



**PACT FOR
SKILLS**

INTRODUCING SKILLS MANAGEMENT IN SMES

Peer Learning Activity | 17 April 2024

The European Commission organised its first Peer Learning Activity (PLA) as part of a series of events to be delivered in 2024 for Pact for Skills members to discuss key topics, share their experiences, and showcase good practices with the Pact for Skills community. The PLA provided a space for Pact members to increase their knowledge of skills management and discuss challenges and opportunities related to this topic.

Key messages

SMEs have a crucial role to play at EU level – they represent 99% of all businesses and employ around 85 million people in Europe. They need the capabilities and mechanisms to reskill their workforce. Skills management is about helping SMEs tackle the challenges they commonly face in doing so.

Over the past decade, the EU has made efforts to provide SMEs with the necessary support to invest in upskilling and reskilling, both by introducing policies, strategies and conducting research studies establishing a framework for skills development in the context of small and medium sized businesses, and by making available financial resources through EU funding programmes (e.g. Single Market Programme; European Social Fund Plus; Erasmus+). However, during the PLA it was highlighted that SMEs still face a range of important challenges when trying to enhance their skills management capacity. These challenges are both internal (e.g. lack of time, human, and financial resources; lack of know-how; insufficient buy-in at management level) and external (e.g. increasingly competitive markets; consecutive economic downturns).

The PLA provided also a space for Pact members to reflect on the importance of introducing skills management and its many inter-related benefits, with Pact members acknowledging that – by leading to better skills utilisation, improved company productivity, and increased job satisfaction - effective skills management is an essential part of business development, without which, SMEs struggle to grow and remain competitive.

Is your organisation an SME interested in joining the Pact for Skills? Here is how!

The Pact can be joined by any private or public organisation or partnership of organisations which aim to upskill or reskill people of working age. The organisation(s) need(s) to be based in one of the Member States, EFTA or candidate countries.

Your organisation can apply to become a Pact for Skills member by filling out this [short form](#).

Skills management: an introduction

Skills management encompasses all business processes concerned with how companies manage the skills of their workforce and involves identifying, evaluating, and developing the skills and expertise of employees. Effective skills management enables businesses to have a clear view of the skills, qualifications and credentials held by employees and how they can be deployed within the organisation to maximise the benefits for both the business and the individual workers involved.

Skills management can support the work of SMEs both at an **operational** and **strategic** level. From an operational perspective, it allows companies to gather information about existing skills sets, and consequently identify relevant skill gaps to be addressed. In turn, from a strategic standpoint, implementing successful skills management processes ensures that SMEs can invest in developing the expertise they need to be successful and sustainable, particularly in the context of an ever-changing labour market.

Skills management revolves around three main aspects¹:

- **Analysis and planning:** This involves identifying current skill needs in the workforce and comparing these to business needs in the short, medium and longer term, for example through business environment and workforce analysis (e.g. training needs analysis), to identify skills gaps and develop of gap-closing strategies.
- **Skills utilisation:** This involves maximising how employees' existing skills are used in the workplace based on analysis and planning, and can encompass activities such as the redesign of roles and the (re-)assignment of employees into positions where their skills can be most effectively deployed.
- **Skills development:** This involves increasing skill levels within the company by determining training requirements based on skills gaps identified through analysis and planning and providing appropriate skills development opportunities.

SMEs and skills: state of play at EU level

Across the EU, 24 million SMEs employ around 85 million people, providing around two thirds of all jobs in the private sector. They often drive economic development in more rural areas and contribute to innovation in the ecosystem they operate in. Given the central role they play

¹ European Commission, Directorate-General for Employment, Social Affairs and Inclusion, Gausas, S., Christenko, A., Mosoreanu, M. et al., Feasibility study for a (self-) assessment tool on skills management practices in SME's, Publications Office of the European Union, 2022, <https://data.europa.eu/doi/10.2767/039248>

in the European labour market in Europe, it is crucial that SMEs have access to a skilled workforce.

A [2022 Flash Eurobarometer on SMEs and Skills Shortages](#), conducted in the context of the European Year of Skills², shed some light on challenges that small and medium sized companies face across Europe. For example:

- While over 90% of respondents highlighted the **importance of having access to workers with the right skillset**, 78% of them stated that it is either very or moderately difficult to find these workers.
- Over 60% of respondents acknowledged that **lack of access to skilled workers holds their business back**, with around 40% also stating that skills shortages also affect SMEs' ability to adapt to changes brought about by the twin (i.e. digital and green) transition.

In terms of strategies implemented by SMEs to respond to skills shortages, the outcomes of the Flash Eurobarometer highlighted that:

- 43% of SMEs invest in their own existing workforce by making better use of talent that is already present within the company;
- Around 35% of SMEs opt for increased investment in training by upskilling their existing staff;
- 32% of SMEs focus on increasing their attractiveness to prospective talent, for example by offering additional financial and non-financial benefits.
- Lastly, other possible tools to recruit workers with the desired skillset, as identified by respondents to the Flash Eurobarometer include closer cooperation with Public Employment Services, to ensure a better match between demand and offer; as well as better tools to either be used during recruitment to ensure the applicant with the best skillset is hired, or tools to better assess and make use of skills and competences within the existing workforce.

