



PANORAMA

The financing

of vocational

education and

training in

Italy

Financing portrait

European Centre for the Development of Vocational Training

The financing of vocational education and training in Italy

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Luxembourg: Office for Official Publications of the European Communities, 2001

ISBN 92-896-0009-8

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Printed in Belgium

The **European Centre for the Development of Vocational Training** (Cedefop) established in 1975, provides information and analyses of vocational education and training systems, policies and research.

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Translated from original Italian version

Foreword

At the end of 1997, Cedefop launched a project to produce financing portraits of the vocational education and training (VET) systems within the individual Member States of the European Union. The portraits combine a qualitative description of the flow of funding through the VET structures, identifying the funding sources and allocation mechanisms, with quantitative data on expenditure for different training types. The reports are structured around initial vocational training, continuing vocational training and training for unemployed people. In recognition of the increasing overlap among these training types, some of the reports include an extra section on combined forms of training.

At the outset of the project, Cedefop asked the individual national authors to follow a uniform structure for the presentation of their financing training systems. This structure centred on the following issues with regard to initial and continuing vocational training and training for unemployed people:

- outlining the economic, political, legal and administrative background to the financing of the VET system;
- defining the different types of training according to the national context;
- identifying the funding sources (e.g. central government, regional/local government, employers, individuals, etc.);
- explaining the mechanisms for the distribution of funding;
- identifying the expenditure levels over 10 years (1986-96 or the most recently available years);
- concluding and discussing the trends and perspectives of the financing VET system.

The authors were requested, where possible, to distinguish between private/public and direct/indirect funding sources and to identify capital and revenue funding. They were also asked to provide a breakdown of expenditure according to the different sources of funding for each training type over a 10-year period.

While defining a common structure for each report allows for broad comparisons between the different systems and easier cross-referencing between the reports, it does not allow for detailed trans-national comparisons. It was acknowledged at the outset of this project that creating comparable reports would not be possible for a number of reasons, including:

- training definitions: initial vocational training, continuing vocational training and training for unemployed people means something different within individual national contexts. While creating a 'standard' definition of each training type would have facilitated comparability, it would have complicated the process of gathering and presenting data. For this reason, each author was requested to use a nationally-based definition;
- data: there are a number of general obstacles to obtaining comparable data, for example: the lack of common definitions, different national accounting procedures and the problems of identifying expenditure where funding sources are diverse and estimates are based on

surveys. More specific obstacles include the difficulty of aggregating data where funding is decentralised and estimating indirect sources of expenditure.

A number of barriers to achieving even basic common parameters arose as the work developed. Among others, these included:

- the lack of training definitions and the increasing overlap between the traditional training categories in general. In some countries the division between the different training types is not as strict as in others. This means that some artificial divisions have had to be drawn by some of the authors, for example, between academic and vocational training. While this overlap may be, in part, the result of a general policy aim to level parity of esteem, it creates challenges in disaggregating data to identify expenditure on the vocational element. The notion of lifelong learning also has implications for creating more coherent training structures which include a wider range of learning activities. It is often difficult to identify and measure expenditure data on training which takes place outside of the formal structure;
- the complexity of financing training structures in terms of the number of different funding sources and mechanisms for financing VET. For example, levels of expenditure on indirect demand-side incentive mechanisms such as tax incentives are often difficult to identify. More fundamentally, this general complexity is enhanced in those countries where there is no national structure for training, i.e. where local governments have autonomy with regard to financing training;
- the number of recent reforms to the financing VET system blur data comparability over time within individual Member States. In addition, the newness of many of these reforms mean that there is often a lack of stringent evaluation according to efficiency, effectiveness and equity criteria.

There was no ideal way to create common criteria for the structure of this series of reports. There is a certain trade-off between attaining a common structure and reflecting the nuances of the individual national training systems. Nevertheless, this first set of portraits does serve to highlight many of the complexities involved with the financing of vocational education and training across the European Union. We hope you find the portraits informative and welcome your comments.

We would like to thank Mr Giorgio Alluli, Ms Sandra d'Agostino, Ms Claudia Donati and Mr Costantino Massari of ISFOL (*Istituto per lo sviluppo della formazione professionale dei lavoratori*), who prepared this portrait on the financing of vocational education and training in Italy.

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Preface by the authors

This portrait of the financing of the Italian vocational education and training system has been commissioned by Cedefop and produced by ISFOL (*Istituto per lo Sviluppo della Formazione Professionale* - Institute for the Development of Vocational Training for Workers), a public research body under the supervision of the Ministry of Labour. Its aim is to illustrate the financing mechanisms of training activities.

The portrait first outlines the economic scenario of the past 15 years by reference to the main variables (GDP, inflation, unemployment, the public debt), followed by a summary of the main trends in the Italian vocational training system, especially innovations in the financing of vocational education and training (VET). The subsequent sections provide a closer look at the subsystems of initial and continuing vocational training.

After the brief description of the various paths of each subsystem, there are more details on sources of financing and on the mechanisms for the distribution of resources. The last section is devoted to the main innovations occurring in the funding system over recent years and trends for the near future.

Those familiar with the Italian vocational training system are aware of the difficulties in defining institutional organisation with regard to the subsystems. This portrait uses a definition for initial vocational education and training which includes not only regional activities and apprenticeship, but also school-based vocational education, in particular in vocational schools and arts institutes. Continuing training, together with regional activities, also takes into account actions undertaken by enterprises for their employees and individual training activities.

Over recent years, the vocational education and training system in Italy has undergone a profound process of reform, affecting not only the structure but also the procedures involved in the supply of training, the target groups and the contents of training supply. This has also had consequences on the level and procedures of financing.

Among the various aspects to be highlighted, we should point out the ones likely to produce the greatest impact on VET financing:

- the greater involvement of the social partners in the management of funds for continuing training, together with the declared willingness to raise the contribution of 0.30% of the total-wage bill paid by the enterprises up to 0.50%, in order to increase the financing of continuing training. The regulations for setting up the 'Inter-professional fund for continuing training' seem to be imminent;

- as set forth in the 1998 Labour Agreement, the government has drawn up a Master Plan for education, training and employment, i.e. a financial programming document for the three-year period 1999-2001, with the priority objective of identifying the resources for improving and innovating the education, training and employment systems.

In producing this publication, it was often necessary to use estimated data, especially for the continuing training activities. Among the projects to be undertaken by ISFOL from 2000 onwards, mention should be made of the setting of up a national statistical system aimed at creating an institutional network for the regular processing of the main indicators.

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ISFOL

The exchange rate used throughout this report (from 1998) is EUR 1 = ITL 1 936.3.

Part 1. Basic information

1.1. Political and economic background

1.1.1. Economic context

The macroeconomic background in Italy has been negative during the 1986-98 period. Only in recent years have the main economic indicators begun to turn round, partly as a result of the government's attempts to meet the parameters set at Maastricht for entry into the euro area.

More specifically, after a period of strong growth during the second half of the 1980s, the rate of increase of gross domestic product (GDP) slackened between 1991 and 1993, when it recorded a negative percentage change from the previous year in real terms (-0.9%). The trend in recent years has been one of moderate growth. The table below shows the performance of GDP in the years covered by this report.

Table 1 Performance of gross domestic product, 1986-98

	GDP at market prices (billion ITL at current prices)	GDP at market prices (billion ITL at 1995 prices)	Index number (1990=100)	GDP at market prices (billion EUR)
1986	898 289	1 427 820	85.1	463.9
1989	1 196 807	1 645 403	98.1	618.1
1990	1 320 832	1 677 885	100.0	682.2
1991	1 440 647	1 701 210	101.4	744.0
1992	1 517 598	1 714 149	102.2	783.8
1993	1 563 271	1 699 000	101.3	807.4
1994	1 653 402	1 735 505	103.4	853.9
1995	1 787 278	1 787 278	106.5	923.1
1996	1 896 022	1 802 746	107.4	979.2
1997	1 974 618	1 829 464	109.0	1 019.8
1998	2 057 731	1 853 934	110.5	1 062.7

Source: ISTAT data re-processed by ISFOL.

The performance of the inflation rate has been affected by the policies of Italy's government, which only recently has accorded priority to controlling inflationary dynamics. Between 1996 and 1997, monetary policy measures succeeded in halving the rate of inflation to around 2% (Table 2), and since 1997 the figure has remained below this 2% mark.

Table 2 The trend of inflation, 1986-98 (consumer price index)

	1986	1991	1996	1997	1998
Inflation rate	5.9	6.3	4.0	2.0	1.7

Source: ISTAT.

During the period in question, public debt rose constantly in absolute values. But from 1995 onward, as a percentage of GDP, there was a reversal in this trend. This was boosted by a decrease of public spending, which totalled 118.7% of GDP in 1998, compared with 122.4% the year before (Table 3).

