

## France

### The interplay of supply- and demand-side instruments in financing CVT/ adult learning (in particular job-related)

In France, a dominating initial education system with its unique system of competitive entrance examinations (concurs) is accompanied by a system of continuing vocational education and training, strongly relying on sources generated by a levy collected among employers (since 1971), which are used to fund via supply-side instruments the provision of CVT (organised on a sectoral base by 11 (in 2019) opérateurs de compétences (OPCO)) as well as demand-side funding instruments targeting the companies and the individuals.

### Demand-side instruments in financing CVT/ adult learning (in particular job-related)

- **Key institutions involved and funding sources**

The Continuing Vocational Training Fund (since 1971) and the related Apprenticeship Tax Fund (since 1925) are the two key sources for funding CVT and supporting work-based IVT, with the funds collected applied to supply-side funded provision and demand-side instruments for employers and individuals<sup>1</sup>.

During a major reform in 2013-2014, adult learning was decentralized, meaning that regions now lead in the development and implementation of policies on vocational education and training as well as career guidance through their main governing body, the Regional Council.

- **Instruments targeting individuals**

Individuals are supported since 2014 – replacing related instruments – by an Individual learning account ([#259](#) Compte personnel de formation - CPF), enabling employees or the unemployed to undertake a training action, formal or non-formal. While until 2018 the instrument provides a number of training hours, since 2019, the entitlement is expressed in a lump sum budget (EUR 500 a year, EUR 800 a year for low-qualified people) with a ceiling of EUR 5 000 (EUR 8000 for low-qualified people). The instrument can be combined with the training leave ([#299](#) CPF for occupational transition, replacing a related scheme from 2019 onwards), based on a mandatory professional development plan. Employees are entitled for a leave to undertake a validation of prior experience.

- **Instruments targeting companies**

In 1971, France was a European pioneer in introducing a training levy on employers. By its latest major reform of the levy system, in 2018, the former ‘train or pay’ approach had been discontinued, so that from 2019 onwards, employers are obliged contribute irrespective of their own training activity, yet, may receive a grant for balancing their own training costs ([#86](#)). Companies contribute 1% of the payroll for CVT and 0.68% for IVT (with lower contributions for micro companies). The funds collected support both supply-side funded CVT and demand-side instrument for individuals and companies. Beyond the contributions from the training fund for entrepreneurs, a particular tax incentive is in place ([#88](#)). For particular sectors as the temporary agency work sector, particular training fund arrangements ([#89](#)) complement the overall approach. Employers and employees can agree on a payback clause ([#91](#)).

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<sup>1</sup> From 2020 onwards, the apprenticeship tax [#87](#) and the contribution to the continuing vocational training [#86](#) are collected together through the same framework.

