



**RESEARCH PAPER**

**No 4**

# Quality in VET in European SMEs

A review of the food processing, retail  
and tourism sectors in Bulgaria,  
the Czech Republic, Romania and Slovakia





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Luxembourg: Publications Office of the European Union, 2010

ISBN 978-92-896-0648-6

ISSN 1831-5860

doi:10.2801/ 28845

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## Foreword

The main objective of this study is to investigate the circumstances under which small firms operating in specific sectors of economic activity in newer EU Member States make use of vocational training programmes designed primarily for their personnel. Of particular interest is the extent to which quality assurance approaches are incorporated in such measures. Three economic activities, one in the secondary sector and two in the tertiary sector (food processing, retail distribution and tourism), have been analysed in Bulgaria, the Czech Republic, Romania and Slovakia.

The study supplements, and draws comparisons with, the earlier Cedefop study *Quality in VET in European SMEs* featuring Germany, Ireland and Greece, three 'older' Member States that joined the EU at different stages of its evolution.

Cedefop has chosen to focus on the training needs, approaches and methods of SMEs for a number of reasons:

- SMEs dominate the European economy; according to Directorate-General Enterprise of the EU Commission, they number 23 million in total and account for more than 99% of all EU firms;
- SMEs are generally recognised as a cradle of innovation, industrial restructuring and experimentation; providing them with support in the present hard times is considered a necessity;
- SMEs are characterised by their adaptability to economic change, flexible working and opportunities to improve skills and qualifications; however they tend to carry out little training.

Cedefop also chose to focus its study on two of the three official categories of SMEs, micro and small firms, because of their numerical importance. Accordingly, the investigation did not include medium-sized firms with 50 to 249 employees, which account for only slightly more than 1% of all companies.

Indeed, micros, which are firms with fewer than 10 employees, constitute the backbones of the European economy since they account for over 90% of all firms, employ more than one-third of the European workforce and produce more than 20% of economic value added.

Small firms – i.e. those with up to 49 employees – form the second largest group, with about 1.3 million enterprises in 2005 (excluding agriculture, the public sector and financial services) employing around one-fifth of the workforce.

Micros and small firms are over-represented in the three sectors and in the four Member States under investigation. In terms of the share of total

employment, the tourism and retail sectors, in particular, are dominated by micro enterprises, whereas in the food-processing sector it is small firms that dominate.

EU Member States, regions and sectors have been affected differently by the crisis, which has put European social and territorial cohesion under stress. Cedefop investigated the training needs and practices of small and micro firms in the selected four Member States in the study because these countries generally face greater challenges than the older Member States. They have to cope with both the impact of EU accession and the current negative economic and employment environment created by the financial crisis.

Crises hit different sectors in different ways and in the present crisis it appears that sectors and markets with less exposure to globalisation are in the best position. Food processing appears to be more resistant to the crisis than retail distribution and tourism, which in turn face much less serious problems than those faced by the automotive industry, construction or financial services. Nevertheless, for a sustainable entrepreneurial agenda, measures for start-ups, growth and innovation for small firms should be supplemented by action to address the issue of skills mismatch and competence development. This calls for closer cooperation between firms and service providers offering counselling, support and training.

Encouraging dialogue and partnerships between education/training and employers/enterprises is essential if the employability of individuals and entrepreneurial potential is to be improved. This view is reinforced in the 'eight key points for the recovery of Europe from the perspective of ministers responsible for education', adopted at the informal meeting of ministers for education in March 2009.

The study shares that view and covers associations active in tourism, retail and food processing as well as private training providers to investigate how they formulate and implement their training provision.

The study also questioned micro and small firm owners about the relevance and quality of the training received and about their perceptions of the training they need. It is important to note at this point that the opinions of service providers and firm owners differ considerably, which was also a finding of the first Cedefop study on this theme, though to a lesser extent.

More often than is generally believed, training measures for SMEs, and especially for micro and small firms, are not sufficiently individualised to be effective.

The study offers targeted recommendations for policy measures in the newer Member States and a generalised SME model for training-related decision-making, applying to both older and newer Member States.

Cedefop is also responding to the overarching challenge of how to turn initial entrepreneurship into employment and economic growth, which is the fundamental objective of the Small Business Act' for Europe and one of the principles underpinning the EU 2020 strategy.