Table 3 Public debt, 1986-98

	1986	1991	1996	1997	1998
Billion ITL (current prices)	777 606	1 449 147	2 322 322	2 374 382	2 403 075
Billion ITL 1999	1 352 179	1 906 788	2 445 173	2 457 485	2 443 206
Billion EUR	401.6	748.4	1 199.4	1 226.3	1 241.1
% of GDP	86.6	101.5	124.6	122.4	118.7
Index number	100.0	186.4	298.7	305.3	309.0

Source: ISTAT data re-processed by ISFOL.

Finally, the performance of the labour market has been extremely critical. During the 1994-97 period, the unemployment rate, which continued to grow despite signs of a slight improvement in the Italian economy, rose to above the European average, while the employment rate remained more or less stationary (Table 4).

Table 4 Employment and unemployment rates, 1986-98

	Employment rate ⁽¹⁾	Unemployment rate ⁽²⁾
1986 (*)	44.6	11.1
1991 (*)	45.1	10.9
1994	42.4	11.1
1995	42.1	11.6
1996	42.3	11.6
1997	42.5	11.7
1998	43.0	11.8

⁽¹⁾ Ratio of employed workers to the population aged 15 and over.

⁽²⁾ Ratio of job-seekers to workforce.

(*) Data for 1986 and 1991 are not strictly comparable with the other years because the calculation criteria have been changed.

Source: ISTAT data re-processed by ISFOL.

Although very stringent policies to reduce the public debt have been adopted since 1995 to address the employment emergency in Italy, there have been no major cuts in investment in education and vocational training. If anything, investment has tended to increase in this area, especially in recent years.

1.1.2. Political background

The objective of better qualified human resources as a means of combating unemployment and boosting the country's growth has been given priority by the governments that have led the country lately. This has been one of the fundamental issues at the centre of the social dialogue. The considerable emphasis placed on social coordination in Italy over the past decade has had positive effects on innovation and development. This has led to a series of agreements between the government and social partners (1993, 1996 and 1998) that have helped to formulate vocational training policies during this period and generally reflects a move towards closer integration with labour policies following the European model ⁽¹⁾.

This political climate has given rise to a broad process of reform affecting all segments of the training system (primary, secondary and tertiary levels of schools, including the vocational paths).

On the administrative front, the current reform of the education and vocational training systems can be viewed as part of a broader plan to reform the public administration according to principles of decentralisation and simplified bureaucracy. In the case of continuing vocational training (CVT), coordinated action by the social partners has produced a greater willingness to involve enterprises in managing the funds destined for them.

On the structural front, a large number of measures have been drafted to adapt and diversify the supply of training so that it fulfils better the requirements of the labour market and the country's need for overall growth, although not all have been enacted as yet.

On the financial front, measures have been taken to rationalise expenditure but without making cuts in investment, as explained earlier, and additional resources have been singled out. It is worth recalling that in 1999 the 'master plan for investment in training, education and research' was drawn up as a multiannual financial planning document to support the reform and innovation of the education and vocational-training systems.

⁽¹⁾ See white papers 'Cresson – Learning to learn', 'European employment strategy', etc.

1.2. Legislative background

In Italy, vocational education and training (VET) falls within the jurisdiction of the regional authorities. However, in the framework of upper secondary school, the Ministry of Education provides a sort of school-based vocational education.

As far as the regional system is concerned, the law underlying the mechanisms for financing vocational training, whether initial or continuing, was, and to some extent still is, Law 845/78 ‘framework law on vocational training’. This was enacted one year after jurisdiction over VET was transferred to the regional authorities (under Presidential Decree 616/77). The law accorded the State responsibilities for establishing guidelines and for coordination, in addition to residual powers to launch training initiatives (for Italian workers abroad, development cooperation programmes, staff refresher courses, local imbalances between labour demand and supply, etc.).

On the financial side, the law stated that activities sponsored by the regional authorities should be financed from their ‘common fund’, created with transfers of resources from the State. Moreover, Law 845/78 set up a specific ‘revolving fund’ (RF) - at the Ministry of Labour - to make it simpler for the regional authorities to access Community contributions from the European Social Fund. The financial arrangements of Law 845 were amended in 1993 after it had become increasingly necessary to give more impetus to CVT activities. An example of this was the allocation of specific sources of funding to CVT.

Law 236/93 on ‘urgent actions in support of employment’ sets vocational training in the context of various measures of the active labour policy. This included the establishment of the ‘fund for vocational training and access to the european social fund’ (VETF abrogating the RF). This fund is held at the Ministry of Treasury but run by the Ministry of Labour. The VETF receives the resources provided by the contribution of 0.30% of the total-wage bill paid by enterprises as a supplementary contribution for compulsory insurance against involuntary unemployment. Law 236 moreover states that one third of these resources must be allocated to CVT actions.

School-based vocational education is governed, on the other hand, by regulations applying to the school system as a whole, which is the responsibility of the Ministry of Education. Financing of State schools comes from the national budget, and the yearly Finance Act fixes the budget of the Ministry of Education.

Financing is disbursed to the school system according to parameters based on the number of classes, number of students and cost of personnel. A small proportion is also allocated in relation to the degree of social and economic disadvantage of the area where the school establishment is located. Law 23 of 1996 assigns the provincial authorities responsibility for building, equipping and maintaining upper secondary schools and financing office expenses.

1.3. Administrative background

This section contains a brief description of the administrative bodies that play a role, in Italy, in financing the various forms of vocational training.

The following table gives a summary of the administrative structure at various levels of responsibility. It should be kept in mind, however, that initial vocational training (IVT) includes not only the regional sphere of action but also that of the Ministry of Education:

- for both initial and continuing training, the main administrative bodies are the regional authorities, which manage their own funds, their portion of the ESF and the share of the VETF assigned to them by Ministry of Labour, in conjunction with Ministry of Treasury.

Expenditure decisions are normally taken under multi-annual and annual plans (which also include operational programmes in the case of ESF cofunded activities) and agreed with the social partners and the provincial and municipal authorities (coordination committees). Where responsibility for VET has been delegated to the provincial authorities (and/or, more rarely, to the municipal authorities and mountain community authorities in cases where they are involved in VET management), they manage the part allocated to them in different ways and with different decision-making powers depending on the authority effectively delegated (See Section 1.3.2 and the monograph by Cedefop [European Centre for the Development of Vocational Training] on vocational training in Italy);

- school-based vocational education is administered by the Ministry of Education, sometimes also through local control and guideline bodies ('education offices') ⁽²⁾. Legislative Decree 112/98, however, confers a number of functions to the regional authorities: programming integrated training supply (school and non-school IVT), programming the network of schools (number and location), deciding the school calendar, establishing any contributions to non-State schools. Furthermore, in the autonomous region of *Valle d'Aosta* and the autonomous provinces of Trent and Bolzano, the school system does not come under the control of the Ministry of Education but that of the local administration bodies (respectively the regional and provincial authorities).

⁽²⁾ The Ministry of Education has its own peripheral structures known as 'education offices' in each province. 'Education offices' do not include social partner representatives.

Table 5 Administrative structure of the vocational training system

	IVT	CVT
National level	Ministry of Labour Ministry of Education	Ministry of Labour
Regional level	Regional and autonomous provincial authorities	Regional and autonomous provincial authorities
Local level	Provincial authorities 'Education offices'	Provincial authorities
Local institutions	Schools Vocational training centres and bodies	Vocational training centres and bodies Enterprises

NB: For more details concerning the administrative and decision-making structure of IVT and CVT, see Parts 2 and 3 respectively.

1.3.1. Administrative developments

At present, the administrative structure of vocational training is being propelled towards a decentralisation of functions and an increase of delegated authority to local institutions. In both the school system and that of vocational training, the legislative basis for this process is Law 59/97 'Mandate to the government to confer functions and tasks to the regional authorities and local authorities for the reform of the public administration and simplification of bureaucracy', which is enacted by various legislative decrees and regulatory acts.

In the school system, decentralisation has given the individual schools greater 'autonomy' over various aspects of managing the service they provide that previously came under the central authority of the Ministry of Education. The main novelty from the administrative point of view is that each school has been allocated its own endowment fund for administration and teaching, but there are no constraints as to how it is used. This means that, compared with the past, each school is now free to decide how to employ its resources within the general guidelines establishing how the Institute's funds may be used. Furthermore, Law 59/97 states that every school may receive private contributions (donations and bequests) without prior authorisation.

In the vocational training system, Legislative Decree 112/98 implementing Law 59/97 states that the regional authorities will normally assign VET functions to the provincial authorities, whilst retaining strategic guideline and supervisory functions. This principle was already embodied in Law 142/90 on the 'reform of local powers'. Whereas some regional authorities already delegated this authority a few years ago, others are still completing the process. In some cases, delegated authority is given for all the functions, including administrative ones. But in others it is only partial and usually only extends to day-to-day administration without assigning effective and autonomous decision-making powers. This situation is expected to change in the years to come.

