



Cedefop study

Training funds in the EU

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- Reflections on designing/redesigning training funds

Objectives of the study

Objective/ Work assignment 1

- Provide an overview of currently existing training funds across EU-27
- Conduct in-depth analysis of operation and performance of training funds in 8 selected EU MS (BE, CY, DK, ES, FR, IE, IT, NL)
- Develop country-specific guidelines on how to improve the performance of training funds
- Identify conditions for successful development and implementation of training funds and formulate general guidelines for policy-makers, social partners

Objective/ Work assignment 2

- Explore the potential for establishing new training funds or significantly modernising the existing ones in the EU. Conduct 2 case studies (LV, PL)
- Develop country-specific guidelines on how to establish/modernise training funds

European policy context on financing training/skills

- Financing training is a long-term and persistent topic at least since 1990s
- State Aid Regulations and exemptions (incl. for training)
- EU funding instruments (esp. ESF+)
- EU Skills Agenda Action 12 on unlocking investment:
 - Fiscal framework (review of EU economic governance – European semester)
 - Reporting on human capital – corporate sustainability reporting
 - Statistics on investment in skills – development satellite accounts
 - Innovative financing instruments (EIB/EIF actions; impact bonds)
- Individual Learning Accounts (ILA) Recommendation
- **No explicit role for training funds in EU policy**

Cedefop's database on financing adult learning

(EU27+ UK, reference year: 2020)

FINANCING INSTRUMENTS

Targeted at enterprises

Training funds
Grants/vouchers
Tax incentives
Payback clauses

Targeted at individuals

Grants/vouchers/ILA
Tax incentives
Subsidised loans
Training leave

Introduction

Cedefop's database on financing adult learning provides information on the design and performance of cost-sharing schemes implemented in EU countries to increase participation and private investment in adult learning.

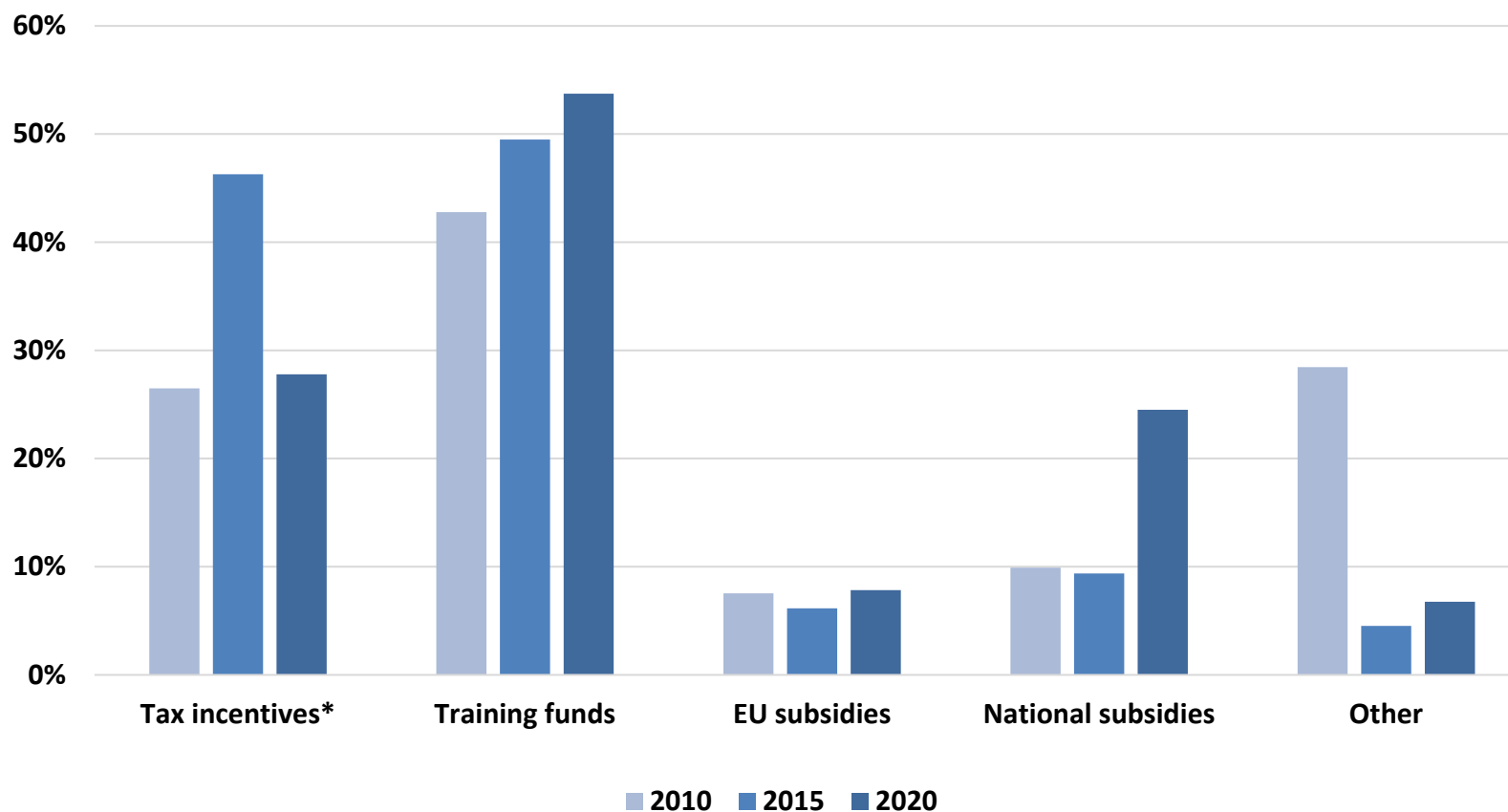
Countries covered: EU Member States.

Types of instruments: training funds, tax incentives, grants (including vouchers/individual learning accounts), loans, training leave, payback clauses (see [glossary](#) and instrument-specific sections).

Reference period: 2014 – mid 2015. The database may include schemes which are no longer in place but operated for some time in the reference period. You also can visit the [previous \(archived\) version](#) of the database having a reference period of 2010-2013.

