

Denmark

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

The adult learning system of Denmark is considered as among the most developed one worldwide, based on a strong public commitment to funding adult learning. Public funding is distributed both by supply-side funding provision and demand-side instruments, mainly providing forms of wage replacement payments during participation in CVET/adult learning. Four fields of adult education (general adult education, vocational adult education, popular/non-formal adult education and part-time higher education) receive generous public funding. Demand-side schemes for funding adult learning also have a long tradition in Denmark, resulting in a broad offer of training allowances, subsidy schemes, sectoral training funds, and state education support, both for individuals and employers. Denmark's corporatism in industrial relations provide a strong base for skill formation and the support for CVET in companies.

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

- **Key institutions involved and funding sources**

Three ministries have responsibilities for adult education and learning. The Ministry of Children, Education and Gender Equality is responsible for general adult education and for labour market training. The Ministry of Higher Education and Science is responsible for part-time higher education and the Ministry of Culture is responsible for popular adult education.

- **Instruments targeting individuals**

As the supply-side funding arrangements result in a broad provision of opportunities at no or low fees, demand-side schemes for individuals focus on lump-sum grants supporting the living costs and additional costs related to education and training as materials or travel costs. The most relevant instrument for the employed is the Training allowance scheme ([#62](#)), providing a lump sum of about EUR 640 per week. For incurred training fees, the Transition fund ([#275](#)) provides support of up to EUR 1 340 per year. Adults without an upper secondary education (early school leavers) are supported by a lump sum scheme providing a wage replacement payment (linked to the level of unemployment benefits) or a loan scheme ([#63](#), [#64](#)), both reflecting similar funding arrangements available in initial education. A bonus-malus system is implemented, providing companies with a premium for providing internship places ([#277](#)). Employees may enjoy rights for training leaves vis-à-vis their employers based on binding collective agreements, however, the overall frameworks in place for funding training somewhat limit the importance of the training leave scheme ([#65](#)). Finally, there exists a tax incentive for taxpayers who participate in CVET/adult learning ([#345](#)). According to the law, employees who participate in CVET/adult learning directly linked to their paid work, have the right to get the cost of the training deducted from tax payments, but not for new competences and qualification different from their paid work.

- **Instruments targeting companies**

For co-funding training in company, the Employers' reimbursement system ([#60](#)) provides the corner stone, providing wage replacement payments for employers during spells, where their employees participate in (supply-side funded) CVET/adult learning organised mainly on sectoral level (referred to as AMU-system). All companies are obliged to contribute a fixed amount per employee (head count) to a training fund covering costs for initial vocational education and training. Based on sector collective agreements between the social partner's various sectoral arrangements, sectoral training funds ([#268](#)) add to the provision of this overall approach combining supply-side and demand-side funding approaches. The different sectoral training funds have different rules and regulations.