Another important tendency is to increase the involvement of the social partners in managing funds for continuing training. Law 196/97 states that, as part of the overall re-organisation of the vocational training system, all the resources from the contribution of 0.30% of the total-wage bill will gradually be allocated to continuing training (at present only one third goes to CVT). The sum will probably be placed in one or more national funds, distributed regionally and managed jointly with the social partners. A regulation has been drafted for this purpose - although it has not yet received final approval - setting up the 'inter-professional fund for continuing training' managed by a 'private law foundation'. This solution is now being examined to ensure that it does not conflict with the dictates of the constitution assigning authority in matters of vocational training to the regional authorities.

Finally, in order to increase integration between school, vocational training and labour and respond more effectively to the training and vocational requirements of the production sector, a number of 'memoranda of understanding' have been signed between different public administration bodies (e.g. the Ministry of Education and the regional authorities) or between them and organisations representing the world of work [e.g. Ministry of Education and *Confindustria* (Italian Manufacturers' Federation)] with a view to carrying out integrated training activities. These memoranda of understanding are deeds of agreement fixing the scope and methods of cooperation between the signatories. They are usually for a fixed duration and may be renewed at the end of their term of validity.

Part 2. Initial vocational training (IVT)

2.1. Introduction

Initial vocational training targets young people who have completed their compulsory schooling. It is divided into two types of supply:

- regional, full-time vocational training courses divided into Level I courses (after compulsory schooling), Level II courses (post-secondary school-leaving certificate) and Level III courses (post-graduate), as well as specialisation courses;
- regional training courses for apprenticeship.

In addition, there are school-based vocational education paths that are part of upper-secondary education and target young people who have already obtained their compulsory school-leaving certificate. Regional supply of full-time courses is mainly directed at young job-seekers, usually between the ages of 15 and 25.

The various paths are described separately in the following paragraphs, as they are governed by different regulations and managed and financed by different administration departments from various sources of funds.

As explained in Part 1, there is a general tendency to move towards decentralisation, simplified procedures and a delegation of functions in the educational sector. This is also evident in the management of IVT, in all the pathways mentioned.

However, in the two administrative pathways in charge of resources and policies, this trend has produced systems with their own specific characteristics:

- on the one hand, there is the school path headed by the Ministry of Education, in which decentralisation is based on endowing individual school establishments with greater autonomy. Here, the regional authorities are however given the role of 'programmers' of all local training supply. In the case of school-based vocational education in particular, the tendency is to create integrated training paths which combine resources, skills, objectives etc., covering both general and vocational subjects;
- on the other hand, there is the vocational training path in the narrow sense. The regional authorities are responsible for the vocational training path (since Presidential Decree 616/77 and Framework Law 845/78), with the Ministry of Labour fulfilling the role of coordination and general programming. In this area, Laws 142/90 and 59/97 and Legislative Decree 112/97 have provided a further boost to decentralisation and territorial empowerment (a process already underway in many regions as powers are delegated to the provincial authorities and other local authorities). Generally speaking, the system described briefly here applies to both public CVT and IVT.

2.2. School-based vocational education

2.2.1. Background

In the school system run by the Ministry of Education, at upper-secondary level, school-based vocational education paths are available after the period of compulsory schooling. Normally, this type of school education concerns young people between 14 and 18-19 years of age and offers them full-time paths lasting from three to five years. With the enactment of Law 9/1999 raising the school-leaving age to 15, the first year of these paths now falls during the period of compulsory schooling.

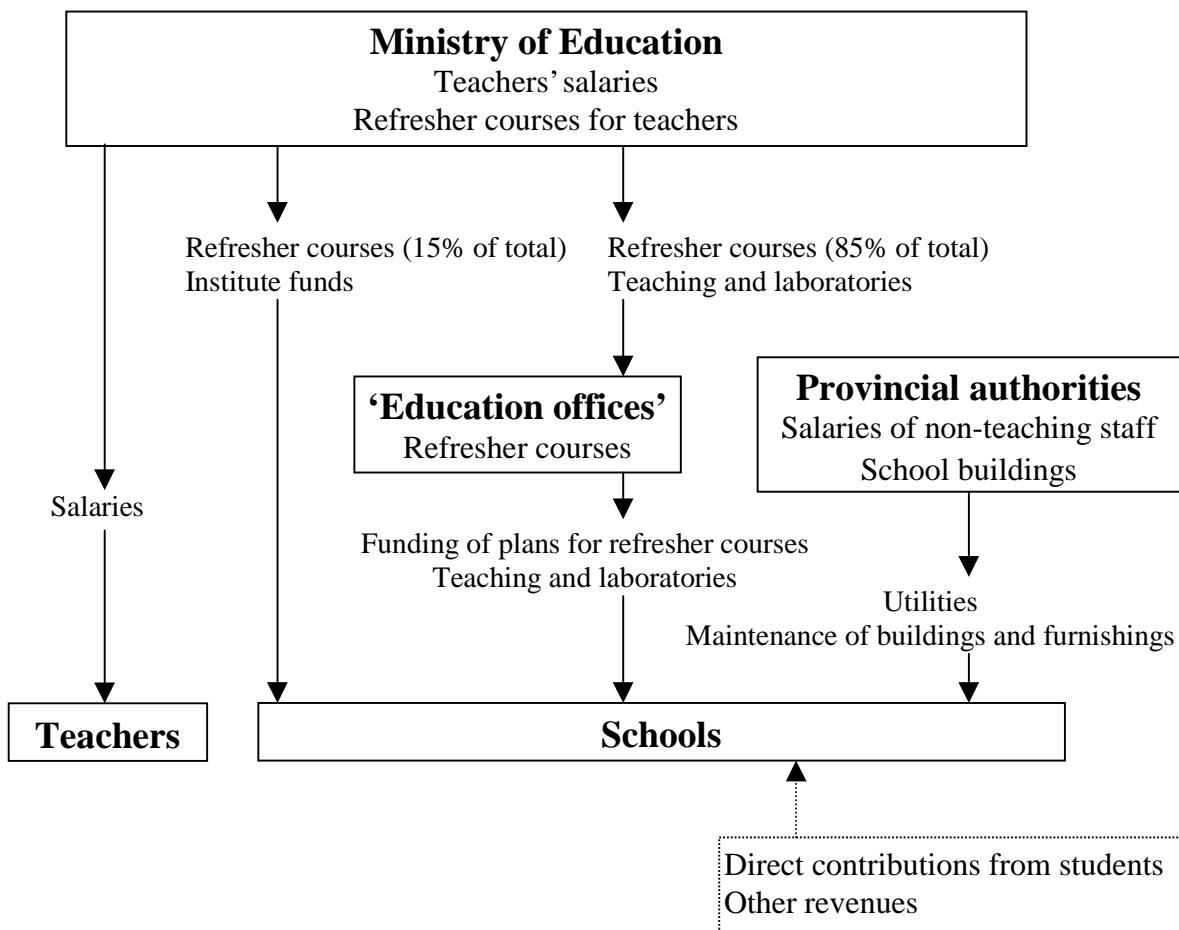
Unlike regional courses, at the end of the fifth year these paths provide an educational qualification, which is also valid for entry to university. The schools offering initial vocational training are mainly vocational schools and art institutes. The technical schools also offer a vocational qualification, although they are gradually moving towards a more general and technical-theoretical type of training. That is why they will be not considered in the figures regarding the expenses for vocational training in a straight sense (Table 6). Still, Table 7 offers a more comprehensive view of the expenses for vocational education in schools, including also technical schools and teachers schools.

Until 1997, the nursery and primary teachers' training schools provided vocational training for pre-school and primary school teachers with full-time courses lasting three and four years respectively. These courses have been abolished since the 1998/99 school year and replaced by five-year experimental courses which do not qualify to teach but only provide pedagogical training. To become a nursery or primary school teacher, it is now necessary to attend university-level courses.

Since 1998, post-secondary school-leaving certificate courses have been created to train higher technical profiles (IFTS - higher technical training and education), run in collaboration between schools, vocational training centres, universities and enterprises. IFTS is financed jointly by the Ministry of Education and the regional authorities.

School-based vocational education is almost exclusively disbursed by public centres financed by the Ministry of Education and local authorities. Private schools recognised by the State represent a very marginal share of the supply of vocational education; they do not receive any public financing and their funds are provided by the registration and course fees paid by the students.

Figure 1 Flow of funds allocated to school-based vocational education



NB: The boxes indicate direct expenditures by the various organisations/individuals; the arrows indicate funds transferred between the organisations/individuals. Regular funding is provided by the Ministry of Education and local authorities.

2.2.2. Sources of funding

Almost all school-based vocational education is funded by the public sector, mainly by the central level. The direct sources of funding are described in detail below.

Ministry of Education

State funding for school education is fixed each year by the government in the Finance Act, in which the Ministry of Education sets out its aggregate budget. The budget is based on a number of criteria but mainly depends on forecasts of student numbers and, consequently, of the total numbers of school personnel paid by the State.