**Table 1. Overview of demand-side financing instruments in France by 2020**

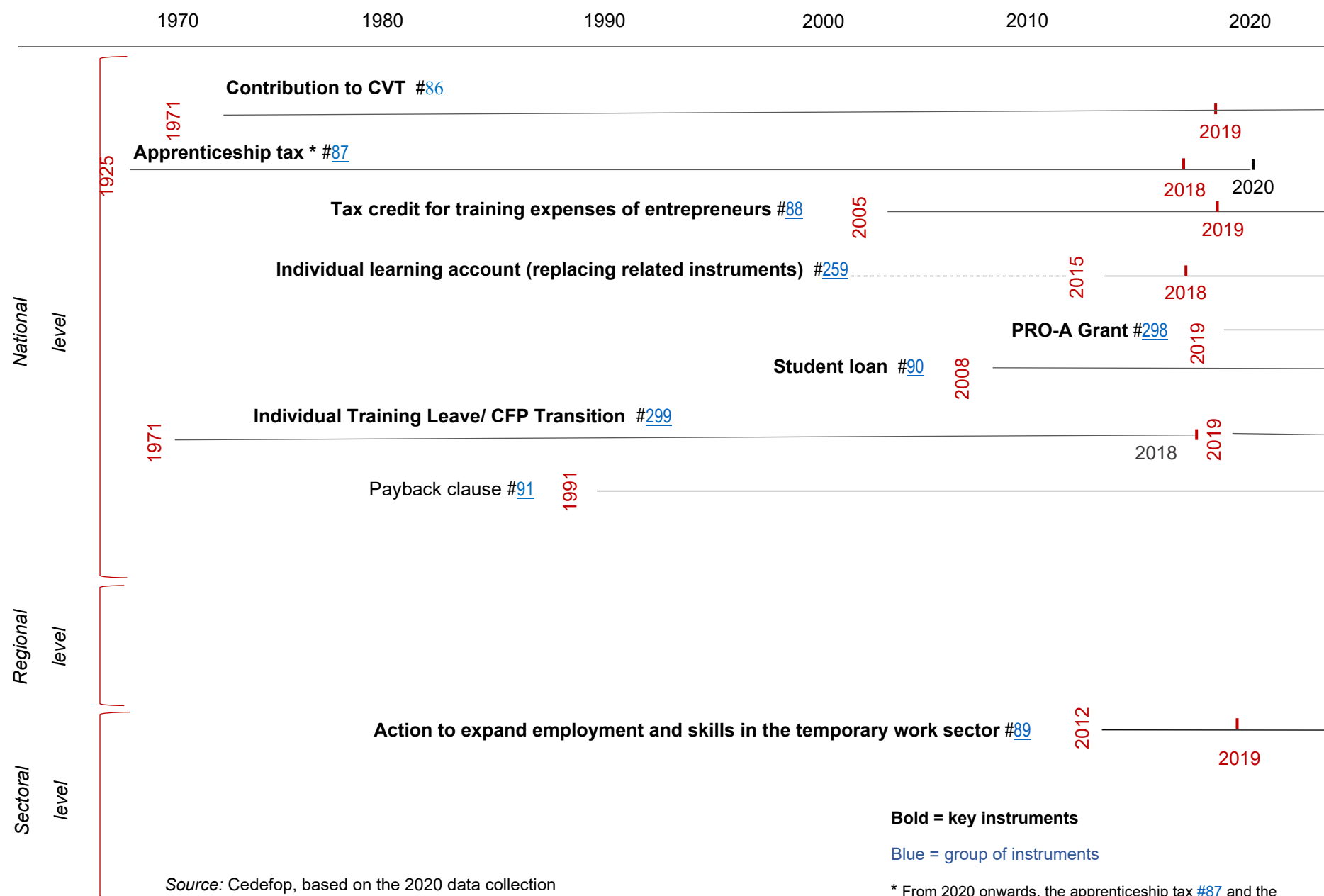
| Level of implementation | Importance of the level of implementation | Overall importance of the instrument | Demand-side instruments targeting individuals |  | Demand-side instruments targeting companies |  |
|-------------------------|---|--------------------------------------|---|--|---|--|
| National level          | High                                      | Key instruments                      | Training funds                                | Contribution to the continuing vocational training <a href="#">#86</a><br>(Apprenticeship tax <a href="#">#87</a> ) <sup>2</sup> | Training funds                              | Contribution to the continuing vocational training <a href="#">#86</a><br>(Apprenticeship tax <a href="#">#87</a> ) <sup>3</sup> |
|                         |   |                                      | Grants for individuals                        | Individual Learning Account CPF <a href="#">#259</a><br>PRO-A <a href="#">#298</a>   | Tax incentives for companies                | Tax credit for training expenses of entrepreneurs <a href="#">#88</a>  |
|                         |   |                                      | Loans   | Student loan guaranteed by the State <a href="#">#90</a>   |   |  |
|                         |   |                                      | Training leave                                | CPF for occupational transition <a href="#">#299</a>   |   |  |
|                         |   | Further instruments                  |   |  | Payback clause                              | Payback clause <a href="#">#91</a>   |
| Regional level          | High                                      | Key instruments                      |   |  |   |  |
|                         |   | Further instruments                  |   |  |   |  |
| Sectoral level          | High                                      | Key instruments                      |   |  | Grants for companies                        | Action to expand employment and skills in the temporary work sector <a href="#">#89</a>  |
|                         |   | Further instruments                  |   |  |   |  |

<sup>2</sup> From 2020 onwards, the apprenticeship tax [#87](#) and the contribution to the continuing vocational training [#86](#) are collected together through the same framework.

