Chapter 2. An overview of Training Funds

Training Funds (TFs) are associations run by social partners that finance workers' training, using resources collected through a training levy imposed on employers. Since their implementation, they have significantly encouraged firms to provide training to their workers, and positively influenced participation to adult learning opportunities. This chapter provides a brief description of the history of Training Funds, how they work, as well as recent developments in the legal framework that have modified the way Training Funds operate and function.

2.1. Brief history of Training Funds in Italy

Training Funds (hereafter TFs) are associations run by social partners that finance workers' training, using resources collected through a training levy imposed on employers. The main policy goal of the Training Funds is to provide incentives to firms to invest in the human capital of their workers and promote continuous learning and skills development opportunities.

Training Funds were instituted by law in 2000[1] by the Ministry of Labour and Social Affairs, following up on an initial provision set in the late 1990s',[2] and became operative in 2004.[3] The number of Training Funds has increased since their inception, passing from 10 as of 2004 to 19 Training Funds today.[4] Of the Training Funds that are operative today, 16 are exclusively devoted to (non-managerial) employees, and 3 to (employed) managers (Alessandrini, 2017[1]; 2017[2]).

Since their inception, Training Funds have rapidly increased their importance and outreach. From 2004 to 2017, the number of firms enrolled in a Training Fund has tripled and the number of workers covered by the scheme has doubled. Today Training Funds cover almost 1 million firms[5] and over 10 million workers, capturing almost the totality of potential adherents[6] (Casano et al., 2017[3]). In the Piedmont Region, for example, Training Funds cover 83% of firms[7] and 94% of dependent employees (SISFORM, 2017[4]). Managing EUR 603 million in 2017 (ANPAL, forthcoming[5]), Training Funds represent one of the most important sources for financing workers' continuous learning in Italy.

Training Funds have likely had a significant impact on the participation of Italian companies in continuous vocational training (OECD, 2014[6]). Before the introduction of the Training Funds, training often represented a marginal element in the strategies of companies, while today firms are much more likely to provide training than in the past (see Figure 1.4). The increase in the share of firms providing training to its employees was accompanied by an increase of 341% in the number of firms involved in Training Funds-sponsored training in the period 2008-2015 (Natili and Marcolin, 2017[7]).

2.2. How do Training Funds work?

One distinctive feature of Training Funds is that they are run by social partners. Training Funds' management boards comprise equal numbers of representatives appointed from employers and workers' organizations.[8] While Training Funds work autonomously, they function under the umbrella of government bodies. The Ministry of Labour and Social Affairs authorises the establishment of new Training Funds after verifying compliance with a set of requirements, and can temporarily suspend or terminate them if these requirements are no longer met. Since 2015[9], the National Agency for Active Labour Market Policies (ANPAL) is responsible for monitoring that the activities of the Training Funds are compliant with the rules.

Training Funds are financed through a levy-grant mechanism. Firms can allocate part of the 'mandatory contribution for involuntary unemployment' – 0.3% of workers' payroll, paid to the INPS (National Institute for Social Security) – to a Training Fund of their choosing. If a firm voluntarily joins a Training Fund, the INPS directly transfers the 0.3% to the selected Training Fund. Companies that do not elect to join a Training Fund still need to pay the 0.3%, which integrates government budgets and can be used to serve different purposes.

Enterprises can join only one of the 16 Training Funds for (non-managerial) employees at a time, and can additionally join one of the 3 Training Funds for (employed) managers (i.e. Fondir, Fondirigenti and Fondo Dirigenti PMI). On top of choosing which Training Fund(s) to enrol to, enterprises also chose the training provider that will deliver the course – although the training provider typically has to respect some minimum quality standards, e.g. they have to be accredited by the region, and/or by a Training Fund itself (see Chapter 5).

The amount of funding managed by each Training Fund depends on the number of employees covered and of the level of wages paid to them. Training Funds use the resources to finance training programmes at the firm, sectoral, or regional levels. They can also finance individual training programmes, through vouchers. All types of training programmes need to be agreed by social partners.

