

Human resource management in italian SMEs after covid-19: an opportunity for growth?

by *Rossella Di Federico**

Abstract

The purpose of the paper is to investigate new trajectories in staff recruitment and training that could be strategic for Italian SMEs in improving their human resource skills and successfully facing the technological and organisational challenges accelerated by the Covid-19 pandemic. To achieve this, qualitative research was carried out from March to October 2021 involving Italian experts of the SME world. Findings have shown that the structuring/formalisation of recruitment and training activities may be useful for SMEs to deal with the economic downturn begun in 2020. These processes require the implementation of shared initiatives involving the wider participation of the employer associations, unions, local institutions and other social actors.

Keywords: SMEs, recruitment, training, formality, informality, unilateralism, participation, social actors.

Abstract. La gestione delle risorse umane nelle piccole e medie imprese italiane dopo il Covid-19: un'opportunità di crescita?

Obiettivo del paper è esplorare nuove traiettorie di reclutamento e selezione del personale che possono essere strategiche per le PMI italiane per migliorare la qualità delle risorse umane e affrontare con successo i cambiamenti tecnologici ed organizzativi accelerati dalla pandemia Covid-19. A tal fine, da marzo ad ottobre 2021, è stata realizzata una ricerca qualitativa nella quale sono stati coinvolti esperti del mondo della piccola impresa. I risultati ottenuti dimostrano che processi di strutturazione/formalizzazione delle attività di reclutamento e formazione professionale possono essere utili per le PMI per superare la crisi economica iniziata

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* University of Teramo. E-mail: rdifederico@unite.it

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nel 2020. Questi processi richiedono l'attuazione di iniziative condivise che prevedono l'ampia partecipazione di associazioni datoriali, sindacati, istituzioni locali e altri attori sociali.

Parole chiave: PMI, reclutamento, formazione, formalità, informalità, unilateralità, partecipazione, attori sociali.

Introduction

This article focuses on new trajectories in staff recruitment and training that are emerging to assist Italian SMEs in responding to the 2020 pandemic crisis. For SMEs, staff recruitment and training are two important activities in HRM, although the latest research has mainly focused on other issues - namely, industrial and labour relations (Pulignano *et al.*, 2018; Regalia, 2020), the relationship between employee voice/pay incentives and innovation (Della Torre *et al.*, 2021; Salimi and Della Torre, 2021), new production strategies (Signoretti, 2020), and employee motivation (Bryson and White, 2019).

Recruitment is the only way to introduce new skills as SMEs are characterised by a rather stable internal labor market, due to the low possibility of offering employees promotion or career opportunities (Taylor, 2005). Training is crucial to promoting socialisation amongst workers, increasing their motivation and productivity (due to the lack of formal incentive plans), discouraging resignations and fostering knowledge creation (Sabel, 2005; Hoque and Bacon, 2006).

Definitions of small and medium-sized enterprises often differ between countries (Dundon and Wilkinson, 2018). In this paper, however, the European Union definition (European Commission, 2003)¹ is adopted, which is based on the size, i.e. the number of employees and the turnover or balance sheet total. According to this definition: *micro-enterprises* are those with less than 10 employees and an annual turnover/balance sheet total not exceeding € 2 million; *small enterprises* are those employing fewer than 50 workers with an annual turnover/balance sheet total of not more than € 10 million; and *medium-sized enterprises* are those with 50-249 employees and an annual turnover not exceeding € 50 million or an annual budget of no more than € 43 million.

Small and medium-sized enterprises play a key role worldwide. According to 2020 OECD data, SMEs make up about 95% of the world

¹ https://ec.europa.eu/growth/smes/sme-definition_it.

company total, account for 60-70% of employment and create most new jobs (at least until a few years ago). This data confirms the economic and social importance of SMEs, establishing them as the ‘backbone’ of our production systems and the main ‘drivers’ of development and employment. In spite of this, they are not always perceived as a relevant social aspect (Durkheim, 1894) or as an entity of public interest (De Vivo, 2017).

SMEs form a diverse, highly differentiated world, where traditional production and work organisational methods and new, innovative management practices are observed (Antonioli and Della Torre, 2016; Della Torre *et al.*, 2021; Signoretti, 2020) and where, at the same time, formal and informal staff recruitment and training procedures are adopted (Mallet and Wapshott, 2014; Wapshott and Mallet, 2016 and 2017; Marlow *et al.*, 2010) and different combinations of decision-making (unilateral/participatory) also occur (Marchington and Suter, 2012; Regalia, 2020).