Local authorities

The provincial authorities are responsible for supplying school buildings, furnishing, equipment and maintenance. The municipal and provincial authorities are both responsible

for paying bills for water, heating, rubbish collection, electricity (except electricity for laboratories) and office telephones (not for teaching, fax or the Internet).

So far, the provincial authorities have paid the wages of non-teaching staff (technical and administrative) at school establishments. Law 124/99 transfers authority for non-teaching staff to the State.

European Union

EU funding is not normally used for school-based vocational education. Some regional authorities finance certain activities performed within the school system, such as integrated school and vocational training courses, as well as specialisation courses to be attended after obtaining the upper secondary school-leaving certificate, using contributions from the European Social Fund. Over the 1994-97 period, the Ministry of Education obtained funding under the operational programme for Objective 1 regions (southern Italy) to carry out vocational-training activities in technical and vocational schools.

In all cases, the State's contribution is included in the budget of the Ministry of Education, while that of the ESF is either a part of the regional authorities' expenditure or covered by the operational programme of the Ministry of Education. The last two forms of funding are allocated to the 'regional' system of vocational training and therefore do not appear in the schedule of expenditure for school-based vocational education.

Other Sources

Schools may apply for funding of extra-curricular projects for specific actions under laws on such matters as health education, drug prevention and so on. Schools may also receive private donations or, in the case of vocational schools, undertake external work. These methods of fund-raising, however, are used by only a very small number of schools at present although they will probably increase as the principle of autonomy takes root.

Other expenses are borne by the families. Students are required to pay a registration fee not directly to the school but to the State. This fee amounts to approximately ITL 150 000 (EUR 77.5) a year but is tax-deductible. The majority of schools also demand a contribution to operate their laboratories, and this is fixed by the boards of governors according to needs and to the social and economic possibilities of the users.

No figures are available on these sources of funds.

The following table shows the expenditure of the Ministry of Education and local authorities on school-based vocational education. Disbursements by the provincial and municipal authorities are estimated at 20% of the expenditure of the Ministry. Overall, expenditure is tending to rise not only in terms of absolute values but also as a percentage of total disbursements by the Ministry of Education.

Table 6 Expenditure on school-based vocational education (¹) (²)

	1990	1996	1997	1998
Vocational schools	2 524.2	4 142.1	3 788.2	3 790.2
Art institutes	544.9	744.1	693.9	729.4
Total Ministry of Education for school-based IVT	3 069.1	4 886.2	4 482.1	4 519.6
% of total expenditure by Ministry of Education	7.6	8.2	8.2	8.0
Expenditure by provincial and municipal authorities	613.8	977.2	896.4	903.9
Total	3 682.9	5 863.4	5 378.5	5 423.5
	(1.90)	(3.03)	(2.78)	(2.80)

(¹) Includes expenditure on physical training and overheads, distributed in proportion to the number of students in each type of education.

(²) Absolute values in billion ITL at current prices, billion EUR in brackets.

Source: ISFOL calculations and estimates based on budgets of the Ministry of Education.

If technical schools, nursery and primary teachers' training schools are also included, the financial situations become as follows:

Table 7 Expenditure on school-based vocational education, including technical schools and teachers' training schools (¹)

	1990	1996	1997	1998
<i>Technical schools</i>	5 661.9	7 900.1	7 429.5	7 816.2
<i>Nursery and primary teachers' training schools</i>	503.6	1 080.8	898.3	1 019.6
Total technical and teachers' training schools by Ministry of Education	6 165.5	8 980.9	8 327.8	8 835.8
Expenditure by local authorities	1 233.1	1 796.2	1 665.6	1 767.2
Total technical and teachers' training schools	7 398.6	10 777.1	9 993.4	10 603.0
Total vocational schools and art institutes	3 682.9	5 863.4	5 378.5	5 423.5
Total	11 081.5	16 640.5	15 371.9	16 026.5
	(5.72)	(8.59)	(7.94)	(8.27)

(¹) Absolute values in billion ITL at current prices, billion EUR in brackets.

Source: ISFOL calculations and estimates based on budgets of the Ministry of Education.

2.2.3. Mechanisms for the distribution of funds

As far as funding mechanisms are concerned, every school receives a lump sum from the State, that is divided, however, into rigid items of expenditure. This means that a school cannot spend the sum as it likes but must observe the established allocation. When the system

of autonomy for schools (Law 59 of 1997) comes into full operation, these principles of management will probably change and there will be no constraints as to how the funds received are spent.

As things stand, not all the funds allocated to schools end in their coffers. For instance, all teachers' salaries are paid directly by the Ministry of Education through the Ministry of Treasury (see Figure 1).

The schools themselves manage the funds for the following purposes:

- temporary supply teachers (short-term appointments);
- allowances for upper secondary school-leaving certificate examinations;
- institute funds for incentives;
- didactic, educational and integrating actions (IDEI);
- funds for teaching.

Although the Ministry of Education fixes a special annual budget for supply teachers, schools often exceed the portion allocated to this item and it has become a practice to draw up the budget on final results. In recent years, the central government has taken steps to reduce the occasions when external supply teachers are called in by using staff already operating in the schools.

The amount of funds for staff used during State school-leaving examinations (fifth year) is fixed each year and the fees are paid in advance by the schools.

The fund for incentives is used to award bonuses to teachers. It is allocated to schools on the basis of criteria decided at central level but is assigned to individual teachers by decision of the school board of governors.

The fund for IDEI is allocated to schools according to student numbers, weighted with indicators of local disadvantage (social, economic and cultural) established by the Ministry of Education. The fund is for the rehabilitation of students in difficulty and pays for the additional number of hours worked by teachers at a gross rate of ITL 45 000 (EUR 23.2) per hour.

Additional resources are allocated to schools on the basis of the same criteria as above for teaching and laboratories. School-based vocational education paths have a lump sum at their disposal each year, which is allocated by provincial bodies ('education offices') according to student numbers and provincial indicators of disadvantage. In turn, the 'education offices', after receiving the recommendations of the provincial council for schools, distribute the funds among schools on the basis of additional corrective factors and applications submitted by the schools themselves by drawing up an institute budget.

The Ministry of Education also funds refresher courses for teachers and its annual budget includes a special sum, approximately 15% of which is managed by the Ministry itself and the remaining 85% by the 'education offices'. They distribute the sum received between their own provincial plan for refresher courses and the projects for refresher courses presented by individual schools.

Since 1997, Law 440 has set up a fund for improving and expanding the supply of training and for equalisation actions (it incorporates some of the funds mentioned earlier, such as the IDEI) that is designed to monitor the acquisition of autonomy currently taking place and at present finances experiments of innovative activities in the spheres of organisation, teaching and management.

There are also national multiannual investment programmes on specific subjects, such as the national plan for the development of teaching technologies.

In general, the social partners are not involved in funding distribution mechanisms.

2.3. Regional vocational training

2.3.1. Background

In the vocational training system, the supply of IVT is programmed by the regional authorities, which draw up a plan of training supply. The plan is based on assessments and is substantiated by analyses and surveys of training needs and the requirements voiced by the area. This plan has to be agreed with the social partners.

It is important to note that the regional authorities have gradually improved their programming abilities, partly under the influence of ESF guidelines. Consequently, the earlier system of supply that resembled the school model and hinged on courses for 14-16 year olds has given way to a project-style and more flexible model of action with diversified target audiences. An increasingly important role is also played by the provincial authorities, to which some of the programming and management functions are gradually being delegated.

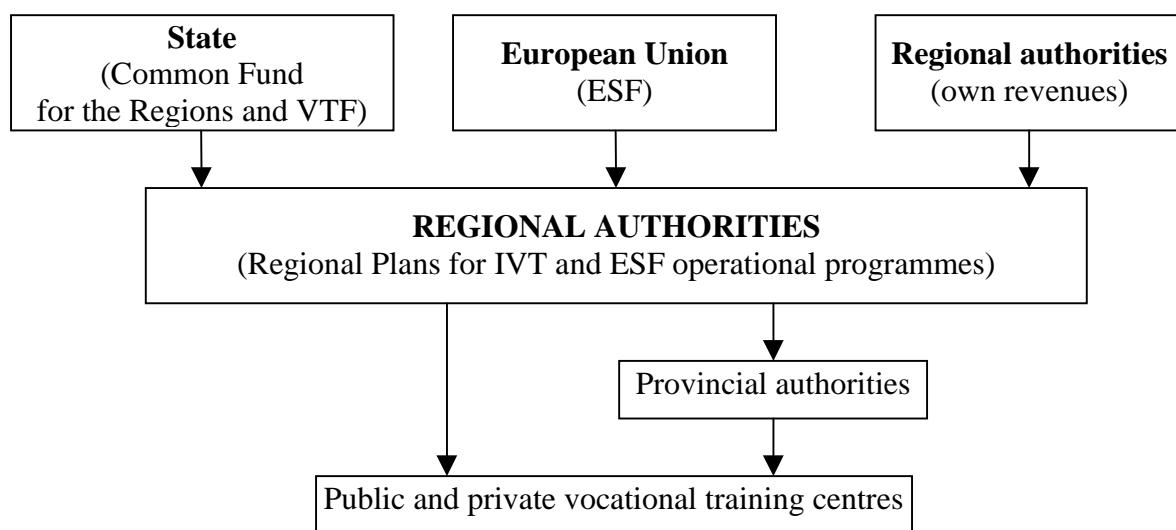
On a general level, regional IVT can be divided into two main sections: initial training after compulsory schooling (Level I) and training after the upper secondary-school-leaving certificate or university degree (depending on the classification used, reference is made either generally to Level II courses, or Level II and Level III are distinguished separately). Apart from this classification, there are also specialisation courses targeting those who have already obtained a vocational qualification but have not yet found a job and also courses for special target groups (people with disabilities, immigrants, etc.).

