

Incentives to business investment in skills in Italy

Recommendations for two public policy instruments

Executive summary

The Italian labour market is characterised by a large mismatch between skills supply and demand, which slows down productivity and the adoption of advanced technologies in Italian firms. Company size affects both the cost of developing new investments and the ability to find information and access public support instruments for investment.

In this context, the Ministry of Economic Development and Invitalia have requested technical support from the OECD within the framework of the European Commission's Structural Reform Support Programme (SRSP) to define and implement a package of policies to support investment in skills in Italian micro, small and medium-sized enterprises (MSMEs). It is envisaged that these policies will leverage resources from the European Regional Development Fund for the 2021-27 programming period.

This document outlines recommendations for the design of two public policy instruments, which have been identified as particularly urgent. The recommendations have been developed from discussions with beneficiaries and key public and private stakeholders on the topic, grouped in two working groups.

While aiming at a careful selection of beneficiaries of public support, both instruments are intended to reach a wide range of micro, small and medium-sized enterprises, expanding the scope of the Administration's action towards enterprises with less organisational and planning capacity, and which are therefore less likely to invest in human capital in the absence of support.

Both instruments also aim to invest in the skills of managers and entrepreneurs. A lack of awareness of skills needs in the enterprise, as well as of the benefits of upskilling and retraining, frequently results in lower investment in the skills of the workforce. Expanding the training offer and training methods to the entrepreneurs, promoting actions aimed at increasing planning and managerial skills of managers are central to both instruments proposed here.

The first instrument aims to strengthen the investment in skills in enterprise networks, in particular by sharing training costs of staff, designing common training paths, or hiring trained staff. Although their number is increasing, business collaborations remain rare, especially in relation to skills investment projects. Among the causes, the main ones are the asymmetry of information between enterprises on personnel needs, a low awareness of managers and entrepreneurs of the potential benefits of collaboration, and the lack of public instruments dedicated to human capital for the networks. These aspects are even more important for smaller enterprises.

In order to respond to these needs, it is proposed to strengthen and coordinate the action of existing entities outside the Administration, which already assist enterprises in planning investments in innovation or training, however with discretionary elements, differences in the quality or capillarity of the service on the territory and often limited resources. Examples of these "intermediate bodies" are the Digital Innovation Hubs (DIH), the Competence Centres, the Chambers of Commerce and their Digital Enterprise Points (PID), and entities related to trade associations.

It is proposed that the Administration should be responsible for the steering and coordination functions in order to guarantee a minimum level of quality of the services provided by the intermediaries, which would apply evenly across the country and among the different providers. These functions should take the form of an Administration Work Plan, to be developed within the scope of the 2021-2027 programming period for the European Structural Funds. The Work Plan could include the following actions: the identification of services to be prioritised; the definition of minimum service standards for intermediate bodies; the evaluation of the activities of intermediate bodies; and the listening to stakeholders, in particular providers.

Four support services related to skills investment in networks have been identified as priorities: (1) conducting a skills needs analysis at the network level as well as at the level of individual enterprises; (2) supporting enterprises in the elaboration of a training plan common to the enterprises in the network; (3) sharing information on public support initiatives aimed at skills investment; and (4) expanding aggregation of firms.

The proposed recommendations contain elements for guidelines on minimum standards for these four services. Particular attention is given to the analysis of skills needs (1), for which it is recommended that the intermediate bodies provide support to the firm in reading the self-assessment, or provide the analysis service itself. In view of the existence of multiple tools for the assessment of skills needs, the characteristics that the assessment tool should include: elements on the human capital in the company, technological maturity, human resource management and the medium to long-term strategy.

The recommendations also emphasise that future guidelines should address the needs not only of already formalised business collaborations, but also of individual enterprises, with the aim of identifying skills needs, raising awareness among business managers, and connecting enterprises with similar needs. These enterprises do not necessarily have to operate in the same territory or sector, and the instrument does not impose constraints on the size composition of the enterprises participating in the network, nor on the horizontal or vertical nature of the collaboration. However, it is suggested that new collaborations, where formalisation is necessary, would take the form of a *contratto di rete*, as it is a flexible instrument with a relatively low administrative cost.

Finally, it is suggested that the observation and evaluation of the work of the providers should be based on an annual monitoring report drawn up by each provider, or on an evaluation team created ad hoc and formed by MISE, Invitalia and other institutions, which would monitor the compliance of the providers with the service guidelines. The Administration is also called upon to consider whether compliance with the guidelines can be incentivised through the allocation of resources to intermediate entities as a result of this monitoring or evaluation activity.

The second instrument is the new voucher for training and mentoring, which finances part of the costs incurred by MSMEs for qualified consulting and training activities in the context of a technological or industrial transition (innovation, smart specialisation).

Compared to other public instruments providing financial support to companies that undertake training, this voucher allows for low administrative costs for companies, and has been designed to offer flexibility in the way the training is used, in the content (technical and "soft" skills), and in the hierarchical position of the beneficiaries (entrepreneurs, managers, or personnel involved in the process of intelligent transformation, innovation or corporate reorganisation).

It is also possible to use the voucher for consultancy expenses related to company reorganisation, such as consultancy in preparation for the training itself. Companies with less planning capacity will

have access to a first, smaller voucher to help them design a training or company reorganisation project, which can be taken into account for the main voucher accessible to all eligible companies that are already able to present an investment project.

The quality of the financed interventions is ensured by three design elements: (i) the submission of a skills needs analysis which is made compulsory to access the facility; (ii) the careful selection of service providers (consultants or trainers) to which the enterprises have to refer in order to obtain the voucher; and (iii) the selection of eligible projects.

While point (i) has been developed above with regard to the first instrument, a careful selection of service providers (ii) considered eligible for vouchers would not only raise the average complexity of the subsidised interventions, but also expand the pool of beneficiaries to companies that have less project capacity prior to the intervention. It is recommended that the selection should not be based only on a pre-existing accreditation of entities in a register, but should verify the possession of minimum experience in the field of interest. The resulting list may include both market and semi-institutional entities such as, among others, the Competence Centres and the Digital Innovation Hubs, and should be public in order to facilitate the matching of suppliers and beneficiary enterprises.

The evaluation of the projects to be financed (iii) should be carried out through a selection phase which would last until the resources remain available (therefore without a click-day), which can be based on some semi-automatic selection criteria (e.g. expected cost per participant, proportion of the participating workforce and its organisational position) and on key performance indicators on which the company itself expects to see results thanks to the activity supported by the voucher. For smaller vouchers, the Administration may provide for a simplified application model, based on a pre-formatted model.

Finally, it is envisaged that the final evaluation will not be carried out for each project financed, in light of the relatively small size of each voucher and the considerable resources that the Administration would invest in the ex-ante selection of projects and service providers. Instead, it is suggested to carry out a regular monitoring of the funded projects, an evaluation of the overall impact of the measure including all projects, and a sample survey on the satisfaction of the beneficiary enterprises with the public measure. The best funded projects could also be mentioned as good practice in the awareness-raising and dissemination activities of the instrument that the Administration will put in place.