

Quality in VET in European SMEs

A REVIEW OF THE FOOD PROCESSING,
RETAIL AND TOURISM SECTORS
IN GERMANY, IRELAND AND GREECE



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A review of the food processing,
retail and tourism sectors
in Germany, Ireland and Greece

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Foreword

In a context of increasingly fierce competition, driven by market globalisation, business sectors and individual enterprises need to respond effectively to constant change.

The widespread use of new technologies has transformed production and distribution processes, work organisation and job profiles. Employers and employees face an almost permanent need for continuing learning.

Knowledge and competences are acquired not just in formal education and training systems but in multiple learning environments, including the workplace and throughout life.

Lifelong learning is considered essential for Europe to achieve a strong and sustainable position in the world and become a knowledge-based economy by 2010, as envisaged by the Lisbon Council in March 2000.

Although investment in education and training is an essential precondition, it is not in itself sufficient to guarantee satisfactory results. The quality of the training provision and of the learning process is critically important.

This situation makes all actors involved – policy-makers, VET providers, social partners, enterprises, tutors, students, etc. – interdependent in the way they perform and interrelate. More than ever, learning depends on the way knowledge and skills are transmitted.

Small and medium-sized enterprises (SMEs) are predominant in all European economies and are important job providers. According to *SMEs in Europe 2003* (European Commission, 2004), over 99 % of all firms in Europe (countries of the European Economic Area plus candidate countries) are SMEs; some 25.3 million non-primary private firms, of which over 90 % are micros, account for 53 % of all jobs and half of Europe's total turnover. Although they are a source of dynamic development and innovation, they tend to carry out little training. They give priority to on-the-job or non-formal training, which, in view of the complexity of tasks to be performed within a today's SME, have to be provided with a certain quality.

When a systematic quality approach (covering planning, implementation, evaluation and improvement based on the evaluation results) is adopted, SMEs stand to achieve a better understanding of what they actually do and what they should do, and they can then act accordingly.

Although a non-homogeneous group, SMEs, and especially micro enterprises, share a common characteristic: the crucial role of the owners in all-important

aspects of business structure and performance.

European SME employers often complain of skills gaps, the discrepancy between the skills, qualifications and competences offered by the employees and those demanded by their work.

It is acknowledged that enterprises, large and small, do not have to be regarded as totally independent but can be considered as belonging to sectors/branches or related to them. However, sectors vary: some are old and others are new; some consist of large enterprises and others primarily of small ones; some are mainly knowledge-intensive and others are labour-intensive. Some sectors depend so much on others 'upstream' or 'downstream' that we consider them to be chains, such as food production, which depends on agriculture or animal-breeding to such an extent that we now speak about the agro-business sector.

One of the effects of globalisation is the integration of markets in which production of goods depends on wholesale and retail commerce; i.e. in some sectors production and services build on each other. This interrelation has a major impact on the way the sectors understand, plan and implement all their activities, including developing their workforce skills. In these sectors, the skills and competences of the workforce are also interrelated and networks of small enterprises often supply training, with the help of training providers and/or large enterprises active in the relevant sector. Progressively, promoting networking and training are considered to have a high leverage effect for the small and medium-sized enterprises in Europe.

Such challenges can be observed in the three sectors selected for the present study: the food and beverage industry, from manufacturing, and the retail trade and tourism from the services.

All three are important in terms of employment and contribution to the European gross domestic product. They also have an important presence in the three Member States under analysis: Germany, Ireland and Greece. All three face compelling change drivers including international competition and European regulations.

Addressing the issues of learning in SMEs and of sectoral needs, the present Cedefop study sits at the intersection of in-company and in-sector competence building and development. It also provides a series of recommendations on how to connect the world of training to the world of SMEs and the labour market. In this way the centre contributes to the reviewed priorities for enhanced cooperation in VET – from the 2002 Copenhagen declaration to the 2006 Helsinki communiqué – and to those related to human capital and skills, lifelong learning and delivering skills relevant to working life.

Aviana Bulgarelli
Director of Cedefop

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This report is the result of a team effort and reflects the contributions of experts and practitioners working on human resources development, employment and sector issues. Cedefop would like to acknowledge in particular the contribution of Professor Joseph Hassid of the University of Piraeus who prepared this synthesis report ⁽¹⁾ .

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Executive summary

This study's basic aims are to:

- investigate how, and under what conditions, quality approaches to training are introduced in or for small enterprises in various sectors in Member States and to draw comparisons between them, with particular emphasis to the 'sector logic', the sectors' special characteristics and to the national cultural and institutional environment;
- investigate how small enterprises plan human resources development, how the relevant training is implemented, how the results and outcome of training are assessed and evaluated, and how conclusions are drawn from such evaluations and utilised for improving training and overall performance;
- make comparisons between countries and sectors and to formulate proposals for disseminating identified good practices and supporting small enterprises in improving quality in training and their competitiveness.

Previous work has established that small enterprises rely heavily, directly or indirectly, on training providers (national and/or sectoral agencies and, to a lesser extent, private training providers). It was, therefore, concluded that, for the purposes of the study, such organisations should be the main source of information; most of the contacts and subsequent interviews have concentrated on such organisations. In addition, several pertinent small firm case studies were investigated in each sector and country.

The sectors surveyed were food processing, retail and the tourism industry (consisting of hotel and restaurant subsectors) in Germany, Ireland and Greece. The investigations in the four sectors and the three countries were conducted through structured interviews using standardised questionnaires.

In all sectors surveyed, recruitment of skilled personnel poses problems for small firms. This is consistent with findings earlier reported in the second continuing vocational training (CVT) survey (European Commission, 2002) that the reason for not offering continuing training, i.e. 'people recruited with the skills needed', is less frequently advanced by small firms than by large ones.

Survey results suggest that SME needs for new and updated skills in the food sector are substantial, with emphasis on a wide range of skills, implying a general need for upgrading training arrangements in the corresponding areas. There is a generally low level of interest and availability for training

in many strategically important skill areas, such as customer relationship management, operations management and new product development. This reflects the industry's short-term operational focus.

In the retail sector, SMEs emphasise the need for specialist training in areas such as selling skills, merchandising, stock control, security, etc. In the tourism sector, front-office or 'concierge' skills are obviously a key element. Staff must be able to offer a welcoming environment coupled with in-depth local knowledge in order to cater for customer requests and enquiries. A corollary of the need for welcoming operator skills is the need for skills in the way people are managed and rewarded. The tourism industry has struggled with aspects of front-line management, with performance management and review, and with the provision of feedback and direction to staff.

However, tourism SMEs do not place much emphasis on training programmes for managerial, marketing skills or quality assurance (QA), as they frequently rely mostly on their owners' experience.

Efficiency in identifying training needs constitutes, for both small and larger firms, a precondition for their response to training opportunities. It is noted that 'difficulties in assessing enterprise needs' is more frequently suggested by small firms as a reason for not providing CVT. The role of the SME owner in identifying (at least in a general unsophisticated way) skill needs, remains a vital one, especially in circumstances of weak internal management structures in which specialised personnel is absent.

Among the various factors that create training needs, small firms in all sectors and countries surveyed emphasised the role of technological developments, national and European legislation (regulation) and market competition.

In the food sector, for example, it is generally accepted that stringent EU food safety directives and national hygiene standards are powerful training needs drivers. The highly automated nature of the food sector means that training in new process and packaging equipment and in new technology constitutes another substantial element in operator training. Further, food technologists require training at higher levels to drive innovation in their industry.

In contrast, retail sector experts indicated that intense competition makes customer service skills the dominant driver of training across the sector.

Reference to special needs created by changing labour force composition (increased participation of immigrant workers) was also made for the tourism sector in Ireland and in Greece.

Depending on the skill needs identified and the type of training provided, the main target group differs by sector. The similarities among the countries surveyed, however, are significant, pointing to the fact that, for small firms, training their owners and family members is the most important focus, followed by managerial staff. It is also observed that small firms rarely have any active role in designing training programmes; this is usually done by external experts.

Having already discussed the factors inducing SMEs to invest in training ('drivers to training'), the survey also investigated the barriers, since it is the combination of these two sets of factors that eventually impact on the decisions.

The survey findings suggest that, in all sectors and countries surveyed, the main barriers to training are:

- the disruption to business caused by staff unavailability as a result of attending training courses; SMEs do not have spare staff capacity to cover for such absence;
- fear of poaching of trained staff by competitors;
- management's lack of understanding of the role of training and their perception of training as a cost rather than as an investment in human resources.

National surveys in all sectors showed that SME management considered several criteria in addition to cost when selecting their training programmes. For most, the critical consideration was whether the course could be delivered on site. Relevance of training was also ranked high: ideally SMEs want courses that are customised, at least to some extent, and trainers should be aware of the main issues in the sector and 'speak the lingo'.

In the food sector, small firms are beginning to appreciate the many advantages of a quality HR development policy. Apart from the strategic benefits in terms of competitiveness and productivity, a respected HR policy is proving to be a very good recruiting instrument. Some SMEs reported that they operated certain/specific standards and this means that they have to adopt a systematic approach to training. Many reported quality procedures to achieve HACCP compliance.

Training provider approach to quality assurance is crucial to overall effectiveness of training, since most small firms rely heavily on externally provided training services.

The surveys attempted to collect views of sectoral representative organisations, of training providers and of small firm owners on several issues related to continuing training and quality assurance approaches:

- (a) training provisions that may exist or should exist for special groups of the labour force;
- (b) the role that the social partners play specifically in identifying training needs and programme evaluation;
- (c) small firm assessment of training services provided.

In the food sector SMEs in Ireland scored training services mainly in the middle category – ‘useful’ – indicating broad satisfaction. In Germany, enterprises are mostly content or even very content with courses delivered by these public/semi-public institutions and the training services technical suppliers offer. In Greece SMEs are informed about the available training programmes by the training agents themselves or through their representative organisations. They generally consider the training they receive as useful for their business and express moderate satisfaction with the services offered by training agents.

The overall conclusion is that measures by policy-makers and training providers for the provision of training to SMEs are still some distance from achieving the robust approach to quality training envisioned in the European Commission’s common quality assurance framework ⁽²⁾ in terms of needs identification, training planning, implementation, assessment/evaluation and review/feedback.

In particular it was noted that:

- (a) small enterprises are aware that they do not spend as much on vocational education and training as their larger competitors. Additionally, they accept the validity of the argument that what training they do provide should meet an acceptable quality standard;
- (b) there is a gap between what managers believe in relation to quality approaches to vocational education and training and what they actually do in practice;
- (c) the absence of formal quality approaches to vocational education and training provision stems from several factors: one is the lack of HR management expertise within small enterprises to be able to design and implement quality approaches to staff development. Without proper structures and processes, it is difficult for SME managers to identify skills deficiencies and put in place appropriate training interventions. Few of the companies included in the SME survey had recognised this deficiency and had recruited specialised personnel to develop policies and structures to assess staff training requirements and to evaluate the effectiveness of skill development/training provided;

⁽²⁾ European Commission - Technical Working Group on Quality in VET, 2003, 2004.

- (d) unlike their larger competitors, small enterprises often do not view their staff as a source of competitive advantage and rarely make training plans further than 12 months ahead. There is also the issue that SME managers have a great fear of staff being poached by competitors, which reinforces their resistance to raising the general skill levels of their employees.

The study suggests that in all three countries and sectors surveyed there is convergence to the following conclusions:

- (a) understanding of marketplace signals by SMEs is a crucial first condition for stimulating training. The survey identified positive signals from the marketplace stipulating better quality in enterprise training. It has revealed the important role played by customers and suppliers in encouraging small companies to incorporate quality approaches to staff development. The Irish report, in particular, noted the role played by the UK grocery multiple, Tesco, in the Irish food industry, in stipulating the adoption of formal training policies by its suppliers. The retail sector study in that same country also revealed the role played by wholesalers/franchise holders in encouraging independent SME retailers to improve employee skill. Not only do these suppliers arrange training programmes for the staff of their customers/franchisees but they also have the managerial resources to be able to provide needs assessment and evaluation support. Similar cases were observed in the other countries surveyed;
- (b) government response. Government agencies in the three countries have not been complacent about the deficit in enterprise training by SMEs. Various schemes operating in Germany, Ireland and Greece operate with varying degree of effectiveness;
- (c) proactive agency role in identifying training needs. The role of public and private sector agencies is vital, in particular, the need for such agencies becoming more active in identifying SMEs training needs;
- (d) network approach to training. There has been a significant policy emphasis in Ireland on a network approach to training involving small enterprises (the Skillnets programme is a key example of this; the new county based tourism learning network initiative from Fáilte Ireland is another). This should be regarded as good practice which could be transferred to other countries.

Based on all the above, the overall interpretation of the survey results and the insights gained through contacts and discussions with SME owners, government agencies officials and training experts, the following suggestions are made for further work aiming at promoting quality training in small firms:

- (a) study the impact of individual factors inducing competence development in SMEs;
- (b) appreciate and emphasise the private and social benefits resulting from 'quality training' in SMEs (and not only). Educate stakeholders accordingly;
- (c) evaluate and regulate relations between: SMEs and training providers, training providers and government/funding agencies. In particular, develop VET quality criteria and indicators adapted to the needs and the peculiarities of SMEs;
- (d) appreciate SME owners extended role as 'competences development relay agents and multipliers'. Owners should be perceived as both trainees and trainers. Accordingly, develop and support new generation of suitable training and support programmes.

Introduction and methodology

The rationale for this Cedefop study is based on the following five arguments:

- (a) the widespread use of new technologies affecting production, distribution processes, work organisation and job profiles, combined with progressive globalisation of markets and increased competition should generally be interpreted as a clear message to both employers and employees, to respond effectively to continuous changes. Such a message should be particularly comprehended and its implications well understood by small and medium-sized enterprises;
- (b) the realisation of the need to prepare themselves for an effective response to change and the nature of change itself, leads employers and employees constantly to seek ways of acquiring knowledge and new competences throughout life;
- (c) although investment in education and training is an essential precondition, the quality of training provision and the way in which knowledge and skills are transmitted become of critical importance. A systematic quality approach to all the components of a learning process (planning, implementation, evaluation, and improvement) is indispensable;
- (d) the specific characteristics of each individual enterprise being affected by the above considerations (including, among others, its size and associated command over resources for organising and implementing training) are important factors determining its ability and readiness to comprehend and introduce such 'quality approaches' to training. Each enterprise's type of activity (market conditions, links to other sectors, development prospects, etc.) is also a crucial determinant;
- (e) small enterprises (defined as those employing no more than 50 persons) are predominant in all European economies and are also an important provider of jobs. Despite the fact that those SMEs are seen as the main source of dynamic development and innovation, they tend to carry out little training. When they do train, they give priority to on-the-job learning, to training jointly with other small enterprises in the same sector and/or in the same region, to cooperating and obtaining training services from training providers (organisations and/or private institutions). The wide variety of such training provisions and the generally limited extent of training itself, makes the issue of 'quality' in small enterprise training even more important. Hence, the

questions that the present study is addressing of whether small enterprises have a quality approach to training and of how and under what conditions such approaches are or could be introduced and maintained.

In line with the above arguments, and also considering the study's target audience, its basic aims are to:

- investigate how and under what conditions quality approaches to training are introduced in or for small enterprises in various sectors in Member States and to draw comparisons between them, with particular emphasis on the 'sector logic', the sectors' special characteristics and the national cultural and institutional environment;
- investigate how small enterprises plan human resource development, how the relevant training is implemented, how the results and outcome of training are assessed and evaluated and how conclusions are drawn from such evaluations and utilised for improving training and overall performance;
- make comparisons between countries and sectors and to formulate proposals for disseminating identified good practices and supporting small enterprises in improving quality in training and their competitiveness.