Aviana Bulgarelli  
*Director of Cedefop*

## Acknowledgements

This report is a team effort, reflecting the work of Tina Bertzeletou, the Cedefop project manager in charge of the project, and a consortium of four national institutes that carry out research and advise SMEs on sectoral policies, EU integration and human resource development <sup>(1)</sup>. The institutes are listed in Annex 1 to this publication. Cedefop would like to acknowledge in particular the contribution of Mr Pavol Weiss of the Institute of Tourism in Slovakia, who assumed overall responsibility for coordinating the consortium. It also wishes to acknowledge the important role of Professor Joseph Hassid of the University of Piraeus in advising the research team throughout the investigation and in contributing to this synthesis report.

Cedefop expresses its gratitude to the many small firms surveyed for their support and assistance during the collection, analysis and interpretation of views and facts related to their training activities and needs.

Cedefop also thanks the representatives of national agencies, sectoral associations and training service providers – public and private – who agreed to participate in interviews and respond to questionnaires on their human-resource policies and training practices. Special thanks are due to those who took part in the meetings to validate the outcomes of the national surveys, which marked the finalisation of the national research. With their expertise and commitment they made this work more relevant to the national and sectoral realities and needs under the current difficult circumstances.

Cedefop welcomes the fact that the outcomes of this work at national and EU levels already form part of the curricula of the University of National and World Economy in Sofia. The main findings have been discussed in various forums organised by the EU Commission, OECD, DG Employment, and Cedefop. They have been presented to ENQA-VET, the European network for quality assurance in VET, and to key-stakeholders and social partners such as UEAPME (European Association of Craft, Small and Medium-sized Enterprises), ETUC (European Trade Union Confederation) and Business-Europe, which the Centre wishes to thank for their positive feedback on the present work.

Finally, thanks are due to Cedefop colleagues, in particular to Christine Nychas, Annette Cloake and Alessia de Martino for their technical support.

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<sup>(1)</sup> The consortium carried out the work under Cedefop's service contract No 2007-0087/AO/B/TB/Quality-approaches-in-SMEs/009/07.

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## Executive summary

The objective of this study is to generate a better insight to SME strategies and problems in human resources development in four 'newer' EU Member States (Bulgaria, the Czech Republic, Romania and Slovakia), in order to support small firms in these countries to upgrade their competitiveness and to cope better with intensified competition and globalisation. It also aims to recommend actions based on providing qualitative training and retraining activities fitting the particularities and requirements of each sector investigated.

The study's specific objectives are the following:

- to investigate how, and under what conditions, quality approaches to training are introduced in or for small enterprises in various sectors in the four Member States; to draw comparisons between them, with particular emphasis on the 'sector logic' and the national institutional, cultural and economic environment;
- to investigate how small enterprises plan human resources development, how the relevant training is implemented, how the results and outcomes of training are assessed and evaluated, and how conclusions are drawn from such evaluations and exploited for improving training;
- to make comparisons between countries and sectors and to formulate proposals for disseminating identified good practices and supporting small enterprises in improving training quality;
- to make country and sector comparisons with the findings presented in the previous Cedefop study, featuring Germany, Ireland and Greece on the same issues (Cedefop, 2009a).

The methodology adopted is based on the following 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' (Cedefop, 2009a, p. 15).

The study is structured as follows:

- Chapter 1 introduces and explains the background;
- Chapter 2 describes, in general terms, the existing situation in the four Member States and the three sectors of activity surveyed;
- more detailed information on the sectors' evolution over time and the position of small firms is provided in Chapter 3;
- the main findings of the field work undertaken are presented in Chapter 4. The material in this chapter covers all the issues examined during interviews with

the contact groups (firms, training providers, sectoral organisations and State agencies);

- based on the survey results, Chapter 5 attempts an evaluation of the applicability (in the specific countries and sectors) of the so-called 'generalised model' of training-related decisions (presented and analysed in Chapter 1) and attempts to identify similarities with and differences from the conclusions reached in the previous Cedefop study on the same issues;
- Chapter 6 summarises the content of the various project stages and indicates directions for further work.

The survey results suggest that, in all countries and sectors covered, it is generally difficult to find specialised and trained personnel. Unattractive wage levels, lack of job security and high demand for training – implying corresponding investment requirements in systems and programmes – are perceived as the main reasons.

The role of SME owners as a 'priority trainees' group and, at the same time, as protagonists in subsequent on-the-job training of less qualified personnel is of particular importance. For the tourism sector, the unattractive working hours constitute an additional impediment to attracting skilled personnel.

