Financial incentives for research and innovation and skills investment

Setting the scene for panel discussion

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Setting the scene

• Skills for the future, skills for innovation
• Why firms may not invest enough in skills development
• What are the policy options
• Some examples of financial incentives
• Is it all about financial incentives?

❖ Mainly based on our current research, focused on future of work, in general, and small enterprises, that are those facing major challenges for skills development and attracting skilled workforce
Skills for the future

• More and more reports and tools to envisage skills for the “future of work”

→ A landscape of uncertainty: skills for adaptability
World Bank and ILO reports (2019)

• Digital skills – a horizontal need, in all sectors in all occupations

• “Human” skills:
  • cognitive (critical thinking, problem solving)
  • socio-behavioural (curiosity, creativity)

→ Hard to learn in training in adult age: on-the-job experience and in early/young age education (different roles)
Skills for innovation

• Establishing a precise link is complex:
  • Limited empirical evidence (lose quantitative indicators)
  • Type of sector (services VS manufacturing – different industrial structure)
  • Type of innovation (scientific/technological, process/social)

• Technical/academic skills provide the knowledge base for innovation (e.g. STEM)

• Soft skills are key for applying and sharing knowledge in the workplace: human, socio-behavioural, non-cognitive skills

Example: firm-level evidence suggests that technical and business/management skills are both important for innovation outcomes (OECD, 2011)

Two remarks on indicators to monitor:
• Educational levels → related to “learning to learn” skills
• Problem solving in technology-rich environment (OECD indicator) → related to digital skills
EU firms’ views

What skills are needed by firms for their development?

Source: Eurostat – CVTS 2015
Challenges for skills investment

❖ Skills are crucial for innovation, but investing in human capital rather than physical capital for innovation is harder

• Market Failure: firms that pay do not secure returns of investment because trained workers can leave

• Unaffordable costs: monetary and opportunity costs

• Information deficiencies: lack of awareness about importance of training, high transaction costs for collecting info on possibilities, scarce info on skills availability and needs

• Supply constraints: lack of contents and methods that are adequate for firms and for teaching to adults
What are policy options

- The EU framework sets the recognition of rights (EPSR), soft instruments and policies (New Skills agenda), financial assistance (Horizon 2020, Erasmus+)
  - Stimulating employers and employees through financial incentives (grants, soft loans, tax incentives, dedicated budget to training)
  - Decreasing information and access cost: awareness raising accompanying programmes, counselling for accessing programmes, monitoring skills needs (centralised VS business led)
  - Removing supply constraints through networks and digital learning
Financial incentives for skills investments – some examples

• At firm level

Training 4.0 (Piano Nazionale Impresa 4.0) – Italy
Tax benefits for firms that invest in training courses related to the Industry 4.0, tax deduction up to 40% of training expenses

Skillnet – Ireland
Subsidies (50% state funded) and support for training activities in which firms take the lead, organized in regional or sectoral networks

AMU programme – Denmark
Co-funding (15% user fee) and organizing training activities and compensating firms from production loss when their employees participate in training, covers broad range of skills, such as job specific, general and personal

• At individual level

Compte personnel de formation (CPF) – France
Designed to enable lifelong learning for workers through a training account open throughout the career
  • Reform of January 1st, 2019: every active worker (excluding civil servants) has a CPF, credited in euros (no longer in hours)
  • 500EUR per year, 800EUR for the low qualified and persons with disability
  • The same rights apply for part-time workers (if they work at least 50% of full-time hours)
  • This will also be available for self-employed workers from 2020
Beyond financial incentives

• Create environments for collaboration
  • between firms and education and training institutions
  • among firms, different sectors and different size

• Foster information about the need for skills development

• Simplify information and access to financial incentives for skills development

• Enable new ways for learning in a technology-rich environment