<https://www.cedefop.europa.eu/en/publications-and-resources/tools/financing-adult-learning-db>

Share of enterprises receiving support for CVT provision, EU-27



Source: Eurostat continuing vocational training survey (CVTS), enterprises with 10 or more employees.

Notes: *Tax incentives may be used as a mechanism to disburse financing collected via training fund (e.g. in ES)

Definition and operationalisation of training funds

Training funds are **institutions** (organisational arrangements) aiming at **enhancing IVET and/or CVET in enterprises** and **mutualising** the related **costs** across enterprises (mutualisation), where employers are **mandated** (by law or a binding collective agreement) **to contribute financially** (typically a training levy or a dedicated surplus to the social security contributions) and are eligible for **various forms of support for IVET/CVET**, with **collected funds mainly used for the original purpose** (closed funding cycle), **with business interest organisations having a key influence on the ways** the collected **means are used for supporting IVET/CVET**. Individual employees can be mandated to contribute as well, can be among the beneficiaries and their interest organisations can be involved in a training fund's governance.

Operationalisation: The study aims at covering only training funds making a substantial contribution to CVET (rated against the backdrop of the available public support for CVET in total).

Basic characteristics of training funds

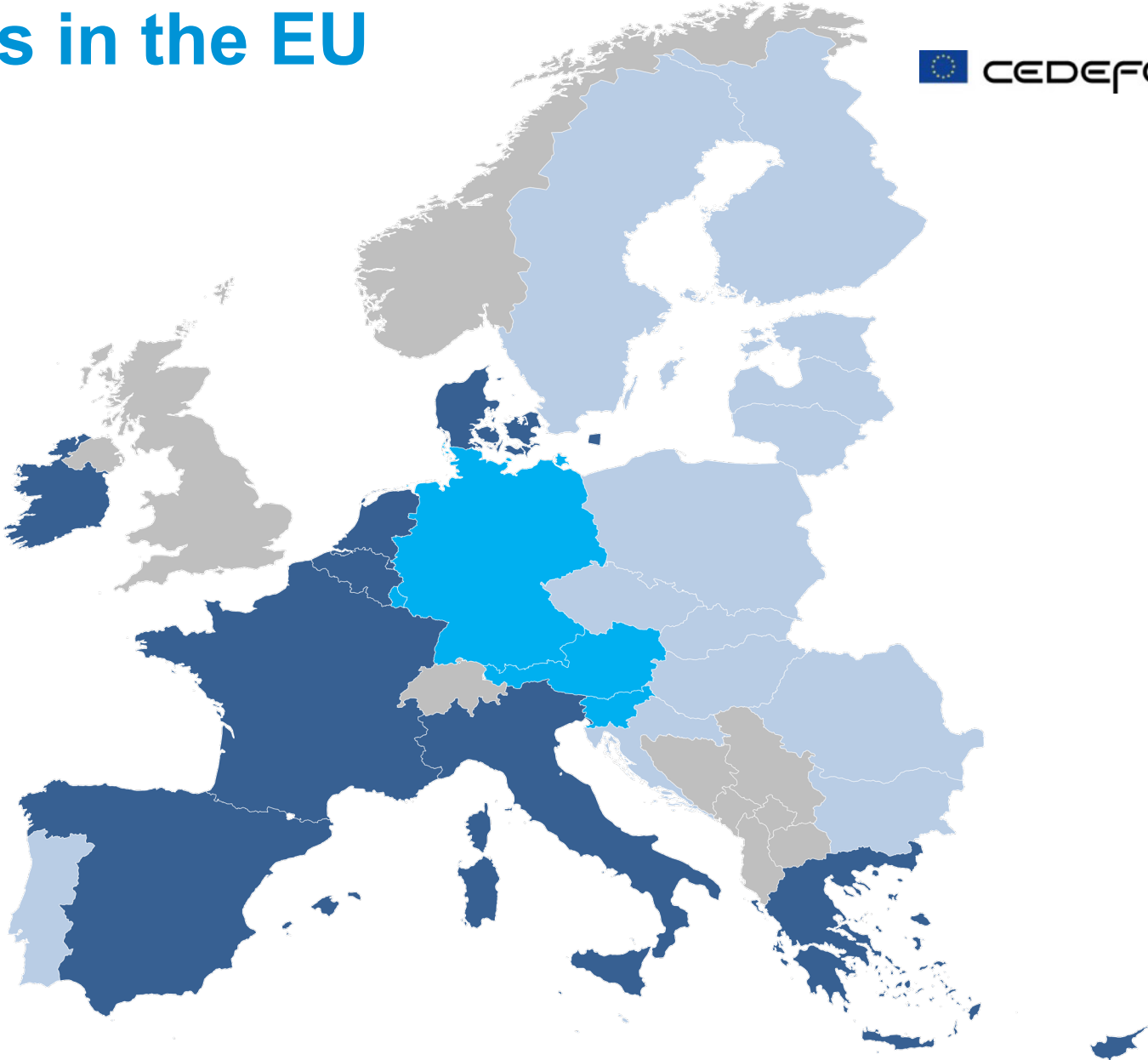
- **Highly heterogenous** (objectives, governance, money collection and allocation, activities and groups supported)
- Typically at **national level** (e.g. based on tripartite governance; levy defined by law) **or sectoral level** (based on collective agreements; bipartite governance; levy defined by sector)
- **Specific solutions in particular countries**, e.g. inter-professional funds for CVT in Italy (may be linked to particular sub-field of the economy, profession or size of the company; run by social partners; levy set at national level)

Diffusion of training funds in the EU

(by June 2023)