1.1. The scope of investigation

Given the general peculiarities of small enterprises, it was considered more effective to focus the investigation on the supply side of the training systems in each country. Previous work has established that small enterprises rely heavily, directly or indirectly, on training providers (national and/or sectoral agencies and, to a lesser extent, private training providers). It was therefore decided that, for the purposes of the study, such organisations should be the main source of information; most of the contacts and subsequent interviews have been concentrated on such organisations. In addition, several small firm case studies were investigated in each sector and country.

1.2. Work methods

The investigations were conducted through structured interviews using standardised questionnaires. These questionnaires were formulated to allow subsequent comparative processing of answers. They contained questions relating to all sectors and all types of small enterprise (including distinction for very small enterprises with up to 10 employees) and also sector-specific questions.

Two distinct questionnaires were designed and used. For Germany and Greece the questionnaires were translated for ease of expert contacts and discussions with those being interviewed.

- questionnaire A was addressed to sectoral associations and to training providers;
- questionnaire B was addressed to individual small firms.

1.3. Model of training decision-making characteristics

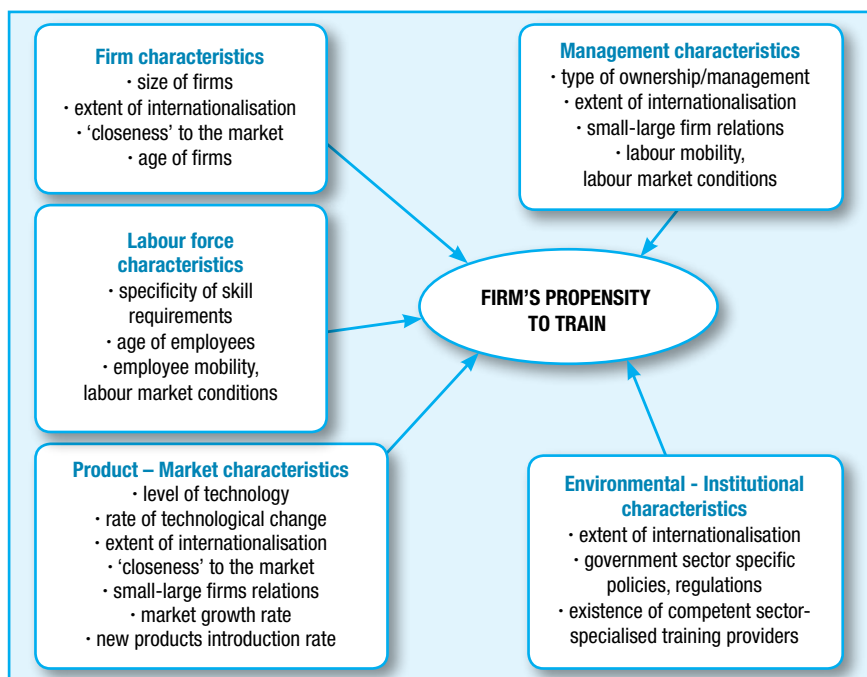
The point of departure for the study's main contribution (possibly setting the scene for further follow-up work) is the assertion that differences in the extent to which small enterprises in different national environments and sectors of activity adopt, introduce and maintain a quality approach to training, may be explained by differences in sector and firm-specific characteristics. Such characteristics may subsequently also serve as explanations for differences and similarities among countries and sectors, between the various components of a systematic quality approach (planning, implementation, evaluation, improvement) and as arguments for formulating proposals for measures supporting small enterprises in improving quality in training.

Characteristics worth considering may be grouped as follows (see also Figure 1 below):

- (a) firm characteristics:
 - (i) size of firm;
 - (ii) extent of internationalisation;
 - (iii) 'closeness' to the market;
 - (iv) age of firms;
- (b) management characteristics:
 - (i) type of ownership/management;
 - (ii) extent of internationalisation;
 - (iii) small-large firms relations;
 - (iv) labour mobility, labour market conditions;
- (c) labour force characteristics:
 - (i) specificity of skills requirements;
 - (ii) age of employees;
 - (iii) employee mobility, labour market conditions;
- (d) product/market characteristics:
 - (i) level of technology;

- (ii) rate of technological change;
- (iii) extent of internationalisation;
- (iv) 'closeness' to the market;
- (v) small-large firm relations;
- (vi) market growth rate;
- (vii) new product introduction;
- (e) environmental, institutional characteristics:
 - (i) extent of internationalisation;
 - (ii) government sector specific policies, regulations;
 - (iii) existence of competent sector-specialised training providers.

Figure 1. **Factors affecting a firm's training-related decision: the 'generalised model'**



The relevance and significance of the above characteristics were examined through contacts with organisations and sector experts. After the presentation, in Sections 3 to 7, of the results of the surveys conducted, the relevance of the above 'generalised model' is reviewed to assess the 'sector logic' of small firm training decisions and practices.

CHAPTER 2

Selected indicators on VET activities

2.1. Small and medium-sized enterprises in Europe

There are approximately 20 million enterprises in the European economic area (EEA), of which nearly 99 % employ less than 50 persons (see Table 1 below). Of these enterprises, the majority (92 %) are defined as micro enterprises (employing less than 10 persons) which account for 56 % of total employment in SMEs (enterprises with up to 250 employees) and 39 % of total employment in Europe-19.

It is also characteristic that micro-enterprises dominate most European countries and economic sectors (see Tables 2 and 3).

Table 1. The roles of SMEs, Europe-19, 2003

		SME				LSE	Total
	Units	Micro	Small	Medium-sized	Total		
Number of enterprises	1 000	17 820	1 260	1 80	19 270	40	19 310
Employment	1 000	55 040	24 280	18 100	97 420	42 300	139 710
Occupied persons per enterprise		3	19	98	5	1 052	7
Turnover per enterprise	1 000 EUR	440	3 610	25 680	890	319 020	1 550
Value added per enterprise	1 000 EUR	120	1 180	8 860	280	126 030	540
Share of exports in turnover	%	9	13	17	12	23	17
Value added per occupied person	1 000 EUR	40	60	90	55	120	75
Share of labour costs in value added	%	57	57	55	56	47	52

Note: Micro enterprises: less than 10 occupied persons; small enterprises: between 10 and 50 occupied persons; medium-sized enterprises: between 50 and 250 occupied persons; LSE 250 or more occupied persons.

Source: European Commission, 2004, Table 3.1.

Table 2. **Roles of SMEs in European countries, 2003**

	Number of enterprises	Occupied persons per enterprise	Size-class dominance*	Value added per occupied person, SMEs**	Propensity to exports SMEs***	Share value added in turnover, SMEs****
					%	%
Austria	270	11	Micro	78	-3	-3
Belgium	440	7	Micro	93	-6	-2
Denmark	210	10	SME	93	-3	-1
Finland	220	7	LSE	85	-6	1
France	2 500	8	Micro	76	-7	-4
Germany	3 020	10	LSE	90	-6	5
Greece	770	2	Micro	98	-1	2
Ireland	100	10	SME	50	6	2
Italy	4 490	4	Micro	89	-4	0
Luxembourg	20	9	SME	101	-1	-1
Netherlands	570	12	LSE	95	-4	-1
Portugal	690	5	SME	74	-2	-6
Spain	2 680	6	Micro	82	-4	0
Sweden	490	7	Micro	87	-3	0
United Kingdom	2 230	11	LSE	69	-4	-5
EU-15	18 700	7	Micro	74	-5	-3
Iceland	30	4	LSE	75	-3	-6
Norway	240	7	Micro			
Liechtenstein	4	6	Micro	68	-2	-15
Switzerland	340	8	SME			
Non-EU countries	610	7	SME	71	-2	-11
Europe-19	19 310	7	Micro	74	-4	-4

* A country or sector of industry is said to be micro, small and medium-sized, or LSE dominant if either micro enterprises, small and medium-sized enterprises (taken together) or large-scale enterprises have the largest share in total employment.

** Index, country total=100.

*** Share of export in turnover (%); SMEs minus country total.

**** Value added as percentage of turnover, SMEs as deviation of country total.

Source: European Commission, 2004, Table 3.2.

Table 3. Roles of SMEs by sector of industry, Europe-19, 2003

	Number of enterprises (1 000s)	Occupied persons per enterprise	Size-class dominance*	Value added per occupied person, SMEs**	Profitability of SMEs***	Propensity to export SMEs****
Extraction (including energy)	50	38	LSE	112	-1	-2
Manufacturing	2 250	16	SME	81	-3	-12
Construction	2 280	6	Micro	96	0	-1
Wholesale trade	1 510	6	Micro	96	-1	1
Retail distribution (including car and repair)	3 740	5	Micro	96	-2	0
Transport, communication	1 040	10	LSE	78	-10	-1
Producer services	4 310	6	LSE	69	-10	-2
Personal services	4 140	5	Micro	83	0	-1
Non-primary private enterprise	19 310	7	Micro	74	-9	-4

* A country or sector of industry is said to be micro, small and medium-sized, or LSE dominant if either micro enterprises, small and medium-sized enterprises (taken together) or large-scale enterprises have the largest share in total employment.

** Index, country total=100.

*** Gross operating surplus adjusted for imputed wage of self-employed, as percentage of value added; SME minus industry total.

**** Share of export in turnover (%); SMEs minus country total.

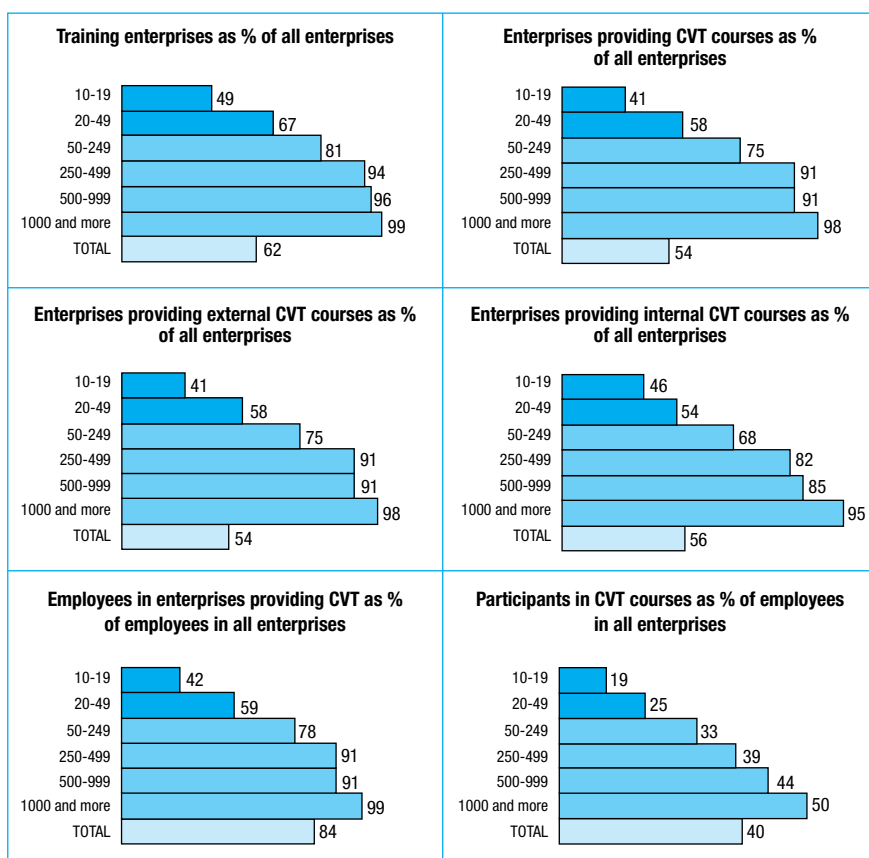
Source: European Commission, 2004, Table 3.3.

2.2. Continuing vocational training in European SMEs

2.2.1. Orientation to CVT

Figure 2 illustrates the extent to which European firms of different sizes undertake continuing vocational training (CVT) for their employees. All indices presented in Figure 2 suggest that small enterprises (up to 49 persons employed) are less inclined to get involved in CVT courses compared to their larger counterparts (this is particularly evident for firms employing fewer than 20 persons).

Figure 2. **Pattern of enterprises' orientation to CVT**



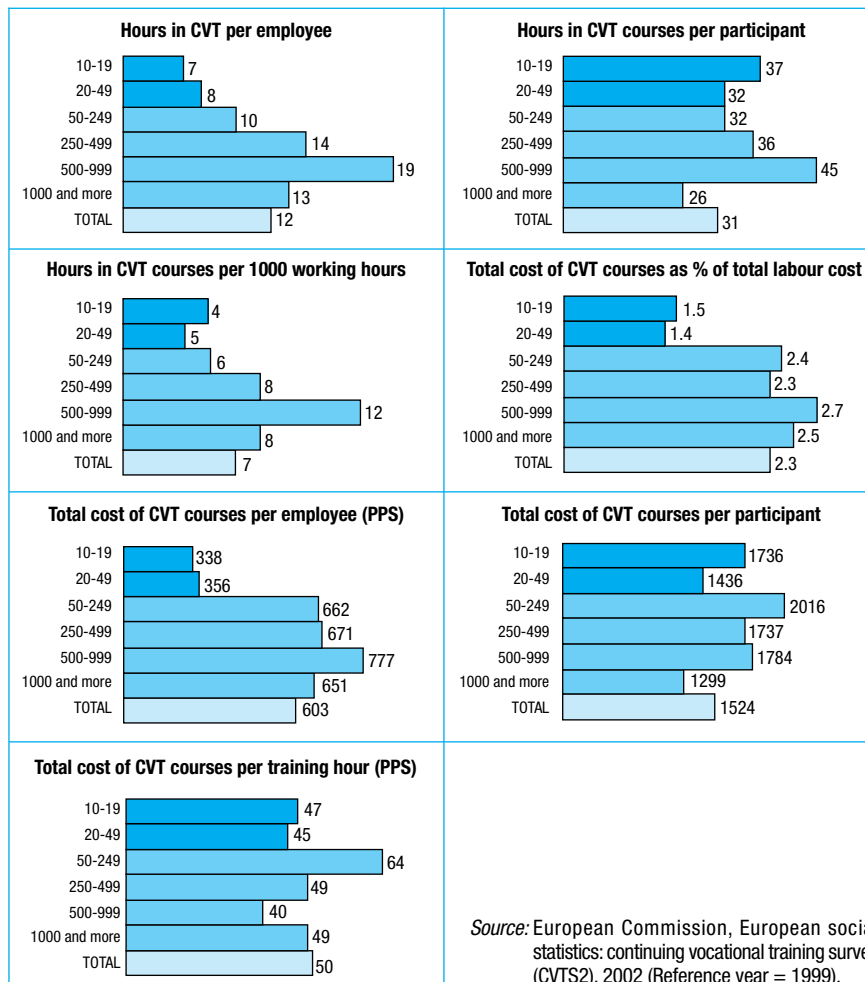
Source: European Commission, 2004.

2.2.2. Small firm investment in continuing vocational training

Investment in CVT may be measured either by the time devoted to this type of training or by the cost associated with such decisions.

All the information contained in Figure 3 suggests that while, in terms of time, small firm investment is, on average, much less than in larger firms, the differences in cost per participant or cost per training hour are not significant. This implies that there are substantial economies of scale in training and fewer employees of small firms participate in CVT courses (whose cost, below a certain critical mass of participants, does not diminish).

