

Finland

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

In Finland, there is a broad public-funded (supply-side funded) provision of general and vocational programmes in formal and non-formal adult education with only limited fees for participants, overall reducing the need for demand-side funding for fees (covered by individuals and employers). Fees for liberal adult education are moderate, yet, might still pose a barrier for participation. Demand-side instruments have a clear focus on providing a) support for the living costs/wage replacement payments for the individuals b) cover costs of wages during training participation (foregone productivity) for employers.

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

- **Key institutions involved and funding sources**

Demand-side instruments are organised and funded mainly by the Employment Fund, which has resulted, from 1st January 2019, from the Education Fund for Individuals (founded in 1970) and the Unemployment Insurance Fund (TVR). The new fund manages the adult education allowance for individuals (employees and entrepreneurs) and the scholarship for qualified students. Employees and companies contribute to the fund (para-tax); resources are distributed by the administrated co-funding instruments and other funding approaches. From the general tax-based government budget, tax allowance for companies and study loans for individuals are granted, administrated via the company and personal income tax procedures.

- **Instruments targeting individuals**

For adult individuals, by far the most important demand-side instrument is the Adult education allowance ([#81](#)), providing a basic lump sum and a wage-replacement payment related to the disrupted or paused (= unpaid training leave) employment. On average and in case of full-time education, this payment is EUR 1 460. The payment is submitted from the Employment Fund. Various groups of skilled workers may receive additional support: Scholarship for qualified employees [#82](#); one-time approx. EUR 400 for completing a programme. Adults in higher education can benefit on similar grounds than their initial education peers from the Study grant and the Study loan ([#84](#)) (however, the latter two instruments are mainly seen as part of support for initial HE). If they had completed the study in time, they may also benefit from a reduction of their loans [#221](#)). Adults can deduct some self-borne costs for maintaining their occupational skills from the tax base ([#220](#)), however, the role of tax deduction is marginal. While having in mind the overall moderate fees for adult education, particular groups of adults (migrants; adults with special needs in particular not included in the support system for the un/employed) can profit from the “Voucher system in liberal adult education” ([#83](#)).

During unemployment, as part of supply-side measures, adults can profit from a broadly developed, supply-side funded provision of training courses. Individuals can also use the Job alternation leave and compensation for pursuing education (so they need not to be available for a new job when taking the education and still not losing the financial support).

- **Instruments targeting companies**

Companies can receive contributions to the wage costs of former unemployed who are preparing for acquiring an occupational qualification ([#222](#)). However, there is no other major scheme in place where employers receive co-funding for their direct or indirect training costs. The exception is the ‘Joint purchase training’ where interfirm training projects are jointly organised and co-funded by the PES. Companies can not only deduct the training and wage costs as operational costs but can receive an additional tax deduction ([#219](#)) further reducing their immediate staff training costs.

Employers can take advantage from the overall system characteristics by sending their employees to supply-side funded courses with no or low fees (more than 140 000 participants in public provided courses commissioned by employers. Moreover, they may agree on an unpaid training leave, where the employee can profit from the various schemes targeting the individuals.

Table 1. Overview of demand-side financing instruments in Finland 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	Deduction in personal income tax for expenses related to the maintenance of professional or vocational skills #220	Tax incentives for companies	Deduction in company income tax for employee training expenses #219
				Student loan tax deduction #221	Payback clause	Payback clause #361
			Grants for individuals	Adult education allowance #81		
				Scholarship for qualified employees #82		
	Loan	Study grant and loan guarantee #84				
	Further instruments	Grants for individuals	Voucher system in liberal adult education #83	Grants for companies	Apprenticeship training subsidy for unemployed #222	
			Training leave #85			
Regional level	Moderate	Key instruments				
		Further instruments				
Sectoral level	Moderate	Key instruments				
		Further instruments				

- Evolution of demand-side instruments over time

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



Source: Cedefop, based on the 2020 data collection

- **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)
<u>219</u>	Deduction in company income tax for employee training expenses	Not available	Not available	-	-	Not available	Not available
<u>220</u>	Deduction in personal income tax for expenses related to the maintenance of professional or vocational skills	Not available	Not available	Not available	Not available	-	-
<u>221</u>	Student loan compensation / Student loan tax deduction	Not available	Not available	Not available	Not available	-	-
<u>222</u>	Apprenticeship training subsidy for unemployed	Not available	Not available	2019	60 822 students and 17 398 graduates	Not available	Not available
<u>81</u>	Adult education allowance	Not available	Not available	Not available	-	-	-
<u>82</u>	Scholarship for qualified employees	Not available	Not available	Not available	-	-	-
<u>83</u>	Voucher system in liberal adult education	Not available	Not available	Not available	-	-	-
<u>84</u>	Study grant and loan guarantee	2019	Study grants: 122 624 435 (loans are not public costs)	2019	98 396	-	-
<u>85</u>	Training leave	Not available	Not available	Not available	Not available	-	-