The next section of the paper describes the challenges Italian SMEs are currently facing, starting from the outbreak of the Covid-19 pandemic in March 2020. The third section presents literature on recruitment and training practices in SMEs. The fourth section describes the research design to explore new trajectories in staff recruiting and training that have emerged during the pandemic. Finally, the last section discusses the results obtained, their limitations and implications for practices and future research in the field.

1. Italian SMEs: criticalities and innovation in recruitment and training practices

According to the ISTAT Permanent Census of Companies (2019), there were 4,377,379 active companies registered in Italy, with only 0.1% of these defined as large companies (over 250 employees), while small-medium sized companies accounted for 99.9% of the Italian production system. In terms of size, 95% of SMEs are micro-enterprises with fewer than 10 employees, 4.5% are small enterprises with 10-49 employees, and 0.4% are medium enterprises with 50-249 employees (Tab.1). In line with international standards, Italian SMEs operate mainly in the service sectors (75%) - wholesale and retail (over 24%); professional, scientific and technical areas (17%); accommodation and catering (8%); health and social assistance (7%); and real estate (5%). SMEs in the construction sector account for 11%, while in manufacturing they make up just over 8% of the total (ISTAT, 2019).

For this study, the most important factor is that 77 % of the total number of employees in Italian companies are employed in SMEs, a percentage well above the European average (69.4%) (Eurostat, 2020). Specifically, 43% work in micro-enterprises (0-9 employees), 20% in small enterprises (10-49 employees), and 14 % in medium-sized enterprises (50-249) (Tab. 1).

Tab. 1 – Enterprises and employees by class of employees - Italy

<i>Class of employees</i>	<i>0-9</i>	<i>10-49</i>	<i>50-249</i>	<i>Over 250</i>	<i>Total Enterprises/ Employees</i>
Enterprises in all productive sectors	95%	4.5%	0.4%	0.1%	4,377,379
Employees in all productive sectors	43%	20.4%	13.5%	23.1%	17,438,078

Source: Based on Istat database, 2019

The shocks resulting from the 2008 financial crisis and the COVID-19 emergency have subjected micro, small and medium-sized enterprises, and especially the former, to strong pressures and increasing difficulties, often much greater than those encountered by larger companies.

The economic downturn, caused by the pandemic, has heightened the vulnerability of SMEs in facing a shock that has hit supply and demand and is jeopardising the survival of more than 50% of micro-enterprises (OECD, 2020). SMEs normally operate in sectors that have been most affected by the health and economic crises, such as tourism, transport, fashion, catering, commercial and professional services and construction. Moreover, they usually have difficulties in finding information on how to access government aid and benefit from relevant measures.

Recent surveys (Cerved, 2020; Intesa San Paolo, 2021) highlighted that, in SMEs, resilience, ‘restart’ and renewed development depend on the level of employees’ skills, due to the technological and organisational innovations the pandemic has accelerated, and on the quality of the relationship with the social actors in industrial relations and local institutions (Burrioni and Regalia, 2021). However, SMEs recruitment and training practices do not guarantee human resource skills quality (Patel and Conklin, 2012; Bartram,

2005) owing to the fact that they are mainly carried out by the owner-manager, usually informally, with a low level of participatory decision-making and without innovation and experimentation capabilities (Regalia, 2020). In addition, small entrepreneurs do not usually turn to employer associations or trade union organisations for assistance (Carrieri, 2004; Carrieri and Braga, 2007; Carrieri and Pirro, 2019; Crouch, 2014; Pulignano *et al.*, 2018) and relations with local institutions are weak (Carrieri, 2011; Burroni and Regalia, 2021). All these aspects undermine the ability of SMEs to be ready to face the current crisis and to seize new post-pandemic opportunities. Given the high number of employees working in Italian SMEs, it may be useful to explore the emerging personnel recruitment and training models aimed at enhancing human capital.