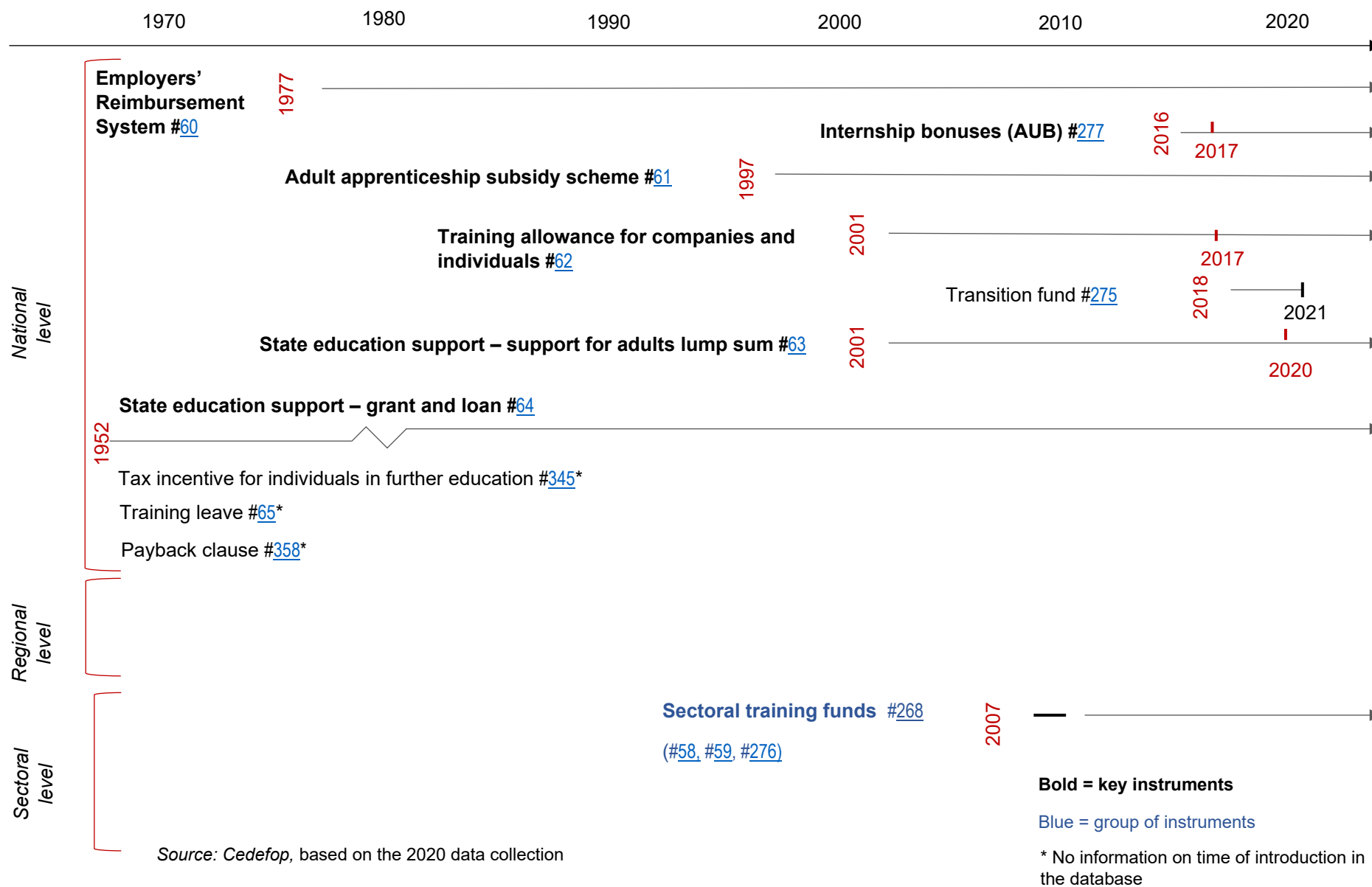
In line with support in initial education, the employer receives state-funded contributions to their training costs for particular types of training activities when employing apprentices (either unemployed persons or unskilled workers) within the formal dual system of vocational qualification ([#61](#)). Meanwhile, there are no legal regulations regarding payback clause ([#358](#)), so an employer can make a payback clause with an employee if he/she wishes to. In this regard, final decisions are determined by courts in case of no agreed solutions between the employer and the employee.

Table 1. Overview of demand-side financing instruments in Denmark 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	Grants for individuals	Training allowance (compensation for lost wages and travel grant) #62	Training funds	Employers' Reimbursement System #60
				State educational support for adults #63	Grants for companies	Adult apprenticeship subsidy scheme #61
				State educational support - grant and loan scheme #64		Training allowance (compensation for lost wages and travel grant) #62
				The Transition fund #275	Payback clauses	Payback clause #358
Regional level	High	Further instruments	Training leaves	Training leave #65	Grants for companies	Internship-AUB (Internship bonuses) #277
			Tax incentives for individuals	Tax incentives for individuals in further education and training #345		
Sectoral level	Moderate	Key instruments			Training funds	Sectoral training funds #268 e. g. { <i>The Industry Competence Development Fund</i> #58 <i>Building and Construction Development Fund</i> #59
		Further instruments				

