

Hungary

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

Public funding has a clear focus on supply-side provision of formal educational opportunities. State support for non-formal adult learning used to be limited, with recent ESF co-funded initiatives (e.g. Open Learning Centres), leaving the field mainly to the private (non-profit and for profit) sector.

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

- **Key institutions involved and funding sources**

In Hungary, responsibilities for governing and funding adult learning are dispersed across fields of policy making, with a low level of integration of the policies applied in different subsystems. The ministry for Innovation and Technology is responsible for adult education and vocational training. The National Office of VET and Adult Learning assists the minister responsible for VET and adult education in performing administrative, research and development and counselling tasks. The Public Employment Service is also involved in the implementation. Demand-side instruments depend considerably on EU funding.

- **Instruments targeting individuals**

Demand-side schemes for individuals are scarce. Support is available for disadvantaged/specific target groups to help them to participate in training and improve their labour market situation ([#104](#)). Adults below 45 can use a loan scheme implemented for students in higher education ([#105](#)). There are two types of loans: one can be used to cover living costs and the other can only be used to pay the fees. While there is no formal right to a training leave, there is an instrument ([#107](#)) where employers and employees voluntarily agree on a learning/training contract. Employees may be granted time off work and also receive financial support from the employer to cover direct costs of training. In turn, employees commit themselves to continue to work for the company for a defined time. Hungary is one of a few Member States where individual's expenses on skills development cannot be tax deducted.

- **Instruments targeting companies**

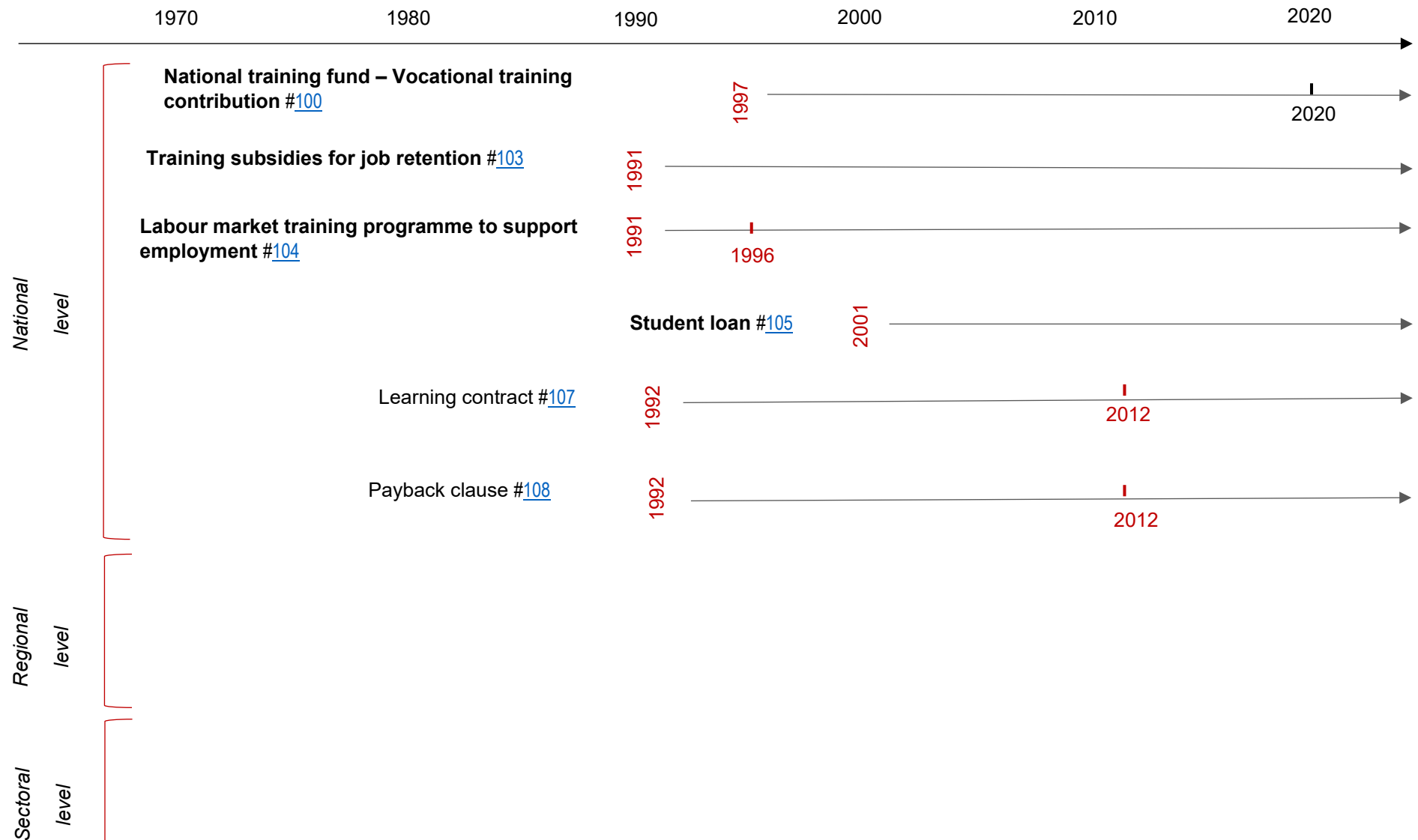
Employers are bound to contribute 1.5 percent of the payroll to the National Training Fund ([#100](#)). The main purpose of the fund to finance initial vocational education and training. However, until 2020, the fund also provided subsidies for companies to support them in training their employees (the new Vocational Training Act introduced on 1 January 2020 abolished the use of the National Training Fund to cover training costs of company employees (CVT)). Companies with employees whose regular employment cannot be ensured without training can apply for a state-funded grant ([#103](#)). A payback clause can be agreed between the employer and the employee ([#108](#)).