Training Funds finance training programmes through two channels: 1) Collective account (*conto collettivo*); and 2) Individual account (*conto formazione*). The characteristics of these financing channels are highlighted below:

- **Collective account** (*conto collettivo*): this account is directly managed by Training Funds and finances training through public calls (avvisi). Enterprises develop training plans (i.e. training proposals) and apply for funding, while Training Funds approve or reject the financing after a selection process. The collective account follows strategic logics, as public calls can be steered towards certain categories of workers (e.g. the low-skilled; women; older people) firms (e.g. SMEs) or skills (e.g. ICT; transversal skills).
- **Individual account** (*conto individuale*): this account can directly be used by firms to finance training projects for their own employees. Unlike collective accounts, individual accounts follow the logic of "mere restitution", whereby a share of each firm's contributions (generally 70%) paid to INPS is simply returned to the firm. This financing channel is typically used by larger firms, as smaller firms often do not accrue sufficient resources to finance workers' training.

2.3. Recent developments

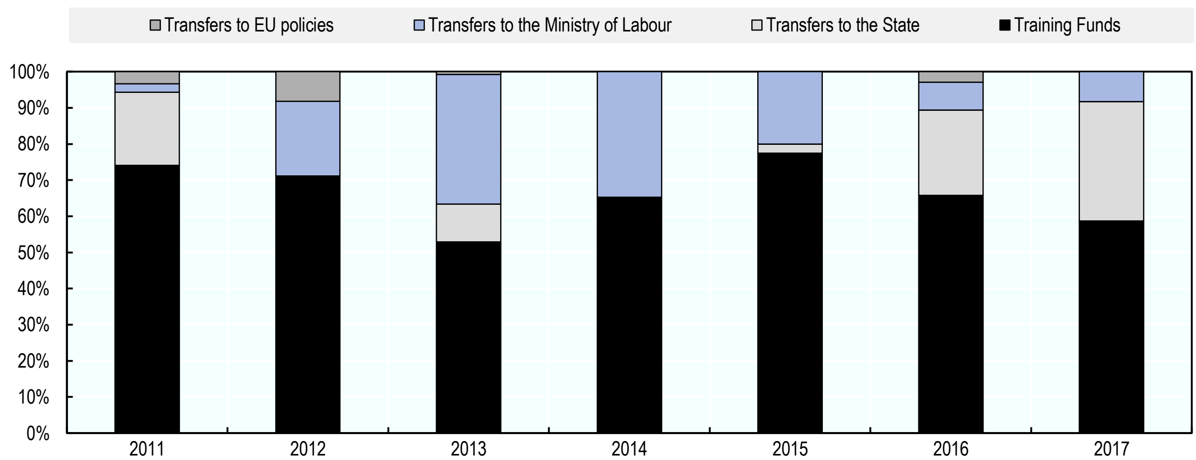
In recent years, there have been several interventions by the government that have on the one hand reduced funding available to Training Funds, and on the other hand modified/updated the legal framework. These interventions have significantly modified the way Training Funds operate and function.

2.3.1. Resources available to Training Funds

In recent years, the government has diverted part of the funds normally destined to Training Funds for purposes other than training. As a result, since 2011, Training Funds have been able to access only a (decreasing) share of resources (see Figure 2.1). In 2017, out of the EUR 735 million collected by INPS through firms' payroll contributions, only 58.9% were effectively transferred to Training Funds. Several observers argue how, in practice, Training Funds today access only 0.19-0.2% of payroll paid by firms, rather than the 0.3% instituted by law.

Figure 2.1. Share of resources diverted from Training Funds

% of overall resources available from the 0.3% on payroll paid by firms (2011-2017)



Note: Transfers to the State include: Art. 19 L. N. 2/2009; ex Art 254 L. N. 228/2012; Law N. 190/2014; Comma 284 and 294 of Law 208/15. Transfers to Ministry of Labour include: Fondo di Rotazione; CIG Deroga. Transfers to EU Policies include: Fondo Politiche Comunitarie.
Source: ANPAL (2018[8]).