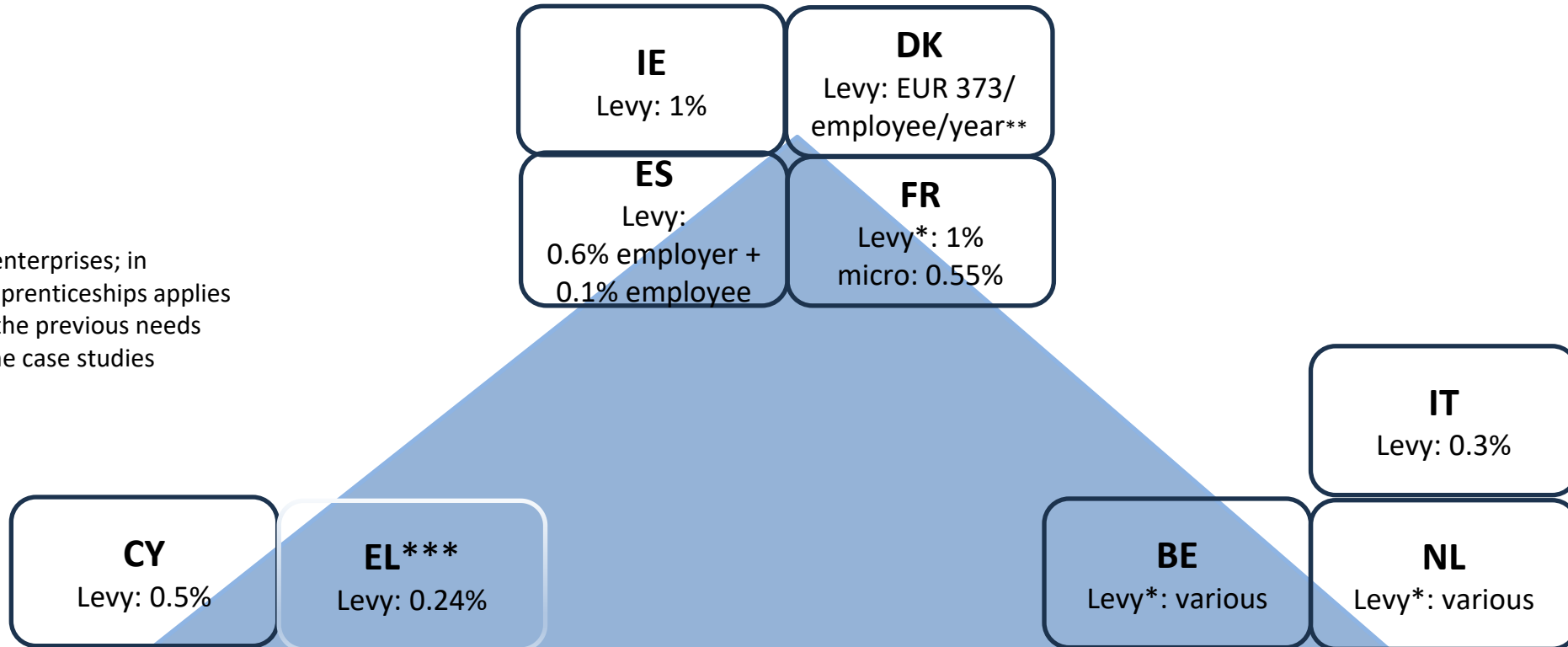


- Training funds (levy-based) playing systemic role
- Training funds (levy-based) playing specialised/complementary role
- No training funds (levy-based)
- Not covered



Training funds playing systemic role in CVET

A Organisation at national level strongly intertwined with the whole IVET/CVET/ALMP system

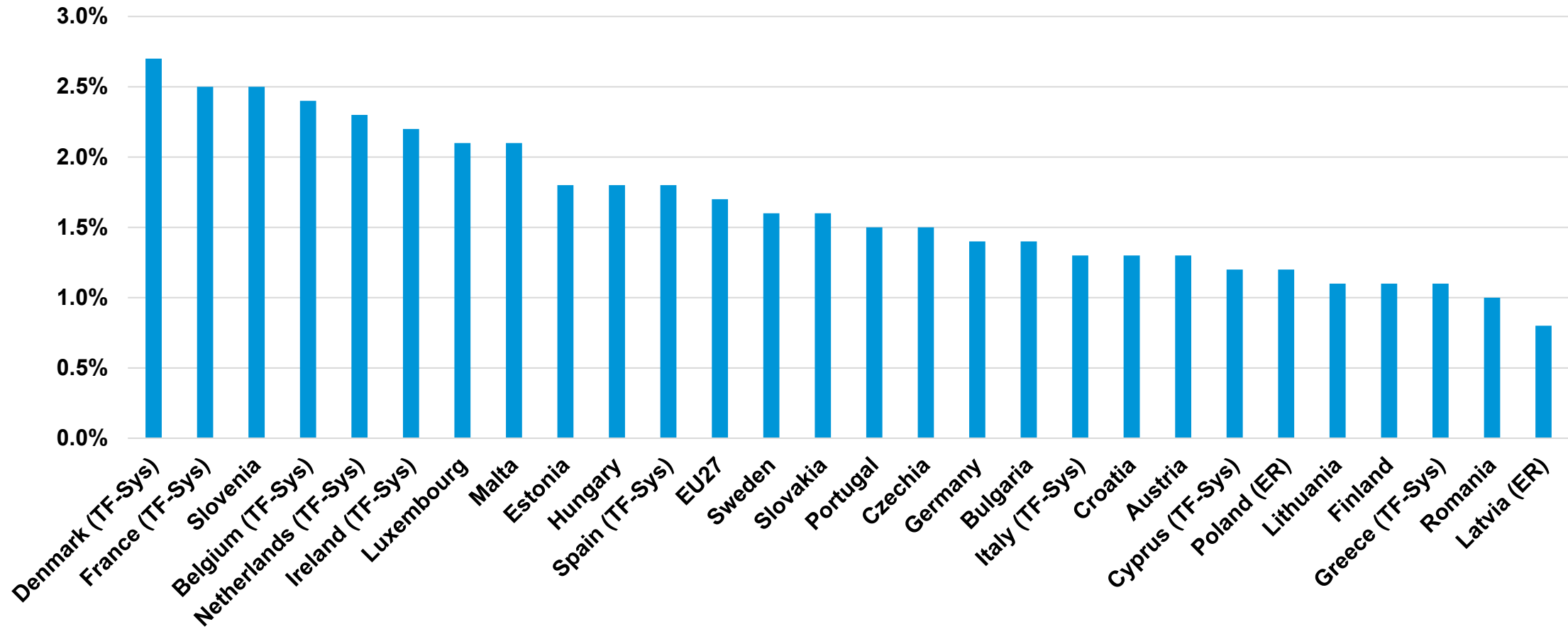


* for the majority of enterprises; in addition, a levy for apprenticeships applies
** defined yearly on the previous needs
*** not included in the case studies

B Clearly defined single organisation at national level

C (Large) Group of (quite different) single organisations (mainly) at sectoral level

Training expenditure as share of total labour costs (2015)



Source: Eurostat continuing vocational training survey (CVTS), business economy enterprises with 10 or more employees.

