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Strengthening the competitiveness of SMEs through improved skills is a win-win situation.

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Skills bolster SME competitiveness

Small and medium-sized enterprises (SMEs) are the backbone of economies around the world. They contribute to economic growth, spur innovation and diversification, and provide livelihoods. They also offer women and other traditionally disadvantaged groups the potential to access productive, sustainable and quality employment.

Before the 2008-2009 global economic and financial crisis, average growth in full-time permanent employment of SMEs was substantially higher than that of large firms. But this growth has stagnated in recent years.

Unfortunately, improvements in enterprise performance can be difficult to achieve and are not always supported by relevant skills policies. This is especially evident in many SMEs, where weaknesses in competitiveness, poor working conditions and low skill development prevail.

Bearing this in mind, strengthening the competitiveness of SMEs through improved skills is a win-win situation.

Relevant skills policies for SMEs provide numerous benefits. They equip workers with the knowledge, skills and qualifications needed in a changing work environment, tackle skills shortages and mismatches, and foster lifelong learning. They also help employers raise the level of workforce skills according to company needs, provide young people with the right qualifications – facilitating their access to labour markets and increasing labour market mobility – and support economic growth, competitiveness and productivity.

This is particularly true of quality apprenticeships – the gold standard in vocational education and training. These link the classroom and workplace, and tap the knowledge of employers and workers on the kind of training needed and ways to deliver it. Quality apprenticeships develop skills, innovation and entrepreneurship, and enable employers to train workers along enterprise requirements. This helps to meet SME needs and address structural problems of low productivity and lack of productive diversification.

Shared financing is necessary to ensure ownership, sustainability and relevance of quality apprenticeships.

Financing mechanisms

Establishing an optimal and reasonable funding arrangement is key to designing skills and apprenticeship policies. Who shares the financial burden, and how can a fair distribution of costs among the relevant stakeholders be determined? Companies usually finance the biggest share, such as the costs of in-company training and apprentices' salaries, while the government runs vocational schools and covers teaching salaries.

To support companies that offer apprenticeship positions, many countries have established apprenticeship funds. For instance, all employers may have to pay into the fund, with companies drawing from the fund for each apprentice they take on. The government may also introduce tax breaks or other incentive systems. However, full public funding of apprenticeships can and should not be the option in the end – shared financing is necessary to ensure ownership, sustainability and relevance of quality apprenticeships.

Anticipating and matching skills needs

Many countries are facing the challenge of a mismatch between the skills needed in the labour market and those acquired by graduates of vocational education and training institutions or universities. Even though there are other reasons employers find it difficult to fill vacancies, such as poor wages and working conditions, unattractive locations, limited career options and precarious contracts, the skills gap is often a real concern.

Researchers view labour market mismatches as one factor in weak employment trends and sluggish productivity improvements. At times, the skills demanded by employers are simply not available, because the vocational training system is weak and/or unresponsive to labour market needs.

Quality apprenticeships, as promoted by the ILO, offer an effective way of bridging this divide. However, this depends on adequate knowledge of a country's supply and demand for skills. Such analysis identifies which skills are needed in each sector and how the social partners can jointly assess and provide them.

Country policies on skills therefore should include assessing and anticipating needs in conjunction with the quality apprenticeship system. This ensures skills and quality apprenticeship programmes align best with the labour market and serve the needs of SMEs.

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