

# Social partners and sectoral training funds: mobilising resources

## Overview

Sectoral training funds (STFs) managed by the social partners, sometimes in cooperation with government, contribute to improving both the quantity and quality of training supply (public and private), in particular by aligning it to specific sector situations and needs. STFs are also increasingly sector centres of knowledge and expertise in labour market and training issues carrying out a range of activities such as mediation, research, consulting and advice. However, red tape, especially in administering STFs can deter companies, particularly small and medium-sized enterprises (SMEs) from taking advantage of the funds.

These are some of the findings of Cedefop's forthcoming study *Sectoral training funds in Europe* to be published in full in September. It examines the structures, role, strengths and weaknesses of STFs in eight EU Member States (Belgium, Denmark, Spain, France, Italy, Cyprus, the Netherlands and the UK). The study shows that despite important differences in the countries analysed, STFs have several strong points that make them an interesting and attractive policy option to promote continuing training.

## Social partners and sectoral training funds

Social partners play a vital role in promoting investment in human capital. They have a multiple role as 'consumers', investors, negotiators and promoters of learning, as well as in developing, validating and recognising of vocational competences and qualifications at all levels. A key area of cooperation between social partners in Europe is in establishing and jointly governing bipartite (or tripartite with the public authorities) STFs to finance lifelong learning. STFs play a significant role in strengthening cooperation and social dialogue on training.

The main role of European STFs is to stimulate training activities among individual or grouped enterprises, usually at the employers' initiative. In most cases the STFs play an intermediary role between the sector enterprises and training suppliers (selected either on a free basis or from a catalogue of certified providers).

## Different models of sectoral training funds in Europe

Differences between STFs in different countries concern mainly the number of funds established in each country, their bipartite or tripartite nature, and the type of activities and target groups they support.

STFs in Belgium, Denmark, France, Italy and the Netherlands were created voluntarily by social partners as part of different sector level collective agreements. This led to a large number of 'autonomous' STFs, specialising in either sector, geography, profession, professional category, company legal status or company size. Differences in activities and target groups reflect the freedom of sectoral social partners to develop ad hoc solutions to deal with sector-specific problems.

In Cyprus and Spain, social partners reached agreement at national level, creating a single STF with an intersectoral approach with the fund being governed on a tripartite basis. However, the UK provides a different model. Sector skills councils are set up at the initiative of employers. The councils must meet certain criteria and standards, including a management board including employee representatives, before qualifying for government support. Some of the main characteristics of STFs are shown in Table 1.

**Table 1: Characteristics of sectoral training funds**

MAIN CHARACTERISTICS OF STFs BY COUNTRY		BE	DK	ES	FR	IT	CY	NL	UK
DATE OF CREATION	<= 15 years			○		○	○		○
	> 15 years	○	○		○			○	
ROLE OF COLLECTIVE BARGAINING	Sectoral agreement	○	○		○			○	
	Other type of agreement			○		○	○		○
SPECIALISATION OF STFs	Sector specialisation	○	○		○	○		○	○
	Geographical specialisation	○						○	
	Professional specialisation	○				○			
	Legal status/size classes					○			
GOVERNANCE	Intersectoral			○			○		
	Bipartite Board	○	○		○	○		○	
	Tripartite Board			○			○		
Employer led									○
NEED OF PUBLIC AUTHORISATION TO OPERATE					○	○			○

## Income sources and training finance

STFs are usually based on either voluntary or compulsory training levies on enterprises' payrolls (see Table 2). Levies range from 0.1 % to 2.5 %, depending on the country. They can also vary within countries depending on the company's characteristics. Except in France enterprises pay training levies irrespective of the training activities they may, or may not conduct. Payroll levies collected from enterprises are subsequently redistributed back to them as grants to provide financial support for training.