2. Literature overview on HRM in SMEs

The debate on human resource management in SMEs has long been dominated by two opposing interpretative models: the *small is beautiful* view, which proposes small enterprises as places of harmonious relations (Schumacher, 1973; Goss, 1988; Sabel, 2005; Tsai *et al.*, 2007); and the *bleak-house* or *black box* view, where small and medium-sized businesses are seen as places of entrepreneurial/managerial autocracy (Rainnie, 1989). This is not just a question of two opposing views on how things work in smaller firms, but also involves very different policy initiatives (Edwards *et al.*, 2009). However, in the last two decades a line of literature has gradually emerged, highlighting the heterogeneity of managing personnel in SMEs (Matlay, 2002). It has called into question the idea that the enterprise size alone is what determines human resource management models and characteristics, emphasising the variety of approaches and policies based on the different degrees of formality/informality of practices adopted and the unilateralism/participation in the decision-making process (Marlow *et al.*, 2005 and 2010; Taylor, 2005; Ram and Edwards, 2010; Hann, 2012; Holten and Crouch, 2014; Wapshott and Mallet, 2016; Dundon and Wilkinson, 2018). These studies, on the one hand, have highlighted the influence of external factors, such as labor market and product conditions, the dynamics of the sectors and the supply chains in which enterprises are integrated, the inter-organisational relations, the institutional context of different areas, and the industrial sub-cultures present or prevalent (Myson and Barret, 2017; Regalia, 2020; Harney and Alkhalaf, 2020). On the other hand, the influence

of internal factors has also been stressed, including the type of ownership (Ram, 2001), the workforce's skills mix, the level of the employer's dependence on employees (Barrett and Rainnie, 2002), as well as the employer's culture, ideology and attitudes (Cardon and Stevens, 2004). These are factors that significantly affect the impact of external pressures.

Generally, the key feature of HRM in SMEs is the presence of an informal rather than a bureaucratised relationship between the employer and employees (Dundon and Wilkinson, 2018). SMEs rarely consider formalising their working practices and rely on an emergent approach with an absence of structured or professional HR management (Marlow *et al.*, 2005). This is partly a consequence of a lack of resources, with 'informal routinisation' playing a large part in the day-to-day running of the firm. This results in a situation where management policy and practice are 'unpredictable' and, at times, 'indifferent' to the human resource needs of a company (Wilkinson, 1999). Recently, Bryson and White (2019) underlined the risk posed in introducing formal HRM practices in SMEs as HRM development is likely to interfere with distinctive small-firm advantages, such as flexibility and informality, which small businesses should use to the fullest. Moreover, small firms with no or minimal investment in HRM tend to have highly motivated employees and when they implement formal practices of personnel management, employee motivation declines. However, in those small businesses that adopt a more integrated and strategic HRM in an adverse context of recession, employee motivation grows again. Overall, recently, small business owners have become more aware of the need to plan employee management activities (Rhodes, 2016).

2.1 What we know about recruitment and training in SMEs

Most of SMEs typically adopt an informal recruitment approach, based on the unilateral evaluation of the owner-manager, who decides on the most suitable person for the company at a given time (Taylor, 2005). Recruitment usually occurs by means of the owner's direct knowledge of an individual (Ram *et al.*, 2007), word of mouth amongst companies, family networks or self-candidatures (Holliday, 1995; Regalia, 2020). This stems from the company's need to include employees who are both qualified and equipped with a crucial pre-requisite, that is, the ability to adapt to a defined relational context (Marlow and Patton, 2002). While informality might have positive effects for SMEs, it can also lead to potential problems, especially regarding the problem of discrimination. Informality can actually reduce the likelihood

that employers monitor their recruitment methods where equal opportunity is concerned (Forth *et al.*, 2006). Moreover, owner-managers may not be aware of equality regulations or diversity in best practices (Ram, 1993). As Carrol pointed out (Carrol *et al.*, 1999), on the one hand, «word of mouth recruitment methods are potentially discriminatory. On the other hand, given the lack of financial resources and in house expertise in human resources management techniques and the nature of the labour market, it could be argued that these methods are the most appropriate. Hiring ‘known quantities’ could be seen as a very effective way of reducing ‘uncertainty decisions’».