Figure 3. Enterprise investment in CVT

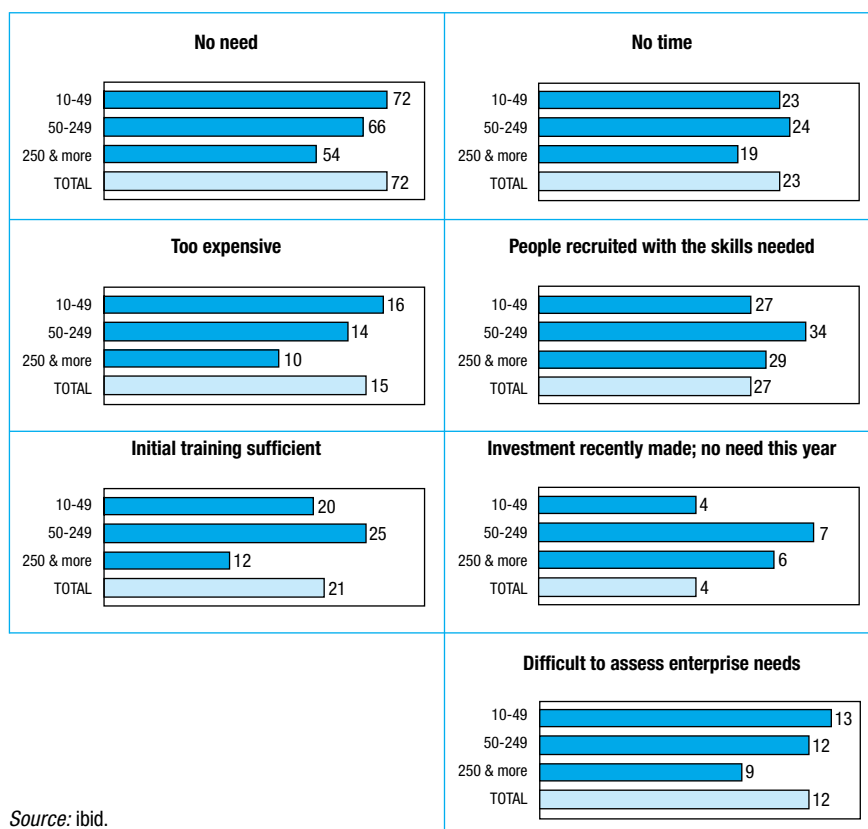


2.3. Reasons for small firms not providing CVT

The following reasons for not providing CVT, in descending order of frequency of replies, are from the Eurostat survey of small non-training enterprises are (see also Figure 4):

- (a) no need;
- (b) people recruited with the skills needed;
- (c) no time;
- (d) initial training sufficient;
- (e) too expensive;
- (f) difficult to assess enterprise needs;
- (g) investment recently made; no needs this year

Figure 4. Non-training enterprises, by reason for not providing CVT (%)



Source: ibid.

2.4. The situation in Germany, Ireland and Greece for sectors surveyed

Food and beverages is Ireland's single largest indigenous sector and it plays a critical role in the continued growth and success of the Irish economy. The latest Central Statistics Office figures show that the sector employed 47 000 people directly in 2003, with 75 % working in indigenous industry. The food processing industry accounts for 85 % of direct employment.

Some 70 % of food manufacturing enterprises are small companies employing less than 50 people; however, these represent only about 20 % of total employment in the industry, and less than 10 % of net output.

The 2004 Enterprise Strategy Group report *Ahead of the curve* stated that the Irish agro-food and drink sector now face fundamental change, largely driven by Common agricultural policy (CAP) reform and World Trade Organization (WTO) negotiations.. Rapid consolidation at retail and production levels, trade liberalisation and increased competition from lower cost regions, represented major challenges to this important sector of the Irish economy.

In Germany, about 530 000 employees work in 5 900 enterprises. Despite declining numbers, the food sector is still one of the biggest sectors in Germany.

The operating conditions for the food sector are changing permanently and rapidly. Structural change, increasing competition, globalisation, new technologies, and socio-political conditions are all of great influence.

Germany, with its large population number and consequent purchasing power, is one of the most competitive markets in the EU food sector. Many partner countries devote significant effort to marketing their products in Germany. The goal of the Central Marketing Association of German Agriculture (CMA, Centrale Marketing-Gesellschaft der deutschen Agrarwirtschaft mbH) is to increase sales of German products by developing markets within Germany and abroad and to strengthen the position of German products against foreign products.

Measuring and assuring quality is essential to the food-producing industry, not only for the improvement of products already produced but also in developing new products.

The food and beverages industry is one of the oldest existing industrial sectors in the Greek economy, yet, its real history begins only half a century ago. In the mid-1950s a nationwide effort began to transform the agricultural

surplus created by rapidly increasing productivity, into products aiming to satisfy consumer needs in domestic and foreign markets.

By the mid-1960s, the Greek market for food and beverages had reached self-sufficiency and the sector had become a net exporter and a major pillar of the national economy. Since then, it has remained one of the most significant industrial sectors of the economy, both in the number of firms and persons employed.

The average size of the establishments in terms of employment is 5.7 persons. Almost 94 % of the firms employ less than 10 persons and are characterised as small-scale industries employing 44.4 % of the sector's labour force; the majority of them (more than 90 %) are actually cottage-size units employing less than five persons. SMEs employing up to 50 persons account for about 99 % of firms and 63.6 % of employment. Units employing more than 50 persons (large-scale industry) are just 1 % of the total number but their average size is significantly larger, employing 36.4 % of the total labour force.

The Forfás report on the *dynamics of the retail sector in Ireland* (2000) noted the substantial changes in the retail sector in the last 30 years, both in Ireland and internationally. The retail base in Ireland was once made up of large numbers of small shops offering specialised services, e.g. butchers, bakers, shoe shops and small general stores offering ranges of dry goods and fresh foods. These were complemented by large department stores offering a range of clothing and household items. High streets in cities and towns contained an assortment of small shops and small general stores (small by comparison with today's outlets). Manufacturers had considerable market power. They distributed goods through their own outlets, through third party retail outlets and, particularly in the area of fresh foods, through doorstep sales.

As the Irish economy developed, consumers became more mobile, tastes changed, and a greater emphasis was placed on price. The retail sector had to respond to these new circumstances. The key change was the emergence of large-scale retailers, particularly in the food sector. As these major food retailers grew they widened the gap with the smaller, more traditional retailer. Increased concentration was mirrored in other countries. This, in turn, led to the internationalisation of retailing, with super retailers operating in several countries.

With about 410 000 independent enterprises, 2.7 million employed people, and an annual turnover of more than EUR 500 billion, retail is the third-biggest sector in Germany (after industry and trade). It contributes 4.4 % of the gross national product.

In spite of continuing concentration in the retail sector, there are still a lot of independent medium-sized enterprises; 87 % of all enterprises employ less than 10 people. In terms of turnover, however, their importance is low in comparison with large enterprises: the 20 biggest food retail enterprises provide about 90 % of the total worth of business in the food retail sector.

Commercial enterprises today are the backbone of entrepreneurial activities in Greece. This is true in terms of the number of companies, the labour force employed and the turnover achieved. In 2002, 35 % of the enterprises in the country ⁽³⁾ belonged to the trade sector which also accounted for 41.4 % of the respective total turnover figure.

According to the latest data on employment (2005), 17.8 % of the total Greek workforce is employed in the trade sector. It is worth noting that, since 1993, employment in the sector has been increased by 33 % while, in the same period, employment as a whole increased only by 18 %.

The most significant part of the sector in terms of number of establishments is retail trade which, in 2002, accounted for 64 % of firms. In terms of turnover, the dominating subsector is wholesale trade, with 52.2 % of sector turnover.

Practically all the trade establishments (99.8 %) are SMEs employing up to 50 persons. Of that percentage, 98.5 % are small enterprises (employing up to 9 persons) and the rest are medium-sized (employing 10 to 49 persons).

Tourism is also a major economic sector for Ireland in terms of national and regional wealth creation. Tourism generates some EUR 4 billion in annual foreign revenue earnings and EUR 1 billion in domestic earnings. It supports 140 000 jobs and is the largest, Irish-owned internationally-traded sector of the Irish economy.

The turnover of the industry represents approximately 4.4 % of Irish gross national product. Employment in the sector grew by more than 70 % between 1990 and 2002, considerably above the 50 % growth in overall employment in the economy over that period.

The hotel sector is one of the biggest subsectors within tourism, employing an estimated 54 095 people in 2005. Of these, approximately 89 % were year-round and 11 % were seasonal employees; this represented a marginal increase on the 2004 figures.

Restaurants are also major employers, with an estimated 43 309 people in 2005. Of these, approximately 35 997 (83 %) were year-round and

⁽³⁾ Including all sectors of the economy.

7 312 (17 %) were seasonal employees. Approximately 58 % of year-round employees were in full-time employment.

Tourism in Germany generated EUR 140 billion turnover in 2004, with 2.8 million employees or 8 % of all working people. This compares with figures of EUR 226 billion, 0.773 million people for the car industry.

The hotel subsector consists of classic hotels (hotels, *hotel garni*, etc.) and other hosting houses (holiday camps, holiday apartments, etc.); the catering subsector consists of restaurants and bars, catering services, gastronomy and canteens.

The German hotel and catering sector is influenced by general economic development. After four difficult years, in which turnover and results fell continuously, the central organisation of the sector anticipated an increase in turnover of 1.5 % for 2006 (compared with -2.1 % in 2004) associated with the football world championship that particular year and a hot summer.

One million people working in the German hotel and catering sector and 100 000 apprentices generate a turnover of EUR 55.5 billion in 245 000 hosting and catering enterprises, the biggest part of it in the catering sector.

The Greek hospitality industry (hotels subsector) has 9 036 hotels with 682 050 beds. However, the majority of these hotels are 3- and 2-star classification. Only 155 are 5-star hotels, probably a disadvantage in attracting high-income guests.

Moreover, the majority of the hotels are concentrated in five (out of 52) regions of Greece; 65 % of these hotels are located in the regions of Attica, Rhodes, Crete, Corfu and Chalkidiki. City hotels are mainly located in Athens and the region of Attica, while a few are situated in the region of Thessaloniki. The rest of regions' capital cities are less populated and lack business travellers that are the major target group for city hotels.

Most Greek accommodation businesses (95 %) are small and medium-sized with less than 50 employees. Also, they are family-run, heavily relying on family member contributions for growth and development.

What is common to the three sectors chosen for study in this report is their image as traditional sectors with a good deal of low-tech, low-skills activities and sizeable SME populations. However all three have been shown to be very significant components of each country's enterprise structure and have the potential to remain substantial creators of wealth and employment.

National investigations have revealed how the three sectors have experienced profound changes over the last decade and none has remained untouched by the bracing wind of global competition.

It is a common consideration that, in the face of change and competition, a sector's crucial resource is its people (patently so in the case of tourism). However this fact should be backed up by sufficient investment in human resources (HR) development so that these sectors and the corresponding national economies can continue to enjoy the fruits of their success.

From the profiles of the four sectors analysed in various supporting documents, several similarities and differences can be detected:

- (a) all sectors are, in their own way, very important for the three countries' national economies as a whole,. The food and beverages sector is the most significant manufacturing sector in terms of employment and GDP. Retail trade is the backbone of the economy in terms of employment and the hotel, tourism and catering sector is an important 'development driver';
- (b) in all sectors the basic parameters exhibit either stability or an improvement over time;
- (c) all sectors present some common characteristics, such as the majority of SMEs in the total number of enterprises, the high mobility (turnover) of trained and qualified personnel, strong seasonality (though to different degrees), the degree of decentralisation (most of the SMEs are situated in the periphery of the country), the apparent mismatch between supply and demand of specialised personnel in the labour market and on a regional basis, and their labour intensive character;
- (d) there are, however, some differences worth mentioning:
 - (i) the educational level of the labour force (employees and self-employed) is lower in the food and beverages sector and higher in the retail trade and the hotels, restaurants and catering sectors;
 - (ii) young people (up to 29 years of age) are dominant in the hotels, restaurants and catering sector, while in the food and beverages and retail sectors they comprise only about a quarter of the labour force;
 - (iii) self-employed people (owners and family members) comprise almost 50 % of the labour force in the retail sector (and the percentage is also high in the hotels, restaurants and catering sector), while they are only about 30 % in the food and beverages sector.

Small firm training needs: survey results

3.1. Recruitment by small firms

In all the sectors surveyed, recruitment of skilled personnel poses problems for small firms. This is consistent with the finding reported earlier in the second *Continuing vocational training (CVT) survey* (European Commission, 2002) that the reason for not offering continuing training - 'people recruited with the skills needed' - is less frequently advanced by small firms than by larger ones.

In the food products sector, sector experts in Ireland indicated difficulty in recruiting new graduates with high skills levels; science graduates prefer the cleaner environment and better pay and conditions of other industries such as the chemical and pharmaceutical industries. SMEs reported that it was equally difficult to recruit reliable staff for the low-skill end of the business. The situation is similar in Greece, where salespersons and technical personnel are hard to find, especially for food sector SMEs in the provinces, far from Athens and Thessaloniki where most skilled people look for a job. However, there is no such problem as with administrative personnel (accountants, secretarial and general duties staff). In contrast, the German sector reports a better situation, probably because of larger size firms and better organised recruitment practices.

Retail sector experts in Ireland suggest that those SMEs that do not devote much attention to staff development and offer little career advancement potential are finding it difficult to recruit able staff. The SMEs reported that it was difficult to recruit Irish staff for the low-skills level of the business because the pay and conditions are not competitive with what is available in other job opportunities. Similarly, Germany struggles to get skilled personnel for specific products in niche subsectors which require some specific knowledge (e.g. retail of golf equipment). At a more generic level, recruitment of middle management personnel is also difficult. Greek SMEs report it hard to find specialised personnel for new positions, especially for salespersons and administrative staff; both training agents and enterprises agree that initial vocational training does not provide such skills.

Finally, in the tourism sector, the recruitment problem is still a real one, although the situation varies among different types of personnel and among regions. Training agencies in Ireland (Fáilte Ireland (FI), in particular) have

put the wide array of hospitality skills on an accredited and standardised basis by designing initial training courses in third level colleges. This means that hospitality sector SMEs are in a position to recruit qualified personnel for their diverse disciplines. Notwithstanding this potential pipeline from vocational education colleges, the shortage of Irish applicants for lower skill jobs has forced FI to recruit abroad. The tight labour market at the low-skill end has meant that HR managers are spending a lot of their time in recruitment and selection, with the result that staff development and performance management tasks suffer. At higher skill levels there is greater mobility in qualified personnel (this has the indirect benefit of inducing an upward drift in general sectoral skills) which facilitates recruitment at this level. In Germany too, recruitment for the sector constitutes a problem mainly in distant areas, while in Greece, in large cities, recruitment of qualified personnel seems easier since labour supply exceeds demand. More important, it is easy to approach potential personnel by offering just basic salary. In contrast, in the periphery and the Greek islands, recruiting qualified personnel is difficult. As a result, the majority of employees strive to find a job in a large city and perceive the workplace in the periphery as an intermediate stage in their career path.

3.2. Need for new and updated skills

Survey results for the food sector suggest that SMEs need a wide range of new and updated skills, implying a general need for upgrading training arrangements in the corresponding areas.

Sector experts in Ireland, state that training providers and training courses are concentrated in the food hygiene and safety areas, reflecting the impact of legislation and regulation as a driver of training in the industry. Virtually all of these training courses are short (one to three day type) courses and workshops, as opposed to certificate or diploma programmes. Conversely, there is a generally low level of interest in, and availability for, training in many strategically important skill areas, such as customer relationship management, operations management and new product development. This reflects the industry's short-term operational focus.