<sup>3</sup> From 2020 onwards, the apprenticeship tax [#87](#) and the contribution to the continuing vocational training [#86](#) are collected together through the same framework.

- Evolution of demand-side instruments over time

Figure 1. Overview on the evolution of demand-side instruments in France until 2020



**Table 2. Statistical data on volumes of funding and beneficiaries**

| <b>ID</b>                  | <b>Name of the instrument</b>                                       | <b>Year of reference</b> | <b>Volume of funding (EUR)</b> | <b>Year of reference</b> | <b>Beneficiaries (individuals)</b> | <b>Year of reference</b> | <b>Beneficiaries (companies)</b> |
|----------------------------|---|--------------------------|--------------------------------|--------------------------|------------------------------------|--------------------------|----------------------------------|
| <a href="#"><u>86</u></a>  | Contribution to the continuing vocational training                  | 2019                     | 7 700 000 000                  | 2018                     | 1 643 824                          | Not available            | Not available                    |
| <a href="#"><u>87</u></a>  | Apprenticeship tax  | 2018                     | 3 226 206 000                  | 2020                     | 495 000                            | Not available            | Not available                    |
| <a href="#"><u>88</u></a>  | Tax credit for training expenses of entrepreneurs                   | 2020                     | 53 000 000                     | -                        | -                                  | 2018                     | 52 840e                          |
| <a href="#"><u>89</u></a>  | Action to expand employment and skills in the temporary work sector | 2019                     | 337 630 000                    | Not available            | Not available                      | 2018                     | 23 907                           |
| <a href="#"><u>259</u></a> | Individual learning account (CPF)                                   | 2018                     | 885 000 000                    | 2016                     | 492 370                            | -                        | -                                |
| <a href="#"><u>298</u></a> | PRO-A   | Not available            | Not available                  | Not available            | Not available                      | -                        | -                                |
| <a href="#"><u>90</u></a>  | Student loan guaranteed by the State                                | 2015                     | 414 900 000                    | Average of years         | 6 490                              | -                        | -                                |
| <a href="#"><u>262</u></a> | Validation of prior experience leave                                | Not available            | Not available                  | 2018                     | 6 181                              | -                        | -                                |
| <a href="#"><u>299</u></a> | CPF for occupational transition                                     | Not available            | Not available                  | Not available            | Not available                      | -                        | -                                |

Source: Cedefop, 2020 data collection

**Table 3. Short description of the financing instruments**

| ID   | Name   | Level of implementation | Importance of the instrument | Short description  |
|--|--|-------------------------|------------------------------|--|
| <b>(1) Training funds</b>                          |  |                         |                              |  |
| <a href="#">86</a>                                 | Contribution to the continuing vocational training | National, Sectoral      | Key instrument               | All employers have to contribute to training funds (managed by social partners) by paying a single annual contribution which is later channeled to OPCO (Opérateurs de Compétences). The level of the contribution to the fund (levy on companies, calculated as a percentage of payroll) depends on the size of the company. From 2016 onwards, companies with less than 11 employees contribute 0.55% of their gross annual wages and companies with 11 or more employees contribute 1%. The collected funds are used to cover companies' and individuals' education and training costs through different grants established (e.g. individual learning account, professional training contract, professionalisation period or individual training leave). The management is in the hands of OPCOs. Currently, there are 11 OPCOs covering different sectors. At the time of collection of the data collection, the system was undergoing changes - it is planned that the contributions will be collected by URSSAF from 2022 onwards.   |
| <a href="#">87</a>                                 | Apprenticeship tax                                 | National                | Key instrument               | All companies (with some exceptions) are obliged to participate in the financing of the expenses for the development of apprenticeships and initial technological and vocational education by paying the so-called training tax. In general they contribute 0.68% of the gross annual wages of the previous year. Self-employed do not contribute to the apprenticeship tax. The funding capital is used to give grants to training providers as well as to companies providing initial technological and vocational education and training. Expenses and payments made by companies for this purpose, through a collection institution (Organismes Collecteurs de la Taxe d'Apprentissage, OCTA), are deducted from the tax, and any remaining balance is paid to the Treasury. OCTAs are also responsible for transferring the money to beneficiary institutions. Funding is made via levy on companies, where companies are obliged to contribute to the fund, according to different tax rates of the gross annual wages of the previous year, depending on different considerations (size of the company, geographical location, percentage of apprentices in the workforce, etc). The 2018 reform has significantly changed the financial system of vocational training and apprenticeship. OCTA have disappeared. The collection of the single company contribution to vocational training and apprenticeship will be operated by URSSAF (Unions de Recouvrement des Cotisations de Sécurité Sociale et d'Allocations Familiales - Organisations for the payment of social security and family benefit contributions). As a transitional measure, for the year 2020, the collection is carried out by OPCO (Opérateurs de Compétences). |
| <b>(2) Tax incentives for companies</b>            |  |                         |                              |  |
| <a href="#">88</a>                                 | Tax credit for training expenses of entrepreneurs  | National                | Key instrument               | All companies can deduct all their training costs from their taxable profits. The amount of deduction is related to the number of hours of training and the hourly minimum wage. The maximum of deductible hours is 40 hours per year, corresponding in 2020 to EUR 406. Above this amount is not deductible. There is no preferential treatment by size or type of training. Eligible types of education may include all types of education and training, provided that they are in accordance with the needs of the company. Eligible costs include tuition fees/fees for participants (external providers), as well as some additional costs.   |
| <b>(3) Tax incentives for individuals</b>          |  |                         |                              |  |
| No tax incentives for individuals are established. |  |                         |                              |  |

