competence centres and/or municipalities could perform such outreach. They also discussed the possibility of an improved single portal with information on training opportunities and government support in Latvia.
- Introducing measures to build Latvian enterprises' capacity to assess their skills and training needs (as in Ireland, Wallonia, Belgium and Luxembourg) could increase (particularly smaller) enterprises' understanding of training benefits and willingness to train, but would require investing in regional infrastructure, and new tools and services. Latvia could develop tools that enterprises can use to diagnose their skills and learning needs, and offer training, workshops and one-on-one advisory services to support use of these tools, develop training plans and find appropriate training. Latvia could potentially provide such services on a regional basis, e.g. through public employment service offices (as in Wallonia, Belgium) or through new, regional fora (as in Ireland). Alternatively, they could be offered on a sectoral basis (e.g. through Latvia's employer associations or SECs). Such services could help overcome misperceptions among many Latvian enterprises that they don't need and won't benefit from training, particularly for smaller enterprises. However, introducing measures to build Latvian enterprises' capacity to assess their skills and training needs would require substantial investments to develop diagnostic tools and associated support services (training, workshops, one-on-one advice, etc.).
- Providing accessible online information about available training opportunities and public support for enterprises (as in Malta and Sweden) can in theory help reduce informational barriers to training, but existing government portals in Latvia are not widely known or used. Latvia could develop online portals that provide enterprises up-to-date information about relevant training opportunities (as in Malta and Sweden) and available public support (as in Malta). Such portals could even allow enterprises to apply for public support or undertake online learning (Sweden), in order to make training more accessible. Indeed, centralising the application process for public support for enterprise training in one portal could help Latvia address its challenges with the

administrative burden to enterprises of accessing support. However, Latvia has struggled to raise awareness and uptake of its existing portals for government services, and so the success of any new portal would depend on user-friendly design and effective awareness raising efforts, among other things. Furthermore, expanding the provision of online learning opportunities for enterprises and workers would not likely reach the many workers in Latvia who have low levels of digital skills, as they would struggle to access such learning.

- Promoting modern workplace practices and fostering management skills in enterprises could directly and indirectly increase enterprise training in Latvia, but would require a suite of tailored services that do not currently exist in the country (e.g. from coaching to “kickstart” events). Latvian authorities could fund coaching, mentoring, consulting and/or advisory services for enterprises (as in Sweden, Luxembourg, Norway and Poland) to help build enterprises’ management/leadership capacity, implement modern workplace practices and/or spur innovation/digitalisation, thereby creating the conditions for training. Latvia could also create informal learning and networking opportunities, for example via peer-learning workshops, “kick-start” events and seminars which could focus on themes such as workplace digitalisation and digital skills (as in Sweden and Luxembourg), and additionally subsidise more structured training for managers/leaders in enterprises (as in Luxembourg, Poland and Norway). One-on-one services and learning opportunities could particularly benefit smaller firms lacking managerial or innovation capacity. The measures could be implemented by various actors, such as employer associations, the LIAA, private consulting/advisory firms, the new Digital Innovation Hubs (for workplace digitalisation), etc. However, active outreach and awareness raising for entrepreneurs and smaller firms would be critical for the success of these measures.

5 Promoting co-operation among employers and with the public/education sector

Introduction to measures for promoting co-operation among employers and with the public/education sector

Government can devise measures to promote sectoral co-operation between enterprises and co-operation between enterprises and education institutions, which can help to address co-ordination and other barriers to employer-supported training. Learning and training networks may provide companies with subsidies for the development of the networks, information on available financial incentives, subsidies for training, and/or direct expertise through support to assess workforce skills and training needs. Industry-education cooperation platforms (such as competence centres) are a form of partnership that can create "skills ecosystems" which foster the more effective development and use of skills, through peer-learning and knowledge exchange.

