

Working Group III: Obligations for companies

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Presentations:

The Human Resource Development Fund in Cyprus: Recent developments and effects of the economic crisis

George Panayides, Director of Training Services, Human Resource Development Authority, Cyprus

Sharing the costs and responsibility in VET in Slovenia

Janja Meglič, Chamber of Crafts and Branko Kumer, Director, School Centre of Ptuj, Slovenia

Training fund in Poland - its effectiveness and future prospects

Łukasz Arendt, University of Łódź, Poland

How to ensure that micro enterprises have access to the Vocational Training Fund in Hungary

Tamás Rettich, Hungarian Association of Craftsman's Corporations (IPOSZ), Hungary

This working group was interested in analysing the role of companies in sharing the costs of training in the newer EU Member States through some specific compulsory measures, basically levies and training funds.

Before, a preliminary idea became clear in the discussion. Enterprises do a lot in terms of co-investing and co-financing training activities, even without paying levies, in the sense that they pay taxes (i.e. CIT) that finance, amongst other issues, public education and training expenditures.

Having said this, the working group did revise four examples of countries where enterprises (sometimes in collaboration with social partners) have decided to do an additional effort in devoting financial resources to co-finance training activities, basically through specific levies and training funds. These four interesting examples were the following ones:

- The Human Resource Development Fund in Cyprus,
- The so-called "Craft funds" in Slovenia,
- The so-called "Training Fund" in Poland and, finally,
- The Hungarian "Vocational Training Fund"

It is difficult to summarise all these interesting national experiences, as they differ from each other significantly. For instance:

- The Cypriot, Slovenian and Hungarian experiences are more than 35 years old, whereas the Polish example is quite recent in time (less than 5 years old).
- In terms of governance, the Cyprus experience responds to a tripartite model (social agents plus the Government), whereas the Slovenian model is a bipartite one (only run and managed by social partners) and the Polish example is an employer-led model.
- Concerning the nature of the training levies, in Cyprus and Hungary, the training levies are compulsory in nature, whereas in Poland and Slovenia the levies are voluntary ones (in the specific case of Slovenia, there has been a shift from a compulsory to a voluntary contribution).
- In Cyprus and Hungary, there is a one unique, national, multi-sectoral training fund, whereas in Slovenia there are 29 funds specialised in regions and/or sectors, and in the Polish case each enterprise may decide to establish its own training fund.

From the discussions it became clear that training funds play a very significant and positive role in all the analysed countries in a number of different ways:

- Training funds play an invaluable role in fostering and strengthening the cooperation and social dialogue between social partners, not only on the training domain but sometimes also in other areas (i.e. general employment policies, safety and health at work issues, etc).
- Training funds increase the existing awareness among employers and employees on the importance of training, stimulating them to participate and commit themselves in training activities and creating therefore a training impetus amongst enterprises and employees. In this sense, training funds increase also the quantitative resources devoted to training activities.
- Interestingly also, the “mutualisation” of all the financial resources in training funds (resources are put in common) allows the solving of several market failures usually present in training activities which result in training under-investments, such as the “poaching of skilled workers” risk or the reduced availability of training possibilities for some concrete groups, enlarging therefore the number of training beneficiaries.
- Finally, training funds’ activities may redound in a quantitative and qualitative improvement of the available training supply (see the example of Cyprus, for instance).

However, from the different presentations and discussions that were held in the working group, a number of challenges became evident:

- First, there was a clear preference - by everybody - for “compulsory” training levies vis-à-vis “voluntary” ones, as the latter often redound in reduced financing for existing training funds and subsequent financial difficulties and under provision of training supply for these training funds. However, sometimes enterprises see themselves as sufficiently “burdened” by existing taxes and social contributions, so they are not ready to accept additional “compulsory” obligations.
- In the discussion it became clear that, without any targeting approach, training funds tend to favour especially some groups and types of enterprises (i.e. highly skilled people, large enterprises, etc). This redounds in a need for targeting¹ for two main reasons:
 - o On the one hand, and for equity reasons, those who benefit more are precisely those who need less external support
 - o On the other hand, and for efficiency reasons, there are important risks of deadweight effects, in the sense that resources are being devoted to supporting some collectives that would do training in any case, so resources are not being devoted to those groups and types of enterprises (low skilled people, micro-enterprises, etc) who need these incentives for really “changing their minds” and do training that otherwise would never do.

Also, during the discussion, some ideas for effective ways of targeting emerged:

- First, it is a key to establish ad-hoc programmes and schemes for specific groups (such as low skilled people, young people, etc) as an effective way to assure that training activities benefit those which usually little benefit from training activities. In this sense, specific attention and assistance has to be provided to SMEs (specially the smallest ones), as they represent a high proportion of total employment but usually are scarcely involved in training activities due to a range of structural barriers.
- Second, it is of key importance to increase the existing awareness of the existence of specific training measures, as some groups (low skilled people, micro-enterprises) are not well aware of the existing possibilities. Thus, it is very important to ensure that employers and employees get well acquainted with the range of training related opportunities (including available schemes and instruments) offered by training funds to

¹ In this sense, the Cypriot example provides an interesting and useful experience of targeted approach

enterprises and workers. For this purpose, training funds have to increase the attention they pay to their own promotion, marketing activities.

- Third, ensure that the provided financial support is a real incentive for enterprises to participate in training activities, i.e. it adequately compensates the actual training expenses (not only direct but also indirect ones). Also, it is very important that grants and payments are received by enterprises on a reasonable time span, so in order to reduce financial difficulties for enterprises.
- Finally, limit and streamline existing administrative procedures for subsidy schemes while ensuring transparency. Burdensome procedures can restrain both employers and employees to make use of existing subsidies and financial arrangements (especially amongst SMEs).

Also, the presented national examples showed some interesting experiences in trying to cope with the current economic crisis. Examples included:

- Support activities for groups specially affected by economic crisis (e.g. unemployed people in Cyprus)
- Encouragement of additional training activities for the employed (e.g. in Hungary)
- Additional support for enterprises engaged in training (e.g. in Poland)

The message is clear, the current economic crisis will pass away (as previous ones), so those countries/enterprises/individuals who are currently preparing themselves for adapting to the future, they will be in a better position when the economy will recover again.