Notes: TF-Sys – training fund playing a systemic role; ER – exploratory review

Support provided by training funds

- Co-funding employer-sponsored training (all countries)
- Training provision (e.g. DK, ES, FR, IE)
- Other support to employers
 - advisory services for employers (training needs, training plans) (e.g. BE, CY)
 - research on LM and skill needs (e.g. BE, CY, FR)
 - development of pilot projects (e.g. innovative training programmes)
 - workplace innovation (e.g. IT)
- Support to workers
 - (co-)funding employee-initiated training (e.g. ES, FR, NL)
 - (co-)funding training leave (e.g. FR, ES), validation of prior learning (e.g. FR, NL), ILA (FR), career guidance (e.g. NL)
 - targeting specific groups, e.g. unemployed (e.g. BE, CY, NL, ES), low-skilled, migrants (e.g. NL), SME employees (NL), graduates (CY, NL)

The study's overall approach

Identify potential key functions of training funds

For countries with training funds

- Describe existing training fund arrangement against the backdrop of these functions
- Identify corresponding or alternative institutions, explaining how a given training fund works together with other institution in a given country

For countries without training funds

- Identify to what extent functions are met by alternative institutions
- Suggest a training fund design promising to close the gap and in line with the institutional preconditions

The profile of training funds – the analytical framework

Key function A:

Putting a 'beneficial constraint'* on employers & incentivising training investments

- Alternative/corresponding institutions:*
- Legal training obligations
 - Tax based/EU-fund based incentives
 - ...

- Alternative/corresponding institutions:*

- Alternative ways to reinforce agreed-on employee rights (e.g. easily accessible courts of labour)
- Legal entitlement of employees (e.g. statutory rights for training leave)
- ...

Key function C:

Supporting employer-employee collective agreements on rights for training (including e.g. individual learning accounts or paid training leave), cost sharing and rewards for skills/qualifications acquired (supporting social partnership in general)

Key function B:

Generating public/collective funds dedicated for CVET/skill formation

- Alternative/corresponding institutions:*
- Additional funding from general taxation/social security system/EU-funding
 - ...

- Alternative/corresponding institutions:*

- Sectoral organisations (chambers of commerce/business associations) developing CVET policies
- Tax-funded sectoral agencies developing CVET policies

Key function D:

Interest intermediation and demand aggregation among employers and supporting tailored, high-quality training offer

Key function A - Constraining free-riding of employers & incentivising training investment

Basic idea: All enterprises should contribute to the collective efforts of CVET and thereby to the efforts for securing the required level of skills; payments should provide compensation by enterprises with limited CVET to enterprises with high level of CVET AND/OR allow the provision of collective arrangements (e.g. to be used by individual employees)

Functions observed

Any mandatory 'training levy' limits 'free riding'

Models with an in-built 'Train or pay' function:

ES, IT

Models where the 'foregone advantage' is dominating FR, CY, DK

Purely financial means generating: IE

Variated approaches: NL, BE

Complementary/ alternative institutions

Obligations for employers to provide minimum training activity (e.g. ES, FR)

Individual rights for training/time off for training

Models where the 'foregone' advantage is created based on other (not levy-based) funding sources

High level of employment security/long tenure (by law/by institutional patterns)

Key function B – Generating collective funds devoted to CVET (or IVET and CVET)

Basic idea: All enterprises – irrespective of their own training activity – should contribute to the costs of implementing collective arrangements supporting CVET/upskilling (a form of dedicated ,training tax'), ideally combined with rights for the Social Partners in the steering the use of the training funds

Functions observed

Only IE has a purely income-generating levy!

Training funds strongly linked to collective delivery mechanism in FR, ES; DK; varying link in NL and BE

IT is a special case (limited importance of the 'collective accounts' overall, important role in some training funds; one third of contributions stays with the PES)

Complementary/ alternative institutions

General taxation (or corporate taxes)

Parataxes/social security contributions

Laws earmarking specific funding lines for particular forms of support/Laws requiring public institutions to provide services, sourced by tax revenues

Key function C – Supporting employer-employee collective agreements on rights for training, cost sharing and rewards for skills/qualifications acquired

Basic idea: CVET in enterprises is facilitated greatly by collective agreements on sharing of costs and benefits between the employers/workers. Training Funds can mark therefore the outflow of achieved agreements between the Social Partners (e.g. to facilitate the use of rights of the employees). Alternatively, they can be implemented to compensate for a lack of cooperation on training/in supporting the further elaboration of industrial relations

Functions observed

Facilitating agreements on CVET: NL, BE
Training Funds as legal underpinning for training rights in conflict-oriented IR systems: FR, ES
CY as a mix of the cases mentioned above
Training Funds imposed with the idea to support the further development of IR (including developments on training): IT
No explicit link to IR: IE

Complementary/ alternative institutions

Legal regulations on mutual training rights and mutual obligations; enforcement of laws (e.g. by Labour courts)

Key function D – Interest intermediation and demand aggregation among employers and supporting tailored, high-quality training offer

Basic idea: Training funds as organisations can contribute to the interest aggregation with regard to training needs among employers, and contribute to developing provision in line with the employers' (aggregated) needs; thereby allowing to use economics of scale and gains from sustainability compared to market-based solutions; by establishing standards for CVET (at sectoral level), they contribute to higher levels of skill use across enterprises (in line with the idea of 'occupational space' in relation to IVET)