To support SMEs in tackling the challenges highlighted by the outcomes of the Flash Eurobarometer, the EU has put in place several policy and funding instruments.

From a **policy perspective**, a recent initiative that can support SMEs to further develop the skillset of their workforce is represented by the [Net Zero Industry Act](#). This Act, proposed by

² https://year-of-skills.europa.eu/index_en

the European Commission in 2023, aims to help strengthen the European manufacturing capacity of net-zero technologies and overcome barriers to scaling up the manufacturing capacity in Europe, with the objective to increase the competitiveness and improve the EU's energy resilience. As a skilled workforce is key to strengthening the manufacturing capacity of net-zero technologies, enhancing skills is a key component of the Net Zero Industry Act. To invest in upskilling and reskilling, the Act supports the establishment of Net Zero Academies, to act as a space for industry actors to co-create and disseminate content with local training providers. The Net Zero Academies aim to reach 100,000 learners in the first two years, including by implementing activities specifically targeting SMEs and their needs. The [European Battery Academy](#) represents the first Net Zero Academy: launched in 2022, the Academy committed to training, reskilling and upskilling up to 800 000 workers by 2025 to meet the demands of the skills shortages in the rapidly growing European battery value chain. To this end, the Academy will develop and produce training programmes and learning content tailored to addressing skill gaps, including online learning modules, in-person training and training manuals.

Furthermore, another relevant EU level policy initiative is represented by the [Enterprise Europe Network](#) (EEN). The EEN brings together experts from organisations that are renowned for their excellence in business support (e.g. chambers of commerce and industry; university and research institutes; innovation centres) to help businesses to innovate and grow on an international scale. Businesses can take advantage of the expertise within the EEN by use the network's services. For what concerns upskilling and reskilling, EEN members can provide expert advice and facilitate network opportunities among SMEs (e.g. by advising on introducing skills management, or supporting SMEs to build partnerships with training providers).

From a funding perspective, key EU level funding programmes that can support SMEs to invest in upskilling and reskilling include the following:

- [Single Market Programme](#): With a budget of EUR 4.2 billion for the period 2021-2027, this EU funding programme aims to strengthen the governance of the EU single market, including by boosting the competitiveness of business, and SMEs in particular. Calls for proposals are published on a regular basis and offer opportunities to SMEs to have access to funding for their upskilling and reskilling activities of money aimed at supporting businesses, which includes a budgetary line for SMEs. 4.2 billion total budget. https://commission.europa.eu/funding-tenders/find-funding/eu-funding-programmes/single-market-programme_en
- [European Social Fund Plus](#) (ESF+): With a budget of EUR 142.7 billion for the period 2021-2027, ESF+ provides a crucial contribution to key policy areas, including employment, social inclusion, and education and skills policies. A large part of ESF+

funding is managed by Member States in cooperation with the European Commission, with calls for proposals being launched by national or regional public authorities. SMEs are often included in the stakeholder groups that can apply for funding under ESF+.

- [Erasmus+](#): With a budget of EUR 26.2 billion for the period 2021-2027, Erasmus+ is the EU funding programme for education, training, youth and sport. Upskilling and reskilling, including in the context of the green and digital transitions, represents a key priority under the programme, with many opportunities for organisations, including SMEs, to access funding for the strategic improvement of the professional skills of their staff, and organisational capacity building.

Would you like to access more resources on skills management and upskilling and reskilling for SMEs?

Helpful resources include the following:

- [Feasibility study for a \(self-\) assessment tool on skills management practices in SME's](#): a European Commission study providing overview of the existing skills management solutions / tools available on the market.
- More information on funding opportunities for SMEs is available on the European Commission's [Funding & Tenders Portal](#) and the [Pact for Skills database and search tool for funding opportunities](#).

Fostering upskilling and reskilling in SMEs: examples from the Pact

At the PLA, Pact for Skills members had the opportunity to hear directly from other Pact members about their work to promote skills management, and upskilling and reskilling more broadly, in SMEs.

For instance, [Smarthink](#) is an education company aimed at developing the skills of the job market of the future, through technologies. Smarthink's work revolves around providing e-

learning training opportunities, for which they design and deliver digital content and ensure recognition through the provision of digital badges; as well as 'Edulai', a Smarthink platform using new technologies (e.g. AI) to assess skills levels. According to Smarthink's experiences, key success factors in promoting upskilling and reskilling opportunities in SMEs include providing opportunities for "micro-learning", allowing employees to learn at their own pace; promoting user engagement; and fostering recognition. Moreover, to further encourage SMEs to invest in upskilling and reskilling, Smarthink offers an initial, as well as regular periodical ones, assessment of management skills as these are crucial to ensure employees are motivated and engaged, including by investing in their own skills development.