Although informality practices are the dominant model of recruitment in small businesses, they are not the only ones used (Wapshott and Mallet, 2017). Indeed, formal recruitment methods are not entirely absent in small firms, although their use varies across productive sectors (Doherty and Norton, 2014). For example, formal practices are quite common in the high-tech services sector, where some skills are considered crucial for competitiveness (Gilman and Edwards, 2008). Nevertheless, even in these cases, recruitment may be based on informal techniques since the ability to fit into a particular company ‘lifestyle’ is a fundamental criterion, which may become more important than the candidate’s technical and professional skills (Ram, 1999). Adopting formal recruitment methods tends to be quite widespread amongst those companies positioned in more developed socio-economic contexts, and generally involved in larger production circuits (working with/for other companies) where human resource management is entrusted to a specific internal figure (Wynarczyk *et al.*, 1993). A recent study (Di Federico and Dorigatti, 2020) identified that, in Italy, the most common formal recruitment methods are through the use of private agencies (above all, temporary work agencies) and public employment centres (PECs). Other formal recruitment channels, such as universities, technical institutes or on-line advertisements, are rarely used. Moreover, social networks are never considered for recruitment, not even by companies working in the highly skilled service sector. Although they represent an excellent showcase for high-skilled profiles, social networks do not seem to be the most appropriate channel for selecting the most suitable people to meet the professional and relational needs of SMEs.

Similarly, concerning staff training, SMEs are more likely to adopt informal (on-the-job) methods focusing on socialisation to pass on tacit knowledge (Polanyi, 1967; Nonaka and Takeuchi, 1995; Laursen and Mahnke, 2001) rather than formal (off-the-job) methods. However, considerable differences across sectors can be found (Gilman and Edwards,

2008). SMEs that make exclusive use of on-the-job training are those where employees have close contact with customers. These are companies often working in the retail sector which, in addition to selling a product, also wish to build a strong internal and external company image. Here, on-the-job training is useful to standardise employee behavior with customers, portraying a common identity (Bacon and Hoque, 2005; Kinnie *et al*, 1998).

Formal training, when present, mainly involves generic or mandatory training (e.g. work health and safety) for all employees, and specific off-the-job training (for certain groups of workers) is more important in companies where there is an increasing turnover or where workers with special qualifications are needed (Di Federico and Dorigatti, 2020).

The literature has provided us with several explanations for the low incidence of formal training among SMEs. It seems that many owner-managers are either 'ignorant' of the 'soft skills' achievable through formal training, or they are too busy and preoccupied with 'getting the products out of the door' so they have little time to rationally consider training needs (Westhead and Storey, 1996). Hann (2012) also highlighted that many smaller entrepreneurs are afraid of losing their newly trained employees to their competitors. Others have pointed out the limitations, such as the cost/benefit ratio of training (Sadler-Smith *et al*, 1998), the financial constraints (Hoque and Bacon, 2006), the employer's perception of the uselessness of training programmes, often considering them a «waste of time» due to the low profile of the trainers involved (Patton, 2005).

The literature has also shown that the propensity of SMEs to organise formal, off-the-job training grows as the firm size increases and trade unions enter the picture (Westhead and Storey, 1996). More recently, Antonioli and Della Torre (2016) underlined that the likelihood to plan training activities grows in firms which are undertaking organisational and technological innovation. Above all, it has been found that organisational innovation increases a company's tendency to adopt internal training activities (formal and on-the-job), as innovation of this kind requires specific new skills and competences. While, instead, technological innovation increases a firm's propensity towards external (off-the-job) training as, in this case, the knowledge needed is mainly external to the enterprise, being easily acquired from training specialists.

To conclude, in SMEs staff recruitment and training can follow multiple trajectories depending on the mix of different degrees of formality/informality of the activities and participation in the decision-making process practiced by the owner-manager.

2.2 A new perspective of recruitment and training in SMEs in (post) pandemic times

To better understand what the literature has revealed about recruitment (RE) and training (TR) activities in SMEs, we can consider the combination of two basic characteristics of HRM in smaller contexts, i.e. the tension between formality/informality of the practices adopted, and the level of employee/union/external social actor participation in the decision-making process. By breaking down these two lines into a low and high degree of formalisation and participation, two dichotomous variables can be identified that, combined, give rise to four ideal types (Tab. 2). The matrix below is of course a simplification of the reality, but it may help in framing which directions SME recruitment and training could follow the post-Covid-19 period.