Traditionally, to gain access to IVT in Italy, prior registration with the employment service is required. Young people attending IVT courses are thus officially regarded as job-seekers. The result of this is that it is impossible in Italy to distinguish between IVT for young people and IVT for the unemployed.

In recent years, the method of classification has also been heavily influenced by the system of strands and objectives used by the ESF, which provides a large share of funding for IVT. Nevertheless, it is still impossible to divide regional figures on expenditure according to the type of target groups and therefore to distinguish between IVT courses for young people and IVT courses for the unemployed.

As far as administration and finance are concerned, it should be noted that courses are usually funded by public call in which public training centres as well as private organisations (which fulfil certain requirements) can participate. To do this, they enter into an agreement with the regional authorities concerned (or with the delegated provincial authorities). The system is described in detail in Section 2.3.3.

Figure 2 Flow of funds for IVT in the regional system



2.3.2. Sources of funding

In the regional VET system, IVT is financed exclusively from public resources ⁽³⁾. As a rule, the courses are completely free of charge for the students, including teaching material (books and so forth) and paper (loose sheets, notebooks, photocopies, etc.). In some cases, refunds are given for travelling expenses, board and lodging and an attendance allowance.

⁽³⁾ The resources resulting from the 0.30% of total-wage bill are included.

At present, there are three channels through which funds for IVT activities reach the regional authorities: the common fund of the regional authorities, the fund for VET and access to the ESF (VETF) and the ESF:

- regional VET activities are usually financed from the common fund of the regional authorities. This fund receives all the transfers from the State to cover the aggregate expenses of the regional authorities. The financial resources in question represent a fixed percentage of the State's tax revenues and are distributed among the 15 regions with an ordinary constitution according to a number of parameters (population, area, emigration rate, unemployment and average per-capita income). Regions with a special constitution may themselves collect certain taxes (or part of them) due by the resident population and therefore do not have access to the common fund. The amount of resources allocated to vocational training is decided independently by each regional authority;
- the fund for VET and access to the ESF (VETF) receives money from the State budget and currently all the resources provided by the 0.30% of total wage bill; two thirds of the sum available is used to supplement national funding of activities entitled to receive a contribution from the ESF;
- lastly, the ESF makes a crucial contribution to regional IVT, since, as we have seen, this is formally classified as training for the unemployed.

In addition, the regional authorities can now use their own fiscal revenues as a result of the increasing autonomy and power to tax conferred upon them by the current process of decentralisation.

Table 8 shows the evolution of funding for IVT by the regional authorities. A marked upward trend can be seen, which is in line with the gradual diversification and enlargement of training supply.

Nevertheless, the figures should be viewed with caution for the following reasons:

- regional expenditure budgets do not distinguish between funding for IVT and funding for CVT; expenditure on IVT has been estimated taking into account the average hourly cost and number of students;
- for 1997 and 1998, final regional figures were not complete and therefore the initial forecasts for the period were used.

It must also be pointed out that in regional budgets it is not possible to divide the expenditure of the regional authorities by sources of funding.

Table 8 *Expenditure on IVT by the regional authorities – commitments for the 1995-98 period*

	Billion ITL at current prices	Million EUR	Index numbers 1995=100	Billion ITL at constant 1999 prices
1995	3 023.4	1 561.5	100.0	3 307.6
1996	3 845.2	1 985.9	127.1	4 048.6
1997 ⁽¹⁾	4 229.3	2 184.3	139.9	4 377.3
1998 ⁽¹⁾	4 069.6	2 101.9	134.6	4 137.5

⁽¹⁾ Initial forecasts for the period.

Source: ISFOL calculations and estimates based on final and preliminary budgets of the regional authorities.

At present, a number of initial training initiatives are also operated directly by various ministries if the action is of national interest. More specifically, as far as ESF Community funding is concerned, in the 1994-99 period several programmes of action were launched, known as MOPs (multiregional operational programmes), under the management of the Ministry of Labour, the Ministry of Education, the Ministry for Universities and the Ministry of Industry. Available figures do not indicate the annual share of funds allocated to IVT but it can be estimated that in 1995, the amount was approximately ITL 160 billion (EUR 82.6 million), rising to ITL 320.3 billion (EUR 165.4 million) in 1996. In 1997, expenditure commitments by the Ministry of Labour alone on Objective 3 totalled ITL 386.4 billion (EUR 199.6 million) and in 1998 they almost doubled to ITL 741.9 billion (EUR 383.2 million).

2.3.3. Mechanisms for the distribution of funds

As far as transfers from the State to the regional authorities are concerned, the share of the Fund for VET is fixed by the CIPE (Interministerial Committee for Economic Planning) ⁽⁴⁾ at the proposal of the Ministry of Labour and the Ministry of Treasury and also with a view to fulfilling Community obligations. Every regional authority fixes the aggregate budget to be allocated each year to vocational-training activities according to national, Community and regional financial revenues (see Figure 2). Funds are allocated according to fixed parameters established by the regional authorities and based, for example, on the number of students, total paid-working hours, teaching methods used, and so on.

If certain powers are delegated to the provincial authorities (and/or the municipal authorities), the regional authorities fix the funds available for each province according to agreed parameters (population, unemployment rate, etc.) and may retain a share for training activities of regional interest.

⁽⁴⁾ The CIPE is an inter-ministerial body in charge of economic planning and therefore responsible for allocating available resources.

The funds are usually assigned to training centres according to one of the following methods:

- calls for tender, especially for courses cofunded by the European Social Fund;
- direct assignment, after projects submitted by public vocational training centres have been evaluated and approved by the regional (or provincial) authorities, according to how far they fulfil regional objectives.

In just a few cases, where projects of particular importance are concerned, the regional authorities may enter into agreements with private centres, allocating resources directly without calling a tender.

The regional authorities may also contribute their own or ESF funds to finance university-diploma courses run by local universities, post-qualification courses and courses following the upper secondary-school-leaving certificate devised by schools, alternating school-work activities (study periods and in-company practice periods), and skill-providing modules within school paths. The regional authorities are required to arrange the necessary funding for the new IFTS courses run by schools.

2.4. Apprenticeship

2.4.1. Background

Apprenticeship was first instituted in Italy by Law 25 of 1955 and took the form of a labour contract which requires the enterprise to guarantee the vocational training of the apprentice by setting him to work alongside qualified employees. The apprentice has to take part in training courses organised by the regional authorities outside the enterprise. Actually, in the past, the regional authorities rarely organised courses for apprentices and their training was provided exclusively by enterprises. The large number of regional laws on the subject were mainly designed to encourage the apprenticeship contracts to evolve into forms of permanent employment.

Today, however, apprenticeship is an extremely important element of training policies. Law 196/97 'regulations on the promotion of employment' outlines a new model of apprenticeship in which the external training element is reinforced by fixing a minimum number of hours, and there is a tendency to emphasise the role of apprenticeship contracts as the only possible job-insertion contract for young people under 25 years of age.

This is the approach adopted by recently enacted legislation which links apprenticeship with the new requirement to attend training activities that will gradually be extended to the age of 18. Law 144 of 1999 states that apprenticeship will become one of the three possible paths to complete compulsory training, alongside school and regional vocational training.

Before Law 196/97, with few exceptions, apprenticeship was only available to young people between the ages of 14 and 20 and only in specific sectors. Under the current spate of reforms (196/97 and compulsory schooling to the age of 15), since 1997 the age of eligibility for apprenticeship is 15 to 24 (26 for 'European structural Funds, Objectives 1 and 2' areas), while the limit remains 29 for the craft sector. The duration of a contract ranges from 18 months to four years, with a minimum average of 120 hours per year to be dedicated to external training. Apprenticeship contracts are also open to young people with a post-compulsory schooling qualification or vocational qualification.

2.4.2. Sources of funding

Until 1997, since there were no training activities outside the workplace, funding for apprenticeship came almost entirely from indirect sources, i.e. reductions in social security contributions granted by the State to enterprises signing apprenticeship contracts and a smaller social-security charge for the worker concerned. In the few cases where training was available, it was financed from regional funds and therefore accounted as part of regional expenditure on initial vocational training (Table 8).