A need for further courses has been identified in the following areas:

- (a) specialist induction programmes for immigrant workers is being developed by FÁS (training and employment authority), in consultation with Enterprise Ireland and the Food Safety Authority of Ireland, to be delivered in various languages;

- (b) dedicated sales, marketing, food safety management and customer relationship management courses, specifically for SMEs;
- (c) understanding customer strategies and understanding their customers' customers. Such insights are necessary to develop effectively new product propositions and tailor solutions for particular customers;
- (d) interpersonal/people/teamworking skills;
- (e) R&D innovation management and commercialisation of ideas;
- (f) IT skills, in particular those underpinning supply chain management and efficiencies;
- (g) logistics competences.

In Germany there is a constant need for updated knowledge/skills, since regulations/laws in the sector change frequently. Sectoral associations shape these needs based on observing the market and legal developments, while in Greece the main training needs are (indicatively) for:

- (a) food hygiene and safety (obligatory for all employees or self-employed handling food or drink products);
- (b) multi-skilled technical employees (able to act as, for example, electricians, plumbers and fridge technicians at the same time and in a position to fix and service any machinery on the production floor);
- (c) social skills, such as communication abilities, good behaviour and team and collaboration abilities;
- (d) office automation skills;
- (e) consumer service and sales techniques;
- (f) labelling, recycling and traceability (knowledge and application of EU and national legislation on these subjects);
- (g) safety technician (responsible according to the law, for the safety conditions prevailing inside the premises of the enterprise).

SMEs in the Irish retail sector report that induction training programmes centred on customer service comprise the predominant training need. This is accentuated because of the increasing employment of immigrants who have to become acquainted with the language and culture of the Irish marketplace. Recruited staff will later require specialist training in areas such as selling skills, merchandising, stock control, security, etc. As they progress in their careers to line and department management, they will require advanced training in management skills. For retailers of sophisticated products (IT consumer goods), training in product knowledge is also an important requirement, while in Greece the main training needs are (indicatively) for:

- (a) specialised salespersons (i.e. for house appliances, electronic equipment, etc.);

- (b) administrative officers for SMEs (able to cope with all administrative tasks in a firm);
- (c) social or soft skills, such as communication abilities, good behaviour, customer service and team and collaboration skills;
- (d) office automation skills, such as use of the Internet, word processing and spreadsheets;
- (e) marketing specialists;
- (f) logistics specialists;
- (g) whole trade officers;
- (h) commercial representatives;
- (i) safety technicians (responsible according to the law, for the safety conditions prevailing inside the premises of the enterprise).

In the tourism sector, front-office or 'concierge' skills are obviously a key element. Staff must be able to offer a welcoming environment coupled with in-depth local knowledge to cater for customer requests and enquiries.

A corollary of the need for welcoming operator skills is the need for skills in the way people are managed and rewarded. The tourism industry has struggled with aspects of front-line management, with performance management and review, and with the provision of feedback and direction to staff.

Managers in the Irish SMEs reported needs for an array of 'hard' and 'soft' skills:

- (a) personal skills: leadership, goal setting, personal planning, financial planning;
- (b) lifestyle issues, involvement with the wider community;
- (c) communication skills: listening, rapport building, networking, meeting, negotiating;
- (d) confidence building, motivating;
- (e) human resource skills: practical recruitment, training, appraisal, compensation and benefits, career planning.

The Greek tourism sector there needs new and updated skills, since competition and information technology change fast. Small firms and sector experts alike, suggest that the basic training needs are the following:

- (a) training programmes for central reservation systems;
- (b) information technology;
- (c) computerised accounting;
- (d) support for equipment;
- (e) sales;
- (f) communication skills;
- (g) handling guest complaints.

However, SMEs themselves do not place much emphasis on training programmes for managerial, marketing skills or quality assurance, as they rely mostly on their owners' experience.

3.3. Identifying SME training needs

Efficiency in identifying training needs is, for both small and larger firms, a precondition for responding to training opportunities. It is noted that 'difficulties in assessing enterprise's needs' is more frequently suggested by small firms as a reason for not providing CVT (the finding is for firms employing 10-49 persons, and it would be reasonable to assume that micro-firms employing even fewer people would have greater difficulties). The role of the SME owner in identifying general skill needs remains a vital one, especially in circumstances of weak internal management structures in which specialised personnel is absent (see Table 4 below for results of a survey by the European network for SME research (ENSR)).

Table 4. Person or group responsible for identifying competence needs, by enterprise size, Europe-19 (percentage of SMEs)

Person or group	Number of employees			Average
	0-9	10-49	50-249	
The owner	64	35	15	60
The general manager (where different from above)	18	29	25	20
The human resources manager (where different from above)	2	6	22	3
The management team	9	16	16	10
A group formed by representatives of the management team	2	7	15	2
Other	5	6	7	5
Don't know/no answer	0	1	0	0
Total	100	100	100	100

Note: Only enterprises active in competence development activities.

Source: ENSR (European network for SME research), 2002.

Internal procedures differ in small firms and the majority have to rely on external assistance which does not always addresses their real needs. This is confirmed by our survey results.

In the Irish food products sector, experts and training providers claim that training needs are seldom identified by individual SME owners, certainly not in a structured or strategic fashion: 'SME owner/managers generally don't know where precisely their HR problems lie – they don't know what they don't know'. SME owners/managers claim that they lack the resources to justify hiring a full-time HR development manager. However, many sit down with their line managers at the start of the year to draw up an annual training plan. Further training needs can be triggered by customer complaints or by employees requesting extra training. Skills gaps are usually identified externally, by industry associations or development agencies.

Similarly in Greece, the contribution of SMEs to identifying training needs is minimal. In general, they lack internal procedures and their attitude to any training provider trying to investigate the subject is negative or, at best, reserved, unless the provider is an agent of the entrepreneurs' representative body (GSEVEE ⁽⁴⁾) or the respective body for employees (GSEE ⁽⁵⁾). The vocational centres established by these bodies are making serious efforts to identify the training needs of the sector using properly designed questionnaires and in direct contact with the enterprises. They also play a vital role in a campaign, initiated by the State, for the preparation of several standardised professional profiles for the sector.

In Germany there is more efficient intervention by a whole range of intermediate agents and the intra-firm communication channels between owners/managers and employees. However, it is reported that training needs in German food product SMEs are often identified by the owners/managers who are constantly in close contact with their employees. To some extent the employees themselves make suggestions on training; this is transferred into continuous communication between associations and their member-enterprises. Identification of training needs is mainly undertaken within associations covering both large enterprises and SMEs. The most important associations of the German food production sector are Bundesvereinigung der Deutschen Ernährungsindustrie (Federal Association of German Food Industry); Deutscher Bauernverband (German Association of Farmers), standing for the political interests of farmers; Deutscher Raiffeisenverband (rural cooperatives); Deutsche Landwirtschaftsgesellschaft (DLG, German Society of Agriculture), especially dealing with progress in

⁽⁴⁾ Hellenic Confederation of Professionals, Craftsmen and Merchants.

⁽⁵⁾ General Confederation of Greek Workers.

agriculture and food production; Bundesverband der Lohnunternehmen (Federal Association of Agroservice Enterprises); and Verband der Landwirtschaftskammern (VLK, Association of Chambers of Agriculture), whose members are chambers of agriculture working at Länder level (this association deals with ('official') training consultancy and vocational training).

In the retail sector, identification of training needs is typically an owners' preoccupation. He is normally in a good position to detect deficiencies in the everyday functioning of the business, especially when such deficiencies concern employee-customer interaction. However, this does not necessarily lead to any systematic exploitation of observed facts and is rarely associated with small firms' strategic approach to training.

In Ireland, for example, sector specialists acknowledge that SME owner/managers are able to recognise short-term gaps in business-specific operational skills and react accordingly. But they seldom take a more strategic view linking investment in training to future development of the company. It thus falls to sector associations such as IBEC (the Irish Business Employers' Confederation) and the state development agencies such as FÁS and Enterprise Ireland (EI) to scope out the developmental needs of their client companies. SMEs report that a major impediment to taking a long-term view of training needs is the mobility of the workforce up to and including middle management level.

Similarly, in Germany, there are good opportunities in food sector SMEs to identify training needs on the spot, since collaboration between owners (managers) and employees is rather close. Nevertheless, contribution of SMEs to the definition of training needs at a generic level is poor; if they do contribute, they do this in the framework of sector oriented associations (not consisting of SMEs only).

In Greece, experts reported that the contribution of SMEs in the identification of training needs is minimal. This is basically done by private advisors or the training centre affiliated to the National Confederation of Greek Commerce. Private training providers, with few exceptions, do not normally engage in identification of training needs, unless an enterprise asks them to do so in order to design in-house training seminars.

Finally, tourism is a very practical industry with a focus on the operation immediately at hand. This may involve periods of intense activity, when demand peaks and a quality service must be assembled and produced, very often in the presence of the watching customer. Over time, the cumulative effect of such operations can be to emphasise the realisation of short-term goals. In such circumstances, tourism enterprises can overlook the longer-term or strategic issues confronting them. These longer-term issues are dealt with mostly by

development agencies in the various countries and by sector representative bodies (Irish Hotels Federation and Irish Tour Operators Association, German Association of Hotels and Restaurants and various trade unions and chambers on commerce and industry in Germany, and similar organisations in Greece).

3.4. Driving factors for training in small firms

Among the various factors that create training needs, small firms in all sectors and countries surveyed emphasised the role of technological developments, and national and European legislation (regulation and market competition).

In the food sector, it was generally accepted, in all surveyed countries, that stringent EU food safety directives and national hygiene standards are powerful training needs drivers. The highly automated nature of sector production means that training in new process and packaging equipment and in new technology constitutes a substantial element in operator training. Further, food technologists require training at higher levels to drive innovation in their industry.

In the retail sector, intense competition means that customer service skills are the dominant driver of training across the sector. In food-retailing outlets, hygiene and food safety standards are another core element in company training. The main factors creating new training needs are:

- legal regulations (EU directives, national laws); this is mostly indicated by food retail enterprises;
- new technology; this is mostly indicated by technology retail enterprises;
- competition, indicated by all kinds of enterprises.

Finally, Greek retail SMEs also stressed the importance of the increased diversity of new personnel. A number of them are immigrants with special training needs (language skills, knowledge of the institutional environment, retraining for those whose skills have become obsolete as a result of changing technologies and work practices) ⁽⁶⁾.

This reference to the special needs created by changing composition of the labour force is also relevant for the tourism sector in Ireland and Greece. In the former, the fact that the sector has to recruit overseas drives the need for a substantial amount of induction training in language and cultural skills.

⁽⁶⁾ Generally, the job of a retail salesperson is considered as low-ranked and, despite the high rate of unemployment, young people are not interested in applying for vacancies. So, entrepreneurs instead employ an increasing number of immigrant workers who potentially represent a higher cost of training.

CHAPTER 4

SME training practices and quality assurance approaches

4.1. Main target groups

The main target groups differ by sector according to the skill needs identified and the type of training provider. However, the similarities among the countries surveyed are significant, indicating that for small firms, their owners and family members constitute the most important focus for training activity, followed by managerial staff.

The table below shows that this is consistent with the situation observed across small firms in a broad European survey across all sectors.

For the food sector in Ireland it was reported that all levels of company

Table 5. **Main occupation groups benefiting from competence activities, by enterprise size, Europe-19 (percentage of SMEs)**

Occupation groups	Number of employees			Average
	0-9	10-49	50-249	
Manual, low-skilled workers	15	28	37	16
Semi-skilled (e.g. drivers, machine operators)	24	43	51	26
Technicians, engineers	35	56	68	36
Clerks, administrative personnel	37	55	64	39
Middle management foremen	26	47	68	28
Directors and managers	60	56	67	60
Don't know/no answer	1	1	1	1

Note: Only enterprises active in competence development activities. More than one answer allowed.

Source: ENSR (European Network for SME Research), 2002.

personnel are serviced by FÁS and EI. Skillnets, and of course the universities and colleges, tend to target management levels. Many private sector training providers target operator levels for food hygiene and safety courses, while the main German training target groups are owners of small enterprises and their administrative and clerical personnel having to comply with current legal issues in the sector. In Greece, all employee groups are potential targets for training providers but those actually trained are mainly administrative and clerical personnel and workers (skilled or unskilled). However, the group of employees most commonly trained, according to the entrepreneurs, is the group of technical and skilled personnel, probably because they are the most significant employees in every SME of the sector, followed by the administrative ones. Owners and other types of employees (unskilled and seasonal workers) only occasionally participate in training activities.

In the retail sector, it is interesting to note that the 2004 Enterprise Strategy Group report recommended for Ireland that state training agencies should align their training efforts to try to move all employees one step up the Further Education and Training Awards Council (FETAC) ladder. As a particular priority, policy intervention would be required to ensure that the low-skilled are not left behind in the move towards a knowledge society. From a company/sector perspective, some sector specialists argue that the key people to target are owners and top management, since investing in their development will, in turn, see an increased SME demand for training at lower levels. Speaking to providers revealed that a substantial portion of their efforts was focused on operator-level skills. The survey among companies showed that progressive SMEs, who understand the importance of training, saw a rationale for training at all levels, from unskilled to top management. In the same sector, the German report suggests that the main target groups of training offered by training providers are owners and family members, administrative and clerical personnel and skilled workers, while in Greece all employees' groups are possible targets but those actually trained are mainly the owners (with members of their families) and the administrative and clerical personnel.

Finally, in tourism, public sector providers in Ireland, such as Fáilte Ireland, offer different training packages to address the needs of all these groups:

- (a) owner/managers;
- (b) administration;
- (c) technical;
- (d) skilled workers;
- (e) unskilled, seasonal.

The owners and family members group in the tourism sector is also important for training target in both Germany and Greece.

4.2. Training programme design

It is rare that small firms have any active role in designing training programmes and, as our survey reveals, this is usually done by external experts. In specific sectors and countries surveyed, the situation is as follows.

In the Irish food sector, it is the development agency or its commissioned provider who designs the course; this is usually done in consultation with the SME owner/managers and the prospective trainees. The situation is similar in Germany and Greece. These training programmes are mostly prepared by sector experts and training providers. Tailor-made training is rare and identification of training needs based on questioning of SMEs does not take place.

In the retail sector, the Irish report suggests that training courses are generally designed by the supply side – State agencies and training consultants commissioned by them – with some input from SMEs. There is an inevitable tension between the SMEs' desire for customised training programmes (including a substantial company input into the design) and the supply-side preference for a broader, more generic offering that will attract more customers. The State, too, is averse to funding narrowly customised programmes that do not offer sectoral externalities. The findings for Germany and Greece are similar. For the latter, training programmes and seminars are designed by the training providers' own experts, independent of the sector and only occasionally with the cooperation of an internal expert (usually the owner of the firm that is buying the services or orders the seminar). In order to identify the training needs of their members/customers they conduct their own research and cooperate with the sectoral representative bodies (entrepreneurs' unions).

Finally, in the tourism sector, many training programmes used by hospitality SMEs in Ireland are generic, off-the-shelf courses, provided on the basis of that what works in one organisation will work in others. Larger hotel chains with properly resourced HR development structures tend to develop in-house training manuals to perpetuate a house style. In Germany and Greece, training programmes are mostly prepared by sector experts and training providers; in the case of tourism this is partly based on continuous discourse between SMEs and the training provider.