A fact that hinders statistical analysis in vocational educational and training (VET) research is that in-house training seems to be ill-defined and a highly heterogeneous training practice. It is clear that it is of great significance in everyday practice, but statistical reports do not record on-the-job training, despite its importance.

The issue of personnel shortage is closely related to small firm training policies.

Most small firms claim to have some sort of training policy for their personnel but this is, generally speaking, ill-defined and rather unstructured. It was also found that employees show a moderate willingness to participate in training programmes. Further, it is generally accepted that substantial mobility of trained personnel hinders training initiatives. Another deterrent is the SME owners' conviction that trained personnel may easily leave the small firm which provided them with training and move to a competitor. This is particularly probable in Bulgaria, Slovakia and Romania (in this order) and less in the Czech Republic, especially in the tourism and the retail sectors, but less in food processing.

In interpreting survey findings on this issue, it could be argued that small firms' owners do not seem to comprehend fully the profound meaning of the term 'policy'. This is shown in the survey by the fact that the majority of small firms in all countries answered the relevant question in positive manner, while other groups interviewed disagreed.

More than 80% of all SMEs surveyed, consider training necessary after hiring.

The categories of personnel for which some kind of training policy is reported, are skilled workers and small firm owners, followed by technical personnel. The perceived advantages of training are substantial. The general perception is that more training leads to higher qualifications and to salary increase. This seems to be regarded as the main advantage by all surveyed groups, in all countries and sectors.

However, insufficient resources and low motivation, lack of information and fear of losing personnel, are considered the main obstacles. Arrangements for participation in training during working hours imply absence from work: small firms have difficulties in replacing absent workers, leading to discouragement for initiating training activities.

Specific factors create training needs and these are frequently related to prevailing operating conditions in the sectors surveyed. For example, the 'new products' driving force seems to be effective in all sectors, including tourism, while 'technology' is also considered as an important factor generating training needs. These needs, however, are driven by the specificity of the technological aspects introduced in production. For instance, the introduction of a new piece of machinery requires training on its functioning.

In the food processing sector, in particular, the main drivers for training are the need to comply with EU Directives and national legislation and, to a lesser extent, new technology and new products. Competition is also mentioned, particularly by Romanian, Bulgarian and Slovakian Small Firms. The new products introduced in the retail trade create most demand for training, while new forms of tourism and competition seem to be the most important drivers in this sector.

On-the-job training is the main practice of SMEs in all sectors and countries surveyed. This is consistent with experience in most other European countries. Open seminars are also an interesting emerging practice in all sectors. These are becoming popular due to low cost, as some of them are EU funded or organised by suppliers.

The type of providers used varies from country to country and among sectors. Generally, experienced staff from within the company frequently undertake to train new recruits. The owners themselves and public sector institutions are also very active training providers. Technology providers have a noticeably role in the food processing and retail trade sectors, while the owners' role in training is particularly important in the tourism sector.

Training providers usually approach SMEs to offer training services, frequently proposing programmes considered largely inappropriate or irrelevant for SME real needs. Investigation of training programmes revealed that training providers are, in most cases, the originators. Several small firms prepare their own programmes, while cases of cooperation are less frequent. Reliance on providers is particularly high in Bulgaria and Romania, with Slovakia following at short distance. In the Czech Republic, most small firms seem to prepare their own training programmes.

The criteria for selecting training programmes are relevance (by far the most important in all sectors) and cost. Suitability of organisational arrangements seems another relevant criterion for SMEs in Slovakia (especially in retail trade) and in Romania in the tourism sector, but not necessarily in other cases.

The overall assessment of the impact that training might have on company performance is definitely positive. More than 50% of all SMEs in all countries and sectors characterised it as being 'sufficiently strong' or 'very strong'.

Quality training is generally appreciated by small firms and all the other stakeholder groups – but this seems to remain, in most cases, a 'theoretical', rather than applied, view. In many cases, one may even argue that the very concept of quality (let alone its content) is not sufficiently well understood.

Although small firms in the countries surveyed do not seem to be satisfied by availability or the content of government incentives for employee training, they are aware that schemes exist. Such awareness is more developed in the food processing and the tourism sectors. Use of such incentives, however, is hindered by the key obstacles of lack of information and red tape, with little differences by country and sector. Another obstacle frequently mentioned is the low level of incentives, combined with scarcity of internal matching funding.

