European Centre for the Development of Vocational Training

Cedefop study on Training funds

Exploring the potential for establishing training fund(s) in Latvia

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Context and approach

Objectives of the study on Latvia

Main goal: Explore the potential for establishing new training funds, by providing

- A description of the country's current arrangements relevant for implementing Training Funds
- An assessment of strengths and weaknesses of the country's current arrangements
- An in-depth analysis of the potential for implementing Training Funds
- 3 scenarios for establishing Training Funds and their advantages, disadvantages
- Country-specific recommendations for establishing Training Funds

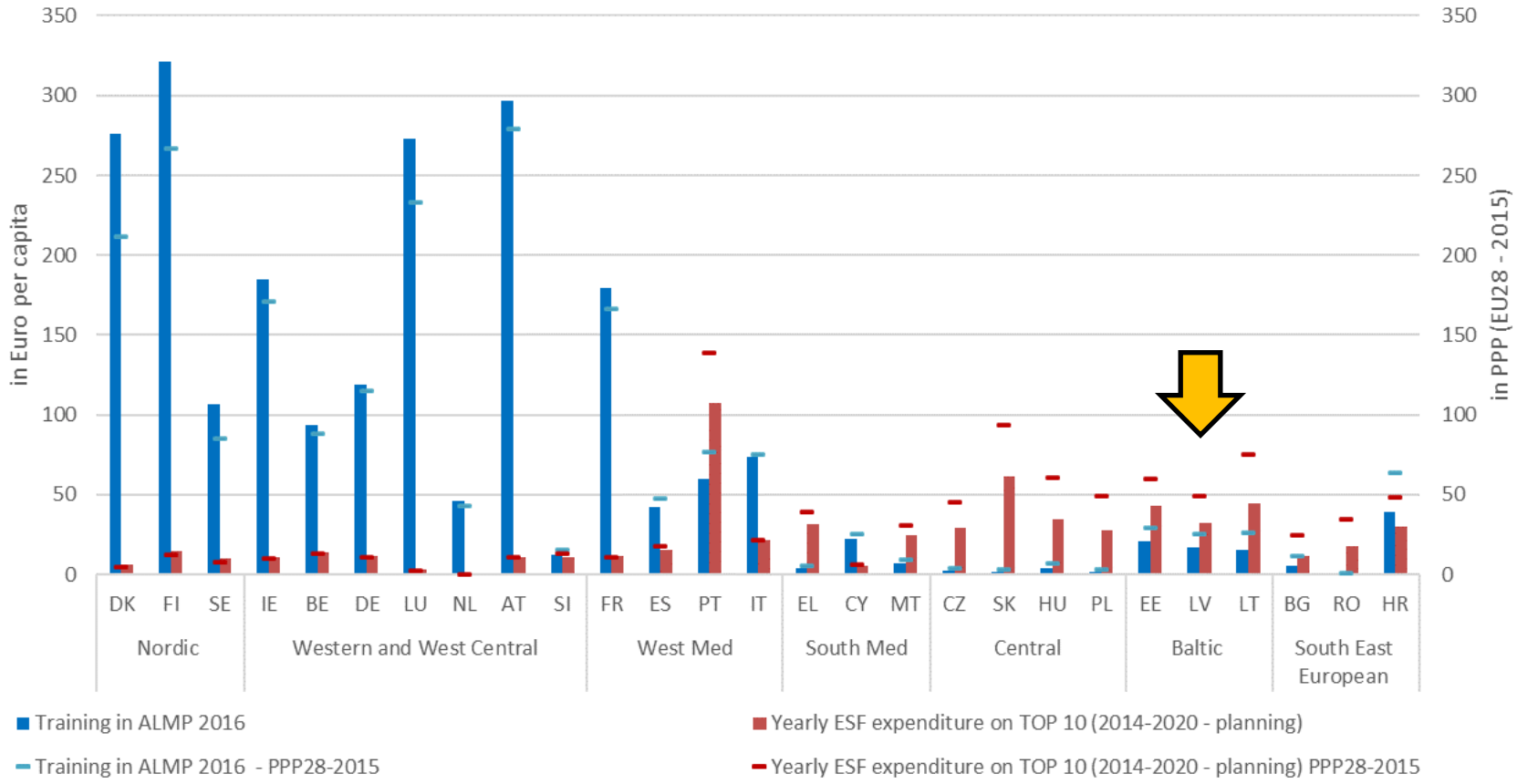
Methods: Desk research, 20 stakeholder interviews, 2 focus groups & national stakeholder workshop