4.3. SME training policies

In the food sector, small firms in Ireland report training coverage from less than 25 % to greater than 75 % annually. The generally high coverage level is explained by the fact that all staff have to receive HACCP training (at least to basic level HACCP) and that this training has to be ‘refreshed’ on a two yearly cycle. Most companies have a training policy but often this is not very comprehensive and is developed merely to comply with regulations. Large retail stores, such as Tesco, insist that food suppliers will operate to a reputable QA standard, such as the British Retail Consortium (BRC) standards. Such standards include stipulations that the companies operate an explicit and transparent training policy in regard to food safety. Sector experts are concerned that the inevitable emphasis on food-safety training (HACCP, etc.) does not lead to a lopsided training policy where training in other business areas loses out. This requires awareness and vigilance on the part of SME management. The most common mode of training for SME staff is on-the-job and in-house class situations; this often uses sector-wide CD instruction, e.g. the EU food safety directive, available in several European languages. Discussions with the SMEs graphically pointed out the insuperable obstacles to external training in terms of job disruption. Some SMEs were able to access suitable ‘atypical delivery’ options, such as weekend courses (Friday evening and Saturday). Owner/managers may occasionally make time for off-site training programmes and technical staff may be sent on external courses if they are ‘immediately practical’, e.g. lean manufacturing best practice. Management training courses may be run in higher education institutions or involve group visits to different business sites. The principal public providers are FÁS, Enterprise Ireland (EI), Teagasc (Agriculture and Food Development Authority), Bord Iascaigh Mhara (BIM, Sea Fisheries Board) and Skillnets. Providers in the private sector include generalist and specialised training companies ranging from basic hygiene training to instruction and collaboration in sophisticated food technologies. In addition training is provided by technology suppliers. At production level, customised training in process equipment is scheduled both at induction and later to facilitate job rotation; this training is usually provided in-house by equipment suppliers. At higher skills levels, companies have agreed training programmes for line management, stores control and laboratory staff. The SME survey indicated an even spread between the use of public and private-sector training providers, with Teagasc, University College Cork and St Angela’s College featuring strongly in the public arena.

Often sectors are combined when FÁS funding is made available to SMEs to hire approved private consultants to deliver approved courses, such as installing BRC standards.

In Germany, up to 25 % of employees regularly participate in training programmes. Human resources development is considered an issue but is not often put into practice. Training mostly takes place in open seminars, organised by training institutions or associations, but training of technology suppliers plays also a certain role. University departments are also involved in training activities.

In Greece, SMEs in the sector with a formal training policy are rare. In those enterprises that have been accredited by either ISO or/and HACCP system, training of personnel takes place in the framework of these quality assurance systems and, apart from that, only when national or EU laws and regulations impose on the firms a specific obligation for training. An entrepreneur reported during the field research, 'Even if we realise the value and significance of training for the development of our enterprise, we lack the economic ability to back-up an organised and systematic training policy for our personnel. We do not have the proper size and, moreover, we have to face the problem of personnel turnover that doesn't allow us to invest in them on a systematic basis, especially with employees of some specialisation'. All relevant training practices are used by the SMEs of the sector but the prevailing types are 'on-the-job' and 'open' training. The section of SMEs with more than 25 employees can also organise in-house training seminars that are partly funded by OAED ⁽⁷⁾.

In the retail sector, the majority of companies surveyed in Ireland reported that more than 75 % of staff were involved in annual training provision. There were, however, some companies who indicated that less than 25 % were in receipt of training annually. The majority of companies contacted indicated that they had a written training policy; in some instances this was at the behest of QA system requirements, such as the British Retail Consortium (BRC) standards. However the policy often manifested itself as a fairly rudimentary training calendar or training matrix comprising the roster of training assignments over the year. Sector specialists and training providers believed that most companies in the retail sector were not yet taking a thoroughly strategic view of training, i.e. designing long-term training policies that complemented the strategic development of the company. The sector experts indicated that the preferred mode of training for SMEs is on-the-job or the in-house class situation because they do not have spare staff capacity

(7) Greek Manpower Employment Organisation.

to cover absent trainees. FÁS actively encourage training providers to offer e-learning products which SME staff can access during work hours. The SME survey confirmed an overwhelming preference for in-company training. It also indicated a marked preference for private sector training providers. Various reasons for this preference include more up-to-date course content, less bureaucracy and more flexible delivery methods. Retail Skillnets in Ireland are proving to be an increasingly popular training vehicle, combining the merits of company-led course development with public funding.

In Germany, up to 25 % of employees take part in training programmes every year; as in the other sectors investigated, approximately 1 % of turnover is spent on training. Human resources development takes place selectively, but this does not exist in terms of strategy. Training is mostly carried out on the job, in-house training (classic type), and in the framework of intercompany seminars offered by private training institutions, technology suppliers, and own trainers. In most cases training programmes are considered useful (with the exception of some specialised training which sometimes does not meet exactly the very specific requirements of niche retail).

Finally, the Greek survey reveals that most retail sector SMEs do not have a training policy for their personnel, in the sense of an organised medium or long-run policy for the development of their employees in the context of an entrepreneurial strategy. However, many of them exhibit a positive attitude towards training and express their readiness, for themselves and their employees, to participate in training courses, because they understand that training of any kind can only have positive impact on their enterprises. They urge their employees to participate in different seminars offering new knowledge and skills. They realise that training augments the employees' prestige and makes them feel like cadres, since it brings out their abilities and potentials. According to training providers, participation of employees, both male and female, in the training seminars is difficult because of the long working hours and a general lack of interest due to the lack of certification or accreditation of the training. All relevant training practices are used by sector SMEs ⁽⁸⁾, but the prevailing types are on-the-job training and 'open' seminars. In-house seminars are rare due to the lack of proper infrastructure and size. Training seminars are delivered mainly by private training agents (KEKs) and by KAELE and, when it comes to a new investment or reorganisation of a firm, by private consultants or the technology provider.

In the Irish tourism sector, SME training policies mainly consist of attending the

⁽⁸⁾ We refer to the enterprises that manage to train at least some of their employees.

mandatory routine training in basic areas, such as food hygiene, fire safety drill, materials handling and first aid. In the off-season part of the year, management can sit down to identify their high-performing staff and consider ways of upgrading their skills, both to improve customer service and to try to retain their loyalty. HR managers claim that retaining the high performers is the key to success in the hospitality business. They see their role as helping these teams to acquire the right skills and to learn new skills when business circumstances require it. The provision of such training and structured career paths are considered to be key factors in staff retention. The 'real-time' nature of the business makes it imperative that training is provided in-house (both on-the-job and classroom options), in short instalments. External training is generally confined to manager level personnel who are prepared to enlist on evening and weekend courses in the third level colleges and universities. A key objective of sector's organisations is to tackle the negative perception of jobs and careers in the industry, due to the relatively low priority accorded by the industry to formal education qualifications. The tourism and hospitality sector has traditionally employed a relatively large number of untrained staff, except in areas requiring specific skills and in management and supervisory positions. It is hoped to cultivate esteem for craft skills and reposition the industry as a career of choice. The very limited role of the third level education sector in tourism education is notable, as is the contribution of the private colleges, which represent only 10 % of total course activity. In the latter case, the courses available are predominantly in the non-craft area, and may reflect resistance from the private sector to making the type of significant capital investment in plant and equipment that is normally required in most aspects of hospitality skills education. A considerable amount of professional staff development and continuing learning takes place at shorter in-service courses. These continuing professional development (CPD) courses are available from several bodies, including Fáilte Ireland itself, the institutes of technology, as well as professional and representative bodies. Although some of these programmes are designed to lead to a formal education award, for the most part CPD programmes are shorter courses with a definite focus on the workplace and on the application of learning in real organisational settings.

Up to 50 % of employees of German tourism small firms take part in training programmes every year.

In Greece, small and medium hotels, as well as restaurants, do not usually have a specific and organised training policy. They rely mostly on on-the-job training to provide employees and managerial staff with the necessary qualifications and skills. Similarly, in small and medium-sized restaurants within hotels and in restaurants operating independently, vocational training

is provided only occasionally. High turnover and seasonal problems, which are usually the main problems faced by this group of enterprises, only allow training on the job. Small and medium-sized hoteliers and restaurant owners are forced (together with their employees) to participate in training seminars to obtain a certification on food hygiene and safety, as required by law.

4.4. Barriers to training

Having already discussed the factors inducing SMEs to invest in training their staff (drivers to training), the survey also investigated the barriers, since it is the combination of these two sets of factors that eventually impact on the firms' decisions.

A previous survey of similar issues in Denmark has revealed that 'lack of time', 'lack of planning' and 'insufficient budget' are the main reasons for not carrying out formal training activities, irrespective of firm size (see table below). That same survey suggested that 'the typical SME is driven by short-term business pressures and is looking for quick and easy solutions that, very often, cannot be provided by some forms of competence development'.

Table 6. Main reasons for not carrying out formal training activities in Denmark, by enterprise size (2001)

	1-9	10-49	50-199	200+	Average
Insufficient budget	25	25	24	43	30
No relevant courses on the market	17	17	17	5	13
No relevant courses nearby	4	10	10	3	7
Cancelled courses	4	4	12	8	8
Lack of knowledge of the choice of courses	12	4	8	5	7
Lack of motivation among employees	8	15	5	7	8
Lack of motivation among management	12	13	15	11	13
Lack of time	54	46	63	52	54
Lack of planning	12	10	27	16	18
Lack of guidance	4	6	5	0	4
Other	8	15	14	13	13
Don't know	8	2	2	0	2

Source: IFKA (Institut for Konjunktur-Analyse), 2002.

The survey findings suggest that, in all sectors and countries surveyed, the main barriers to training facing all SMEs are:

- disruption to business caused by staff unavailability as a result of attending training courses; SMEs do not have spare staff capacity to compensate for such absences;
- fear of poaching of trained staff by free-riding competitors;
- management's lack of understanding of the role of training and their perception of training as a cost rather than as an investment in human resources.

These barriers are set out in the Greek report for the food sector small firms for both objective and subjective (firm-specific) factors.

Objective reasons are:

- (a) small number of employees does not allow participation in training during working hours;
- (b) lack of proper facilities for in-house training;
- (c) inability to compensate the employees for outside working hours training (unless expenses for training are subsidised);
- (d) lack of time, due to long actual working hours;
- (e) lack of incentives for the trainees (no certification of skills provided, hence no impact on or connection with career path or salary improvement);
- (f) lack of information on available training programmes, especially for firms situated in the provinces;
- (g) lack of satisfactory financial incentives;
- (h) bad economic environment and high competitive pressures that induce moves for lowering production costs and, among others, training costs.

Subjective reasons are:

- (a) low degree of VET consciousness in both employees and employers;
- (b) generally low level of education of a large proportion of older entrepreneurs;
- (c) general lack of interest in lifelong training and education (they all strive to pursue the highest possible initial education level, neglecting lifelong training);
- (d) employers consider training expenses as a cost rather than as an investment.

Employee turnover does not appear a real problem for the SMEs of the sector, at least in Greece, mainly because of the high unemployment. However, as in other sectors, personnel found in short supply in the market always find it easier to change employer and this is the case for the highly skilled technical personnel (production managers and foremen, logistics

and information technology experts, marketing experts, etc.).

The situation in the other two sectors is similar in all countries. It is interesting to note that the cost of training itself is rarely mentioned as constituting a barrier to training, probably reflecting small firm dependence on subsidised training opportunities. On the contrary, 'lack of time' is frequently identified as a real barrier, an understandable attitude if one considers that the majority of training participants are the small firms' owners themselves.

4.5. Training providers

National surveys in all sectors showed that SME management considered several criteria, in addition to cost, when selecting their training programmes. For most, the critical consideration was whether the course could be delivered on site. Also, relevance of training was ranked high: ideally SMEs prefer courses that are customised, at least to some extent, and trainers should be aware of the main issues in the sector and 'speak the lingo'.

Both public and private providers are quite active in promoting their training products. In Ireland, when managers of food small firms attend conferences they are often provided with training literature from FÁS, Teagasc and the food technology colleges, such as St Angela's, Sligo and University College, Cork. Membership of employer representative bodies keep companies informed of courses in management, employment legislation, etc. In Greece, SMEs become aware of the new training programmes offered by those agents either directly from them or through the representative bodies of the sector by means of fax, e-mail or by publications in different sector-specialised magazines.

In the retail sector, the Irish part of the survey found that many companies were not approached by the public providers and the companies did not proactively visit these providers' websites. However some public programmes, such as FÁS's Excellence through people, have been promoted very successfully and enjoy wide recognition. In Germany training providers, easily identifiable in the environment of the dual system culture, are selected with regard to relevance, cost, and suitability of implied arrangements. In Greece, small retailers also indicated that SMEs become aware of the new training programmes offered by private training agents, either directly from them or through their professional representative bodies (unions or federations of entrepreneurs) by means of post, fax or e-mail or by announcements in the sector's magazines.

In the tourism sector, FI in Ireland operates a website and regularly posts information on training opportunities. There is a vibrant hotels network and information on new training courses is rapidly and widely disseminated. Tourism SMEs can also do their own research to access particular training providers. Membership of local chambers of commerce keeps SMEs in touch with training consultants. Private providers mail opportunities to hotels and tourism organisations. Similarly, the majority of Greek SMEs in the tourism industry rely on training providers to inform them about training programmes offered. They actually react to training providers' attempts to train them, rather than their own interest in training.

4.6. Small firm attitude to quality assurance

For the food sector, experts in Ireland report that small firms are beginning to appreciate the many advantages of a quality HR development policy. Apart from the strategic benefits, in terms of competitiveness and productivity, a respected HR policy is proving to be a very good recruiting instrument. Some SMEs reported that they operated the BRC standards and this means that they have to adopt a systematic approach to training. All reported quality procedures to achieve HACCP compliance. In the other two countries, implementation of quality assurance methods is less widespread.

The Greek survey, for example, suggests that, according to sector experts, it is not easy to speak about quality assurance in training, as far as the SMEs are concerned, since they do not possess a formal training policy in the first place. According to training agents, enterprises are rather indifferent of QA in training and they approach the subject in a superficial way. 'All they want from training is to increase sales', they argue. Firms generally believe that training simply represents a cost for them or, at best, a way to get back some of the money they have already contributed to the LAEK ⁽⁹⁾ fund. According to training providers, in order to be able to speak about quality in training, they, first of all, have to combine theory with practice, that is, theoretical seminars followed by on-the-job and laboratory training. Nowadays, the training of new recruits in SMEs is done mainly on the job, in a non-systematic and organised way. Only rarely can new employees hope that they will be able to attend a one to five day seminar on a specific subject related to their work, unless such an action is imposed by the State (as in the case

⁽⁹⁾ LAEK – Special fund for employment and vocational training.

of training on food hygiene standards) or by the introduction to the firm of an accreditation system, like ISO or HACCP. However, introduction of such quality assurance methods in relation to their products and/or services is not a common practice among SMEs in the sector, though, due to competitive pressures, an increasing number of them join those already accredited.

In the retail sector, food retail SMEs in Ireland indicate that they operate QA systems to comply with HACCP and other safety standards. These QA systems have implications for their quality approach to training. Other retail outlets were more ad hoc and reactive and did not operate a systematic quality approach to the development of their human resources. In the case of the Greek retail sector, the majority of the SMEs do not have a VET or HR development policy and they train their employees only on an ad hoc basis or because they have to conform to a certain legislation. Employers consider training as a cost item rather than as an investment and when they agree to run an in-house training programme or send some of their employees to attend an open seminar, this is because they want to retrieve, at least partially, their contribution to the LAEK fund. One entrepreneur put it bluntly: 'We are trying to get back all the money we have contributed to the LAEK fund every year'. Closely linked to this is the recognition that, as far as the application of QA methods in relation to their HR development and training is concerned, no SME is applying such procedures. Most of the owners do not have any idea about QA in training. Sectoral associations should help them, by means of short-term seminars, to obtain the relevant knowledge and become more sensitive to matters of quality in training.