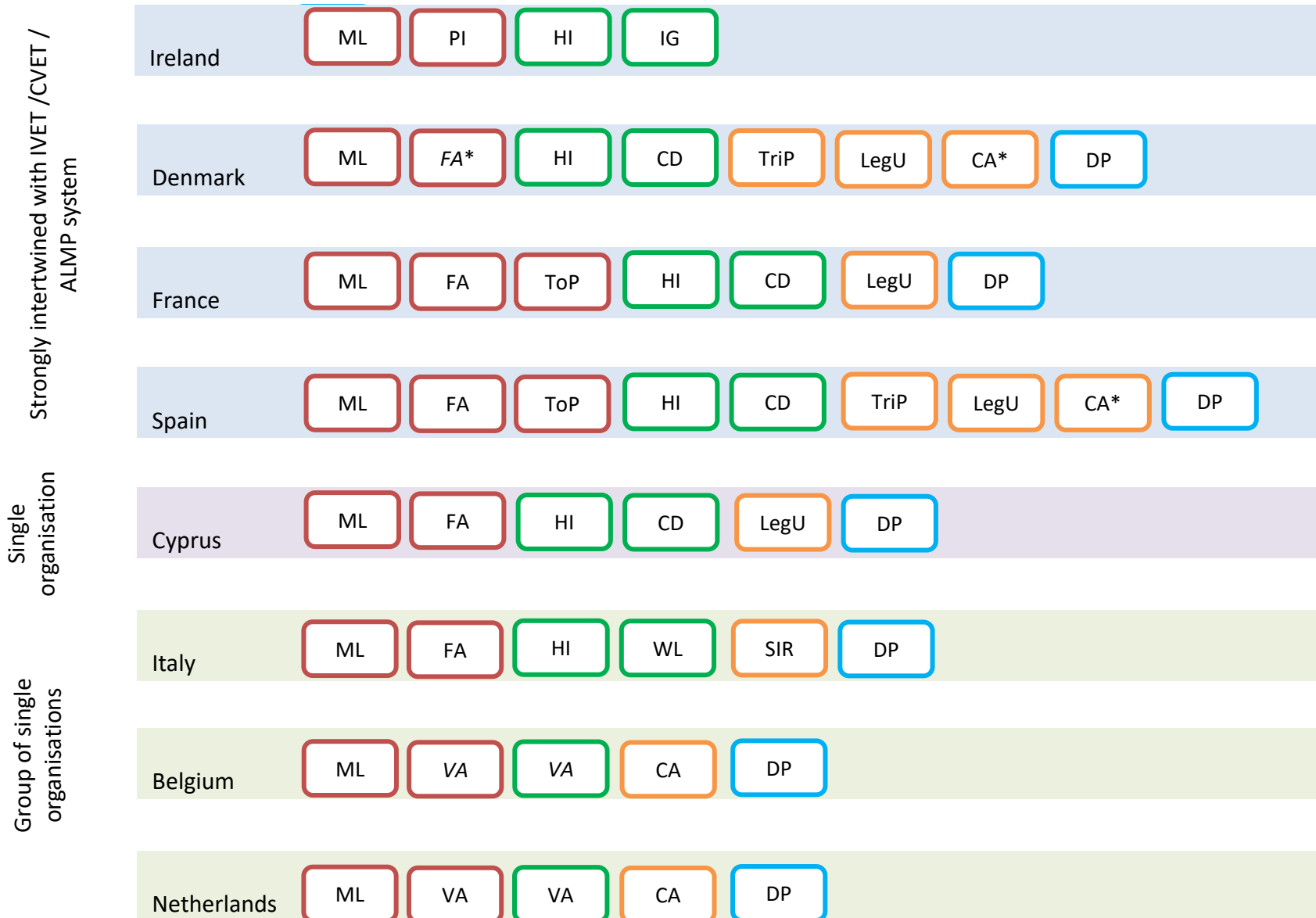
Functions observed

Interest aggregation high: DK, FR
Mixed patterns in IT (depending on the training fund)
Less pronounced patterns in NL, BE, CY, ES
Limited organised business participation in IE overall (however, marked employer involvement in some delivery frameworks as Skillnet)

Alternative institutions

Existing business interest organisations can identify the needs
Public arrangements based on skill needs foresight exercises market-based approaches (high levels of demands allow for high levels of specialisation)

Functional profiles of training funds



Legend:

Function A - Constraining free-riding of employers & incentivising training investments

- **ML:** Mandatory levy rules out free-riding
- **PI:** Funds only partially used for direct incentives
- **FA:** „Foregone advantage“ principle/direct incentives to firms (sectoral funds)
- **ToP:** In-built train or pay function
- **VA:** Variated approaches across sectors

Function B - Generating collective funds devoted to CVET (or IVET and CVET)

- **HI:** High importance of funds as funding source
- **IG:** Purely income-generating levy
- **CD:** Linked to collective delivery mechanism
- **WL:** Weak link to collective delivery mechanism
- **VA:** Varying approaches across sectors

Function C - Supporting employer-employee collective agreements on rights for training, cost sharing and rewards for skills/qualifications acquired

- **TriP:** Outcome of tripartite negotiations
- **LegU:** Acts as legal underpinning for training rights (sectoral training funds & AUB)
- **CA:** Based upon collective agreements and contribute to cost-sharing (sectoral training funds)
- **SIR:** Training Funds imposed with the idea to support the further development of IR

Function D - Interest intermediation and demand aggregation among employers and supporting tailored, high-quality training offer

- **DP:** Direct participation of social partners in governance

*concerns only additional, sectoral arrangements

When considering the introduction/reform of training funds: The wider goals

Immediate goals:

- More CVET in general (employer-sponsored, sponsored by the households, by the public hand) [Interplay of Functions](#)
- Better fit between skills acquired and skills in demand by enterprises [Function D](#)
- Better quality of CVET (including availability across place and time) [Function D and B](#)
- Higher level of equality with regard to access to CVET across socio-economic groups/types of organisations [Interplay of Functions](#)
- Better balance between investments in CVET made and benefits achieved (between enterprises providing more/less training; between employers and employees; between the public hand and enterprises and households) [Function A and Function C](#)

Mediated goals:

- Aiming for better socio-economic outcomes (e.g. higher productivity, more employment, more decent jobs)
- Stronger overall skill formation/adult learning system/stronger 'training cultures'

How to design a training fund?

1. How to identify the scope for a training fund?

2. How to select the fundamental approach for establishing a levy-based training fund?

3. How to develop the design for a training fund?

How to identify the scope for a training fund?