Various suggestions and policy recommendations emerged during the interviews conducted with owners, sectoral association representatives and government agencies. The main ones are as follows:

- (a) support SMEs to upgrade quality in training services;
- (b) support small firm owners in programmes of training needs identification and strengthen the role of sectoral organisations (such as in 'train the owners' programmes);
- (c) better coordination and control of non-private training providers (potentially through the Ministry of Education in the various countries, or other type of government agencies);
- (d) monitoring of accredited programmes to ensure operation on a continuous basis to secure efficient use of resources;
- (e) upgraded social partner roles and participation in formulating VET policy;

- (f) wide and intensive awareness campaigns on the advantages of training;
- (g) simplification of procedures (especially for 'micro' enterprises);
- (h) incentives for 'training of trainers' for training providers.

All the above, plus the overall interpretation of the survey results and the insights gained through contacts and discussions with SME owners, government agency officials and training experts, suggest a number of directions for further work to minimise the negative impact of these hurdles/obstacles and promote quality training in small firms in the four Member States:

- (a) study the impact of individual factors inducing competences development in SMEs.

Factors suggested by the 'generalised model' presented in Section 1.4. and evaluated in Chapter 5 – 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 comprehension of small firms' decision-making would allow policy-makers to customise policies and promote – quantitatively and qualitatively – appropriate training practices. In addition, a systematic effort should be made to understand and evaluate the obstacles that small firms and other stakeholders have to overcome to benefit from the interaction of policies aiming at supporting their labour force upgrading;

- (b) emphasise the private and social benefits resulting from 'quality training' in SMEs. Educate stakeholders accordingly.

Resources – private and public – invested in developing the workforce imply substantial cost for governments and for individual firms. However, the return on such expenses should justify the initial investment decision. The fact that small firms frequently receive grants should not be interpreted as a license to spend freely. All stakeholders (governments, owners and employees) should be made conscious of such simple calculations and of their responsibility to themselves and to the public for efficient resources management. It is expected that implementation of quality assurance (QA) clauses in applications for grants, and awarding of grants on the condition that such clauses provide acceptable indications on the effectiveness of training-related programmes, will significantly upgrade overall effectiveness of all business (small and large) practices. For SME employees in particular – whose conscious 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.

The general finding of the survey 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 hide the responsibility of training providers and funding agencies to accept the imposition of a range of quality assurance-related criteria on their requests for funding. A more regulated system of training grants approval seems to be necessary to redress, at least partially, the imbalance between training services supply and demand. Formal structures operating in other countries have been successful in guiding individual firms' training. The degree of formalisation of training services market structure and functioning is lower in the countries surveyed; this may be attributed to cultural differences and other firms' characteristics. Regulating relations between the various parties should also consider such differences.

- (d) appreciate the SME owner extended role as competences development relay agent and multiplier. Owners conceived as both trainees and trainers may develop and support a whole new generation of suitable training and support programmes.

This study – in line with previous research work – showed that an SME owner very frequently undertakes the role of transferring knowledge acquired from own participation in training programmes, to people employed by him. The 'owner-trainee' subsequently operates as a kind of trainer and develops processes of non-formal training for others. Realising this fact implies that recorded training may constitute an underestimation of actual output for any given amount of initially recorded training. The issue of availability and quality of VET statistics has been highlighted elsewhere (see, for example, Cedefop, 2007, p. 65-67). The point raised here is whether the unrecorded training, taking place within firms, should be added to officially recorded external training – in formal training programmes – and whether this is worth investigating. The SME owner's propensity to pass on knowledge acquired and, more important, his efficiency in this transfer, are parameters that could be affected through suitable training and support programmes. The analysis and evaluation of alternative approaches to transfer know-how and benchmarking learning among SME owners of the same

or related sectors could be a valuable source of inspiration on how best to support owners in this role.

The present study generates a better insight into SME strategies and problems in human resources development in the four EU Member States (Bulgaria, the Czech Republic, Romania and Slovakia) and the three sectors (food processing, retail and tourism), surveyed. It aims to support small firms in these countries with their efforts to upgrade their competitiveness and to cope better with intensified competition and globalisation.

The study has also produced important findings on the vocational training policies of SMEs in the four countries.

A general observation is the difficulty in identifying specialised and trained personnel, due to the unattractive wage levels and lack of job security. For tourism, the unattractive working hours constitute an additional impediment to attracting skilled staff.