Tab.2 Human resource management ideal types in smaller firms

		Degree of formalisation of recruitment (RE) and training (TR) practices	
		Low	High
Degree of participation in decision-making process	Low	1. RE-TR informal practices; Unilateral decision-making process	2. RE-TR formal practices; Unilateral decision-making process
	High	3. RE-TR informal practices; Participatory decision-making process	4. RE-TR formal practices; Participatory decision-making process

The first type, characterised by a low level of formality of RE-TR practices and a low participation in the decision-making process, is the model of many micro and small businesses, with low-skilled, easily replaceable workers, where labor representation does not exist or is weak, generally isolated from the outside institutional context, and with an owner-manager unilateral decision-making style (Regalia, 2020).

The second type (high formalisation of RE-TR practices and low participation in the decision-making process) is usually associated with large companies (not the subject of this paper), based on a paradigmatic model of labor relations, especially widespread during the hegemony of Fordism. There is the strong presence of a labor representative organisation within the firm, driving the adoption of a high formalisation of RE-TR practices within an elaborated external regulatory framework (Trigilia, 1998). Needless to say, this is not the dominant model of SMEs.

The third type (high informality of RE-TR practices and high participation in the decision-making process) is a feature of most dynamic SMEs and is associated with the economy of flexible specialisation and the spreading of local industrial districts (Piore and Sabel, 1984; Pyke *et al.*, 1990) and, in general, of localised production systems (Whitford and Potter, 2007). In all these cases, the necessarily high production flexibility and the spatial proximity of firms facilitate the informality of RE-TR practices. The high participation in the decision-making process is fostered by the quality of the local, social, administrative and political environment that makes the difference, as has been pointed out in the literature on competition and local collective goods (Crouch *et al.* 2001 and 2004; Sheldon *et al.*, 2019).

Finally, the fourth type (high formalisation of RE-TR activities and high degree of participation in the decision-making process) is the most difficult to define but may be the one that best indicates ways to imagine virtuous models of recruitment and training to be adopted in SMEs, to effectively improve the quality of human resources after Covid-19. Small firms that fall under this type work successfully in the competitive national and international markets, with an above-average trade union presence (fostering their positive attitude towards the formalisation of RE-TR practices) and which maintain relations with employer associations and local institutions, making use of their resources (Regalia, 2020).

Based on this matrix, it is interesting to investigate new possible strategies for personnel recruitment and training that could be useful in helping smaller companies in the post- Covid-19 period.

3. Research design and empirical findings

To explore new recruitment and training paths, useful for small businesses to respond to the economic crisis resulting from the pandemic, qualitative research was organised (Amaturo, 2012; Corbetta, 2015).

It was divided into two steps. In the first step, from March-April 2021, 15 individual in-depth interviews² were conducted by the author, with Italian SME experts (Tab. 3). In consideration of the important roles the latter play, they can be defined as privileged observers³. As well, in-depth (semi-structured) interviews are useful for exploring little-known topics, such as the one investigated in this paper, in order to understand the changes underway, to identify the interviewed subject's perspective, to grasp his/her interpretations of the reality and understand the reasons for his/her actions. The most significant findings from this first phase of the research were then discussed in a focus group (second step) conducted by the author in October 2021, where the experts interviewed in the first phase were involved⁴. Unlike the in-depth interview, which is based on a one-way interaction between the interviewer and interviewee, the focus group, activating group dynamics, arouses reactions in participants when confronting the observations of others. It stimulates a spontaneous and intense discussion that leads to the sharing of further and more in-depth considerations (Colella, 2011). Due to the period of high uncertainty and the prestigious roles held by the experts involved in the research, many interviews were rescheduled several times and the focus group was carried out remotely, to allow all privileged witnesses to participate safely.

The 15 prestigious experts, who contributed to carrying out the qualitative research, were industrial relations actors and representatives from institutions. Specifically, they were regional/provincial directors and presidents/entrepreneurs from three of the most important Italian employer associations for small enterprises - CNA (*Confederazione Nazionale Artigiani*), *Confartigianato* and *Confcommercio* - and presidents/entrepreneurs from ITSs (two-year post-diploma courses). The other privileged observers, involved in the qualitative research, were general secretaries of the Italian trade union confederations - CGIL (conservative trade union) and UIL (progressive trade union), and the director of EBTER-UIL (Bilateral Body for the Tertiary Sector - UIL). The experts, with the dual role of president-entrepreneur, were key to this research. On the one hand, they represent the voice of the institution (employer associations and ITSs) and, on the other, they express the point of view of the SME entrepreneurs.