Overview of the presentation

1. Reasons for introducing training funds in LV
2. Potential functions of training funds in LV
3. Scenarios for introducing training funds in LV
4. Recommendations

Reasons for introducing training funds – status quo

Spending on training within ALMP (per capita 20-64 2016) & spending for ESF Goal 10 (2014-2020) per capita – in PPP



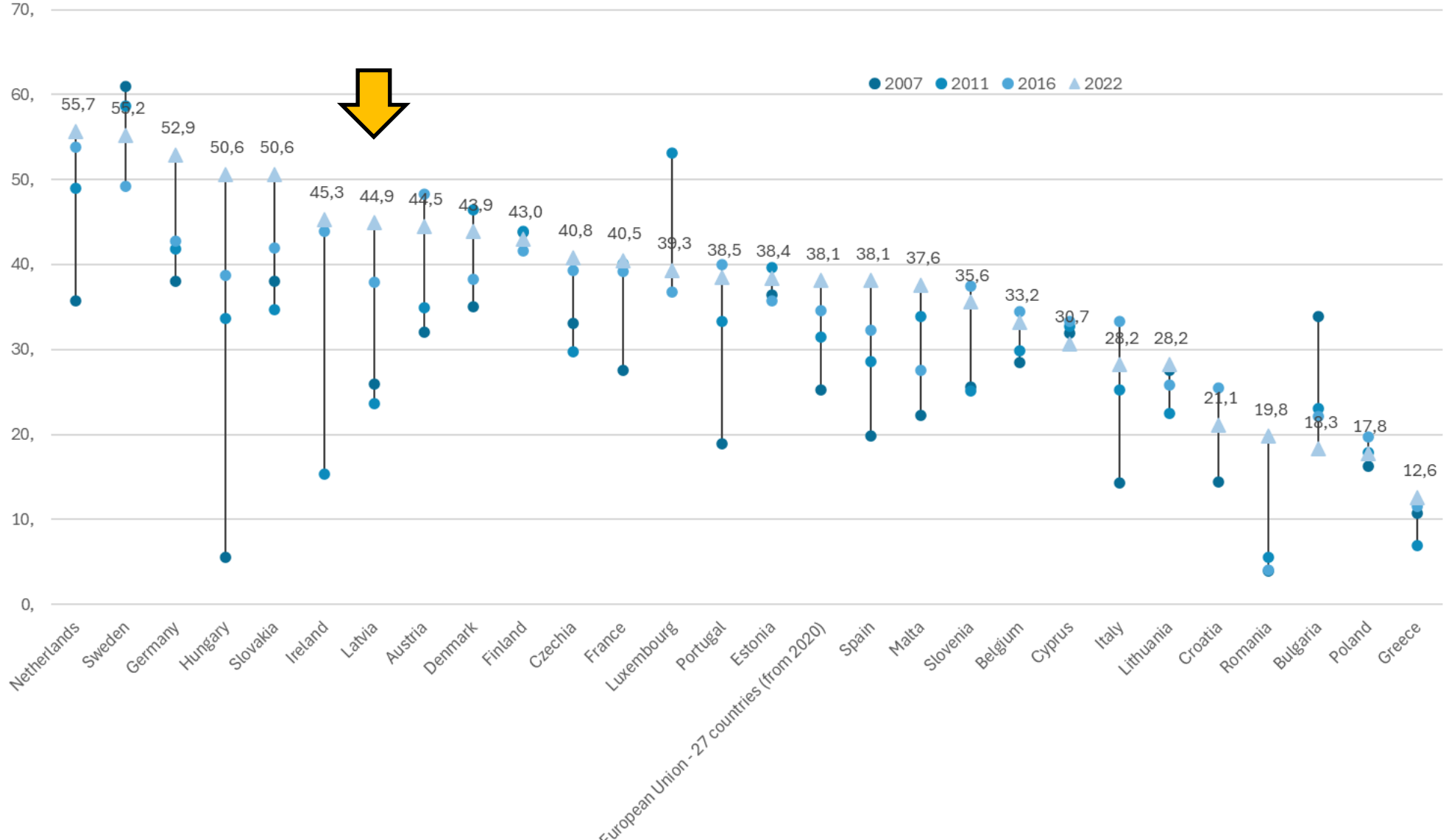
Source: Authors' development, based on based on data from Ecorys and Ismeri Europa (2020). Study for the Evaluation of ESF support to Education and Training - (Thematic Objective 10) - Final report for the Commission, Directorate-General for Employment, Social Affairs and Inclusion. Luxembourg: Publications Office of the European Union. https://doi.org/doi:10.2767/301732 (ESF Data) and European Commission (2022). Study supporting the evaluation of the Council Recommendation of 19 December 2016 on Upskilling Pathways : new opportunities for adults : final report. Publications Office of the European Union. https://doi.org/doi/10.2767/997479 (ALMP Data)