With the reform introduced by Law 196/97, the system of reduced social-security charges was maintained but made conditional upon the apprentice effectively attending external training. It follows, therefore, that regional funding of external training should increase as a result. The law, however, has not yet been fully implemented and the regional authorities are still organising the necessary courses. During this period of transition, enterprises continue to benefit from the reduced social-security charges even though there is no external training, but they will lose this benefit if they refuse to allow their apprentices to attend training when the courses start. A number of experiments have already been launched under the new law on apprenticeship and have received State funding of ITL 250 billion (EUR 129.1 million) for the 1998/99 period, while this year the regional authorities have been granted a sum of ITL 200 billion (EUR 103.3 million) to get the training activities under way. External training is eligible for ESF contributions and this is the strategy adopted by the national plan, Objective 3, now being drafted for the 2000-06 period.

The size of the reductions in social-security charges granted to enterprises for each apprenticeship contract may vary slightly in time. Generally, though, the benefit consists of replacing the pension and health contributions due by employers with a small fixed aggregate contribution calculated for each working week paid to the apprentice.

The outcome is a drop in the State's revenues, part of which can be put down to an investment in training and part to expenditure to support employment. Calculating the State's investment in the form of reduced revenues during apprenticeship is not an easy matter, among other because:

- contributory systems differ according to economic sector and location of the enterprise, work position of the apprentice and size of the enterprise;

- the fixed contribution due by the enterprises replaces contributions calculated as a percentage of the wage, which is lower than the contract minimum in the case of apprentices but increases every six months according to the provisions of the national collective labour contracts;
- as previously mentioned, not all the loss of revenues can be ascribed to the financing of training.

The following table contains an estimate of State investment in apprenticeship in the form of loss of revenues, net of deductions from taxable income that the enterprises would be able to make if they paid contributions at the ordinary rate.

Table 9 State investment in apprenticeship contracts⁽¹⁾

	1986	1991	1996	1997	1998
Current ITL (billion)	n/a	n/a	1 260.0	1 460.7	1 547.1
EUR (million)			(650.7)	(754.4)	(799.0)

⁽¹⁾ Billion ITL at current prices, million EUR in brackets.

Source: ISFOL estimates based on data from the Ministry of Labour and INPS - National Social Security Institute.

2.5. Conclusions

Offering a final overview of funding for IVT in Italy, the following table shows investments made in the various pathways examined.

Table 10 Funding of IVT in Italy by type of supply⁽¹⁾

		1986	1991	1996	1997	1998	1998 (%)
School-based IVT		n/a	3 682.9 ⁽²⁾	5 863.4	5 378.5	5 423.5	46.0
Regional IVT	Regional authorities	n/a	2 850.8 ⁽³⁾	3 845.2	4 229.3	4 069.6	34.6
	MOPs	⁽⁴⁾	⁽⁴⁾	320.3	386.4	741.9	6.3
Apprenticeship		n/a	n/a	1 260.0 ⁽⁵⁾	1 460.7	1 547.1	13.1
Total			6 533.7 (3 374.4)	11 288.9 (5 830.2)	11 454.9 (5 915.9)	11 782.1 (6 084.9)	100.0

⁽¹⁾ Billion ITL at current prices, million EUR in brackets.

⁽²⁾ 1990.

⁽³⁾ ISFOL estimate based on regional preliminary budgets and ISFOL data.

⁽⁴⁾ Year when the MOPs (multiregional operational programmes) were not activated.

⁽⁵⁾ 1995.

Sources: ISFOL calculations and estimates based on data from the Ministry of Education, regional preliminary budgets, regional final budgets, Ministry of Labour, INPS - National Social Security Institute, Ministry of Treasury.

Caution must be used when interpreting the above table because it is the result of estimates based on data from a variety of sources. Moreover, important information on the earlier years is lacking. The figure for school-based vocational education paths refers to the types considered in Table 6, which are now classified as school-based vocational education.

The table does, however, illustrate certain characteristics of IVT in Italy:

- the increasing volume of resources being allocated, especially for regional vocational training. It should be considered that the increase in regional investment is not so much due to the share allocated to initial training for young people up to the age of 18 as the result of an increase in the supply targeting young people who already have an upper secondary-school qualification;
- the exclusively public nature of funding, apart from some rare exceptions.

As we have seen, methods of funding differ considerably depending on whether the school system, headed by the Ministry of Education, is involved, or the training path represented by the Ministry of Labour and by the regional, provincial and municipal authorities. Nevertheless, there are a few points in common, that also have implications for the methods of funding:

- the law on the autonomy of schools and the creation of integrated school/vocational training paths has introduced into the school system a method of access to public resources based on the presentation of projects which are assessed in terms of their quality and ability to provide an answer to the individual and social demand for training;
- the increased focus on quality is bringing about changes in the methods of funding in schools, for instance by inserting incentives in teachers' contracts, and in VET, through the principle of accreditation of training structures.

In this respect, therefore, IVT strategies appear to hinge predominantly on the supply of training. The aim of this is to make individual training structures more responsible for the methods of using available resources and so provide a more specific response to the demand for training.

Part 3. Continuing vocational training

It is only in recent years that vocational training policies in Italy appear to be directed at creating a structured system of continuing vocational training.

As described in Part 2, under Law 845/78, institutionally, continuing training is the responsibility of the regional authorities, which organise courses for both employed and unemployed workers. In the past, though, the regional authorities tended to concentrate on initial training for unqualified young people, subsequently moving towards training for young job-seekers with higher qualifications. It is only in recent years, following the enactment of a number of laws, the signing of agreements in 1993, 1996 and 1998 between the government and the social partners and the activation of ESF Objective 4, that courses for employed and unemployed adults organised by regional authorities have increased. Nowadays continuing vocational training activities are also conducted by the ministries managing Community Funds (ESF), by the public administration and by enterprises that finance training for their own employees, as well as by Chambers of Commerce.

Failing any clear background, it is difficult to draw a uniform and detailed picture of this segment of supply and of the investments made in the sector. Moreover, a large number of key actors are involved in continuing training.

The description of funding for continuing training, contained in the paragraphs below, is therefore divided into the following categories:

- vocational training administered regionally or nationally (public vocational training system);
- training financed by enterprises;
- individual training.

3.1. CVT in the public vocational training system

3.1.1. Background

The regional authorities have jurisdiction over vocational training, initial as well as continuing, but for a long time the bias of training policies towards initial training and the lack of a specific fund to finance continuing training made it impossible to create an organic and consolidated supply.

In practice, it is only since ESF Objective 4 and Law 236/1993 that a system of CVT has been built, acknowledging the principle of coordinated action between State, the regional authorities and social partners. Law 236 allocated to continuing training actions a compulsory

one third of the resources produced by the 0.30% of the total wage bill paid by enterprises to finance training activities. The contribution of 0.30%, comes from the worker's salaries, so it can be considered as a private source of financing the VET system. However, so far it is used to finance the public VET system and it is given to regional administrations for initial and continuous vocational training; that is why it ends in the figures regarding public VET system. In the future the 0.30% will be very likely used to finance VCT funds run directly by the social partners.

Subsequently, the agreements signed between the government and social partners in 1993, 1996 and 1998 laid the foundations for reorganising the whole supply of education and training, paying special attention to continuing training.

The results of these agreements have led to Law 196/97 'regulations on the promotion of employment'. This law strengthens the system of CVT by gradually moving into a special fund all of the 0.30% of the total wage bill paid by enterprises, two thirds of which at present goes into the 'fund for VET and access to the ESF'. The new fund will probably be managed by the social partners (trade unions and employers' representatives). At present, the law establishing the new structure of CVT is still under debate.

The vocational training system finances the following activities:

- continuing training activities programmed by enterprises for their own employees and delivered either internally or by external training facilities;
- continuing training activities carried out by training bodies, trade unions and trade associations for employees of one or more enterprises taking part in the project or for workers with mobility status or receiving redundancy pay;
- individual training projects;
- trainers' training actions;
- 'system' actions, i.e. CVT actions so as to start up innovative processes.

3.1.2. Sources of funding

The sources of funding for CVT delivered by the regional vocational-training system are generally the same as for IVT, that is:

- transfer of part of tax revenues by the State to the common fund of regions with an ordinary constitution (see Section 2.3) and funds obtained from regional taxes; in this case, it is not compulsory to use the revenues for VET;
- ESF contributions (Objectives 1, 2, 4 and 5b in the 1994-99 period) and relative national quota (consisting in part of resources from the fund for VET and access to the ESF).

For CVT, in addition to these sources of funds there is one third of the 0.30% of the total-wage bill, expressly allocated to CVT by Law 236/93, as well as contributions from enterprises. In this connection, enterprises submitting training projects for their employees

receive public funds for up to ITL 50 million (EUR 25 822) per enterprise. The enterprises are required to cover at least 20% of the total cost of the project.