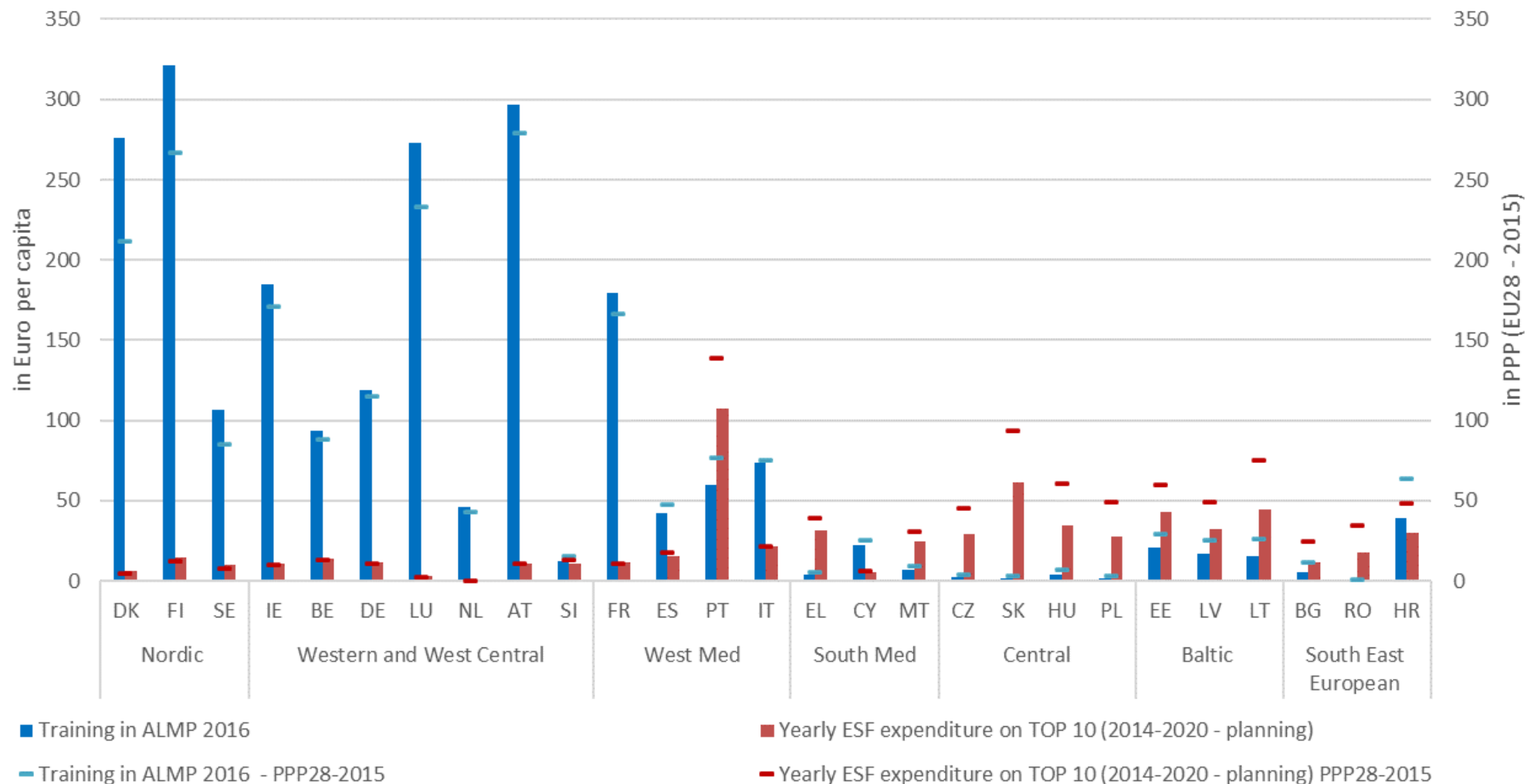
Identify the key goals

- Increasing participation in CVET (employer-provided training in particular) in a direct (e.g. mobilising funds) or in a mediated way (e.g. by improving the fit between supply of and demand for training)
- Mitigating particular institutional difficulties (e.g. a lack of stability in funding for CVET over the business cycle)
- Mitigating inequality in provision of employer-sponsored training/access to CVET

Prepare the process

- Commission a study to determine to what extent employer-provided CVET falls short of the needs and which barriers play a key role
- Review the current policies in place to mitigate the barriers and engage in a stock taking exercise in public investments in CVET/adult learning
Studying the interplay between employer-sponsored CVET and CVET funded (mainly) by public sources
- Identify key stakeholders to be involved in the process at national/sectoral/regional level

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



Source: Authors' development, 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)

How to select the fundamental approach for establishing levy-based training fund?

Training funds may be introduced by

- A novel general law (as in France, Ireland, Denmark)
- Dedication of a share of existing funding streams for a training fund arrangement (as in Italy, Spain, Cyprus)
- Collective agreements by the (sectoral) social partners