Current public funding arrangements for CVET

- Limited public resources are provided for CVET and adult learning, in particular for non-formal adult learning
- Stable long-term funding of support arrangements difficult given funding cycles of EU structural funds

A novel training fund arrangement could tackle these weaknesses, creating a sustainable source of long-term funding

Participation in job-related non-formal adult learning within the past 12 months (AES)



Current participation levels

- AES and LFS show average or above average participation rates
- Share of companies' participating in training (CVTS) is above average, but…

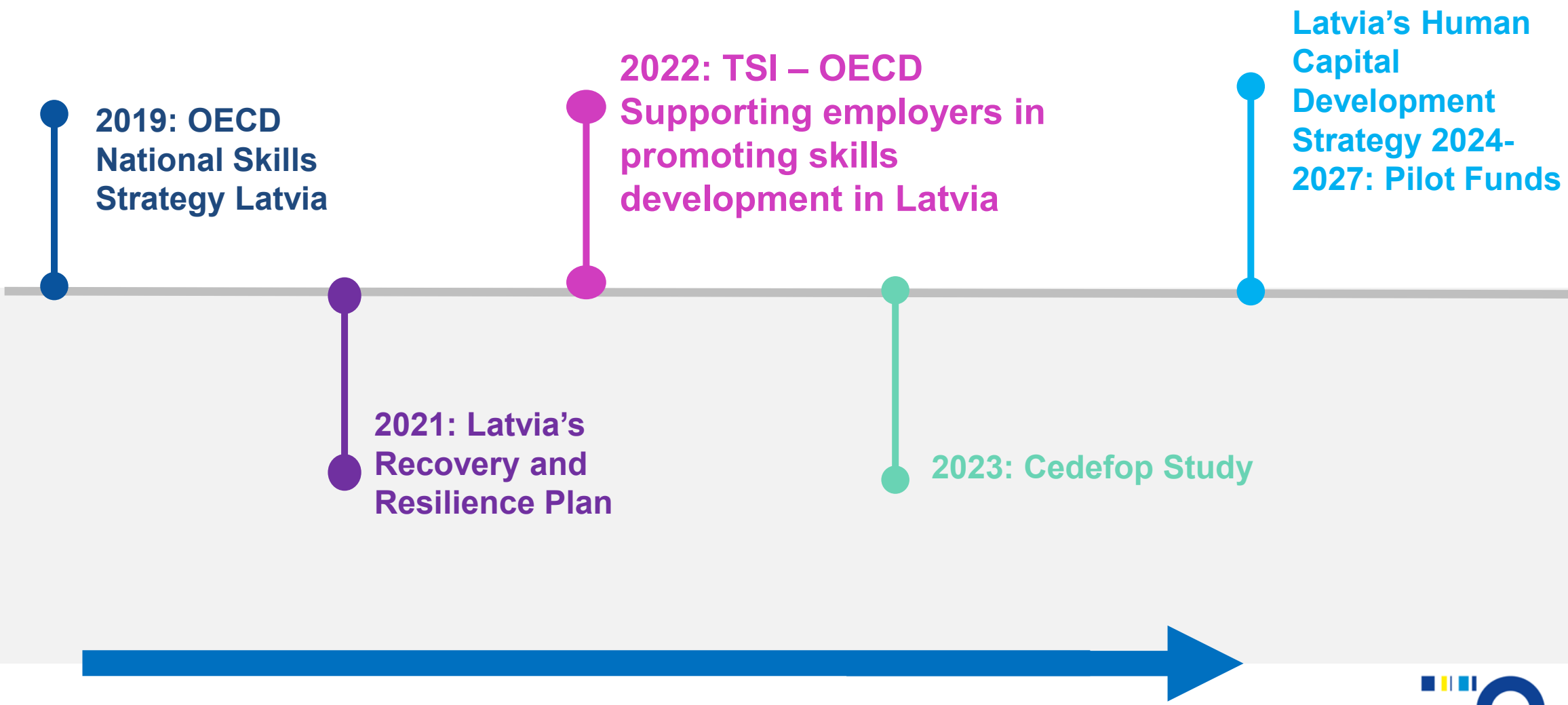
Key Indicators on training in enterprises – CVTS 2020: Latvia and the EU-27

INDICATOR	Latvia				EU-27			
Size class	10-49	50-249	250 or more	Total	10-49	50-249	250 or more	Total
'training incidence'	96,6	98,2	98,1	96,8	63,5	82,5	92,8	67,4
'training participation' (% of persons)	18	29,6	45,7	30,7	27,5	35	54,5	42,4
'training intensity' Hours per employed	2,2	3,5	5,3	3,6	5,5	7	13,2	9,6
'training expenditure' % of the Labor Costs	0,4	0,5	0,8	0,6	1	1,1	1,8	1,5

- …share of workforce, training intensity and expenditure below EU-average
- sectoral and regional needs less reflected in steering skill provision

Novel training fund arrangements could set incentives to increase training investments of firms while tailoring skills supply to demand of sectors/regions

Developments regarding training funds in Latvia



Reviewing the potential functions of training funds in Latvia

Potential functions of training fund(s) in Latvia

Key Function A: 'Beneficial constraint' / incentives for firms:

- Add financial support
- Establish link raised funding and how it is used
- Levy as beneficial constraint on employers, discouraging free-riding (=not training)

Existing incentives & constraints:

- Training required by Labour Law in regulated professions
- Study leave for employees (20 days)
- Some newer EU-co-funded schemes (sector-specific skills development support under RRP, digital skills programs, etc.)
- Tax benefits regarding employer-paid tuition fees

Existing collective agreements:

- Weak and decreasing coverage of collective bargaining (2018: 27.1%; 2006: 34.2%) (OECD & AIAS database)
- Sectoral variations (e.g. construction sector with strong arrangements)

Key Function C:
Supporting collective agreements on CVET:

- Tripartite agreements on TFs can build channels for cooperation
- May vitalize collective bargaining in long-term

Key Function B:
Generating funds for CVET:

- Provide dedicated source of funds
- Would increase long-term stability of funding