#### **(4) Grants for companies**

|                   |   |  |                |  |
|-------------------|---|--|----------------|--|
| <a href="#">9</a> | Action to expand employment and skills in the temporary work sector | Sectoral (temporary employment sector) | Key instrument | This scheme aims to increase the training capacity of the branch concerning temporary workers. Companies receive contributions to their training costs for the training of temporary workers with low or without qualifications in the construction, industry, and logistics sectors. The eligible education and training activities include work/study programmes with 140 to 450 hours of training. The co-funding share is 81% of training costs. Eligible groups include temporary workers without qualifications or with the first level of qualification eligible for the schemes. The enterprises have to fund 19% of the training costs. The rest is provided by the State and by FAF.TT. Eligible costs include tuition fees/costs for internal training personnel, plus other costs. |
|-------------------|---|--|----------------|--|

#### **(5) Grants for individuals**

|                     |                             |          |                |   |
|---------------------|-----------------------------|----------|----------------|---|
| <a href="#">259</a> | Individual Learning Account | National | Key instrument | The individual learning account enables anyone, employees or job seekers, at one's own initiative, to undertake a training action. The account is credited with EUR 500 a year up to EUR 5 000 (EUR 800 - EUR 8 000 for low-qualified people). The CPF allows all economically active persons (i.e. in the labour force), from the moment they enter the labour market and up to the date on which they claim all their rights to a retirement scheme, to acquire rights to education and training that can be used throughout their working life. Since January 1, 2019, each employee (excluding civil servants) has a Personal Training Account (CPF) credited in euros instead of hours. The CPF is intended to fund qualifying training (mandatory), 'corresponding to the foreseeable needs of the economy in the short or medium term'. Sources of funding include individuals (by their contribution to vocational training - based on wages), companies (by their contribution to vocational training - based on gross income and the State (the state supports the implementation of the CPF). Companies of 10 employees or more may sign a CPF direct management agreement. Companies then do not have to make the CPF contribution of 0.2% to their OPCA, although this contribution has to be used to fund training requests of their employees. In that case, employees may not address their request to an OPCA. |
| <a href="#">298</a> | PRO-A                       | National | Key instrument | The PRO-A instrument aims at fostering career development and encouraging employees to remain in their jobs by offering an individual learning path, based on the alternate between formal learning and work. PRO-A replaces the former "période de professionnalisation ». The Pro-A scheme is intended for employees on permanent employment contracts (CDI); employees with a single integration contract (CUI) of unlimited duration; employees, sportsmen, and women or professional trainers, with a fixed-term employment contract (CDD). PRO-A is a work-based learning scheme for adults having at least a Bachelor's Degree. OPCOs are in charge of financing the PRO-A scheme. Government bodies include France Compétences and OPCOs. The type of education supported includes any formal learning leading to a formal qualification and provided by adult learning centers or by the company in case she has an adult learning department. Eligible costs include direct costs (tuition fees, daily allowance, travel/accommodation costs), that are supported by the OPCO. Each of the 11 OPCOs follows the priorities of the sectoral agreement, and financing formulas vary across OPCOs. The maximum amount of funding is EUR 3 000.   |