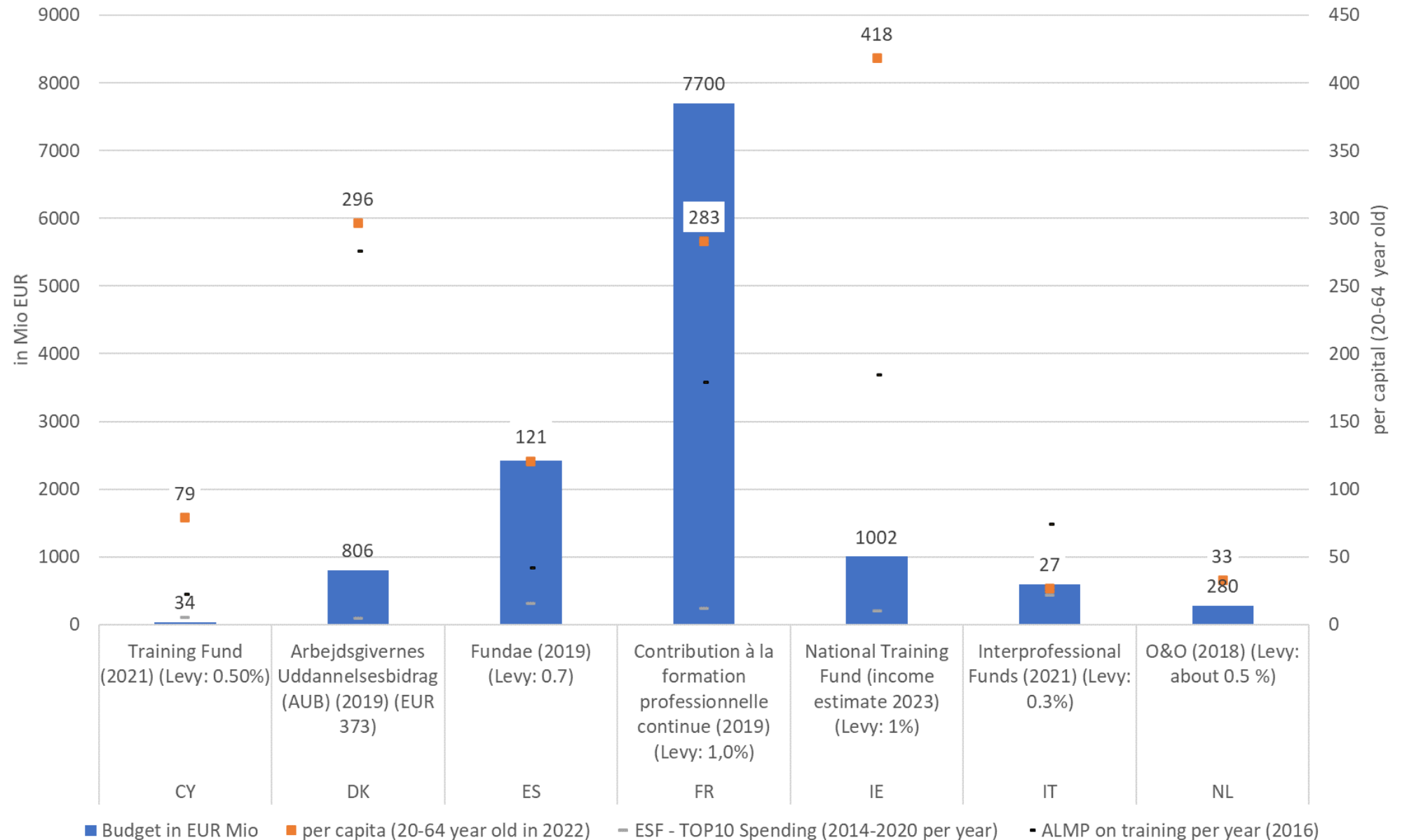
How to develop the design for a training fund?

Key elements:

- Size of the levy
- Approaches to gain flexibility over years with higher and lower demand for CVET
- Approaches for providing support for CVET
- Approaches to support interest aggregation among employers and interest intermediation between organised employers and labour
- Approaches for supporting the development of a well-performing 'training market'/ field of organisations providing the appropriate training offers

Adjusted to the institutions already in place – working towards complementarity (mutual reinforcement)