European Union

The existence of a specific ESF objective to develop continuing training in the 1994-99 period has allowed Italy to begin building a system of supply that is better suited to the needs of production and workers. In the second half of the 1990s, in particular, the ESF, together with the national contribution from the fund for VET and the share of enterprises and the regional authorities, was the main source of funding for CVT.

Table 11 Share of contribution to funding of ESF actions

Geographical area	ESF	Regional authorities	Fund for VET	Enterprises	Total
Centre-north	45	11	24	20	100
South	75	5	10	10	100

The amount of the ESF contribution to CVT is included in the table of expenditure by the regional authorities (Table 12).

Central government

The central government transfers part of tax revenues to the common fund destined for the regional authorities. Moreover:

- (a) it administers relations with the European Union and therefore has jurisdiction over the use of the ESF. This situation has been retained in Law 196/97, which lays the foundations for reform of the system of vocational training;
- (b) it manages and transfers to the regional authorities the resources of the 'fund for VET and access to the ESF' and the shares of ESF cofunding;
- (c) it administers a number of multiregional operational programmes (MOPs) relating to CVT within the ESF ⁽⁵⁾;
- (d) it manages and transfers funds to the regional authorities to finance CVT actions identified by Law 236/93.

Funding under Law 236/93 has been allocated, and hence transferred, to the regional authorities only since 1997. The funds can be used to finance the following: actions to create a CVT system; trainers' training; company training plans and individual training plans. The priorities are established each year by a special Guideline Committee set up at national level.

⁽⁵⁾ There are no data available on how much the central government has spent each year on continuing training through the MOPs. In 1997, the Ministry of Labour allocated ITL 86.8 billion (EUR 44.8 million) for the MOPs Objective 4 and ITL 42.8 billion (EUR 22.1 million) in 1998.

Regional authorities

The regional authorities are responsible for the management and programming of continuing training activities and therefore manage the majority of financing for that purpose. Most of the funds described above originate with the ESF and the State, except for the share set aside by the central government to finance activities of national interest. These funds are entered in the regional budgets. The regional authorities (and possibly the local authorities if empowered) select CVT projects and distribute funds according to this evaluation.

Enterprises

As mentioned earlier, enterprises help to finance CVT within the 'public' system of vocational training by making contributions ranging from approximately 10% to 20% of the total cost of projects approved for funding.

With reference to the interventions funded under Law 236/93, enterprises shall be granted funding up to ITL 50 million (EUR 25 822) per enterprise and they shall be required to cover at least 20% of the total cost of the project. The wages of the employees engaged in training activities shall be considered an admissible expense under the cofunding by the enterprises, i.e. up to 20% of the total cost of the project.

The following table gives the aggregate amount of resources allocated to CVT by the vocational training system. It does not include the contribution of enterprises, which is not specified among available sources of funds for expenditure on VET. However, the following paragraph on in-company training includes this contribution under aggregate expenditure on CVT activities.

Table 12 Public sources of funding for CVT¹⁾

	1991	1995	1996	1997	1998
Expenditure by regional authorities	218.3	385.8	521.2	604.6	830.1
MOPs	n/a	n/a	n/a	86.8	42.8
Law 236/93, of which:					
system actions	-	-	207.0	187.0	228.0
trainers' training			80.0	20.0	30.0
company training			65.0	40.0	-
			62.0	127.0	198.0
Total	218.3 (112.7)	385.8 (199.2)	728.2 (376.1)	878.4 (453.7)	1 090.9 (563.4)

(¹⁾ Billion ITL, million EUR in brackets.

Source: ISFOL calculations and estimates based on data from the Ministry of Labour and regional budgets.

3.1.3. Mechanisms for distributing funds

The mechanisms for distributing funds allocated to CVT are generally the same as for IVT. Briefly, the system is based on calls for tender and consists of evaluating the projects submitted and drawing up a classification. Projects considered eligible are financed according to their place in the classification list until the budget is depleted. The cost parameters used are generally based on the hourly cost per student.

This mechanism is thought to be ill suited to the needs of enterprises because it implies long delays. As a result, the funds for in-company training actions under Law 236/93 are disbursed by a ‘desk’ system: in other words, the projects are funded in order of submission until resources are depleted. Nevertheless, there are conditions for access: funds are only allocated to enterprises paying 0.30% of their total-wage bill; a maximum contribution of ITL 50 million (EUR 25 822) per enterprise has been set; last, for these funds too, the ‘minimum’ rule established by the European Commission for State aid to enterprises applies, i.e. no enterprise may receive more than EUR 100 000 over a period of three years, summing all possible public funding for CVT.

3.2. Training financed by enterprises

3.2.1. Background

Many enterprises, especially the large ones, organise training and refresher courses for their employees, almost exclusively from their own funds. In most cases, these courses are designed for middle-to-high grade profiles and are run by the enterprises themselves, particularly when they have their own training unit. CVT activities are also part of the services offered to enterprises by the chambers of commerce and their special agencies.

This training is run alongside and is complementary to continuing training funded by the public system, which has paid considerable attention in recent years to small and medium-sized enterprises and to workers with middle-to-low qualifications. The regional authorities, for example, fund not only CVT actions that training bodies conduct for enterprises but also those of enterprises themselves. The latter cannot be distinguished from all the regional CVT activities and are therefore included in the data presented in the previous section. Law 236/93 makes provisions for direct funding of enterprises that undertake continuing-training activities.

In the case of the civil service, account must also be taken of the training that the public administration provides for its own employees, which is funded through special items of budget expenditure for each public body.

3.2.2. Sources of funding

Direct sources

Direct financing by enterprises of training and refresher courses for their own employees accounts for a substantial and growing portion of expenditure on continuing training. A survey conducted by ISTAT (Central Statistics Institute) in 1993 estimates the direct costs borne by enterprises at approximately ITL 550 billion (EUR 284 million), net of indirect subsidies amounting to around ITL 81 billion (EUR 41.8 million). In the following years, the estimated investment, based on ISTAT data for 1993 and Eurostat for the attendance of employed workers at training courses, rises to ITL 600 billion (EUR 309.9 million) in 1995, ITL 873 billion (EUR 450.9 million) in 1996, ITL 970 billion (EUR 501 million) in 1997 and ITL 1 076.6 billion (EUR 556 million) in 1998.

As mentioned earlier, from 1997 on, Law 236/93 has provided enterprises with funds to finance company training plans.

Indirect sources

In addition to direct expenditure to pay the costs of training, there is the indirect expenditure consisting of the labour cost of employees undergoing training and of trainers, as well as overheads.

Table 13 Aggregate spending by enterprises for training of their employees⁽¹⁾

	1993	1995	1996	1997	1998
Direct costs (net of subsidies)	542.8	601.8	873.0	970.0	1 076.6
Indirect costs ⁽²⁾	1 901.6	2 362.7	2 951.9	3 355.2	3 991.2
Total	2 444.4	2 964.5	3 824.9	4 325.2	5 067.8
	(1 262.4)	(1 531.0)	(1 975.4)	(2 233.8)	(2 617.3)

⁽¹⁾ Billion ITL, million EUR in brackets.

⁽²⁾ Labour cost of trainees and internal trainers and other overheads.

NB: Data estimated from a broad survey of continuing training in private enterprises carried out in 1993. It only takes into consideration enterprises with at least 10 employees, which a preliminary survey suggests in fact represent almost all enterprises that provide training for their workers. The estimate was made by applying the percentage increase in the number of workers in training recorded each year by Eurostat to the financial figure.

Source: ISFOL calculations and estimates based on data from ISTAT and Eurostat.

As far as the public administration is concerned, no detailed figures are available showing the annual flow of funds to continuing training of employees. At national level, training in the public administration in 1995 cost approximately ITL 66 billion (EUR 34.1 million), according to figures from the Public Office Department. To this must be added the investments made by regional authorities and various local authorities.

According to data from the Office of General Accounting, the cost of labour in terms of personnel training was ITL 678.3 billion (EUR 350.3 million) for all administrative grades.

3.3. Individual training

3.3.1. Background

Generally speaking, leaving aside training actions organised by enterprises, employed workers are able to attend training courses since 1973 by virtue of a contract provision which grants them approximately 150 hours of leave. Initially, the labour contracts stated that these paid working hours should be used to allow for second-chance schooling (for example, to obtain the compulsory school-leaving certificate) or to attend school and university courses. Later, some contracts began to offer the opportunity to attend vocational training courses.

More recently, financial incentives for individual training of workers have been experimented by a number of regional authorities as part of ESF funded actions, in the form of training vouchers that can be spent at a chosen private facility. Finally, especially over the past two years, Law 236/93 has provided incentives for individual projects by funding guidance, counselling, skill balance and other activities.