## Sectoral training fund activities: stimulating training, increasing resources

STFs play an invaluable role in increasing the resources devoted to training. STF activities sometimes require training to be jointly financed and can also attract additional public resources. The types of activities carried out by STFs are shown in Table 3. STFs usually cover only direct training costs (training fees), although there are examples (Belgium, France, Cyprus, the Netherlands) of supporting indirect costs, to upgrade and reskill sector employees (and occasionally managers and employers).

**Table 2: Financing of sectoral training funds**

FINANCING OF STFs		BE	DK	ES	FR	IT	CY	NL	UK
INCOME SOURCES	Levy % on payroll	○	○	○	○	○	○	○	○
	Other								○
NATURE OF TRAINING LEVIES	Compulsory	○	○	○	○	○	○	○	○
	Voluntary							○	○
SELF-AUTONOMY OF STFs TO DECIDE ON INCOME SOURCES		○	○					○	○
LEVY-GRANT/LEVY-EXEMPTION MECHANISMS	Levy-grant mechanisms	○	○	○		○	○	○	○
	Levy-exemption mechanisms				○				
LEVY PAID TO	Social security agency	○		○		○	○		
	STF		○		○			○	○
PRESENCE OF OTHER INCOME SOURCES				○			○	○	○

STFs in most countries complement resources from training levies with income from other sources, such as voluntary contributions, interest and donations. However, training levy-related income accounts for more than 75 % of all revenue and is clearly STFs' main source of finance.

STFs also carry out a wide range of other training-related activities, such as company training plans and evaluation of training needs. STFs usually fund training according to employers' needs, but there are cases (Spain, France, Italy and the Netherlands) where individual employees can request support for training-related activities, independent of enterprises' interests, for personal development or to improve their job prospects.

**Table 3: Sectoral training fund activities**

TYPE OF ACTIVITIES OF STFs		BE	DK	ES	FR	IT	CY	NL	UK
SUPPORTED ACTIVITIES	Direct training activities	o		o	o	o	o	o	o
	Indirect training-related activities (advice, research, etc)	o	o	o	o	o	o	o	o
SELF-AUTONOMY TO DECIDE ACTIVITIES	High	o	o		o	o		o	o
	Low			o			o		
STFs' PROVIDED TRAINING ACTIVITIES	Directly	o			o			o	
	Indirectly (via third parties)	o	o	o	o	o	o	o	o
TRAINING ACTIVITIES INITIATED BY	Enterprises/employers	o	o	o	o	o	o	o	o
	Employees			o	o	o		o	
PRESENCE OF CO-FINANCING MECHANISMS									
COVERAGE OF INDIRECT TRAINING COSTS (WAGES, TRAVEL, SUBSISTENCE COSTS)									

**Sectoral training funds: strengths and weaknesses**

Investment in people through education and training is a key driver of economic growth, competitiveness and social cohesion. However, market failures lead to underinvestment in training due to 'poaching' of skilled workers where employers simply recruit workers trained by other companies. Being jointly managed by social partners, STFs usually favour a more equal distribution of training opportunities among underrepresented groups (see Table 4). Examples include SMEs, low-skilled or older workers, women, unemployed young people who leave the formal education system and those at a disadvantage in the labour market.

human resource policies, difficulty in finding replacements, are not always addressed by STFs.

Red tape is another problem. Levy-grant funds in particular are seen as administratively demanding, with extensive and detailed rules governing training expenditure. Burdensome procedures can prevent employers and employees from using existing subsidies and financial arrangements (especially SMEs). Levy-based funding schemes are often criticised for high 'deadweight', as they can subsidise programmes enterprises would probably provide in any case.