- Evolution of demand-side instruments over time

Figure 1. Overview on the evolution of demand-side instruments in Denmark 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)
58	The Industry Competence Development Fund	Not available	Not available	Not available	Not available	Not available	Not available
59	Building and Construction Development Fund	Not available	Not available	Not available	Not available	Not available	Not available
60	Employers' Reimbursement System	2019	806 130 000	2019	81 792	Not available	Not available
276	State Sector Competence Fund	2019-2021	23 057 000	2019	2 125	Not available	Not available
345	Tax incentives for individuals in further education and training	Not available	Not available	Not available	Not available	-	-
61	Adult apprenticeship subsidy scheme	2019	38 306 000	2016	4 500 ^e	Not available	Not available
277	Internship-AUB (Internship bonuses)	2019	34 799 000	-	-	Not available	Not available
62	Training allowance (compensation for lost wages and travel grant)	2019	125 811 000	-	-	Not available	Not available
385	Training allowance (compensation for lost wages and travel grant)	2019	125 811 000	Not available	Not available	-	-
63	State educational support for adults	2019	10 910 000	2019	8 327	-	-
64	State educational support - grant and loan scheme	2019	2 784 220 000	2019	481 612	-	-
275	The Transition fund	2019	8 381 000	2019	11 559	-	-
65	Training leave	Not available	Not available	Not available	Not available	-	-
358	Payback clause	Not available	Not available	Not available	Not available	Not available	Not available

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

Table 3. Short description of the financing instruments

ID	Name	Level of implementation	Importance of the instrument	Short description
(1) Training funds				
58	The Industry Competence Development Fund	Sectoral level collection and sectoral level distribution	Further instrument	The Industry Competence Development Fund is one of the sectoral training funds in Denmark. The Fund is based on a collective agreement at a sectoral level between some of the biggest trade unions and employers' organisations in Denmark. The training fund is a legal body funded by companies in the manufacturing sector through the respective employer interest organisations in the sector. Companies in the manufacturing sector are obliged by collective agreement to contribute a fixed amount per employee (DKK 520 (approx. EUR 70)) to a training fund and may receive contributions to their training costs in return. Eligible activities include general education, secondary education, adult vocational training, and tertiary education. The compensation can both be transferred directly to the employee or the employer. This depends on whether an employee applies for funding for self-selected education or whether the employer and employee make an agreement to apply for funding for a mutually agreed upon education. The training fund secures that 85% of lost wages for up to 10 days of work and 100% of course fees are compensated. Learners may also receive reimbursement for travel costs (if the travel time exceeds 2.5 hours). The fund needs to be seen as complementing the Employers' Reimbursement System with a component allowing employees to freely choose training activities according to their own interest, while the employers receive co-funding for training costs mainly by the Reimbursement System.
59	Building and Construction Development Fund	Sectoral level collection and sectoral level distribution	Further instrument	The Building and Construction Development Fund is one of the sectoral training funds in Denmark. The fund is based on a collective agreement at a sectoral level between the relevant employers' organisations and trade unions. The collective agreement states that companies in the construction sector are obliged to contribute a fixed amount per employee (DKK 520 (approx. EUR 70)) to a training fund and may receive contributions to their training costs in return. Eligible activities include general education, secondary education, adult vocational training, and tertiary education. Companies receive a grant for compensating the wage costs (DKK 55 (approx. EUR 7) contribution to the wage costs for each hour of participation in training).
60	Employers' Reimbursement System	National level collection and national level distribution	Key instrument	All companies are obliged by law to contribute a fixed amount per employee to a training fund covering (primarily) the costs for initial vocational education and training and may receive contributions to their training costs in return. Companies contribute DKK 2 791 (approx. EUR 373) for each employee per year. Companies receive a grant for compensating the wages when trainees attend vocational school. The weekly reimbursement for adult trainees (aged 25+) amounts to DKK 5 240 (approx. EUR 701) per school week. For younger trainees, the wage reimbursement varies between DKK 2 800 (EUR 375) and DKK 4 110 (approx. EUR 550). Adults account only for a minority among trainees in initial vocational education. Employers' Reimbursement System (including internship - AUB scheme -, and training allowances – VEU scheme) has a significant effect on the creation of work placements within the vocational education and training, as well as on the access for adults to participate in further education and training.
276	State Sector Competence Fund	Sectoral level collection and sectoral level distribution	Key instrument	The State Sector Competence Fund is one of the sectoral training funds in Denmark. The fund consists of DKK 172 300 000 (approx. EUR 23 100 000) covering the period from 04.09.2019 - 31.03.2021. The fund supports further education and training, materials, transportation, and accommodation. The fund supports four different groups of public sector employees: Public Employees' organisation, The Confederation of Teachers Unions, The Danish Confederation of Public Employees of 2010, and The Danish Confederation of Professional Associations. All applicants need to fit into one of these categories to apply for financial support. There is no preferential treatment