In tourism, it is characteristic that when small firms' owners/managers are interviewed they concede that they can see the merits of a QA approach to HR development but find the cost of hiring full-time professional HR expertise prohibitive. Tourism SMEs typically do not look beyond their immediate short-term HR objectives. Two principal reasons lie behind this 'live for now' approach: a lack of dedicated HR management and the mobility of a significant proportion of their personnel. As one of the sector experts in Greece puts it: 'An extremely small percentage (of SMEs), almost negligible, apply any kind of organised quality assurance method in HR training and development. One constraint is the extremely small number of employees which does not lend itself to such methods. Another constraint is the lack of training and development culture of small, self-made, entrepreneurs who have had no formal education. Some are intuitively favourably disposed to 'helping' their people, but they do it in a rather paternalistic, empirical and not very effective way, notwithstanding their good intentions'.

4.7. Impact of training

Independent of the sector and country surveyed, all sector experts and SME owners state that increased productivity and staff morale were clearly discernible, but rarely quantifiable, following training. Many companies admitted instead that they undertook training of staff not as a matter of strategic approach to company success, but rather as a response to obligatory compliance to the mounting body of legislation. At best, it was also as a response to a pressing need to introduce new technology to the production function.

The above were very apparent in the case of the food sector in all countries surveyed, in which food safety and hygiene was identified as a priority area for staff training. The extent of benefits derived from training depends on the quality and the organisation of both the providers and the trainees. As one Greek small firm owner put it: 'As we cannot have a systematic training policy, it is not easy to measure the impact of training on the development of our company. It depends on the trainees and on the degree of practical application of the newly acquired knowledge, especially in periods of organisational changes and expansion of the firm'. The impact of training can be seen more easily in production. It generally eases the introduction of new technology or new products and may result in higher productivity. Consequently, it makes the company more competitive.

In the retail sector, favourable comments from SME managers in Ireland included the following:

- employees have an improved understanding of customer needs;
- staff motivation has improved;
- staff efficiency has increased;
- staff turnover has stabilised/reduced.

The primary gain is improved customer care, which lies at the root of competitive success in the retail sector. Improved product knowledge is also a key competitive advantage. Perhaps the boost in staff morale and teamwork from meaningful training contributes most to productivity. Many SMEs felt strongly that staff training was the differentiating factor between companies in their sector. However their main perspective here was customer care. Not many discussed training in other areas, such as buying, inventory or innovation.

In Greece, small retailers agreed that it is hard to say how a company's development has been affected by training. In purely technical matters (information systems, warehouse operation) one can detect an improvement in the way the job is done, but in more theoretical issues (such as administration,

social and other soft skills) the impact cannot easily be detected. Generally, small firm owners consider that the impact of training is much more obvious when they themselves are trained. The same is true as far as a company performance is concerned. The entrepreneurs feel that training has to have a positive impact on their company's performance but, as they are not in a position to measure it directly, they cannot be decisive on that issue.

The situation in the tourism sector is similar, with Irish SMEs suggesting that, in the wake of properly designed training programmes they have observed a subsequent improved performance due to improved business practices and efficiencies. This boost in performance is relevant for both hard and soft skills acquisition. SMEs in Ireland also comment that, when employees are offered good quality training, the improvement in staff morale translates immediately into improved customer service. In Germany, small tourism firms also indicated that better service quality is considered the main impact of training on SME performance, generally to a satisfactory level.

Most of the Greek tourism industry SME owners interviewed claimed that training is crucial and one of their major tools for facing strong competition. Thus, training becomes not only important, but also vital for their survival.

4.8. Provider approach to quality assurance

Training provider approach to quality assurance is crucial to the overall effectiveness of training undertaken, since most small firms rely heavily on externally provided training services.

In the Irish food sector most public sector training programmes are nationally accredited: this is not yet the case for private sector programmes. However, there is a significant drive underway to gain FETAC certification for all training programmes, in line with the national qualifications framework. It is standard practice for government agencies, such as FÁS and EI, to pilot their training programmes and seek feedback from trainees. They use contracted 'verifiers' to assess their training programmes according to the terms of reference. Apart from deploying the usual end-of-course feedback forms, few private providers operate any evaluation system extending to assessing the impact back in the company some time after completion of the training course. Evaluation is restricted to gauging the immediate impact in terms of skills increase of the trainees.

In the same sector in Greece, many training providers have now an

ISO accreditation covering their operations but none has any quality assurance approach resembling the common quality assurance framework (CQAF) introduced by the EU ⁽¹⁰⁾. They are simply trying to cover the framework's first two phases (planning and implementation), with some degree of success, but assessment and evaluation is restricted in the training process itself (using internal or external inspectors) and is not extended to the effectiveness of the training on the work performance of the trainees. The assessment and evaluation is carried out usually by means of a questionnaire. Only the training providers established by sectoral associations and few big private agents have started recently paying attention to the other two phases of CQAF, that is the evaluation of the results of training and the incorporation of those results in the planning of future training programmes.

Most retail sector public sector training programmes in Ireland – but not those of private providers – are nationally accredited. However, there is a significant drive underway to accredit all training programmes, in line with the FETAC national qualifications framework. FÁS has adopted its own training standards designed to promote and improve the quality of the training it supports. The FÁS training specification standards No QA 58/01 sets out the minimum criteria which should be addressed when drawing up a training specification. These criteria are:

- how the programme is to be assessed for certification purposes;
- identify the certifying body; titles, levels and codes of assessments; any endorsements;
- state credits towards other accreditation;
- where locally designed, must comply with guidelines for assessment as laid out in the FÁS publication *Assessing trainee attainment*.

The situation in Greece is broadly similar but with more effect being identified on the private providers' side. KAELE (the Confederation of Commerce Training Centre) is about to get an ISO certificate for its services but they do not yet have any quality assurance approach resembling CQAF. They try to cover the first two phases (planning and implementation) but assessment and evaluation (by internal and external auditors) is limited to the training process itself. They use certified trainers and also try to monitor the career path of their trainees. Apart from KAELE, most of the private training agents (KEKs) offering training programmes for SMEs of the sector, have already got, or are now trying to get, an ISO accreditation covering their operations.

⁽¹⁰⁾ European Commission - Technical Working Group on Quality in VET, 2003, 2004.

In the tourism sector, Fáilte Ireland approved training programmes attract either FETAC or HETAC (Higher Education and Training Awards Council) certification. Both these awarding bodies have comprehensive QA controls covering facilities, equipment, instructor competence and training assessment. The concepts of validity and reliability are central pillars in all Fáilte Ireland assessment systems. The assessment model includes comprehensive monitoring and review. External examiners, cross-moderation and centre-based systems contribute to ensuring quality control within the assessment system. While the standard of FI courses are explicitly guaranteed to meet the FETAC or HETAC standards, the evaluation of the impact of such training on the performance of the SMEs is a more implicit activity, left to assessment by the customer.

In the German tourism sector, many training measures are offered to unemployed people by training providers, and these measures are only funded by the labour authorities if training measures and training providers themselves are certified on the basis of a legal regulation (*Anerkennungs- und Zulassungsverordnung für die Weiterbildung (AZWV*, Order to rule recognition and authorisation of providers and measures of further vocational training)). If training providers have undergone the certification process leading to this authorisation, this is normally considered as a sign of reliability also for training outside the mentioned measures. The Deutsches Seminar für Tourismus Berlin – an institution supported by several tourism-related organisations – uses an elaborated approach of quality management to make sure that training always meets customer expectations (*Qualitäts-Gütesiegel Stufe I nach dem Schweizer Modell*). This quality management model ensures identification of weaknesses as well as the introduction of amendment measures.

Similarly in Greece, private training providers apply a quality assurance method for their training seminars offered in the tourism and hospitality industry. Specifically, they claim that they:

- usually plan in advance suitable training methodologies;
- set goals;
- train their trainers;
- monitor the training process;
- conduct some *ex post* evaluation. Such an evaluation is conducted orally with the owner of the enterprise or by means of questionnaires addressed to participants.

Similarly, but to a lesser degree, public training providers try to follow such procedures to maintain quality assurance.

4.9. Continuing training of trainers

The quality of training services provided, whether by public or private sector resources, depends on the training that trainers themselves receive. They need to keep their knowledge updated, develop their adaptability to particular customers' requirements and continuously upgrade their presentation and organisational skills.

Our survey suggests that, while both public and private sector training providers claim to operate a policy of continuing training of trainers, in practice this is done merely on an hoc basis and in a rather fragmented manner.

In the Greek food sector, for example, training providers do not have a policy for continuing training of their trainers. The reason is that trainers used by the training agents have to be accredited by Ekepis (the official accreditation body for trainers of adults) and they are therefore trained and retrained according to the Ekepis regulations.

In the retail sector in Germany and Greece, continuing training of trainers is welcome, but only is funded by a limited number of training providers.

In the tourism sector in Ireland, FI claims that it is very careful in ensuring that both its own training staff and the external trainers it commissions operate a strict policy of continuous improvement. In Germany, trainers are mainly responsible for their own qualification; in some cases foreign language courses and IT training is funded (especially in the tourism sector). In Greece, private training providers do not train their trainers, since this is the task of Ekepis, the supervisory organisation for vocational training centres (KEKs), which has launched an extensive training program to accredit all trainers in the country. All that training providers can do is to make sure that the trainers they use will always keep up to date as far as their specialties are concerned. The Organisation for Tourism Education and Training (OTEK) is about to use EU funds to train its trainers in all of its schools across the country.

Views of relevant parties on training and quality assurance

The surveys conducted in the course of this study attempted to collect views of sectoral representative organisations in the various countries, of training providers and of small firm owners, on several issues related to continuing training and quality assurance approaches. These issues refer to:

- (a) training provisions that may or should exist for special groups in the labour force;
- (b) the role that social partners play, specifically in identifying training needs and programme evaluation;
- (c) small firms' assessment of training services provided.

5.1. Training for special labour force segments

A special group for which training authorities and providers have developed, or are developing, special training programmes in some of the countries surveyed (Ireland and Greece), is immigrant workers.

There has been a marked growth in the immigrant labour force in the Irish labour market, following the economic boom of the last decade. This influx has challenged the enterprise sector and the training community to design appropriate induction training programmes to maximise the gains for trainees and host organisations. The skills profile of immigrant workers in Ireland in the recent past has exceeded that of the resident population, but it is also widely acknowledged that immigrants are operating in occupations below those which one would expect, given their educational profile. The principal reasons for this are lack of comparability of international qualifications and deficits in English language skills. Recognition of the international qualifications held by such workers is very important to preserve the efficiency and flexibility of the Irish labour market. In order for migrants to be able to access the labour market effectively, Irish employers must be able to recognise and compare their qualifications, whether academic, professional or vocational. The National Qualifications Authority of Ireland has led the development of an integrated

policy approach to recognising international qualifications by establishing Qualifications Recognition Ireland, a one-stop-shop for the recognition of international qualifications. There is, as yet, no sector-wide programme of induction to simplify the recruitment of migrant workers. Typically, SME management expect them to pick up a sufficient command of the language as they go about their work, though management usually take care to recruit a group of migrants in which one or more will have a working knowledge of the language and can 'lead' the others. The cohort of non-Irish nationals employed in the food sector has risen dramatically in the last decade, not just in the main urban centres but also in the rural areas. There is a lot of automation in the industry, with the result that the operative roles tend to be low skilled. Traditionally, these roles in food establishments, such as meat plants, were filled by part-time farmers but the increased participation levels in education in Ireland has meant that many of these people now choose to continue on to third level education.

In Greece, however, training providers (both public and private) do not currently offer training courses designed especially for women, immigrants or other disadvantaged groups of employees. To overcome the difficulty of training on food hygiene and safety issues for immigrants that do not yet understand the Greek language, EFET ⁽¹¹⁾ has produced a video showing all the necessary procedures.

The number of non-Irish nationals employed in the Irish retail sector is increasing dramatically, particularly in the main urban centres. FÁS, the national training and employment authority, in collaboration with Enterprise Ireland, the state development agency for indigenous Irish industry, and the Food Safety Authority of Ireland, has a special induction course for immigrant workers. The SME survey indicates a mixed approach to training immigrant workers. Some companies have provided special in-company language course while others restrict recruitment to people already possessing the necessary language and cultural skills required for the various departments; higher skills are required in customer-interface roles.

In this sector in Greece, although training providers claim that they are in a position to design and deliver any type of training programme for any category of personnel (women, immigrants, handicapped persons), there has not been any such demand from the members/customers up to now.

In Germany, some training providers offer part-time courses for women on

⁽¹¹⁾ EFET – Hellenic Food Authority.

maternity leave, since there is an increased women's participation among food sector employees.

In the tourism sector, FI personnel have gone abroad to EU accession countries on a recruitment drive organised in conjunction with FÁS and EURES (the European job mobility portal). FI offered successful recruits a four months training programme in Ireland to gain Further Education and Training Awards Council (FETAC) level 4 certification, after which they were found work positions in the hospitality businesses. FI courses for immigrant workers provide intensive training, including cultural and language training, as well as operational skills; this service is accessible throughout the country. FI provides the text for these courses in 14 languages. Another aspect of FI's facilitation of immigrant workers is its work on accreditation of prior learning (APL), in cooperation with FETAC. The SME survey found that hotel operators were very satisfied with the performance of these immigrant workers; initial worries about their ability to attain satisfactory efficiency levels, have been dispelled.

In Greece, the most important target group for training in the tourism industry tends to be immigrants. In the restaurant departments of hotels and independently operating restaurants, immigrants have increased in proportion to local employees, with the most popular training seminars for private training providers being those concerning language skills and intercultural adaptation. In contrast, vocational training centres (KEKs) give emphasis to all special categories of employees, because the Greek Ministry of Labour requires them to do so. In the same sector training provisions for special groups in Germany are not currently offered.

5.2. The role of social partners

Ireland's three-year national partnership agreements, involving government, social and community partners, have all included agreed policies on education, training and lifelong learning. Social partners also contribute to sectoral training deliberations at national level by sitting on the advisory committees of national boards. Micro-level retail SMEs steer clear of unions, preferring to maintain good staff relations and foster flexibility on both sides.

The social partners are also involved in the national development plan which is a major source of funding for human resource development in the hotel, tourism and catering sector. At the company level, the contribution and impact of the social partners is more muted.

In Greece, there is no real participation by SME employees in identifying training needs and evaluating of training programmes, at least, since trade

unions generally do not exist in SMEs. Even federations, that is trade unions of second degree, are not engaged in such activities, so participation by employees takes place only at the highest (national) level. Representatives participate *ex officio* (together with representatives of other social partners) in various committees and councils appointed by the State and having the responsibility to forward to the appropriate ministries proposals on VET issues.

In Germany, employees participate in training needs identification via their organisations (trade unions), which play an active role in the process of defining job profiles and curricula, based on legal provisions.