² The average duration of each interview was 1.5 hours.

³ The rules on physical distancing and movement between regions, imposed by the Italian government during the period considered, did not allow the writer to carry out further scheduled interviews. Moreover, several experts were interviewed remotely.

⁴ The duration of the focus group was 4 hours.

Their proposals concerning post-Covid new recruitment and training paths, can be considered as particularly reliable. All experts were from Emilia Romagna and Abruzzo, two Italian regions very different from each other in terms of economic development, the dynamism of their industrial relation actors and ‘institutional entrepreneurship’ (Di Federico and Pedaci, 2021; Giullari and Rizza, 2021). The in-depth interviews and the focus group investigated two aspects: 1) post-Covid recruiting and training strategies that may be held to be valid in supporting smaller firms to improve their workers’ skills; 2) what ‘external determinants’ (social actors, local institutional entrepreneurship, and equipment) (Harney and Alkhalaf, 2021) are relevant to effectively help SMEs to move towards new and competitive trajectories of staff recruitment and training.

Tab. 3 Privileged observers/experts participating to the interviews and focus group.

Abruzzo	Emilia Romagna
Int.1 CGIL – Regional Secretary	Int.2 CGIL – Regional Secretary
Int.3 CNA Impresa Donna – Entrepreneur and Regional President	Int.4 CNA Impresa Donna – Entrepreneur and Regional President
Int.5 CNA – Entrepreneur and Regional President	Int.6 CNA - Entrepreneur and Regional President
Int.7 Confartigianato – Regional Director	Int.8 Confartigianato – Regional Director
Int.9 Confcommercio – Entrepreneur and Regional President	Int.10 CNA – Entrepreneur and Provincial President
Int.11 ITS MO.ST – Entrepreneur and Vice-President	Int.12 ITS MO.ST – Entrepreneur and President
Int.13 CNA – Provincial Director, Innovation and Training Sector	Int.14 Uil – Regional Secretary
Int.15 EBTER, Bilateral Body for the Tertiary Sector (Uil) –Regional Director	

According to the experts, informal recruitment approaches, traditionally adopted by SMEs, are inadequate to face trends in innovation, and this has been accelerated by the pandemic crisis. As some pointed out: “the time of hiring the employee’s son or wife, the neighbour’s son or relative, is over” (CNA representative); “direct knowledge of the entrepreneur, word of mouth, do not guarantee the entry of those skills that the company now really needs” (Confartigianato representative); “just as a healthy economy cannot rely on a sick population, now smaller businesses cannot survive with low-quality human resource skills” (CGIL representative). For the privileged observers, apart from the Technical Institutes, ITSs (two-year post diploma

courses)⁵ seem to be crucial for small businesses:⁶ “ITSs are strategic for attracting talent inside smaller firms” (ITS representative); “ITSs represent the *passapartout* to access young people with qualified technical and cultural skills” (CNA representative); “with the technological acceleration, resulting from the pandemic crisis, it is important to push for new ITSs aimed at innovation 4.0” (CNA representative). In Italy, since 2010, 116 ITSs have been set up, related to six technological areas - new technologies for Made in Italy, sustainable mobility, energy efficiency, innovative technologies for cultural heritage and tourism, information and communication technologies, and new technologies for life. However, the distribution of ITSs across Italian regions is not homogeneous. Over 60% of ITSs are found in the Centre-North-West⁷: “Emilia-Romagna (but also Piedmont and Lombardy) has at least one ITS in one of the six technological areas” (ITS MO.ST representative). Instead, in Southern Italy and the Islands, there is a lower presence of ITSs, often newly established: “in Abruzzo, we launched the ITS MO.ST. (sustainable mobility) only in 2018, in the wake of what had been done years earlier in Piacenza and Bologna. It’s highly successful, for both the enrolments and student employment. My younger employees come from ITS” (ITS MO.ST representative). Another aspect that emerged and linked to the opportunity to hire qualified workers, involves the possibility to improve the spreading of work agencies (*Agenzie per il Lavoro*, APLs) directly managed by the employer associations. APLs were instituted under the Biagi Law of 2003 and financed with the 2007 Finance Act. They were created to overcome the inefficiency and excessive bureaucratisation of public employment agencies and the excessive costs of private agencies, offering high quality services: “APLs enter companies, identify the needs and perspectives that are authentically represented by the entrepreneurs; absorb context information, and receive requalification and/or new skills requests. At the same time, APLs welcome workers by listening, profiling and guiding them, and informing and supporting them to increase their employment potential” (CNA representative). APLs often use artificial intelligence to facilitate the labor supply and demand match: “in CNA, in 2019, we developed the online platform Mundamundis, an innovative system