#### **(6) Loans**

|                    |                                      |          |                |  |
|--------------------|--------------------------------------|----------|----------------|--|
| <a href="#">90</a> | Student loan guaranteed by the State | National | Key instrument | To facilitate students' access to loans, a system of bank loans guaranteed by the government was introduced for all students of higher education up to 28 years to finance their studies. The guarantee mechanism is based on a guarantee fund. This fund supports, under conditions defined by convention, part of the risk taken by banks. The loan is granted only by the banks that are partners in the operation. |
|--------------------|--------------------------------------|----------|----------------|--|

The loan must be repaid with interest, but repayment can be deferred until the end of the studies. The State guarantees the loan, within the limit of a special budget voted on each year. If and when this budget is exhausted before the end of the year, the partner banks stop granting loans or require guarantees.

#### **(7) Training leaves**

|                     |                                      |          |                    |   |
|---------------------|--------------------------------------|----------|--------------------|---|
| <a href="#">262</a> | Validation of prior experience leave | National | Further instrument | Any person (employee, public servant) can ask his employer for a leave of absence to prepare for the validation of acquired experience (VAE) or to participate in the validation tests while retaining his salary and benefiting from funding to pay the training provider. The person must have one year's professional experience (1 607 hours) related to the targeted certification. The maximum duration of the leave is 24 hours of work time (consecutive or not) per validation. The employer cannot refuse the leave but can delay it if justified. The employee must prove that the leave has been used for the purpose of what it was granted.   |
| <a href="#">299</a> | CPF for Occupational Transition      | National | Key instrument     | The employee can use the right to use the training leave and continue his or her remuneration for the duration of the training action. In order to benefit from a professional transition project, the employee must have at least twenty-four months' seniority, consecutive or not, as an employee, including twelve months in the company, whatever the nature of the successive employment contracts. Seniority is assessed on the date of departure for training. By way of derogation, special seniority conditions are provided for employees wishing to carry out their transition project at the end of their fixed-term contract (conditions similar to the former individual training leave), and for temporary employees or entertainment workers. The seniority condition is not required for people who are beneficiaries of the obligation to employ disabled workers (OETH); The scheme is managed by the CPIR (Commissions Paritaires Interprofessionnelles), which take charge of the administrative management of employees' professional transition projects and also their financing. These structures are more commonly known as Transitions Pro. The minimum duration is 30 training hours (3.75 working days) and the maximum 1 200 hours (1 year). |

#### **(8) Payback clauses**

|                    |                |          |                    |  |
|--------------------|----------------|----------|--------------------|--|
| <a href="#">91</a> | Payback clause | National | Further instrument | Employers and employees can agree on a payback clause. The courts have defined several principles to be respected in the context of the implementation of the payback clause, particularly in relation to the fact that training expenditures incurred by the company should exceed legal obligations (imposed by law or collective agreement) to fund vocational training. A gradual reduction of the reimbursement depending on the commitment period may be provided, and the retention period should not be excessive, thus preventing the employee from enjoying his freedom to resign (according to the judges who have had to rule on whether or not such clauses are excessive, the period can vary from 6 months to 5 years depending on the duration and cost of the training). The duration may be variable, typically 2 to 5 years, and must be related to the duration of the training and expenditures incurred by the employer. The payback clause only applies in case of the resignation of the employee; it cannot be implemented if the employment contract has been terminated at the employer's initiative (even in cases of dismissal for serious misconduct). This payback clause applies to all employees, irrespectively of their position in the company or their seniority. |
|--------------------|----------------|----------|--------------------|--|