



# 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?
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- ❖ 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

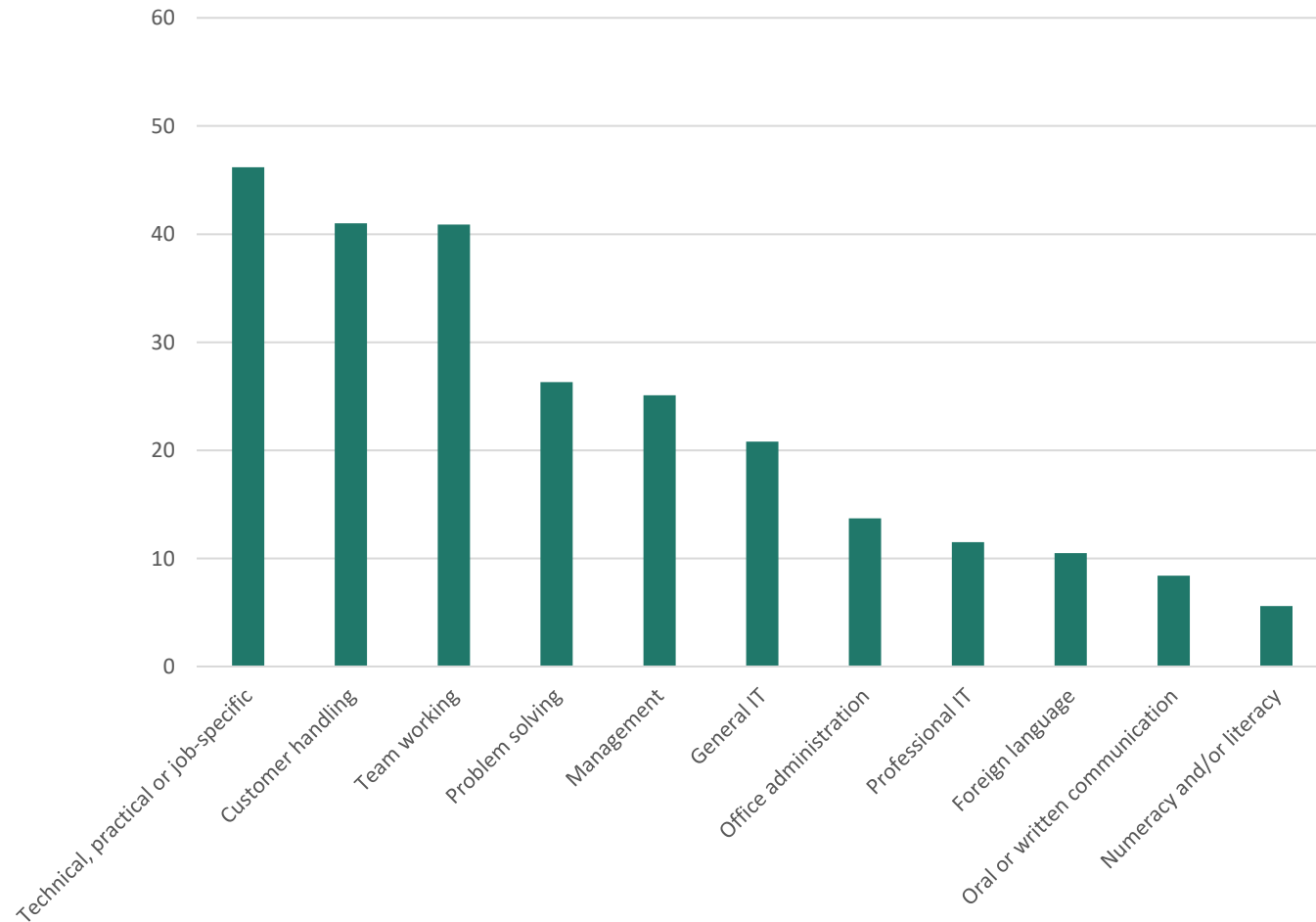
Example: firm-level evidence suggests that technical and business/management skills are both important for innovation outcomes (OECD, 2011)

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?





# 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 1<sup>st</sup>, 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



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# Thank You!

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