within the groups. To get financial support, an employee needs a signed agreement with his/her employer. The funds only support a percentage of the total costs, and the employer needs to partly finance the training costs. The rules slightly differ per each group of employees.

(2) Tax incentives –for companies

No tax incentives for companies are established.

(3) Tax incentives for individuals

345	Tax incentives for individuals in further education and training	National	Further instrument	Employees can deduct the costs of training directly linked to their present job from the tax base of their personal income tax (state and regional level) in addition to the general allowance in place. Only training expenses (including e.g. required literature) that are directly linked to the current job (e.g. mandatory due to professional regulation) and exceed a set threshold (DKK 6 300, approx. EUR 843) are eligible. Personal income tax consists of various components and elements of regressive tariffs, however, marginal tax rates are typically high (exceeding 50%). Moreover, employees need not pay personal income tax for further education paid by their employers, whose value is not considered as a form of fringe benefit.
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(4) Grants for companies

61	Adult apprenticeship subsidy scheme	National	Key instrument	Employers providing apprenticeships to either unemployed persons or unskilled workers and who are approved to have apprentices can apply for the grant. A subsidy (financed by the state) to cover part of the hourly wage of an adult apprentice amounts to DKK 30 or DKK 45 (approx. EUR 4 or EUR 6) (depending on whether the adult is employed and considering the length of unemployment). The adult apprenticeship subsidy is funded by the state. The company may receive subsidies up to DKK 1 500 000 (approx. EUR 200 725) over a 3-year period. Although the formal vocational education leading to a qualification is eligible, however, only a list of education and training programmes with high demand or a lack of qualified workforce is eligible (which changes according to labour market and skills needs). Companies can apply on annual basis.
277	Internship-AUB (Internship bonuses)	National	Further instrument	Internship AUB is a scheme under the Employers' Reimbursement System (AUB Fund). The instrument is an incentive for the Danish firms to establish more internships for students within vocational education. All employers that have paid contribution to the Danish labour market supplementary pension fund (ATP) for at least one full-time vocational trained employee will annually get a self-assessment with a statement of how many internships they have to establish the coming year. If the employer hired more than the fixed number of interns, they will receive a bonus for every intern hired. Firms that reach the number of established internships for students in vocational education will get a fixed bonus of DKK 25 000 DKK (approx. EUR 3 345) for every extra intern annually. The firms that do not reach the number of interns will have to pay an extra contribution to the Danish labour market supplementary pension fund.
62	Training allowance (compensation for lost wages and travel grant)	National	Key instrument	During participation in training, a wage replacement is made available, paid either to the enterprise (in case the enterprise continues to pay the wage during the training spell) or to the individual (in case that the employer provides no wage during the training). In the former case, it is an incentive to the enterprises, in the second case, it is the equivalent of unpaid educational leave with a public wage replacement payment. General conditions for individuals to be eligible groups are that they must be employed at the time of applying for training. This includes employees, self-employed, full-time, and part-time workers. Their educational background should not exceed general vocational training (ISCED 5) unless qualifications have not been in use for the past 5 years. If the individual is paid by his/her employer during the training period the company may apply for reimbursement of the wage costs. If the individual is not paid during the training period, he/she is entitled to wage compensation up to DKK 4 405 (approx. EUR 589) per week. Travel costs may also be covered.