⁵ ITSs are created according to the organisational model based on participation in collaborating with enterprises, research/university centres, scholastic and training systems.

⁶ Access to ITSs is reserved for young people with an upper-secondary school diploma and those who, with a professional diploma awarded after a 4-year course in Vocational Education and Training (IEFP), have attended a supplementary Technical Education and Training course for a period of one year.

⁷ Source: <https://www.indire.it/progetto/its-istituti-tecnici-superiori/dove-sono-gli-its/>.

that estimates the skills developed by people in their study and work experiences. Similarly, it is able to define which skills a company really needs, regarding the role indicated in its job offer” (CNA representative). One expert underlined the following important point: “in Abruzzo, the concrete application of APL is struggling to make its way because in this region, as well as in other regions of southern Italy, the relationship among small entrepreneurs, employer associations and trade unions is weak, in a cultural context that, traditionally, has privileged passive (subsidies) over active labor policies (services)” (CNA representative). This statement highlights that in some Italian regions it is very difficult to carry out projects, such as the above-described ITSs and APLs, that require a high level of relationships and the dynamism of the industrial relations actors.

Training and upskilling may be seen as an unnecessary expense for small firms, especially during an economic crisis. Instead, the experts highlighted that: “small companies, that will survive the economic crisis caused by the pandemic, will be those which will understand the importance of upskilling for both employees and employers” (CNA representative). According to the privileged observers, formal (off-the-job) training activities must change in SMEs. After Covid-19, as well as the common generic training programmes, specific formal training seems to be a priority aimed at, first of all, dealing with technological innovations accelerated by the pandemic: “physical distancing has driven many small owner-managers to use, firstly, email, then Whatsapp, and Telegram to keep in touch with their workers, however, entrepreneurs and employees now need a lot more” (CNA representative); “we rely on financial resources, that we hope will be made available by the regions and municipalities (through the Recovery Fund), to implement new formal (off-the-job) training programmes to help owner-managers and workers to improve their basic technological knowledge” (CNA representative). The interviewees and the focus group highlighted the importance of other specific off-the-job training programmes centred on issues, considered crucial, to address the ‘new start’ post-Covid period: “with the NRRP, there will be many economic resources for training, more than ever. It’s important to promote specific training courses, both for employers and employees, focused not only on digital transition, but also green skills, the circular economy, environmental transition and so on. This means working a few hours for the company, but to be ready to grow” (Confartigianato representative).

For the experts, with the pandemic, it has also become necessary to speed up the formalisation of tacit knowledge (on-the-job) (Nonaka and Takeuchi, 1995; Balduini *et al*, 2013) promoted, since 2012, by the European

Commission (Lifelong Learning Programme - “*Recognition of informal learning*”⁸). In Europe, many countries, have still not developed good recognition systems for *informal* learning, while others have good approaches in place. In Italy, the programme’s implementation has been delayed compared to other European countries, with differences also existing among regions. Only in some of these regions, such as Emilia Romagna⁹, is “the formalisation of tacit knowledge a quite common reality” (CGIL representative), while in other Italian regions, especially in the south, the suggested European Commission methodologies of validating informal training has only been implemented since 2020, after the outbreak of Covid-19: “in Abruzzo, only last week, we finally defined the regional register of experts, (i.e. those who will be part of the examining Committees) and of certifiers who will validate the document of transparency of the activities, produced by workers who apply for certification” (Confartigianato representative). This delay is due to fact that the South of Italy is characterised by a low level of ‘institutional embeddedness’ (Burroni and Regalia, 2021). In addition, “the entrepreneurial culture of less developed areas has, for a long time, hindered the formalisation of skills acquired in the workplace because it was seen as a means for workers to have a greater chance of finding job opportunities outside the company” (UIL representative). However, it seems that, with the pandemic, the owner-managers in these areas are becoming more aware that tacit knowledge must be incorporated into codified policies (Sabel, 2005). “Formalising the work-related skills may offer several opportunities not only for employees but even for employers” (EBTER-UIL representative). “Many of our associates realised that offering the possibility to get this certificate is a good method to motivate workers; to help them not to feel like ‘second class’ workers, because of working in a small company, and have bigger opportunities in the labor market, also at European level” (Confartigianato representative). “For employers, having in the future workers with formalised skills means having qualified employees” (CGIL representative); and “all this means strengthening the company’s image in society and attracting high-profile workers from the outside” (Confcommercio representative).

