

Germany

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

Education, including higher education and adult learning is within the competence of the 16 federal states (*Länder*), so that supply side and demand side support for adult learning have a strong regional component. For example, each of the *Länder* has its own law on training leave. At national level, the Public Employment Service with its regional branches play an important role in supply-side and demand-side funding of adult learning, for the unemployed in particular. Moreover, at national level, important demand-side funding programmes providing lump-sum grants and loans for participating in higher education and extended further education programmes are in place, complemented by a national programme for supporting any further education (*Bildungsprämie*).

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

- **Key institutions involved and funding sources**

Adult learning, including further education, had been defined traditionally as an activity not regulated or supported by the state and left to private initiative, with the exception of support provided as part of the active labour market policy. Non-profit organisations attached to the social partners or organised as independent networks of organisations (e.g. *Volkshochschulen*) are the key providers of adult learning and further education, receiving some public support, however, relying mainly on participation fees with the exception of provision on behalf of the PES or regional welfare policy actors. Only since the first decade of the new millennium, state support for adult learning and demand-side funding provision in particular become more widespread and varied after a prolonged period of withdraw of public authorities from the funding of adult learning.

- **Instruments targeting individuals**

Demand-side support for adult learning is mainly targeted at specific target groups or particular types of educational activities. Low-wage earners can receive contributions to their further education costs ([#52](#)). The majority of *Länder* run schemes providing support for further education ([#270](#)), however, with substantial differences in scope. For adults aiming at returning to formal education and entering an advanced vocational programme, a combine grant and loan scheme is available for funding both tuition fees and living costs ([#53](#)). Adults below age 30 (respectively age 35 for Master studies) in formal schooling and in particular in higher education can also profit from the grant and loan scheme supporting initial education participants ([#230](#) and [#233](#)). Costs for further education related to a current job can be deducted from the tax base ([#50](#)), however, a tax reducing effect is reached only with costs above EUR 1 000. In the majority of the *Länder*, employees are entitled to a paid short training leave (e.g. 5 days a year) ([#271](#)). In case of unemployment and long-term unemployment in particular, supply and demand side schemes are in place to provide access to training.

- **Instruments targeting companies**

Companies can receive contributions to their training costs from the PES, including wage replacement ([#384](#)). Moreover, several *Länder* offer demand-side schemes supporting companies ([#269](#)). There are examples of training funds in some small economic sectors ([#48](#)), however, training funds as such play no significant role in funding of training in companies. Employers and employees can agree on a payback clause ([#57](#)).