5.3. SME assessment of training services provided

In the Irish food sector, SMEs largely scored training services in the middle rank – ‘useful’ – indicating broad satisfaction. At the low skills end private providers received most praise; at the high end higher education institutions (HEIs) were more highly regarded. SME responses were favourable, but none expressed complete satisfaction. In Germany, enterprises are mostly content, or even very content, with courses delivered by public/semi-public institutions and the training services offered by technical suppliers. In Greece, SMEs are informed about the available training programmes by the training agents themselves or through their representative organisations. They generally consider the training they receive as useful for their business and express moderate satisfaction with the services offered by training agents.

In the Irish retail sector, companies tended to give a middle score to the training programmes offered to them. There was such a variety of courses that it was not possible to be categorical about them; however, a constant concern for managers was the danger that the courses might drift too much towards academic or high corporate issues not relevant or practical for SMEs. The great merit of the Skillnets concept was that the participating companies were in charge of course content and delivery methods. In Germany, training services are mostly seen as sufficiently accessible and satisfactory. In Greece, SMEs are generally satisfied by the services provided by the training agents, especially those established by the sector’s associations (like KAELE and GSEVEE’s KEK).

Finally, in the tourism sector, SME managers in Ireland gave a middle score to the range of training programmes offered to their companies. They have,

however, misgivings over the relevance and mode of delivery. They argue that training interventions designed to support smaller businesses must be planned, packaged and delivered in a way that suits small businesses, rather than the training providers. They further suggest that such programmes should be 'short, snappy, relevant and local'. SMEs also propose that development interventions in the small business sector are likely to work best when they are designed locally, delivered by local facilitators who understand the tourism industry in the region, and are supported by regional networks that have the capacity to supplement local training resources by accessing external expertise as and when required. There is a general belief that in smaller businesses e-learning does not represent a complete response to learning and skills development. While the contribution of e-learning is recognised, small businesses placed a higher value on a learning environment that promotes direct interpersonal contact. This could be best served if 'blended' training is actively promoted. In Germany too, training services are mostly considered as sufficiently accessible and satisfactory.

Government policies in support of SME training

6.1. Germany

There is no clearly profiled government policy on training for the specific needs of SMEs. In general, it is understood that these requirements can be met by existing training offers, not particularly addressed to SMEs.

There are some incentives offered by the State for the employees training, mostly irrespective of firm size and not specifically addressed to individual sectors:

- (a) Law for the advancement of further training (*Aufstiegsfortbildungsgesetz*): this law provides funding instruments for those who have finished initial training successfully (or have achieved a comparable qualification), and wish to use further training to make progress on the career ladder, possibly even intending to found an own enterprise;
- (b) some funding programmes of the *Länder* addressed to SMEs (application procedures are considered as rather bureaucratic);
- (c) funding programmes for additional training for apprentices (referring to social competences);
- (d) *Bildungsscheck NRW*: the government of North Rhine-Westphalia takes over 50 % of the costs of further training of employees of SMEs who have not taken part in further training for two years.

A substantial part of the training services supply originates not from the Federal Government but, instead, from regional (*Länder*) governments and sectoral chambers (e.g. Chamber of Agriculture).

It is, however, noted that these incentives are not adequately known to SMEs. It is also noted that cofinancing requirements constitute a real hurdle which German SMEs have not managed to overcome, especially in some economically weaker regions (e.g. *Länder* in eastern Germany).

6.2. Ireland

As part of Ireland's EUR 52 billion national development programme 2000-06, the employment and human resources programme (EUR 13 billion budget)

featured two in-employment training measures provided by FÁS and EI with budgets of EUR 147 million and EUR 119 million respectively (both partly financed by the European Social Fund).

The objective of the FÁS measure was to improve the productivity and competitiveness of Irish companies in selected sectors, through the provision of advice and assistance to companies, in identifying and meeting their human resource development needs. Eligible activities under the measure included:

- analysis of sectoral training needs;
- implementation of programmes to meet these needs;
- development by FÁS, in cooperation with other organisations, of a register of approved trainers.

The competence development programme (CDP) and the excellence through people scheme were among the specific initiatives implemented to raise the levels and quality of in-employment training.

Traditionally, the majority of public expenditure on Irish continuing vocational education and training was related to training the unemployed, rather than those in employment. In 2005, FÁS received a substantial increase in its budget for training the employed, rising from EUR 8 million in 2004 to EUR 35 million in 2005. This level of budget was maintained in 2006.

The EI measure aims to develop firms' internal capacity to build human resource development skills, as an integral part of business development across all sectors, including food and fish processing. Actions include best practice workshops and the development of standards and certification, such as excellence through people.

The 2006 report of the Small Business Forum claimed that the public money available for in-employment training under the national development plan was substantially under spent, suggesting that resource constraints were not the primary barrier to training in the small business sector. FÁS, Enterprise Ireland, county enterprise boards, Skillnets and Fáilte Ireland, all provide financial subsidies either on the basis of a particular type of company (e.g. high growth potential), size of company (e.g. micro), type of skill (e.g. ECDL, European computer driving licence), sectoral grouping (e.g. food sector Skillnets) or type of employee (e.g. low skill operatives in declining industries).

Previously, a substantial volume of training was subsidised at the level of the individual firm, particularly through the FÁS training support scheme and through Enterprise Ireland's management development grants. While EI still provides significant firm-level funding, as part of its company development

activities, the overall emphasis has shifted to interventions that cater for the needs of multiple companies, addressing agendas identified collectively by industry or by State agencies. Industry training programmes commissioned by FÁS and Enterprise Ireland form a part of this pattern, as does funding via Skillnets for industry training networks, or through county enterprise boards for PLATO networks and similar activities.

The main incentives reported by tourism SMEs in Ireland are those provided through Skillnets and Fáilte Ireland's continuing professional development programme. The main benefit reported by the enterprises surveyed is access to training at reduced cost. It is anticipated that enterprises especially in this sector will use the newly established county based tourism learning networks initiative from Fáilte Ireland. There is an extensive range of laws and regulations impacting on enterprises in the tourism sector. These include the following:

- enterprises are required to comply with legal and listing requirements for the different types of accommodation;
- enterprises providing food must apply to the Health Service Executive for a licence and their premises must be approved and registered as a stall or restaurant;
- if intoxicating liquor or wine is served, then an intoxicating liquor licence or wine retailer's on-licence is required; where enterprises are seeking to obtain or renew licences, they need to apply for a tax clearance certificate from the Revenue Commissioners;
- premises must be in compliance with fire regulations and this is also required for any planning or licence or registration applications.

6.3. Greece

Funding of training programmes for SMEs is mainly provided through LAEK (full funding of the relevant cost) or OAED (partial funding by using national and EU sources). In general these incentives are considered insufficient by the SMEs and, in addition, OAED is still fighting to restrict corruption in the (training) market. However, there are still enterprises that are not aware of the incentives offered by the State and they do not make use of the LAEK programmes.

Funding of training programmes for SMEs in the retail trade sector is done through the Organisation for the Employment of the Working Force (OAED). Money can be retrieved from each firm's obligatory contribution to

the LAEK fund, to cover the cost of training programmes provided by private agents (KEKs). Incentives are, nevertheless, considered insufficient. Small firms argue that these are not incentives in the real sense, since the money in the LAEK fund is contributed by the companies themselves and all they can absorb is the amount of money each one has contributed to the fund during the previous year.

Only in-house training seminars are funded by OAED using State or EU money, but the company needs to have proper infrastructure and at least 25 employees per seminar to be entitled to a grant, a condition that practically cannot be met by many SMEs. There is much to be done to make employers and employees more sensitive to training issues in general and especially to lifelong training.

Tourism training providers and SME representatives tend to agree that incentives provided by the State are not sufficient to encourage small and medium hotels, restaurants and tourism enterprises to adopt training policies. In contrast, big hotels and franchise restaurants are more capable of using such State incentives to train their employees and middle managers. However, the State offers various seminars that are targeted at small/very small hotels and restaurants and are organised by vocational training centres (KEKs). On the other hand, training providers argue that the owners of small and medium hotels and restaurants should first change their attitude towards training, before targeting specific training policies. They argue that hoteliers assume that training is an issue of cost or source of income (since the courses are financed by the State), rather than a matter of investing in human resources development. Training providers propose that there should be specific government policies, such as 'an extensive campaign to convince owners about the benefits of training'. This campaign could include congresses and information brochures. The cost for both could be covered by EU programmes.

According to SME owners there is little beyond these seminars that the State could possibly do. However, training providers argue that employee associations should be strongly encouraged to participate in the policy-making process.

In contrast, training is an obligation before entering the tourism business: fluent English, sales techniques and familiarisation with information technology systems are prerequisites. However, hotel waiters and housekeeping employees do not necessarily need such qualifications. Overall, it is important to note that tourism is part of the Greek social environment. Greek society encourages initial education rather than lifelong vocational training or continuing training. Moreover, skills on information systems are not easily

delivered to middle-aged or elderly employees. The same applies to training in foreign languages.

Training providers also suggest that the State should add more legislation to minimum employee or owner qualifications. Such a policy is supported by some SME owners too and, as an SME owner put it 'Minimum qualifications for employees, or even for us, will set the bar high concerning the level of quality of offered services. In the long term, this will change the perception of the Greek tourism industry in a positive way. More importantly, newcomers will hesitate to enter the market, since minimum qualifications would be required'.

Another issue that has been raised, by both training providers and SME owners, is the seminars organised by vocational training centres financed by EU. These seminars target both the unemployed and the employed. The EU, via the Greek Ministry of Labour or the Organisation for the Employment of the Labour Force (OAED), finances the participants taking part in these seminars and also the enterprises. The point of view of both training providers and SME owners, is that these seminars should be expanded, with more benefits/ incentives for both enterprises and participants.

Thus, emphasis is given to fund-raising rather than to the training itself. More importantly, both sides take these incentives for granted and fail to accord training the importance it deserves. As a training provider put it:

'Most small firms 'take advantage' (in the wrong way) of OAED programmes at the instigation of a training agent which will structure the training, fill out the forms and submit them to OAED. As a result, the emphasis is placed, not on training value, but on receiving money to which, after all, they feel entitled, since it represents their own contributions'.

Both sides believe that some kind of 'objective' credit should be given to trainees for qualifications gained on completion of any kind of training programme, not only the incentive of increased salary.

Survey views on training policy direction

A common concern voiced by food sector experts and SME management in Ireland was that the burden of food safety regulations was preventing companies from getting to their other training requirements.

A particular concern is the lack of resources going into training for innovation in the sector. Food technologists are considered to be the engine of competitiveness and the cadre from which the next round of entrepreneurs is expected to emerge. SMEs commented on the imperative of allowing their staff to attend refresher courses at this level, but those unfortunate to be in more remote locations complained of the lack of local training centres causing heavy cost in time lost travelling.

Views expressed by training providers in the same sector in Greece include:

- (a) more and better used funds;
- (b) incentives for the employees (accreditation and certification of training and skills obtained, connection of training with professional profiles, training leave of absence);
- (c) incentives for the employers (lower participation in the cost of in-house training, tax exemptions);
- (d) training of newly recruited personnel before they actually start work in the sector;
- (e) faster progress of the Esseeka project (designing professional profiles and a system to connect VET with employment and the market);
- (f) linking of theory (seminar training) with practice (on-the-job or in-lab training).

Recommendations from entrepreneurs include:

- (a) training seminars for entrepreneurs on HR issues;
- (b) trainers must have considerable practical experience and close relations with the sector and its problems;
- (c) at least some training should be delivered during work hours;
- (d) training materials (notes, presentations, exercises, videos, etc.) should be given to the trainees in the form of a CD or a DVD, so that they could use it to refresh the new knowledge or methods at any time at home (a procedure followed today only by EFET (Hellenic Food Authority)).

The feeling among retail sector experts in Ireland was that the increase in the 'new Irish' immigrant workers into the sector will continue to be the big story. The FÁS pilot induction programme is eagerly anticipated and SMEs themselves are looking for the opportunity to suggest further modules.

The emergence of FETAC certification in retail training has been welcomed as a tool to ease recruitment. What is now needed is an impetus to HEIs to incorporate courses at higher FETAC levels for middle and upper management roles in retail.

Greek representative bodies and training providers offered suggestions including the following:

- (a) incentives for employees (accreditation and certification of training and skills obtained, connection of training with professional profiles, training leave of absence);
- (b) incentives for employers (lower participation in the cost of training, tax exemptions);
- (c) faster progress of the Esseeka project (designing professional profiles and a system to connect VET with employment and the market);
- (d) sectoral associations must help the owners of SMEs to obtain the relevant knowledge and become more sensitive on VET issues. They can do that by means of short-term seminars that could exhibit the gains and advantages they could get from VET;
- (e) use of flexible forms of VET (during working hours, distance learning).

Small retailers made the following suggestions:

- (a) 'We have to introduce the subject of professional orientation in the initial education system. We must practically direct our youth towards professions with high demand in the market and, at the same time, being appropriate and matching to their own personality and inner abilities';
- (b) 'There is great need and demand for short seminars (20-25 hours at most) on specific practical subjects like 'Merchandising' (organisation and presentation of the products on the shop's shelves), 'Glass display design' and 'Customer handling' for both the employees and the employers';
- (c) 'We need seminars on environmental protection (handling of packaging materials)';
- (d) 'Some solution to the 'time problem' could be the delivery of training by experienced trainers at the work site during off-peak business hours and for short periods of time (one hour). We asked OAED to organise and promote seminars of this kind but in vain';
- (e) 'The new entrepreneurs have to be trained appropriately by the chambers of commerce before they get a license to start a new business in the sector';

- (f) 'The training materials (notes, presentations, exercises, etc.) should be given to the trainees in the form of a DVD, so that they could use it to refresh the new knowledge or methods at any time at home'.

One of the key proposals from the survey of the Irish tourism sector is the need for continuing training of trainers. Tourism has become a fast-moving industry over the last decade and new skills are being introduced at an accelerating rate. There is a danger of complacency, especially when things are going well in a booming economy. This trap must be avoided. Trainers should be encouraged to use international trips to monitor innovations.

Tourism experts in Greece agree that quality assurance in vocational training in the hotel and restaurant and tourism sector has a long way to go in order to reach SMEs and vocational training providers respectively. Given the fact that 95 % of the tourism industries are small and medium-sized enterprises, and the majority of them are located in the periphery of Greece (as in the islands), long and intensive effort will be needed to achieve this goal.

Adoption of European credit system for vocational education and training (ECVET) could help accreditation of vocational training in the hospitality and tourism sector. SME owners or training providers were not aware of this system, but they reacted positively when they were informed about it.

There are suggestions that incentives from national and EU funds for training programme participants (employees and firms) should be abolished, on the ground that, once participants and SMEs perceive training as a source of income or cost respectively, the meaning of training and its consequences is lost for both parties.

Employees who perceive training as a ladder for their career development are already ready to pay the cost. Actually, they do so one way or another. Similarly, SMEs which perceive training as an investment, rather than as a cost, are also prepared to pay the cost. Trained employees will then offer quality services to customers and this can be used as a competitive advantage by the enterprise. The result would normally be higher income (profits and salaries) for both of them.

If SMEs choose not to invest in their human resources then, sooner or later, they will go out of the tourism market and will make space for others with different, more advanced, perception about quality and customer care. An extensive campaign to change SMEs owners' attitudes towards training is seen as more useful than incentives.

Training-related decision-making revisited

Following the survey results discussed in previous sections of this report, we are in a position to revisit a 'generalised model' of small firms' decision-making for investment in training (as in Section 1.3.) and assess its relevance.