**Table 4: Redistribution of training opportunities**

COLLECTIVES BENEFITTED		BE	DK	ES	FR	IT	CY	NL	UK
AUTONOMY TO DECIDE ON COLLECTIVES	High	o	o		o	o		o	o
	Low			o			o		
SECTOR	Employees	o	o	o	o	o	o	o	o
	Employers	o		o		o			
TARGET GROUPS	Young people	o	o	o	o		o	o	o
	Unemployed	o		o	o	o	o	o	
	Low-skilled workers	o		o	o				
	Older workers	o		o	o				
	Other	o		o		o	o		

However, STFs also have some important weaknesses. Compulsory contributions (levies) to training are sometimes seen by employers as an additional tax burden adding to already high employment costs and reducing competitiveness. Despite training levies being compulsory, not all enterprises benefit from training activities supported by the funds, particularly workers in SMEs. Structural difficulties, such as lack of time, lack of

Finally, STFs (especially in countries where they have a clear sector-focus) are criticised as concentrating on specific sector-related skills, reducing sectoral mobility, reflecting much more the employers' rather than the employees' needs. Some countries take this into account, allowing individual employees to request support for training-related activities. Table 5 summarises particular strengths and weaknesses of STFs.

**Table 5: Strengths and weaknesses**

<b>Strengths of sectoral training funds</b>	<b>Weaknesses of sectoral training funds</b>
<ul style="list-style-type: none"> <li>• strengthen social dialogue;</li> <li>• increase of company awareness of the importance of training;</li> <li>• strengthens commitment to training;</li> <li>• increase of resources available for training purposes through additional enterprise contributions and public funds;</li> <li>• mutualisation and stabilisation through pooling of financial resources for training;</li> <li>• better response to training needs of all enterprises in the sector;</li> <li>• promotion of SMEs' participation in training activities;</li> <li>• more equitable access to training by employees;</li> <li>• quantitative and qualitative improvement of training supply;</li> <li>• act as centres of expertise and sectoral knowledge.</li> </ul>	<ul style="list-style-type: none"> <li>• compulsory levies often seen by employers as additional tax burden, reducing competitiveness;</li> <li>• not all enterprises benefit, SMEs in particular falling behind;</li> <li>• lack of information and awareness of what STFs can provide;</li> <li>• red tape, heavy levy-grant administrative mechanisms which can be a disincentive;</li> <li>• 'deadweight' effects, especially among large enterprises;</li> <li>• risk of 'dullness' in some STFs benefiting from captive resources;</li> <li>• predominance of employers' perspectives on training needs versus employees';</li> <li>• focus on sector-specific needs versus transversal skills.</li> </ul>

### Improving the efficiency and impact of sectoral training funds: recommendations

Cedefop's study makes some recommendations to build on the strengths of STFs and address some of their weaknesses.

- Administrative procedures for subsidy schemes should be streamlined, while ensuring transparency and minimising abuse.
- STF financial support must provide a real incentive for enterprises by covering direct and indirect training expenses. Belgium and the Netherlands are good examples.
- More discussion is needed over whether levy rates should be uniform or vary across sectors. Evidence from Cyprus shows that levy rates reflecting different training, skill levels and costs in sectors can have a positive effect.
- Better targeting is needed to ensure training benefits groups who are underrepresented.
- Focus must be given to SMEs, especially very small ones. They account for a high proportion of employment but rarely participate in training.
- Both employers' and workers' interests need to be considered in training supported by STFs. Training must respond to enterprise needs and potential trainees should have an opportunity to influence and select the content and structure of training courses. Spain is a good example of distinction between demand and supply-driven training schemes.

- Ensuring training providers are accredited and courses certified would improve transparency, help guarantee courses comply with quality standards and support recognition of vocational qualifications.
- The highly sector-specific focus in some countries should be broadened to support employability and mobility for workers. This will enable them to adapt better to sector-related structural change and improve lifelong learning opportunities. Some STFs in the Netherlands are increasingly involved in supporting employability.
- Managerial capabilities of the STFs need improving to their increase the efficiency and relevance of their activities. Further, STF activities need better monitoring and evaluation. Lack of information limits the possibility to identify strong and weak points and re-direct activities.
- Awareness of the range of training-related opportunities and services STFs provide should be raised. Denmark provides a good example of promotion activities.