Funds were initially diverted on an exceptional basis to respond to the profound economic crisis. Indeed, from the first years of the crisis until 2015, parts of the Training Funds' resources were used to support welfare measures, for example to finance wage support measures for redundant workers (i.e. Income Redundancy Fund - Cassa integrazione guadagni, or CIG).

From 2015 onwards, however, government withdrawals have been made structural (ANPAL, 2018[8]). For example, the law 190/2014 establishes that starting from 2016 EUR 120 million per year shall be cut every year from Training Funds' budgets and absorbed into general government revenues. In addition, the 2015 Budget Law (208/15) establishes that for the years 2017 and 2018 part of the funds shall be used to finance subsidised part-time contracts (contratti di lavoro a tempo parziale agevolato) for older workers who wish to work part-time before reaching retirement age.[10]

While government withdrawals are common in countries with a levy-system in place (OECD, 2017[9])[11], in Italy these curtailments are particularly worrying given that resources available to Training Funds are already limited by international standards. To give some examples, in France, the Organismes Paritaires Collecteurs Agréés (hereafter OPCA) manage around EUR 7 000 million, compared to only around EUR 600 million in Italy. In Ireland, Skillnet grants roughly EUR 240 per employee trained (ILO, 2017[10]), while in Italy Training Funds grants on average around EUR 184 per participant (ANPAL, 2018[8]).

Given the good coverage of firms by Training Funds, relatively low funding can be explained by the low contribution rate from which resources are drawn. The training levy rate in Italy (0.3% of payroll) is quite low compared to international standards. By way of example, contributions are equal to 0.8% in Ireland, up to 1% in France[12], 1.5% in Hungary, up to 2% in the Netherlands, and up to 2.5% in the UK (see Table 2.1). Some countries, like Ireland, are even planning to raise the levy-rate in the next years to further strengthen the adult learning system.[13] Moreover, unlike what happens in Italy, in some countries (e.g. the Netherlands; France) training funds' resources include, on top of employers' mandatory contributions, also employers' voluntary contributions, employers' sectoral contributions negotiated through collective agreements, government funding, and/or European funding.[14]

Table 2.1. Contribution rates of training levies in selected OECD and non-OECD countries

Country	Levy-rate (% of payroll)	Differentiation	Type
Australia	1.5%	No	Levy-exemption
Belgium	0.1% to 0.6%	By sector	Levy-exemption
Canada (Quebec)	1%	No*	Levy-exemption
Denmark	DKK 2 702 **	No	Revenue-generating/cost-reimbursement
France	0.55% to 1%	By firm size	Levy-grant
Greece	0.24%	No	Levy-exemption
Hungary	1.5%	No	Levy-exemption/revenue-generating/levy-grant
Ireland	0.8%	No	Ley-exemption/revenue-generating
Italy	0.3%	No	Levy-grant
Korea	0.1% to 0.7%	By firm size	Levy-grant
Netherlands	Up to 2%	By sector	Levy-grant
Poland	0.25%	No	Levy-grant
Spain	0.7% (of which 0.1% on workers)	No	Levy-exemption
United Kingdom	0.5% to 2.5%	By fund	Levy exemption
Non-OECD countries			
Brazil	1% to 1.5%	By firm size	Revenue-generating
South Africa	1%	No*	Levy-grant/revenue-generating

Note: **Canada (Quebec) and South Africa exempt the obligatory 1% of payroll contribution for firms with a payroll under a certain threshold. **Denmark has a lump sum of DKK 2 702 per full-time employee per year paid to the AUB, which reimburse wages paid to employees undergoing off-the-job training.
Source: Based on UNESCO (2018[11]), Müller and Behringer (2012[12]), OECD (2017[9]).

Curtailments in Training Funds resources are particularly worrying if considered in conjunction with parallel cuts in other public resources available for continuous learning. National funds for continuous vocational training (236/93 law and 53/00 law) administered by regions have recently been suspended.[15] The focus of the European Social Fund (ESF) has recently been reoriented from continuous learning towards policies to assist vulnerable groups mostly affected by the crisis (ANPAL, 2018[8]). Taken together, these cuts may constitute a major setback for continuous learning in Italy.