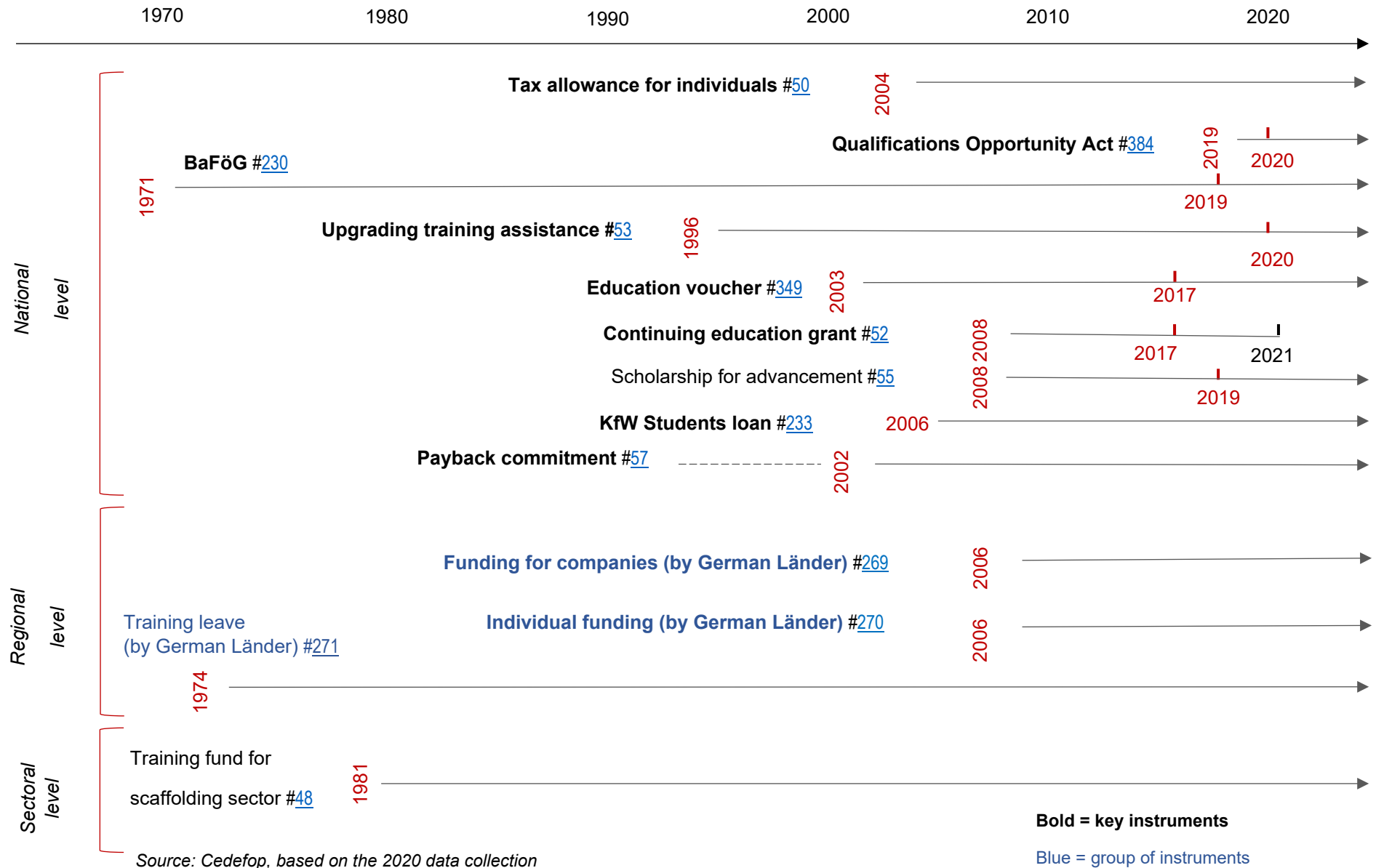
Table 1. Overview of demand-side financing instruments in Germany by 2020

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	Tax incentives for individuals	Tax allowance - work-related expenses/special expenses #50	Grants for companies	Qualifications Opportunities Act #384
			Grants for individuals	Continuing education grant #52 Upgrading training assistance #53 Federal Training Assistance Act (BaFöG) #230 Education voucher #349	Payback clause	Payback commitment #57
			Loans	KfW Student's loan #233 Upgrading training assistance #53		
		Further instruments	Grants for individuals	Scholarship for advancement #55		
Regional level	High	Key instruments	Grants for individuals	Individual funding by German Länder #270 [Northrhine-Westfalia: education cheque #391]	Grants for companies	Funding for companies by German Länder #269 [Mecklenburg-Vorpommern: Training vouchers for start-up founders #51 Northrhine-Westfalia: education cheque #56]
		Further instruments	Training leave	Training/educational leaves by German Länder #271 [Educational leave, Bremen #234 Educational leave Hessen #235]	Grants for companies	Funding for companies by German Länder #269 [Continuing training 2020, Brandenburg #232 Funding Programme for Specialised Workers Courses - focus on electric mobility, Baden Württemberg #229]

Level of implementation	Importance of the level of implementation	Overall importance of the instrument	Demand-side instruments targeting individuals	Demand-side instruments targeting companies
Sectoral level	Moderate	Key instruments		
		Further instruments		Training funds Training fund in scaffolding sector #48