In short, the research findings have underlined that, after the Covid-19 experience: (i) SMEs need to adopt more structured/formalised processes of staff recruitment and training resulting in higher skilled workers, in order to face challenges similar to the Covid-19 experience; and (ii) these formalised

⁸ https://www.cedefop.europa.eu/files/3073_it.pdf.

⁹ <https://formazione lavoro.regione.emiliaromagna.it/qualifiche/approfondimenti>.

practices of recruitment and training can be better implemented through an high level of interaction and participation of industrial relations actors, local institutions and other (public and private) actors.

4. Discussion and conclusions

The Covid-19 ‘tsunami’ has called into question the traditional, and mainly, informal practices of staff recruitment and training adopted in SMEs, which do not guarantee appropriately skilled human resources able to deal with exogenous shocks.

The findings have highlighted the importance for SMEs to adopt a recruitment and training model based on a high degree of the formalisation of practices and a high participation in the decision-making process (Fig 1, quadrant 4). This process of formalisation of recruitment and training activities can be better achieved if accompanied by forms of a wider participation, not only involving employers, employees and industrial relations actors, but also local institutions and other (public and private) actors, such as Chambers of Commerce, public employment services, universities, upper-secondary schools, banks, and temporary work agencies. In other words, it is a matter of designing a different kind of collaboration, which, above all, cannot be separated from participation in implementing the initiatives. In the more developed regions (e.g. Emilia Romagna), this form of widespread participation is quite common, while in the less developed areas (e.g. Abruzzo), it has difficulties in making any headway. All this confirms that there are some variations which can be observed in SMEs in the type and extent of the problems they face and in their ability to respond to them. These disparities are often related to differences from region to region (Carrieri, 2002; Cella and Treu, 2009). If the agency (and the agency capacity) of the owner-managers and the workers remains important, it must always be considered in its interaction with other social actors and, more in general, with the institutional/regulatory framework (Burroni and Regalia, 2021). As well, we can find a confirmation of the relevance of the ‘place’ in which an enterprise is rooted, the social and institutional environment that influences it, conditioning its strategies and structures (and, in turn, influenced by it) (Myson and Barret, 2017; Jeary and Signoretti, 2021), and the environment which is also defined by immaterial factors - culture, values, propensity, attitudes (Ramella, 2013).

Moreover, the findings also reveal that conflict is no longer an objective for the social actors, even in the less developed regions, although it is clear

that the road leading to participation is still uphill. While large companies adopt participation in an extended form, albeit in different forms, SMEs often have a difficult relationship, sometimes inexistent, with the outside world. To help these companies, it could be useful to promote regional pacts between public and private actors and local institutions «*to use the available resources and invest in new ones covering the last mile of national policies with a double helix participatory path, thus, immediately helping people and businesses and starting to change the productive and social model*» (Butera *et al.*, 2020). Participation can be considered as a wide green field, and being able to cross it will result in bringing remarkable benefits to the quality of human resources in small and medium-sized firms; nevertheless, it is still a long and difficult path. The question is whether the social actors and institutions are prepared for this task. The findings suggest that social actors do have a desire to work together to support the SMEs with formalised and participatory recruitment and training approaches, able to improve workers' skills. This seems to be already an important starting point. With access to the right resources (NRRP) and embedded institutional networks, SMEs will be ready to grow and become stronger over the next years.

In this explorative paper, the experts' opinions regard only two Italian regions. Despite this, the author believes that these initial findings could be the starting point for a much wider research, encompassing all Italian regions, and aimed at identifying other emerging trajectories in the formalisation of staff recruitment and training activities after the social and economic shock caused by the Covid-19 pandemic.

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