Table 1. Overview of demand-side financing instruments in Hungary 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	Labour market training programme to support employment #104	Grants for companies	Training sub-fund of the National Employment Fund - Vocational Training Contribution #100
			Loans	Student loan #105		Training subsidies for job retention #103
Regional level	Moderate	Further instruments	Training leave	Learning contract #107	Payback clause	Payback clause #108
		Key instruments				
Sectoral level	Moderate	Further instruments				
		Key instruments				
Sectoral level	Moderate	Further instruments				
		Key instruments				

- Evolution of demand-side instruments over time

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



Source: Cedefop, based on the 2020 data collection

Bold = key instruments

- **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)
100	Training sub-fund of the National Employment Fund - Vocational Training Contribution - Training of Employees	Not available	Not available	2019	5 878	Not available	Not available
103	Training subsidies for job retention	Not available	Not available	2018	3 214	Not available	Not available
104	Labour market training programme to support employment	Not available	Not available	2018	28 957	-	-
105	Student loan	2019	Student loan 1 for the age group >25 years: approx. EUR 11 012 000. Student loan 2 for the age group >25 years: approx. EUR 11 906 000.	Not available	Not available	-	-
107	Learning contract	Not applicable	Not applicable	Not available	Not available	-	-

Source: Cedefop, 2020 data collection

Table 3. Short description of the 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				
	No tax incentives for companies are established.			
(3) Tax incentives for individuals				
	No tax incentives for individuals are established.			
(4) Grants for companies				
100	Training sub-fund of the National Employment Fund - Vocational Training Contribution	National	Key instrument	The vocational training contribution is a kind of training levy enterprises are required to pay. The base of vocational training contribution is the base of social contribution tax. The rate is 1.5 percent. Under the 2011 act on the vocational training contribution it can be paid in several ways: (a) by providing apprenticeship training to apprentices in upper-secondary VET and certain higher education programmes (b) by providing or financially supporting employees' training (up to 16.5% of the training levy), under certain conditions (c) by paying it into the National Employment Fund training sub-fund. Accordingly, to the 2011 act on the vocational training contribution, companies can allocate a part of their training levy to co-finance their employees' vocational and foreign language training. However, this option is only available for companies that also provide practical training to at least 30 apprentices (VET school learners), and only up to at most 16.5% of the amount of their training levy. Due to these strict criteria, only a few large companies make use of this measure.
103	Training subsidies for job retention	National	Key instrument	Companies with employees whose regular employment cannot be ensured without training can apply for a state-funded grant between 70% and 100% to cover the costs of training these employees. In general, employer has to contribute to the costs of training and must continue the employment of the employee for at least the same period as the training. However, preferential treatment exists for companies with employees above 45 years as 100% of the costs can be reimbursed to the employer. Employers may be awarded a grant by the local employment offices for all employment-promoting training that is covered by the Vocational Training Act or is regulated by official regulations. Eligible costs include fees and other costs related to education and training (costs of materials, travel, accommodation, etc.) and wage subsidy. There is no limitation for re-use.
(5) Grants for individuals				
104	Labour market training programme to support employment	National	Key instrument	The instrument provides support to disadvantaged target groups in the labour market to participate in training in order to improve their labour market situation. The training is funded by the National Employment Fund and can be accessed through the National Employment Service. Public co-funding share is not defined by law but in practice amounts to 60%-70% on average. In addition to the course fee, other costs related to the training (e.g. travel cost, wage substituting allowance etc.) if justified, may also be financed from the National Employment Fund to the individuals.
(6) Loans				
105	Student loan	National	Key instrument	The Student Loan Centre operates the system relying on the involvement of a tested and proven network of multiple partners. Raising the funds from the money and capital market, the student lending system has always

operated with the State as the owner and according to the non-profit principle - in order to lend loans at the lowest possible cost. All higher education studies/degrees leading to a formal qualification are eligible. Eligible costs include either living costs (Student loan 1) or tuition fees (Student loan 2). Student loan 1 may be spent on anything freely (such as living costs). Student loan 2 is transferred directly from the Student loan centre to the higher education institution covering 100% of the tuition fees.

(7) Training leaves

<u>107</u>	Learning contract	National	Further instrument	The learning contract is a specific instrument of Hungarian labour law combining features of a training leave scheme and a payback clause. Employees have no formal right for paid or unpaid training leave in Hungary (with the exemption of participants of primary education). However, there is a tradition backed by the regulation of the labour code that employers and employees voluntarily agree on a learning/training contract where employees may receive support for the direct costs of education and time off work (paid or/and unpaid) in order to acquire an agreed-on qualification, with the employee promising to stay with the employer for a defined period of time after graduation. The employer and the employees enjoy discretion in defining the elements of the learning/ training contract, with only a loose framework outlined in the labour code.
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(8) Payback clauses

<u>108</u>	Payback clause	National	Further instrument	The payback clause is closely linked to the learning contract (training leave), in which employers and employees can agree on a payback clause. In general, payback clauses can be applied for any kind of training that has been undertaken voluntarily by the employee and is not mandatory as a part of the work activity. In a learning contract, the employee agrees to complete the studies and to refrain from terminating his employment by way of notice following graduation for a period of time commensurate for the amount of support, not exceeding five years. The learning contract may be terminated by either of the parties with immediate effect in the event of subsequent major changes in the party's circumstances whereby carrying out the commitment is no longer possible or it would result in unreasonable hardship. In the event of termination by the employee, the employer may demand repayment of the support provided. The employer's right to demand repayment of the support shall apply in proportion to the length of time that has elapsed from the term of the contract. Where employment is terminated by the employer, repayment of the support may not be demanded. A payback clause is not valid in case the employee attends primary school to complete his basic school (Grade 8) education during the training leave.
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