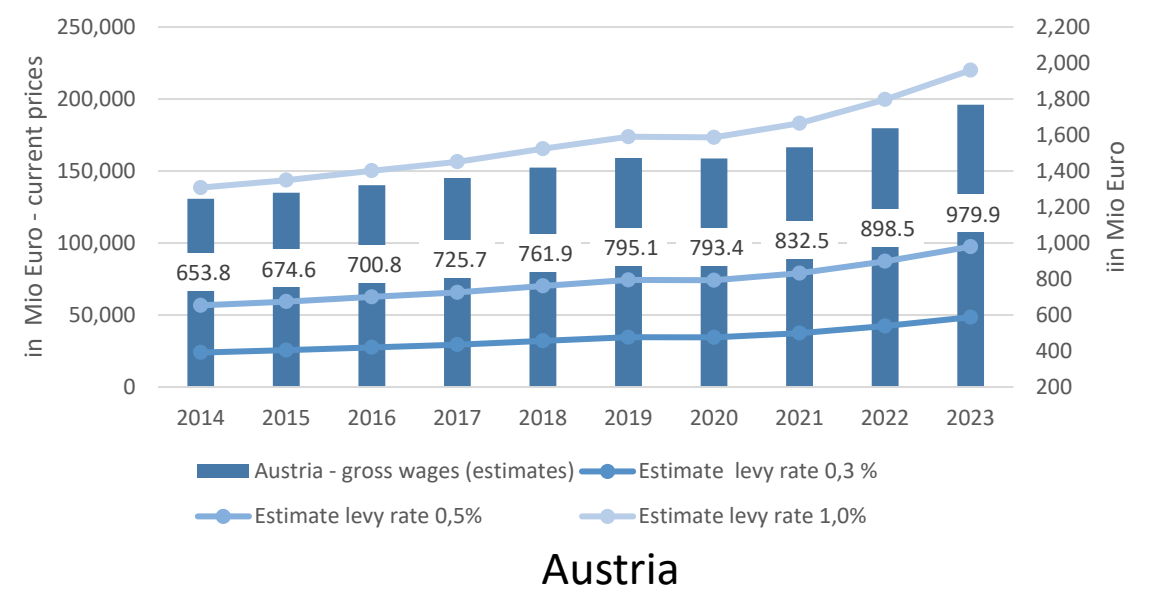
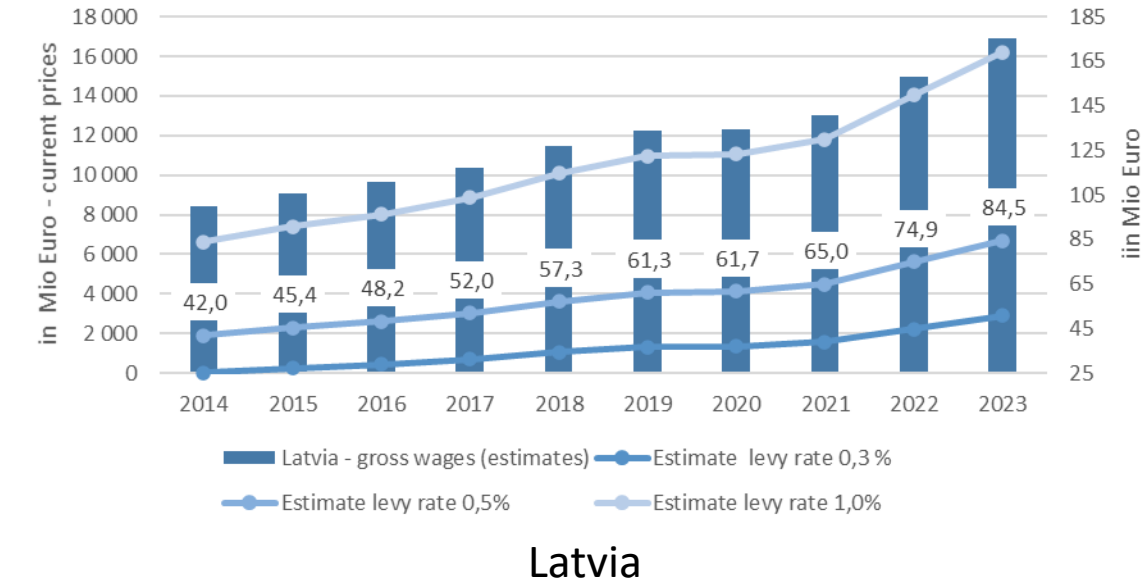
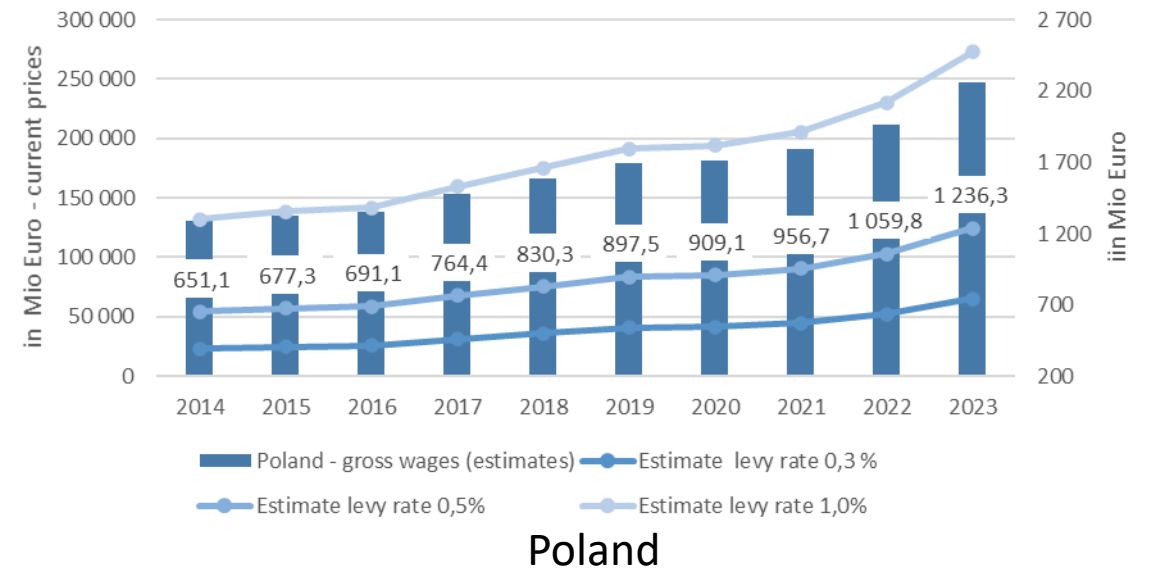
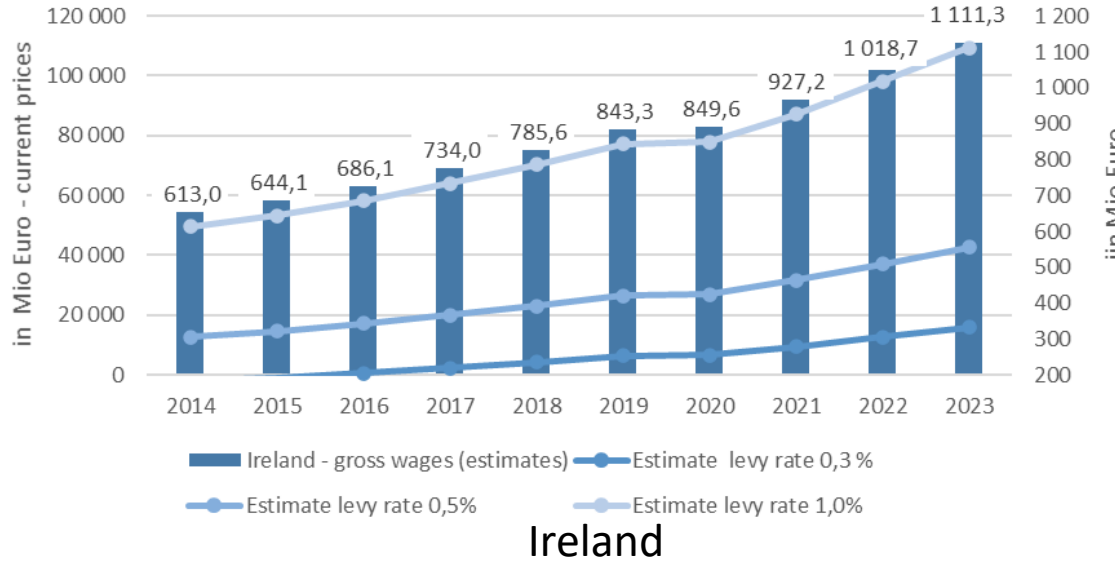
Training funds - Overall budget per year and per capita (20-64)



Estimating the funding mobilised – Based on estimated gross wages – National Accounts



Source: Eurostat - nama_10_gdp – Version 20.05.2024



Outlook – The upcoming presentations

- Organisation (national training fund) strongly intertwined with the whole IVET/CVET/ALMP system: [Case study 1 – State Foundation for Training in Employment \(Fundae\), Spain](#)
- Clearly defined, single organisation: [Case study 2 – Human Resource Development Fund, Cyprus](#)
- Sector-based frameworks (group of single organisations): [Case study 3 – Training and development funds \(O&O\), Netherlands](#)

Thank you

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