Source: Cedefop, 2020 data collection

Table 3. Short descriptions of financing instruments

ID	Name	Level of implementation	Importance of the instrument	Short description
(1) Training funds				
No training fund established.				
(2) Tax incentives for companies				
219	Deduction in company income tax for employee training expenses	National	Key instrument	The employer may deduct the training costs arising from training based on a specific training plan developed. It is a prerequisite for tax reduction that the employer has developed a training plan for employees. The amount of the training deduction is calculated by multiplying the average daily wage of the company's employees by the number of training days entitled to the training deduction, and dividing the income thus obtained by 2. The scheme can be re-used once in each calendar year.
(3) Tax incentives for individuals				
220	Deduction in personal income tax for expenses related to the maintenance of professional or vocational skills	National	Key instrument	Expenses related to educational activities for the maintenance of professional or vocational skills, such as course fees and study materials, are deductible in the personal income tax. Training provided by the employer is usually regarded as tax-free for the employee. Eligible costs reduce taxable income and thereby the tax due according to the applicable marginal tax rates (between 6 % and 31.25 %) for incomes above EUR 17 200. The tax incentive can be re-used once in each calendar year.
221	Student loan compensation / Student loan tax deduction	National	Further instrument	If an individual taxpayer completes a higher education degree within the targeted time, a portion of the student loan will be compensated, either as a student loan compensation or as a student loan tax deduction, depending on when the education was started. The goal of the scheme is to encourage students to graduate within the target time. The student loan compensation is 40% of the qualifying debt exceeding EUR 2 500. The student loan tax deduction is 30% of the qualifying debt exceeding EUR 2 500.
(4) Grants for companies				
222	Apprenticeship training subsidy for unemployed	National	Further instrument	Companies employing former unemployed to prepare for a vocational examination while working as an apprentice can apply for a subsidy to municipal employment authorities. The employer pays wages and receives reimbursement. The amount of subsidy from municipal employment authorities to companies is based on the length of unemployment and covers 30% (less than 1-year unemployment), 40% (at least 1 year of unemployment), or 50% (at least 2 years of unemployment) of the payroll costs for a period not exceeding 12 months. No preferential treatment is applied. There is no limitation to re-use the grant.
(5) Grants for individuals				
81	Adult education allowance	National	Key instrument	Persons permanently living in Finland, having a full-time employment relationship with the same employer for at least one year, or whose pension-insured entrepreneurship has lasted for at least one year may receive state-funded contributions to their costs for education and training. The maximum allowance period is 19 months if

the applicant has a working history of at least 8 years. The amount of the allowance consists of a base amount and a wage-based amount. The monthly base contribution is approx. EUR 705 and the wage-based contribution amounts to 45% of the difference between the monthly wage and the base contribution. The eligible education and training activities include studies leading to a degree, but also vocational further or continued training organised by a Finnish educational institution under public supervision. The education and training take place during an unpaid study leave of at least two months.

82	Scholarship for qualified employees	National	Key instrument	Persons with at least five years of working history in Finland, independent of their current employment status can apply for this grant. The eligible education and training activities include all kinds of vocational examinations. If the tests of competence are passed after 1 August 2013, the amount of the scholarship will be EUR 390. If the qualification the person has got is his or her first qualification, the amount of the scholarship will be EUR 450. Scholarship for qualified employees is provided by the Education Fund, which is administered by the social partners of the Finnish Labour market.
83	Voucher system in liberal adult education	National	Further instrument	Persons belonging to the specific target groups of migrants, unemployed persons, pensioners and senior citizens, persons with special educational needs and persons with no post-compulsory education can apply for this scheme. In summer universities, the voucher subsidy is used to support persons who have dropped out of university. The eligible activities include nearly all kinds of education and training measures.
(6) Loans				
84	Study grant and loan guarantee	National	Key instrument	Finnish students can apply for a study grant from Kela to cover their living costs. Finnish students can also take up a study loan in order to cover their living costs. The cost-sharing element is a government guarantee for these student loans, which also allows banks to use lower interest rates. Student financial aid is available for full-time post-comprehensive school studies lasting at least 8 weeks at an upper secondary school, folk high school, vocational school or institution of higher education. Student aid is also available for studies abroad. No preferential treatment is applied. The amount of study grant depends on age, housing circumstances, marital status and education/school. The interest and other terms connected to the study loan are agreed upon between the bank and the student. The recommended period for payback of the loan is twice the duration of studies. The maximum repayment period is 30 years.
(7) Training leaves				
85	Training leave	National	Further instrument	All employees, private and public, are entitled to up to 2 years of study leave over a period of 5 years. Study leave is unpaid unless agreed otherwise with the employer. Study leave may be interrupted under certain conditions. Employees on leave receive a grant (adult education allowance). In combination, paid leave is available. The study must either take the form of government-sponsored training in Finland or abroad or be a course of training organised by a trade union.
(8) Payback clauses				
361	Payback clause	National	Further instrument	Employer funds training, the employee provides (partial) repayment eligible training costs in case of premature departure from the company. All employers are eligible for this scheme. No preferential treatment is applied.