- Evolution of demand-side instruments over time

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



- Statistics on volumes of funding and beneficiaries

Table 2. Statistical data on volumes of funding and beneficiaries

ID	Name of the instrument	Year of reference	Volume of funding (EUR)	Year of reference	Beneficiaries (individuals)	Year of reference	Beneficiaries (companies)
48	Training fund in scaffolding sector	Not available	Not available	2019	1 194	Not available	Not available
50	Tax allowance - work-related (income-related) expenses/special expenses	Not available	Not available	Not available	Not available	-	-
51	Mecklenburg-Vorpommern: Training vouchers for start-up founders	Until 2018	1 330 000	2018	368 ^e	Not available	Not available
56	Northrhine-Westfalia: education cheque	Not available	Not available	-	-	Not available	Not available
229	Funding Programme for Specialised Workers Courses - focus on electric mobility (ESF 2014-2020) Baden Württemberg	2015-2018	454 766	Not available	Not available	2018	6
232	Continuing training 2020, Brandenburg	Not available	Not available	2018	1 688 ^e	Not available	Not available
384	Qualifications Opportunities Act	Not available	Not available	Not available	Not available	Not available	Not available
52	Continuing education grant	2017	3 406 962	2017	17 405	-	-
53	Upgrading training assistance	Average of years	400 000 000 ^e	Average of years	97 000 ^e	-	-
55	Scholarship for advancement	2019	28 700 000	2019	796	-	-
230	Federal Training Assistance Act (BaFöG)	Not available	Not available	2019	201 570	-	-
349	Education voucher	Not available	Not available	Not available	Not available	-	-
233	KfW Student's loan	2020	1 300 000 000	2020	40 721	-	-
234	Educational leave, Bremen	Not applicable	Not applicable	Not available	Not available	-	-
235	Educational leave, Hessen	Not applicable	Not applicable	Not available	Not available	-	-

Source: Cedefop, 2020 data collection (^e = estimate)

Table3. Short description of the financing instruments

ID	Name	Level of implementation	Importance of the instrument	Short description
(1) Training funds				
48	Training fund in scaffolding sector	Sectoral level collection and sectoral level distribution	Further instrument	Companies in the scaffolding sector are obliged by collective agreement to contribute a specific percentage of the payroll (2.5% as part of a 25% contribution of the wages for various social security-related issues) to a training fund that covers, among others, (e.g., social security payments) costs for initial and continuing vocational education and training. In return, companies may receive contributions to their initial training costs and their further education costs. The fund covers 100% of the course fees; there is a fixed amount per day for the personnel absence costs (up to 100% of the daily wage costs for certain courses). Reimbursement of fees costs goes directly to training providers (most cases). No preferential treatment is applied.
(2) Tax incentives for companies				
No tax incentives for companies are established.				
(3) Tax incentives for individuals				
50	Tax allowance - work-related (income-related) expenses/special expenses	National	Key instrument	Adults can deduct costs related to continuing vocational training for their current occupation or a future occupation from the base of their individual income tax. The state co-funding – in the form of foregone tax revenues - equals eligible costs multiplied by the marginal tax rate (between 14 % and 45 %). Co-funded training is expected to sustain or increase future income, implying higher tax revenues later on. Eligible costs include tuition fees, costs for teaching material and professional literature, related travel and accommodation costs as well as the costs of a computer. For the deduction, a ceiling is introduced (EUR 6 000 in 2019). Individuals with no taxable income (an annual gross salary below EUR 9 744) cannot profit from the tax deduction. The tax incentive can be used once in each calendar year.
(4) Grants for companies				
51	Mecklenburg-Vorpommern: Training vouchers for start-up founders	Regional (Mecklenburg-Vorpommern)	Key instrument	Individuals planning to found a start-up, who are located in Mecklenburg-Vorpommern, can apply for state-funded contributions to their costs for specific business-related courses. The eligible education and training activities include individual professionally related training. The scheme is governed by the Federal Ministry of Education and Research. The selected training measure for the participant must be relevant for his/her professional life. The co-funding share is 80% and max EUR 392 of the costs for training and education. No preferential treatment is applied. There is no opportunity to re-use the scheme.
56	Northrhine-Westfalia: education cheque	Regional	Key instrument	Employers with less than 250 employees in North Rhine- Westphalia can apply for the state funded grant (voucher system). Only job-related education and training activities are eligible. The grant is co-financed by the ESF. The co-funding share is 50% of the costs for education and training (max 500 EUR). There is no preferential treatment. Re-use is possible each calendar year. An employer can receive up to ten voucher per year (yet not more than one per employee). A corresponding voucher is available for individuals.