From a financial viewpoint, it is impossible to separate the share of funding from direct and indirect sources that finance individual training projects. In fact:

- as far as use of the 150 hours is concerned, there is no information on the indirect costs borne by enterprises (such as labour cost), while the public contribution is included among expenditure by the regional authorities or Ministry of Education, depending on whether the worker attends a regional VET course or a school-based vocational education course. Nor, on the other hand, are exhaustive and comparable statistics available on the training decisions of workers who have used the 150 hours. Therefore, it would be impossible to separate the percentage of workers who attended general, school or university training from the percentage of workers who acquired a vocational qualification instead;
- individual projects funded by the ESF or by Law 236 continue to account for a minor percentage of public investment in CVT, and the amount going towards such projects cannot be extrapolated from total expenditure.

The school-based vocational education sector has recently seen the creation of the ‘local adult-education centres’ (AE) under the Ministry of Education. Their purpose is either to identify and meet individual demand for education and training by creating courses according to the requests of users approaching the centres or to direct them towards regional vocational training paths. The courses organised by the AE centres are completely free of charge and are mainly designed for the recovery or acquisition of basic skills (languages, computers, Italian for foreigners, etc.) or for initial vocational training (school-based vocational education). They address young people and adults alike, employed and unemployed. The centres are mainly run with funds from the Ministry of Education (which are therefore included in the ministry’s aggregate budget). But the AE centres may also receive contributions from local

authorities and enter into arrangements and agreements with the regional authorities or individual vocational training centres to carry out integrated training activities with mixed funding.

It is not possible to obtain data on available funding for the AE centres.

3.4. Conclusions

More supply, simplified procedures for access to funds and the construction of a regular system of supply have together led to a substantial increase in the number of employees in training. The most important fact is that training financed with public money has mainly been concentrated among the types of enterprises which would have been unlikely to carry out CVT with their own funds and among workers with middle-to-low qualifications rarely involved by enterprises in any training activity.

Table 14 Funding of CVT in Italy by type of supply⁽¹⁾

	1991	1995	1996	1997	1998
VET system	218.3	385.8	728.2	878.4	1 090.9
In-company training	2 444.4 (1993)	2 964.5	3 824.9	4 325.2	5 067.8
Individual training	n/a	n/a	n/a	n/a	n/a
Total	2 662.7 (1 375.1)	3 350.3 (1 730.3)	4 552.1 (2 351.0)	5 193.6 (2 682.3)	6 158.7 (3 180.7)

⁽¹⁾ Billion ITL at current prices, million EUR in brackets.

Part 4. The future of funding for vocational education and training: trends and perspectives

This part contains the general conclusions of the financial overview. It describes the main lines of future developments regarding amounts and sources of funding, programming of training activities and reform of the labour market and vocational training system.

4.1. Brief considerations

Table 15 *Expenditure on vocational training in Italy in 1998* ⁽¹⁾

	IVT (including the unemployed)		CVT	
	ab. val.	%	ab. val.	%
European Union	(⁽²⁾)		(⁽²⁾)	
Central government	6 808.6 (3 516.3)	57.8	260.8 (134.7)	3.9
Regional authorities	4 069.6 (2 101.8)	34.5	830.1 (428.7)	13.5
Local authorities	903.9 (466.8)	7.7		
Enterprises	-		5 067.8 (2 617.3)	82.6
Individuals	n/a		n/a	
Total	11 782.1 (6 084.9)	100.0	6 158.7 (3 180.7)	100.0

(¹⁾ Billion ITL, million EUR in brackets.

(⁽²⁾) European Union funding is included in the figures for the central government and regional authorities

Sources: ISFOL calculations based on data by Ministry of Education, Ministry of Employment, regional authorities, ISFOL, INPS.

The above table summarises funding by amount and type of source, showing the role of the government and of the public administration in IVT and that of enterprises in CVT. The volume of funds allocated to IVT is nearly twice the amount for CVT, but the figure for IVT also includes funds for school-based vocational education. As far as CVT is concerned, the ratio of public to private funds is expected to change when specific resources are allocated to financing CVT.

4.2. Main lines of development

In Italy, the education and vocational-training systems are undergoing a deep-seated reform embracing not only the structure but also the methods of supply, the target groups, and the contents of training supply. This is also having repercussions on the amount and methods of funding.

Briefly, the main lines of development are the following:

- introduction of compulsory training up to 18 years of age, to be completed either through the channels of school education, vocational training or apprenticeship. The reform will increase the participation of young people up to 18 years of age in the training system and therefore make it necessary either to provide additional funds to cover all the users, or at least to redirect part of available resources towards this level of IVT;
- complete reform of the structure of upper secondary schools; the reform will reduce the overall duration of courses but, above all, should lead to changes in present school-based vocational education paths. The bill proposes a structure based on *licei* (upper secondary schools), including those in the technical and technological, artistic and musical paths. The government's objective appears to be to remove confusion between the school system and the vocational training system. To do this, it intends to provide paths that have different aims but are designed to make it possible to pass from one system to another through a mechanism of training credits. Vocational training will not disappear from the school system but become a specialisation path within the school cycle, programmed, managed and financed mainly by the regional authorities (and/or delegated provincial authorities);
- creation of an integrated higher training system (FIS) consisting of: (a) short 'post-secondary school-leaving certificate' courses run by VET centres and funded by regional authorities; (b) integrated higher training education courses (IFTS), lasting a maximum of two years, run jointly by schools, vocational training centres, universities and enterprises, programmed by regional authorities and cofunded by them and the Ministry of Education; (c) university-diploma courses held at universities and cofunded by regional authorities;
- intention to raise enterprises' contribution of 0.30% of the total-wage bill to 0.50% in order to increase funding for continuing training. The social partners should be directly involved in managing these resources;
- reform of the vocational training system, which is also based on Law 196/97, pending a review of the framework Law 845/78. Law 196/97, in fact, has not only revived the institution of apprenticeship and regulated training and practice periods but also laid the foundations for a complete re-organisation of the vocational training system (continuing training, certification of skills, training credits, simplified procedures, adaptation, re-

organisation and extension of training-supply points, etc.). At present, however, these are only guidelines and are still awaiting full implementation;

- reform of employment services, responsibility for which has been transferred from the State to the regional authorities. The objective of the reform is to increase the impact of regional action in the field of active labour policies by additionally integrating the tools which are available, foremost among which is training;
- drafting by the government of a master plan for education, training and labour as set out in the Pact on Labour of 1998, i.e. a document of broad financial planning which has set the financial requirement for strengthening and innovating Italy's systems of education, training and labour at a figure of approximately ITL 36 000 billion (EUR 18 592 million) for the three years 1999-2001;
- completion of the system of apprenticeship (as one of the options for fulfilling the compulsory-training requirement and as a priority pathway for access to the world of work for all young people under 25 years of age). This will require massive investment to organise and deliver the compulsory training envisaged by this type of contract.

Annex 1 Legal provisions

Law 845/1978 ('Framework law on vocational training')

This law identifies the sources of funding for initial and continuing-training activities by the regional authorities as being the 'common fund', which receives monetary transfers from the State, and sets up a 'revolving fund' - with the Ministry of Labour - that receives 0.30% of the total-wage bill paid by enterprises as an additional contribution for compulsory insurance against involuntary unemployment.

Law 236/1993 ('Urgent measures in support of employment')

This law sets up the 'fund for vocational training and access to the European Social Fund' - with the Ministry of Treasury - to which funds from the contribution of 0.30% of the total wage bill are transferred. Law 236 states that one third of these funds must be allocated to continuing-training actions.

Law 196/1997 ('Regulations on the promotion of employment')

Apart from reviving the institution of apprenticeship and regulating the system of training and practice periods, this law lays the foundations for an overall re-organisation of the vocational training system (continuing training, certification of skills, training credits, simplified procedures, adaptation, reorganisation and extension of training-supply points, etc.). At present, the guidelines for reform are still awaiting enactment in regulatory provisions.

Law 440/1997 ('Creation of the fund to improve and extend training supply and for equalisation measures')

This law sets up a fund designed to help along the current process of autonomy. At the moment, this fund finances experiments of innovative actions in the fields of organisation, teaching and management.

Annex 2 **Glossary of acronyms, abbreviations and terms**

ab. val.	absolute values
AE	local adult education centres
CIPE	interministerial committee for economic planning
CVT	continuing vocational training
ESF	European Social Fund
FIS	integrated higher training system
GDP	gross domestic product
IDEI	didactic, educational and integrating actions
IFTS	higher technical training and education
INPS	National Social Security Institute
ISFOL	Institute for the Development of Workers' Vocational Training
ISTAT	Central Statistics Institute
IVT	initial vocational training
MOPs	multiregional operational programmes
n/a	not available
Ob.	Objective
RF	revolving fund
VET	vocational training
VETF	fund for vocational training and access to the European Social Fund

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Cedefop (European Centre for the Development of Vocational Training)

The financing of vocational education and training in Italy: Financing portrait

Giorgio Allulli, Sandra D'Agostino, Claudia Donati, Costantino Massari

Luxembourg: Office for Official Publications of the European Communities

2001 – VI, 47 pp. – 21.0 x 29.7 cm

ISBN 92-896-0009-8

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ISBN 92-896-0009-8



9 789289 600095 >