Existing public funds:
Limited public funds raised via

- General taxation
- Social security contributions
- Private sources
- EU structural fund with project-based cycles & related breaks

Existing coordination of demand & supply of CVET:

- Social partners involved in governance (policy planning, programme design, examinations, etc.)
- 11 Sectoral Councils for initial VET and Higher Education
- Limited social partner capacity, in particular on sectoral level (with large variations)

Key Function D:
Coordinating demand and supply of CVET:

- Could support social partner capacity by funding technical advice and assistance for governance (e.g. Spain)

Scenarios for implementing training funds in Latvia

Latvia – 3 Scenarios and their favourability

Sketch 1

National Skills Fund

- Established by national-level law
- Administered and co-funded by government
- Decision making body with equal representation of peak-level labour unions and empl. associations, veto rights by government

Sketch 2

Sectoral Skills Funds

✓ Financial contributions by government well-perceived
✓ Cover retraining and intersectoral mobility
✓ Incentives for individually-selected adult learning
✓ Comparatively easy to introduce (single fund, government law)

Sketch 3

Regional Skills Funds

– Sustainability of government contributions unclear
– Difficulties in identifying sectoral needs/ limited cooperation with industries
– Involvement of stakeholders limited
– Legitimacy of levy heavily questioned

Latvia – 3 Scenarios and their favourability

Sketch 1

National Skills Fund

- Set up by municipalties / groups of municipalties (regions)
- Could build upon 2023 Municipalties law (refers to access to VET and adult education)
- Tripartite governance with representation of regional social partner organisations

Sketch 2

Sectoral Skills Funds

✓ Initial EU-co-funding could increase available funding in weaker municipalties

✓ Could provide tailored solutions to local and regional challenges (e.g. brain drain, skills shortages)

✓ Inclusion of social partners could provide legitimacy for levy

Sketch 3

Regional Skills Funds

– Without EU-co-funding, econmic inequality across municipalities and regions might deepen

– Substantial capacity-building efforts necessary for regional social partners

– Coordination across funds could prove challenging

Latvia – 3 Scenarios and their favourability

Sketch 1

National Skills Fund

- National-law enabling tripartite agreements at sectoral level
- Training Funds would be sectoral organisation
- Tripartite governance involving sectoral social partners and sector skills councils

Sketch 2

Sectoral Skills Funds

preferred by stakeholders

- ✓ Substantial sectoral social partner involvement ensures tailoring to sectoral needs
- ✓ High legitimacy of levy: employers in sectors decide how funds are used
- ✓ Initial EU-co-funding could ease introduction of levy