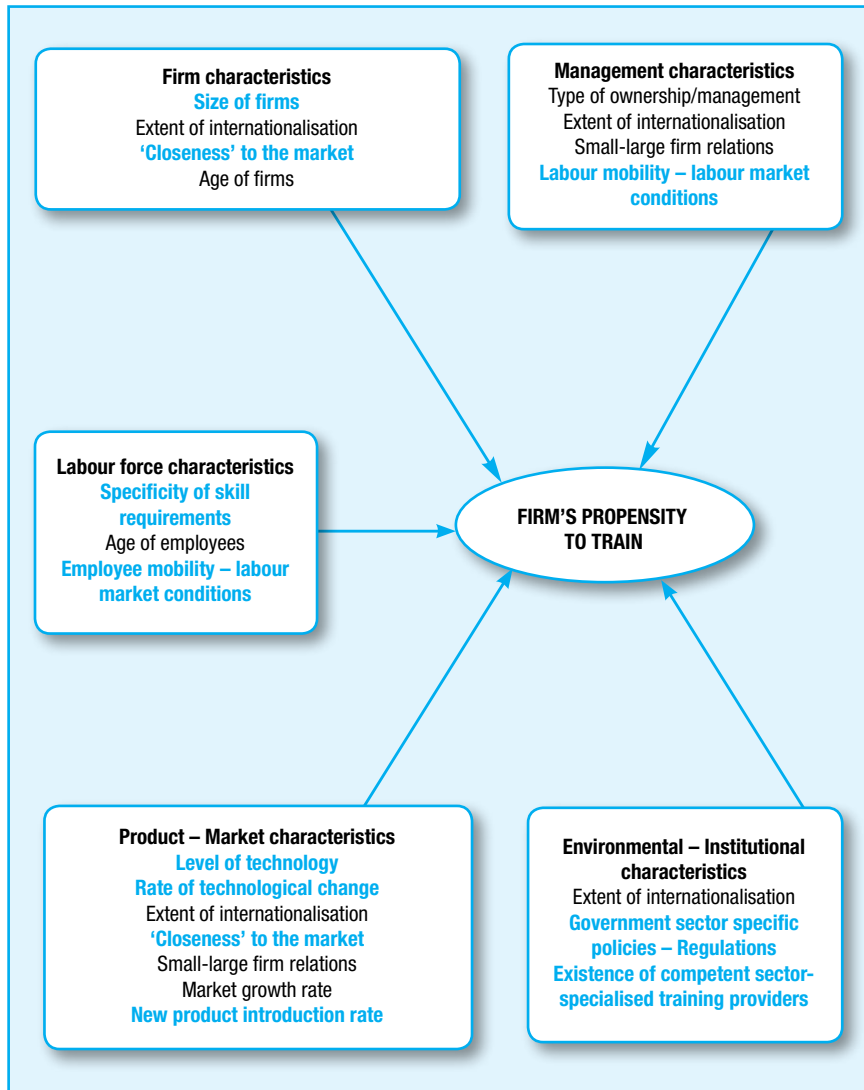
The point of departure was the hypothesis that differences in the extent to which small enterprises, in different national environments and sectors of activity adopt, introduce and maintain practices associated with investment in training of their employees (and their owners), may be explained by differences in sector and/or firm-specific characteristics.

The survey results so far suggest that it is not the sector classification per se that impacts on a firm's propensity to invest in training. Instead, there exists a wide range of interrelated factors (internal or external to the individual firm) that eventually influence each firm's training strategy and practice. Some of these factors are sector-specific, e.g. level of technology, rate of technological change, 'closeness' to the market, and rate of new product introduction. Others are specific to the individual firm, e.g. size of firm, employee mobility-turnover, type of ownership/management (including management culture) or related to the external environment, e.g. labour market conditions, government policies and regulations, existence and strategies of specialised training providers. Many of them are common to all sectors and all small firms and it is not surprising that practices of small firms in the countries and sectors surveyed demonstrate many more similarities in their approach to training and to quality of such training, than differences.

The overall conclusion, therefore, is that the initially proposed 'generalised model' may effectively serve as a framework for understanding small firm behaviour in such matters.

The figure below copies the one initially incorporated in Section 1.3., highlighting the factors whose significance has been sufficiently supported by the survey results (not implying, however, that other factors included in the model are of lesser relevance).

Figure 5. **Factors affecting a firm's training-related decisions: the study's 'generalised model', revised according to the survey results**



Findings, conclusions and recommendations

This final section of the report outlines the findings arising from the research carried out into quality approaches to training by small and medium-sized enterprises in the food, retail and hotel, tourism and catering sectors in the three Member States surveyed.

The overall conclusion is that measures by policy-makers and training providers in training for SMEs are still quite some distance from achieving the robust approach to quality training envisioned in the European Commission's common quality assurance framework ⁽¹²⁾, in terms of needs identification, training planning, implementation, assessment/evaluation and review/feedback.

In particular it was noted that:

- (a) small enterprises are aware that they do not spend as much on vocational education and training as their larger competitors. Additionally, they accept the validity of the argument that what training they do provide should meet an acceptable quality standard;
- (b) the findings from the literature review – also confirmed by the SME survey – indicate that there is a gap between what managers believe, in relation to quality approaches to vocational education and training, and what they can do in practice;
- (c) the absence of formal quality approaches to vocational education and training provision stems from several factors, one of which is the lack of HR management expertise within small enterprises to be able to design and implement quality approaches to staff development. Without proper structures and processes, it is difficult for SME managers to identify skills deficiencies and put in place appropriate training interventions. Very few of the companies included in the SME survey had recognised this deficiency and had recruited specialised personnel to develop policies and structures to assess staff training requirements and to evaluate the effectiveness of skill development/training provided. Quality assessment criteria and indications specially adapted to the needs and peculiarities of SMEs should be developed. The contribution of both VET providers and SME representative organisations (national and/or European level) to this is important;

⁽¹²⁾ European Commission - Technical Working Group on Quality in VET, 2003, 2004.

- (d) the short-term planning horizon adopted of most small enterprises managers in relation to HR development has an impact. Unlike their larger competitors, small enterprises often do not view their staff as a source of competitive advantage and rarely make training plans further than 12 months ahead. There is also the issue that SME managers have a great fear of staff being poached by competitors, which reinforces their resistance to improving employee generic skills.

The study also suggests that, in all three countries and sectors surveyed, there is convergence around the following conclusions.

Understanding of marketplace signals by SMEs is a crucial first condition for stimulating training. The survey identified positive signals from the marketplace stipulating better quality in enterprise training. It has revealed the important role played by customers and suppliers in encouraging small companies to incorporate quality approaches to staff development. The Irish report in particular noted the role played by the UK grocery multiple, Tesco, in the Irish food industry in stipulating the adoption of formal training policies by its suppliers. The retail sector study in that same country also revealed the role played by wholesalers/franchise holders in encouraging independent SME retailers to improve employee skills. Not only do these suppliers arrange training programmes for the staff of their customers/franchisees but they also have the managerial resources to be able to provide support in relation to needs assessment and evaluation. Similar cases were observed in the other countries surveyed.

Government response is important. Government agencies in the three countries have not been complacent about the deficit in enterprise training by SMEs and various schemes are in operation. Some particularly interesting practices reported in the Irish survey (either at the central or the local – regional – level) are:

- (a) SME-friendly training programmes; FÁS are planning a major new initiative for SME managers to provide them with a flexible, relevant, method of acquiring core skills for their job. Courses will be defined in conjunction with representatives of SMEs to ensure their relevance, and will be delivered locally in short modules, usually in the evening or at weekends. It is envisaged that FÁS will conduct such programmes in cooperation with local business groups (e.g. chambers of commerce, trade associations);
- (b) train the trainers; FÁS also plan to intensify their efforts to develop trainer skills within SMEs by encouraging smaller companies to develop basic training skills in at least one member of their management team. FÁS has earmarked part of the budget of the competence development programme to cover both the upskilling of professional trainers and basic training skills for other staff;

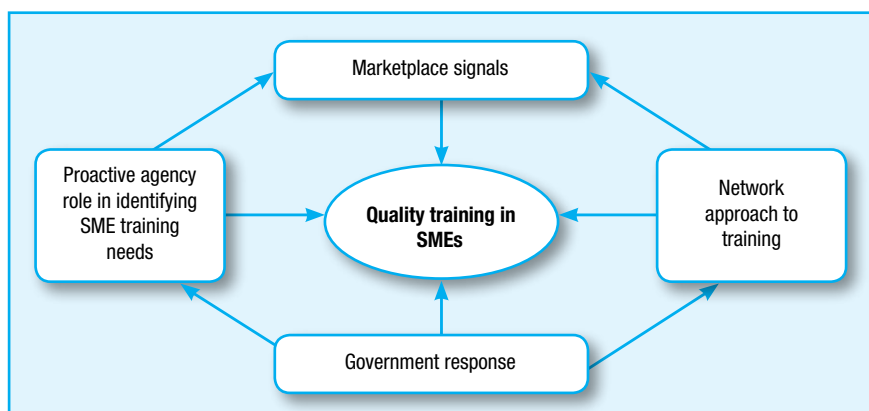
- (c) using public procurement to drive HR development; because of the disappointing number of companies who applied for the excellence through people (ETP) programme, FÁS is looking at the UK experience where participation in a similar programme (investors in people) has become a requirement for government procurement contracts. FÁS believe that a non-mandatory, preference process in Ireland for public purchasing would prove an invaluable mechanism to boost the ETP and plans to consult with the relevant authorities to explore this option;
- (d) other training inducements; FÁS are reexamining schemes to incentivise SME training that had been proposed in recent discussions among the social partners. These include fiscal measures involving a combination of government, enterprise and employee cost sharing such as individual learning accounts and statutory paid learning leave.

Public- and private-sector agencies' role in securing an improved situation is vital. In particular, the need for such agencies becoming more active in identifying SMEs training needs is of crucial importance.

There has been a significant policy emphasis in Ireland on a network approach to training involving small enterprises (the Skillnets programme is a key example of this; the new county based tourism learning network initiative from Fáilte Ireland is another). This should be regarded as good practice which could be a source of inspiration for other countries.

The indicative model for action emerging from the above recommendations and the interrelationships generated among them, is presented in the figure below:

Figure 6. **Promoting quality training in SMEs: a model for action**



An additional set of recommendations was put forward by German survey participants that reflect the situation in all surveyed countries:

- (a) political help is needed to make clear that training should be an important and necessary investment for all companies in order to get fit for the future. Training of employees should be no longer regarded as a cost driver, but as an inevitable investment in the human capital of the companies;
- (b) SMEs should recognise (with the help of associations and political influences) that the risk of investing in human resources is much lower than the risk of not investing;
- (c) SME employers should be supported in creating the right framework to help motivate their employees to learn and encourage them in being innovation drivers;
- (d) SMEs should be familiarised with the opportunities offered by IT-supported learning in order to provide more of their employees with reasonable learning opportunities;
- (e) given that SMEs sometimes do not have enough know-how and resources to provide high level quality learning opportunities, these SMEs should be motivated to work in collaboration networks such as associations;
- (f) 'official' quality systems should be simplified to make them more transparent, more effective and more user friendly;
- (g) there should be a European information database enabling SMEs to learn more about good practice examples in VET and to solve their own problems of performance improvement.

Based on the above, the interpretation of the survey results and the insights gained through contacts and discussions with SME owners, government agencies officials and training experts, the following suggestions for further work aiming at promoting quality training in small firms are put forward:

- (a) study the impact of individual factors inducing competences development in SMEs; the factors suggested by the generalised model – whether firm- or sector-specific – should be further investigated to determine the extent to which they significantly affect small firms' decisions, especially those related to investment in HR development. Previous works exist but need to be updated and tuned to the specificities of small firms. Better understanding of small firm decision-making processes would allow policy-makers to customise policies and promote – quantitatively and qualitatively – training practices;
- (b) appreciate and emphasise the private and social benefits resulting from quality training in SMEs (and others). Educate stakeholders accordingly; resources – private and public – invested in developing the work force

imply substantial cost for government budgets as well as for individual firms' finances. The return to such expenses should justify the initial investment decision. The fact that small firms frequently receive grants should not be interpreted as a 'licence to spend freely'. All stakeholders (governments, firm owners and employees) should be made conscious of such calculations and of their responsibility to themselves and to the public. It is expected that introducing quality assurance clauses in applications for grants and awarding of grants on the condition that such clauses provide acceptable indications of the effectiveness of training-related programmes will significantly upgrade overall effectiveness of all firms' (small and large) practices. For SME employees in particular – whose active participation in training programmes is not always to be taken for granted – the notion of 'investing in one's own future' should be systematically promoted. Their contribution 'in kind' (e.g. time outside working hours) may eventually pay-off in upgraded skills and improved career prospects.

- (c) evaluate and regulate relations between: SMEs and training providers, training providers and government/funding agencies; in all countries and sectors surveyed, the general finding has been that the training services market operates mainly on supply-led principles. The alleged beneficiary – especially when it is a small firm unaware of its training needs – only rarely participates actively in negotiating the type of services it absorbs. While this imbalance is difficult to rectify, this should not disguise the responsibility of training providers and funding agencies to accept the imposition of a range of quality assurance-related criteria in their requests for funding. A more regulated system of training grants approval is necessary to redress, at least partially, the imbalance between training services supply and demand. Formal structures operating in Germany (chambers of commerce and industry, sectoral associations, regional governments) have been successful in guiding individual firms' training. The degree of formalisation of training services market structure and functioning is lower in the other countries surveyed and this may be attributed to cultural differences and other firm characteristics. Regulating relations between the various parties should also consider such differences;
- (d) appreciate SMEs owners' extended role as 'competences development relay agents and multipliers'. Perceive owners as trainees but also as trainers. Develop and support a new generation of suitable training and support programmes. The study showed that an SME owner frequently

undertakes the role of transferring the knowledge received through his own participation in training programmes, to people employed by him. In a way, the 'owner-trainee' subsequently operates as trainer and develops processes of non-formal training for others. Realising this fact implies that recorded training constitutes an underestimation of actual output for any given amount of initially recorded training. The SME owners' propensity to pass on knowledge received and, even more important, their efficiency in this transfer, are both parameters that could be affected through suitable training and support programmes. The analysis and evaluation of alternative approaches to transfer of know-how and bench learning among SME owners of the same or related sectors, could be a valuable source of inspiration on how best to support small firm owners in this role.

List of abbreviations

BRC	British Retail Consortium
CQAF	Common quality assurance framework
CVT	Continuing vocational training
ECVET	European credit system for vocational education and training
EFET	Hellenic Food Authority (Greece)
EI	Enterprise Ireland
Ekepis	National Accreditation Centre for Continuing Vocational Training (Greece)
Esseeka	National system for linking vocational education and training with employment (Greece)
FÁS	Training and Employment Authority (Ireland)
FI	Fáilte Ireland (National Tourism Development Authority)
FETAC	Formal Education and Training Awards Council (Ireland)
GSEVEE	Hellenic Confederation of Professionals, Craftsmen and Merchants (Greece)
HACCP	Hazard analysis of critical control points
HEIs	Higher education institutions
KAELE	Centre for the Development of Greek Trade (Greece)
KEK	Vocational training centres (Greece)
LAEK	Special fund for employment and vocational training (Greece)
LSE	Large-scale enterprises

OAED	Greek Manpower Employment Organisation (Greece)
QA	Quality assurance
SME	Small and medium-sized enterprise
Teagasc	Agriculture and Food Development Authority (Ireland)

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The study sets out to investigate small enterprises in specific sectors in which SME presence is particularly pronounced, in three Member States (Germany, Ireland and Greece) and to draw comparisons between them. Particular emphasis is placed on 'sector logic', the sectors' special characteristics and the national cultural and institutional environment.

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