Networks and partnerships can help respond to the complex skills needs and challenges facing enterprises, especially SMEs. Co-operation allows for pooling of resources, information sharing, knowledge exchange, developing ideas and learning from each other's experiences. Connecting individual employers to local and sectoral networks facilitates knowledge exchange and could promote their engagement in training, particularly for small- and medium-sized enterprises (Stone, 2010[22]). Co-ordination within supply chains, especially those that facilitate joint strategies between larger enterprises and SMEs, can reduce training costs and promote knowledge exchange for SMEs in particular. Ecosystems focused on entrepreneurship and innovation encourage co-operation on skills development among different actors, including employers, business organisations, public institutions, and academia. This can strengthen leadership capacity and promote a strategic approach to skills within enterprises, particularly SMEs (OECD, 2021[3]).

As noted in the Output 2 report (OECD, 2022[1]), Latvia lacks measures for promoting co-operation among employers and with the public/education sector on skills and training. The fragmentation of existing employer associations makes it challenging for employers to organise cross-company training networks to exchange resources and knowledge. Furthermore, the relatively weak cooperation between employers and educational institutions, both in VET and higher education, reduces the availability and the market relevance of employee training. Latvia's cluster programmes are a promising initiative to encourage cooperation in specific sectors, but they currently focus on export promotion and innovation, rather than training and skills development. On the other hand, while sectoral skills councils are a promising example of bringing together experts to improve the alignment of formal education provision with labour market needs, they mainly focus on initial education rather than continuous training. Latvia is developing a Skills

Funds pilot and two digital innovation hubs, which may contribute to fostering multi-actor co-operation on employer-sponsored training.

The Latvian government could take inspiration from measures in other EU countries to promote sectoral co-operation between enterprises and co-operation between enterprises and education institutions. Such measures can help address the co-ordination barriers to training identified in Latvia, helping to improve communication between different stakeholders, identify current and future skill demands and encourage the pooling of resources. This may be particularly beneficial for SMEs who have lower capacity to train, and to initiate partnerships and networking. The following good practices provide relevant examples for Latvia of how other countries have sought to promote co-operation on skills and training, by pooling enterprises' training resources and participation, and by leveraging ecosystems for skills investment.

Austria's Impulse Training Networks programme allows employers to form co-operative Impulse Qualification Associations (Implus-Qualifizierungs-Verbund, IQV), to access pooled and subsidised training and consultancy services. The IQV's plan, purchase, organise, and implement work-related training together for their employees to ensure an appropriately qualified workforce (OECD, 2021[3]; OECD, 2021[4]). There are no fees for joining an IQV, but to be recognised and approved for public support, IQV's require at least three companies within the same region, with SMEs accounting for more than 50% of the membership.

At the federal level, the Public Employment Service (AMS), is responsible for IQVs. At the provincial level, consulting companies are responsible for managing the IQV, and support regional IQV's activities with advisory services. The enterprises in an IQV can use consulting services to support the network at various stages, from setup, to the development of training programmes, and to applying for public grants for in-company training (OECD, 2021[3]). The cost of the consultancy services is fully funded by the AMS for up to 10 days. If an IQV's training is aimed at low-skilled or older workers, the AMS finances half of the training cost up to EUR 10 000 per person or request (AMS, 2021[98]; AMS, 2022[99]).

Since its launch in 2007, the IQV has been Austria's main policy lever for enterprises, especially SMEs, to benefit from joint training and learning. At the same time, it serves as a platform for information exchange and joint development projects (OECD, 2021[3]). The IQV was funded partly with ESF funds during the program periods 2007-2013 and 2014-2020 (OECD, 2021[3]). In 2011, the budget for the scheme amounted to EUR 7 million and 1 300 companies participated in the IQV (Cedefop, n.d.[100]).