A fact that hinders statistical analysis in VET research is that in-house training seems to be of great significance in everyday practice, but statistical reports do not record on-the-job training, despite its importance.

Most small firms claim to have some sort of staff training policy but this is generally ill-defined and unstructured. The study also demonstrated a moderate interest of employees in training. In interpreting the survey findings on this issue, one should bear in mind the difficulty of small firm owners in developing a strategic approach in training.

The perceived advantages of training are substantial. The general perception is that more training leads to higher qualifications and to salary increases. This seems to be regarded as the main advantage by all those surveyed groups. However, insufficient resources and low motivation, lack of information and fear of losing personnel, are considered the main obstacles.

There are specific factors creating training needs and these are frequently related to prevailing operating conditions, such as the introduction of new products and technology, as well as the need to comply with EU Directives and national legislations, mostly observed in the food processing sector.

The main training practice among SMEs surveyed is on-the-job training, with 'open seminars' indicated as an interesting emerging practice in all sectors.

Training providers are, in most cases, the originators of training programmes. In Bulgaria and Romania, small firms rely mostly on providers for this task. The training programmes are selected mostly on their relevance and less on their cost.

The overall assessment of the impact that training might have on small enterprise performance is positive. Small firms in the four countries, mainly in the

food processing and the tourism sector, do not seem to be satisfied by the availability or the content of government incentives for employee training. Such incentives are hindered by lack of information, excessive 'red tape', low level of incentives, and the scarcity of internal matching funding.

The study suggests that in all four countries and all three sectors surveyed there is convergence on several significant conclusions:

- (a) small firms understand the signals from national and European new legislation (often creating new needs for training) and also the impact that emergence of new technologies, new competitors, new products and new demand patterns: these affect their propensity to invest in upgrading employee skills;
- (b) various public schemes operating in Bulgaria, the Czech Republic, Romania and Slovakia are not adequately promoted and small firms rarely know of their existence or their precise content. Bureaucracy is considered an obstacle to private initiatives;
- (c) despite the fact that isolated cases of small firms' cooperation in training exist in the EU countries surveyed, such practices are regarded as exceptions.

Recommendations are provided on providing qualitative training and retraining activities fitting the particularities and requirements of each sector investigated.

An important policy recommendation is for a more proactive role among public and private sector agencies in identifying training needs. Also, the impact of individual factors inducing competences development in SMEs, as well as the private and social benefits resulting from 'quality training', should be studied further and stakeholders educated accordingly. The relations between SMEs and training providers, training providers and government/funding agencies should be assessed and regulated. Finally, the SME owner extended role as competences development relay agent and multiplier should be emphasised, taking into consideration that the owners conceived as both trainees and trainers may develop and support a whole new generation of suitable training and support programmes.

It is worth noting the significant similarities of these findings with those from the previous Cedefop survey of the same sectors in three 'older' Member States (Cedefop, 2009a). This fact confirms the assertion that, independent of differences in their economic and institutional environments, small firms everywhere are characterised by very similar weaknesses and behavioural patterns.

# 1. Introduction to the study

## 1.1. Introductory remarks

There are several key issues to be considered, and concerns addressed, regarding the quality of vocational education and training in SMEs in the 'newer' Member States.

In the Helsinki communiqué, these Member States were invited to improve the status of VET. They were also asked to integrate into their VET policy in the coming years, new common tools, such as the common quality assurance framework (CQAF), developed by the technical group on quality in vocational education and training (TWG), set up by the European Commission Directorate-General for Education and Culture (DG EAC). Cedefop responded by launching this study, focusing on some of the 'newer' Member States, as an extension to a pilot study on the same topic carried out previously in Germany, Ireland and Greece (Cedefop, 2009a).

The rationale and the orientation of the study are based on the following arguments:

- (a) the widespread use of new technologies, combined with progressive globalisation of markets and increased competition, make it imperative that both employers and employees adapt to continuous changes. This needs to be understood by SMEs in all sectors;
- (b) the achievement, according to the Lisbon strategy, of a knowledge-based economy in Europe by 2010, creates additional stimuli, especially among SMEs;
- (c) 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, improvement) is indispensable;
- (d) the specificities of each enterprise (its size, type of activity and the associated command it possesses over resources for organising and implementing training), are important factors determining its ability and readiness for quality approaches to the training of its human resources (including owners and managers);
- (e) the interrelationship of production and services in some sectors affects their understanding of continuing VET (CVT);





































































































































































