229	Funding Programme for Specialised Workers Courses - focus on electric mobility (ESF 2014-2020) Baden Württemberg	Regional (Baden-Württemberg), Sectoral (Electromobility)	Further instrument	Public and private educational institutions established in Baden-Württemberg, that offer inter-company training courses for at least three years, can apply for co-funding for the provision of inter-company specialised training to update the professional knowledge, skills and competences of employees in the area of electric mobility. The scheme targets in particular employees of SMEs, but also entrepreneurs and returners to work. The co-funding share is 50% in general. The co-funding rate for participants without vocational qualifications is 70%. The maximum amount of grant per training provider and year is EUR 300 000. The minimum amount is EUR 10 000. Ministry for Finance and Work of Baden Württemberg manages the grant. The grant can be re-used once in each calendar year.
232	Continuing training 2020, Brandenburg	Regional (Brandenburg)	Further instrument	Employers, legal associations; public and independent organizations for child and youth welfare located in Brandenburg are eligible for this grant, which subsidizes training measures up to 50% of the eligible expenditure. Eligible types of training include professional further training measures for employees and business owners who work in a permanent establishment. Tuition fees (for courses and exams) are considered eligible costs. The requested grant must be at least EUR 1 000. The grant per application may not exceed EUR 3 000 per participant. There is no limitation for reusing the grant.
384	Qualifications Opportunities Act	National	Key instrument	This incentive provides co-funding for further education of employees, as part of the Qualifizierungsoffensive of the Federal State. All employees are eligible for funding. The qualification must take at least 160 hours, and only certified, external courses are eligible. The share of co-funding and wage subsidy depends on the size of the company. The share of co-funding of training costs is from 15 (for comp. > 2,500 employees) to 100% (<10 employees). The same applicant can use this scheme once in each calendar year.
(5) Grants for individuals				
52	Continuing education grant	National	Key instrument	Individuals receive State-funded contributions to their costs for education and training. Specific groups defined by their status of vulnerability who are defined by being employed 15 hours or more per week, having an income of a maximum of EUR 20 000 per year (individual) or EUR 40 000 per year (household income) can apply for the grant. The eligible education and training activities include individual professionally related training. That means that the selected training measure for the participant must be relevant for his/her professional life - regardless of the current job. The co-funding share is 50% and max EUR 500 of the costs for training and education. No preferential treatment is applied. The scheme is governed by the Federal Ministry of Education and Research. The scheme can be used once in each calendar year.
53	Upgrading training assistance	National	Key instrument	Funding under the Upgrading Training Assistance Act – or AFBG for short – represents a statutory payment to support people undergoing training. Funding under the AFBG can be claimed by anyone who satisfies the statutory requirements. The AFBG addresses people taking part in measures leading to advanced vocational qualifications. Typical upgrading training measures are measures that lead to Meister and Fachwirt qualifications as well as courses at colleges of early childhood education or specialized technical colleges. In Germany, over 700 equivalent further training measures are eligible for funding under the AFBG. Participants receive a contribution towards the cost of training irrespective of their income and assets. Participants in full-time measures also receive an additional means-tested payment to cover living expenses. Funding is partly in the form of a grant and partly in the form of a low-interest loan from the KfW Development Bank.