Skillnet Ireland supports enterprises to form networks that co-operate to meet skills needs through training (Box 5.2). Skillnet Ireland has 70 Skillnet Business Networks which provide groups of enterprises in the same sector or region with financial and non-financial support for workforce training. Several elements of Skillnet Ireland appear to be of relevance to Latvia as it seeks to strengthen enterprises' attitudes towards and engagement in training. For example, Latvia could consider the enterprise-led approach, whereby enterprises co-operate on selecting and/or developing tailored upskilling programmes with government support. This has helped increase employer awareness of their skill needs and training opportunities, especially for SMEs (OECD, 2021[3]).The joint investment model – whereby public grants are combined with contributions from enterprises – also appears relevant for Latvia, as it has helped to build enterprises' sense of ownership and responsibility in the scheme.

Box 5.1. Skillnet Ireland

Skillnet Ireland is a business support agency of the Government of Ireland, responsible for advancing the competitiveness, productivity and innovation of Irish businesses through enterprise-led workforce development. Its mission is to facilitate increased participation in enterprise training and workforce learning (Skillnet Ireland, 2021[101]). It was established in 1999 and is funded by the National Training Fund through the Department of Further and Higher Education, Research, Innovation and Science. Skillnet Ireland's activities encompass funding training, and supporting business networking and the development of innovative training programmes, among others.

Skillnet Ireland's upskilling programmes are created on demand by the businesses in the Skillnet Business Network, a group of businesses collaborating to address sectoral or regional skills needs (Skillnet Ireland, 2021[101]). Currently, there are 70 Skillnet Business Networks, which allow business owners, managers and staff to network with others with experience in their business area of interest. Skillnet Ireland contracts and funds a sectoral/regional association to develop and govern a network, and help employers in the network to source and fund training to deliver sector-specific and/or transferable skills. For example, in 2020, a robotics training centre and technical training in biomanufacturing using AR & VR (Augmented Reality & Virtual Reality) technology were introduced at a Networks' initiative, in partnership with industrial and educational institutes.

Skillnet Ireland is an internationally recognised good practice for successful public-private co-operation. It operates on a joint investment model to reduce training cost barriers for businesses, while ensuring their buy-in: in 2022 Skillnet's budget was EUR 78 million, 54% of which was exchequer funding from Ireland's National Training Fund (which comes from a levy on enterprises in certain sectors), 14% from EU Programme Funding and 32% from private sector co-investment. Through the enterprise-led approach of Skillnet Business Networks nationwide, in 2020, Skillnet Ireland provided upskilling services to 81 895 people in 21 695 companies through 9 110 training programmes. This amounted to the value of EUR 51.2 million (including employer contributions of EUR 17.9 million) (Skillnet Ireland, 2021[102]). Despite the COVID-19 pandemic, the agency managed to provide upskilling services to 21 695 companies, support 81 895 trainees and deliver 570 629 training days in 2020, exceeding targets agreed with the Department of Further and Higher Education, Research, Innovation and Science across these metrics. Furthermore, 82% of the businesses that participated in Skillnet programmes in 2020 were micro- or small-sized enterprises (51% micro; 31% small).

In **Germany**, **Mittelstand 4.0 Competence Centres** (Kompetenzzentren) are a nationwide cross-sector and cross-thematic ecosystem that support enterprises to digitalise through knowledge and technology transfer (OECD, 2021[3]). The Centres bring different enterprises from the same sector and/or supply chain together into a learning and innovation environment, where they receive free training and consulting services to help them develop concrete action plans and solutions for business digitalisation.

As part of the SME Digital Network (Mittelstand-Digital) initiative specifically, 18 regional centres and 8 thematic centres have delivered a wide range of support to enterprises on digitalisation since 2015 (Federal Ministry for Economic Affairs and Energy, 2022[103]). The regional Competence Centres provide digital-related business services for company executives (e.g. advising about digital manufacturing, digital security, or helping to test new technology). In addition, the regional centres have their own concentration configured around the five primary themes (technologies, organisational digitalisation, smart production, digitalisation and people/workplace, and IT security and law). The thematic centres provide more sector-specific specialised support to SMEs on eight topics: "Digital Crafts", "eStandards", "IT industry", "Communications", "Planning and Construction", "Textiles Network", "Usability" and "Trade". They also provide information on these topics to the regional centres and consortium partners such as business chambers and institutes. The goal of the Centres is to help micro to medium-sized businesses understand their current stage in the digitalisation process, develop an individualised digitalisation road map, and finally select and implement the suitable measures, including training (Federal Ministry for Economic Affairs and Energy, 2019[104]).