(5) Grants for individuals

385	Training allowance (compensation for lost wages and travel grant)	National	Key instrument	Individuals receive State-funded reimbursement of their costs for education and training. General conditions for eligible groups are that they must be employed at the time of applying for training and that their educational background should not exceed general vocational training unless qualifications have not been in use for the past 5 years. The eligible education and training activities include single subject courses or part-time education in IVET and CVET. If the individual is paid by his/her employer during the training period the company may apply for reimbursement of the wage costs (from AUB). If the individual is not paid during the training period, he/she is entitled to wage compensation up to DKK 4 405 (approx. EUR 589) per week. Travel costs may also be covered.
63	State educational support for adults	National	Key instrument	Low-skilled employees at primary, secondary, or upper secondary levels are entitled to a wage compensation while studying. The rate depends on how much absence the person has from their workplace due to studying and from the level of education attending. To get SVU, a person must be admitted to or have been promised admission to an education that entitles a person to SVU. An applicant also must be over a certain age and have been employed for at least 26 weeks. A broad range of the formal programmes at ISCED 1-7 levels are eligible types of training to be funded. The maximum amount that the learner can receive as wage compensation is 80% of the highest unemployment insurance benefit rate. As of January 2015, the highest unemployment insurance benefit rate is DKK 827 (approx. EUR 111) per day (DKK 4 135 (approx. EUR 553) per week); 80% of this amounts to DKK 3 308 (EUR 443) per week. The amount of support is calculated based on the number of working hours lost; support may be given for up to 40 weeks (of 37 hours). The minimum SVU grant is one full week of 37 hours. Participation in education that does not add up to a loss of at least 37 working hours will therefore not be eligible for support. If the learner must pay a fee to participate in training at the primary or secondary level, the participation fee will be fully covered. The subsidy is transferred directly to the learner's bank account or to a company if the learner is paid a wage during the training period. The scheme can be re-used by the same applicant after a break of a particular period.
64	State educational support - grant and loan scheme	National	Key instrument	People aged 18 and above, with Danish citizenship (or equivalent), are eligible for this scheme. They are entitled to a State grant combined with a loan (grant 2/3, loan 1/3 of total support) to cover the costs of their education and training. Every student enrolled in a higher education course is entitled to a number of monthly grants corresponding to the prescribed duration of the chosen study, plus 12 months. Within a maximum of 70 months, students can change from one course to another. If the student has used all her/his study grant portions, he/she can get a completion loan in the last year of studies. Eligible activities are general and vocational secondary education and training, and higher education. The amounts of support depend on the level of the programme the learner is enrolled in. Students must start paying back State loans no later than 1 year after the end of the year in which they graduate or give up their studies. The loan must be repaid within 15 years. No preferential treatment is applied. The system is managed by the Danish Agency for Higher Education.
275	The Transition fund	National	Key instrument	Skilled and unskilled workers who want to improve their competencies through a diploma programme or academy professional degree are entitled to this grant. Workers can get as much as DKK 10 000 (approx. 1 340 EUR) annually for user fees on the training programmes. Every year from 2018-2021, a total of DKK 65 000 000 / DKK 8 700 000 (approx. EUR 8 698 096 / EUR 1 164 207) is devoted to the fund. Eligible costs include tuition fees/fees for participation (external providers). The funds are distributed between the different educational institutions weighted after a basis of allocation is renewed every year.
(6) Loans				
No loan incentive is established.				
(7) Training leaves				
65	Training leave	National	Further instrument	Employees can take a leave for longer periods of full-time education and training while continuing to receive wages or receiving wage replacement payments. The different collective agreements stipulate the rights regarding different aspects of training leave, such as length, the scope of relevant training activities etc. In general, employer permission

for training leave (or any other leave period) is required. The employer may refuse training leave if the purpose is not suitable or the employee in question is indispensable at that point in time.

(8) Payback clauses

358	Payback clause	National	Further instrument	In Denmark, the applicable laws set no explicit limitations to a payback clause, that is an agreement between employer and employee on the payback of training costs covered by the employer in case of voluntary termination of the employment by the employee. The parties can freely agree on any component of the payback clause. Agreements deemed unfair, however, can be challenged in the Labour Courts. Overall, the application of payback clauses for training costs is perceived as of limited importance within the overall co-funding arrangements for CVT.
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