Furthermore, [SWIdeas AB](#), is a social enterprise that provides other organisations, including SMEs with trainings and educational materials, with a focus on technical, conceptual, and interpersonal skills. Promoting skills management is part of their areas of interventions, as a key element to ensure SMEs can remain agile and dynamic in an ever-changing labour market. To this end, SWIdeas AB helps SMEs to update their business model to embed skills management, with the first step being focused on analysing existing skills within companies, and then measuring these against task delivery requirements and teams' development curve, to identify skills gaps. Lastly, SWIdeas AB supports SMEs to then set up new learning opportunities to upskill their own workforce.

Moreover, [Readlab](#) is an organisation focusing on research, education, training, tech-enhanced learning and consulting services, and supporting the introduction of skills management in SMEs. Their key messages towards small and medium sized businesses is that "*companies are their people*", and therefore investing in their teams' skills development and establishing more effective recruitment processes, including by introducing skills management as part of the company culture is crucial for SMEs.

Lastly, [SkyHive](#), is a global skills intelligence platform that develops products, including through the use of new technologies (e.g. AI), to support companies to upskill and reskill their workforce. As the labour market is moving from a "jobs and occupations paradigm" to a much more dynamic space, skills development is taking the central stage. Organisations, and SMEs in particular, however, struggle to adapt to this change and assess the skills they have, those they need, and how to tackle gaps between the two. SkyHive supports organisations to develop their "skills agility", i.e. the ability to anticipate and contextualise operational and market shifts in terms of workforce readiness, and to strategically leverage transferable skills within their incumbent labor force, tapping into "hidden" talent sources to adapt to change. To this end, SkyHive supports workforce transformation, by helping SMEs to 1) understand the skills of their existing workforce; 2) identify emerging and future skills needs within their region/ecosystem and/or specific roles and assess existing skills gaps; 3) mobilise and

transition talent through the identification of the most appropriate career pathway based on AI-driven skills analysis; 4) bridge the skills gap by providing targeted training.

Challenges and opportunities of introducing skills management in SMEs

At the PLA, participants had the opportunity to discuss challenges and benefits of introducing skills management in SMEs.

Effective skills management is widely recognised as having the potential to deliver a broad range of **benefits** at different levels:

- For **companies**, skills management can result in companies gaining a better understanding of their existing skill needs, which can then lead to more effective and efficient recruitment to address those needs. Furthermore, skills management can improve the match between employees' skills and task delivery, thus positively affecting staff performance and increasing productivity. A better skilled staff is also likely to enhance innovation. Lastly, skills management also enables SMEs to design and implement clearer career/progression structures for their staff, which can result in reduced turnover.
- For **individuals**, skills management means increased opportunities skills development, possibly leading to greater job satisfaction, motivation and confidence, as well as, better progression opportunities.
- For **society**, better skills management and more efficient SMEs means a likely aggregate improvement in the matching of supply and demand for skills, improving the functioning of the labour market, and providing critical support to the goal of developing a healthier, more productive economy.

However, as highlighted in the discussions held at the PLA, some key **challenges** remain. These include the following:

- **Lack of resources:** SMEs often lack financial resources to dedicate to a full-time, professional human resource capacity to lead on skills management. Tools to enhance upskilling and reskilling are available on the market, but often come at a cost, which not all SMEs can cover. Linked to this, accessing funding presents its own specific challenges: even when public subsidies are available, often calls for funding are very administrative heavy, posing an additional obstacle to SMEs who may not have the time or resources to dedicate to these processes.

- **Information deficiencies:** Data on skills needs in the short, medium and long term is often lacking, making it harder for SMEs to invest in upskilling and reskilling. This information gap has a series of important consequences. For instance, SMEs lack the information they need to tailor their recruitment practices to identify the best candidates to address their skills needs. Furthermore, lack of data poses an additional obstacle to investing in skills management and developing upskilling and reskilling strategies.
- **Competitiveness:** SMEs also operate in a competitive environment for labour and often this means there is a risk that workers who they train will be ‘poached’ by other employers, which can act as a powerful disincentive to invest in skills.

Despite the many challenges and obstacles, Pact members also identified **potential solutions**. For instance, the role of the Pact for Skills as a catalyst for change was highlighted: the Pact can foster skills intelligence and anticipation across ecosystems, addressing current knowledge gaps. Furthermore, through promoting exchanges of good practices and knowledge sharing, the Pact can provide a helpful space for SMEs to learn about effective approaches to skills management and learn to work more strategically. Lastly, the PLA stressed the importance of stakeholder cooperation, to support SMEs in upskilling and reskilling their workforce. To this end, large-scale skills partnerships (LSPs) and regional skills partnerships (RSPs) under the Pact, as well as national and regional level initiatives bringing together different stakeholder groups, stand out as good practices, as these can be crucial spaces for SMEs to access advice and support, including financial, and build partnerships (e.g. with training providers) to invest in skills management.