Germany's Competence Centres appear to have reached a large audience. By 2018, the Mittelstand 4.0 Competence Centres reached out to around 60 000 companies at over 100 locations, with a network of over 800 experts (OECD, 2021[3]). The governance structure of SME Digital Network and the services provided by Mittelstand 4.0 Competence Centres during 2015-2020 have been successful at facilitating informal knowledge transfer to enterprises (WIK, 2020[105]). However, to increase the efficiency and effectiveness of the services, evaluations suggest that the duplication of subjects across the Centres will need to be reduced, for example by promoting internal networking and resource pooling.

Some features of good practices for training networks in apprenticeship systems may be transferable to enterprise training more generally. In **Norway**, **Training Offices (TOs)** help enterprises to benefit from the apprenticeship system by supporting co-operation between enterprises and training providers, to facilitate the hiring and training of apprentices (Box 5.1). Latvia could consider various elements of Norway's TOs as it seeks to strengthen the "ecosystem" around employer supported-training. TOs help overcome enterprises' co-ordination barriers within their sector and with training institutions, as well as capacity constraints and information barriers, which are highest for SMEs. They also facilitate co-operation between employers, trainers and learners, thereby strengthening networking and knowledge transfer more generally.

Box 5.2. Training offices in Norway

Norway's Training Offices (opplæringskontor, TO) are sector-specific cross-company intermediary organisations that assist enterprises to recruit and train apprentices (OECD, 2008[106]; UTDANNING.NO, 2021[107]; Michelsen et al., 2021[108]; Aakernes, 2020[109]). They are a separate legal training institution owned and operated by a group of enterprises (often SMEs) that employ apprentices, and share the responsibility for apprentice training with those enterprises (Aakernes, 2020[109]; OECD, 2014[110]). TOs were established in the mid-1990s in response to the need to encourage employer participation in apprentice training (Michelsen et al., 2021[108]).

TOs reduce the administrative burden on individual enterprises, especially SMEs, by assisting them with apprenticeship administration (OECD/ILO, 2017[111]). Individual SMEs may find it hard to meet the minimum requirements and quality for apprentice training. TOs can sign training contracts on behalf of a group of SMEs, giving the SMEs economies of scale in training provision. TOs are funded by government training subsidies. TOs receive the funding in a lump sum from a County Council for the apprentices, and then distributes funds to each member enterprise.

Over the last two decades, the use of TOs in Norway has shown a strong growth, reflecting employers' willingness to join. The number of TOs reached over 300 in 2020, and they account for approximately 80% of all apprenticeship contracts (Michelsen et al., 2021[108]; OECD/ILO, 2017[111]). The role of TOs in administrative and training matters is pivotal to deepening links between schools, young apprentices and employers. According to one evaluation, Norway's TO model has given employers a greater role and influence in training, and could be transferable to other countries (OECD/ILO, 2017[111]).

Conclusions on promoting co-operation among employers and with the public/education sector

Box 5.3. Conclusions on promoting co-operation among employers and with the public/education sector