55	Scholarship for advancement	National	Further instrument	Employees having completed vocational qualifications can apply for this State-funded grant to finance their costs for education and training. The eligible education and training activities include all kinds of university studies. A lump-sum allowance is granted (EUR 861 per month plus a book allowance of EUR 80). No preferential treatment is applied. The scheme cannot be re-used by the same applicant.
#391	Northrhine-Westfalia: education cheque	Regional	Key instrument	Employees with an annual taxable income between EUR 20 000 and EUR 40 000 as well as individuals re-entering the job market and self-employed, residents in North Rhine Westphalia can apply for the State-funded grant (voucher system). Employees in the public service are excluded from the scheme. The eligible education and training activities focus on defined professional qualifications and technical skills or key skills. The co-funding share is 50% of the costs for education and training (max EUR 500). The same applicant can use the scheme once in each calendar year.
230	Federal training assistance Act (BaFöG)	National	Key instrument	Individuals receive state-funded contributions to their costs for education and training. Nearly all groups of learners can apply for the grant. Personal conditions for entitlement to a grant are German citizenship or residence status listed in § 8, the general suitability for the chosen training and the age limit of 30 years (35 years for master studies). The eligible education and training activities include nearly all kinds of training and education measures (e.g. secondary general education (e.g. primary, intermediate and comprehensive schools, high schools) from class 10, Vocational schools, Technical and specialized secondary schools, Higher technical schools and academies and Universities). Beneficiaries receive a lump sum based on the individual criteria. Training costs for which funding can be received can go up to a maximum amount of EUR 861. The share, as well as the maximum amount, do not differ for different groups. There is no limitation to re-use the grant.
349	Education voucher	National	Key instrument	Unemployed and employed people with risk of losing their job can apply for this training voucher covering 100% of course costs. No preferential treatment is applied. In addition, travel costs and other additional expenses can be funded. Funding is provided after mandatory counselling at the Federal Employment Agency, which decides on the funding on a case-by-case basis. The same person can apply for the scheme after a break of a particular period.
(6) Loans				
233	KfW Student's loan	National	Key instrument	Individuals currently enrolled at a state or state-recognised tertiary institution in Germany, who are not older than 44 years can apply for the loan. No preferential treatment is applied. The loan is provided by the KfW bank in Germany. The interest rate is generally variable. It is based on a certain reference interest (6-month EURIBOR) plus a contractually agreed premium. The interest rates are adjusted every six months.
(7) Training leaves				
234	Educational leave, Bremen	Regional	Further instrument	Employees who have been employed for at least 6 months with the current employer have a right to paid educational leave for 10 days within 2 years. No preferential treatment is applied. All types of training at certified training providers (exceptions given) are eligible. Employees continue to receive their wages during the leave (employers are obliged to continue to pay the wage to their employees during the educational leave) and retain all rights vis-a-vis the employer and the social security system. The training leave can be re-used after a break of a particular period.
235	Educational leave, Hessen	Regional	Further instrument	Employees who have been employed for at least 6 months with the current employer have a right to paid educational leave for 5 days each year. No preferential treatment is applied. Employees continue to receive their wages during the leave (the employer is obliged to continue to pay the wages for the duration of the study leave) and retain all rights vis-a-vis the employer and the social security system. Participating in a recognized measure of political education or vocational training is required. Training

must target political education or further vocational training and must be held for at least five consecutive days. The training leave can be re-used once in each calendar year.

(8) Payback clauses

57	Payback commitment	National	Key instrument	Employers and employees can agree on a payback clause, with the civil law setting the framework for the agreement. In compensation for employer-provided/financed training, employees commit themselves to stay in the company for an agreed period or (partially) pay back the costs of training. The retention period has to be in proportion to the benefits of training (duration and the level of qualification). The amount to be repaid is reduced on a monthly base. Payback clauses are possible for any type of education. No preferential treatment is applied.
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