Sketch 3

Regional Skills Funds

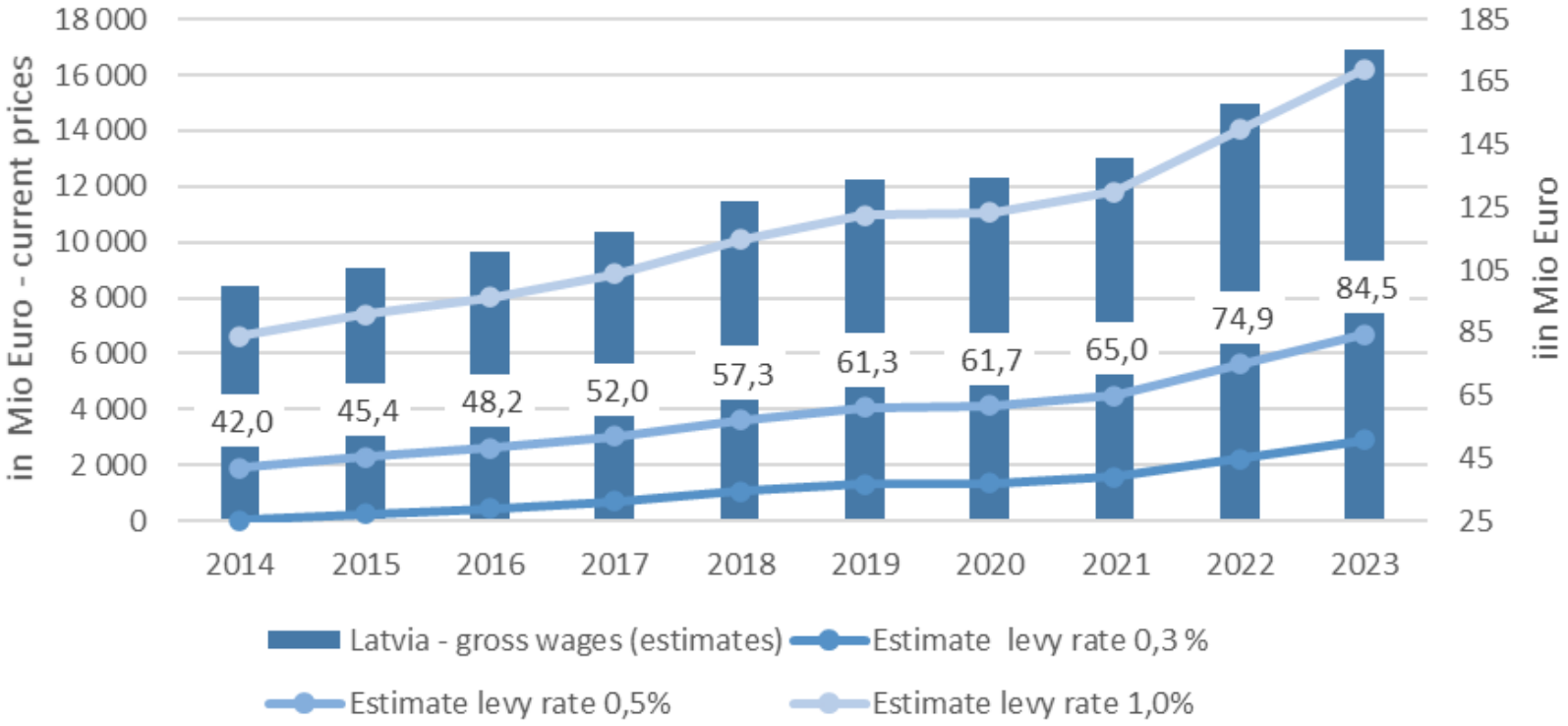
- – Available support to workforce might vary across sectors / intersectoral mobility unclear
- – Social partner capacities vary from sector to sector
- – Degree of autonomy of funds unclear (public co-funding)

Conclusions

Reflections for policy-making

Ease the introduction of the training levy by

- reconfiguring (business) taxation and/or social security contributions (e.g. Italy)
- initially using national and/or ESF-co-funding to achieve lower levy-rate



Estimating the funding mobilised – all sectors - Based on estimated gross wages – National Accounts Source: Eurostat - nama_10_gdp – Version 20.05.2024

Reflections for policy-making

- **Ensure expansion of training fund arrangements across Latvia:** Avoid settling with limited number of “pilots”, actively pursue roll-out of skills funds across all sectors to avoid imbalances.
- **Ensure coherence with existing arrangements:** Coordinate with other subsidized training programmes to avoid free-riding. Restrict access to other support schemes for companies in sectors with a training fund.
- **Build complementary arrangements:** TFs might underinvest in general skills (valuable across sectors) and in supporting cross-sectoral mobility. Other instruments might be needed to alleviate these shortcomings.
- **Focus on support targeting employers:** Start with a limited range of provided services, while assessing a gradual expansion over time.
- **Ensure effective interest intermediation:** Include sectoral representatives in governance, aligning skills supply with demand.
- **Support interest intermediation:** Share of financial resources raised by the fund could be used to offer technical advice and assistance for governance.

Thank you

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