- Measures to promote sectoral co-operation between enterprises and co-operation between enterprises and education institutions in Latvia can help to address co-ordination and other barriers to employer-supported training. In the Good Practices Workshop in May 2022, several Latvian stakeholders highlighted involvement of / co-operation with enterprises ("self-organisation") as highly relevant for Latvia's policy package going forward. They stated that employer associations / sectoral associations could have a key role in implementing new measures, and should have some flexibility to adjust over time programme details over time. Stakeholders cited Skillnet Ireland as prime example of such an approach, and said that employer associations could target micro- and small-sized firms, under-developed regions, and certain sectors (such as Global Business Service centres). Stakeholders also highlighted the critical importance of connecting measures for employer training with other major initiatives, such as Sectoral Skills Funds, Individual Learning Accounts, taxation reform, etc. which could be enabled by effective co-ordination mechanisms.
- Instituting learning and training networks in Latvia (as in Ireland and Austria) could help overcome employers' limited resources and capacity for training, building on Latvia's experience implementing support for enterprise training through employer associations. However, this would require substantial investments to ensure the capacity of, and create the right incentives for such networks. Latvian authorities could contract sectoral and/or regional bodies to develop business networks (as in Ireland), or fund consulting/advisory services for enterprises that form their own networks (as in Austria). Enterprises within a network could benefit from public financial and non-financial support, pooled resources and peer-learning to assess, anticipate and address their skills and training needs, including co-ordinating with providers to design new, tailored training. The activities of the networks could be co-funded by the State and enterprises, drawing on European Structural and Investment (ESI), State and enterprise funds (as in Ireland and Austria), in order to balance the generosity of support with the need for financial sustainability and buy-in from enterprises. The planned sectoral Skills Funds pilots could provide Latvia with valuable experience for funding training networks in the future (similar to Ireland's National Training Fund, which comes from a training levy on enterprises). Latvia could require a minimum number of smaller enterprises in each network (as in Austria) and/or provide smaller enterprises relatively higher support. However, learning from the experience of ERDF-funded training projects implemented by employer associations in Latvia (OECD, 2022[1]), a successful sectoral/regional training network would need sufficient funding and incentives, including to raise awareness about its services and to cooperate and exchange good practices within and outside of the network. The role of such a network with respect to training subsidies and skills funds would also have to be clear and coherent.
- Formalising business-education collaboration in Latvia (as in Germany and Norway) can facilitate highly-tailored training for firms, and support innovation and digitalisation more broadly. This could be done by involving key providers in the learning and training networks described above, and/or by expanding the role of Latvia's sectoral expert councils to include adult education and training. In either case, providers would need incentives to participate and customise/develop training that meets the precise needs of different sectors/networks of enterprises. This in turn would depend on the effectiveness of other measures to subsidise the costs of training, help enterprises understand their skills and training needs, etc. (see Chapters 3 and 4).

Annex A. Criteria for selecting good practices

In selecting the good practices, the OECD has favoured practices which meet the most criteria below:

1. the country from which the practice originates outperforms Latvia on one or more metrics of employer-supported training, including:
    a. the % employers providing CVT courses (CVTS 2015)
    b. the % of employers providing training during worktime (ECD 2019)
    c. the trend in the % of employed adults participating in education and training (EULFS 2016-2019)
2. the country from which the practice originates has some similar education, training and labour market institutions/characteristics to Latvia, including:
    a. neighbouring countries: Lithuania and Estonia
    b. nearby countries: Sweden, Denmark, Finland, Norway and Poland
3. the practice is a policy lever that appears to be under-utilised in Latvia currently, including:
    a. building enterprises' skills assessment and anticipation capacity
    b. promoting innovative and modern workplace practices
    c. fostering enterprises' management and leadership skills
    d. pooling training resources and participation across enterprises
    e. leveraging ecosystems for skills investment (enterprise-education collaboration)
    f. providing easily accessible information on training support to enterprises
    g. financial measures (vouchers for consulting contracts, subsidised training schemes)
    h. non-regulatory measures (recognising the costs of informal training)
4. the practice addresses the training barriers of most importance in Latvia, including:
    a. attitudes (awareness)
    b. poaching concerns
    c. cost (including administrative burden)
    d. time
    e. information (including little knowledge of specific policy/programme)
5. the practice targets the groups/skills/training most in need of support in Latvia, including:
    a. micro-sized firms and SMEs
    b. low-skilled adults
    c. older adults
    d. transversal skills (management, languages, digital skills)
    e. external training courses
6. there is evidence that the practice has been effective in the origin country, including evidence on:
    a. inputs (participation, expenditure)
    b. outputs/outcomes (completions, satisfaction, etc.)

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