In a context of low participation to training among workers, a rapidly ageing population and high shares of workers with low skills (see Chapter 1), a reduction in resources available to invest in continuous learning is something that Italy can ill-afford.

Besides the direct short-term impact on the resources available for continuous learning, budget cuts may also have indirect long-term consequences. In the view of many stakeholders, they may affect Training Funds' credibility, undermine overall trust in the system, and ultimately discourage firms to join or remain enrolled in a TF.

Moreover, budget cuts – coupled with delays in payments by the INPS[16] – also made resources more unstable and insecure over time, reducing the ability of Training Funds to plan their training strategies and operate effectively.

Going forward, for Training Funds to operate successfully it will be important for them to be able to count on a steady flow of financial resources available through the training levy. This requires strong institutions backed by law, and a clear separation between Training Funds and other funds controlled by the government and other bodies (Müller and Behringer, 2012[12]).

An additional policy option is to increase the contribution rate of 0.3% of payroll, in line with rates already applied in many OECD countries. In order to limit labour costs – which are already high in Italy – the additional contribution rate could be made refundable. Alternatively, additional contributions (beyond the 0.3%) could be negotiated by social partners through collective bargaining, reflecting the fact that different sectors/industries face different training needs, and that the cost of such training may vary substantially across sectors/industries.

2.3.2. The Law on State Aids and Public Procurement Legislation

Since the establishment of Training Funds in 2003, there have been various debates in Italy regarding whether the funding they manage should be considered as public or private financial resources. This distinction is important in practical terms because it has implications on the way resources are administered by Training Funds, on Training Funds' autonomy on how to use the funds, as well as on the extent to which Training Funds are held accountable.

Indeed, the norms that originally established and regulated the activities of the Training Funds[17] were opaque around this point. Over the past decade, this legal vacuum has led to the proliferation of different (and sometimes contradicting) interpretations of the rules by public authorities – including the Constitutional Court, the Council of State, the National Anti-corruption Authority (ANAC), and the Italian Antitrust Authority (AGCM) – and overall uncertainty (Casano et al., 2017[3]).

In a view to put an end to these long-lasting debates and clarify the nature of the resources managed by the Training Funds, in 2016 the Ministry of Labour and Social Affairs, with a letter addressed to ANAC (Ministry of Labour and Social Affairs, 2016[13]), binds the funding managed by the Training Funds to the Law on State Aids[18] and Public Procurement Legislation. Following up on the Ministry's intervention, in 2018 ANPAL established a set of Guidelines that further clarifies the role and responsibility of Training Funds in light of these developments (see Section 2.3.3 and Annex A).

In practice, these developments bring two major changes in the way Training Funds operate: (i) all resources managed by Training Funds under the collective accounts fall under the Law on State Aids; and (ii) Training Funds have to purchase goods and services through competitive bidding processes, in respect of the Public Procurement Legislation and under the supervision of the ANAC.

These developments have several important implications for Training Funds. On the one hand, the new rules have helped increase accountability, and perhaps even pushed Training Funds to rethink their priorities and strategies. For example, the Law on State Aids puts limits in the way resources available in the collective account can be used – e.g. it forbids the financing of compulsory training (e.g. on health and safety) (see Section 4.7) – which has led many Training Funds to reorient their priorities and rethink their strategies.

On the other hand, however, many observers report how the new rules put additional administrative burdens on Training Funds – slowing down their activities and potentially hampering their ability to react quickly to the potentially rapid changes in the skill needs of firms.

Another concern is that Training Funds need to invest significant additional (financial and human) resources to make sure that they act in compliance with new regulation, possibly crowding out the resources available to finance workers' training.

All in all, with the new rules, Training Funds are not operating outside normal government budgetary channels anymore, a situation which has on the one hand enhanced accountability but also made Training Funds (similar to Regions) a much less flexible instrument.

2.3.3. ANPAL guidelines

On April 2018, ANPAL published the Guidelines for the management of resources attributed to TF ("*Linee Guida sulla gestione delle risorse finanziarie attribuite ai fondi paritetici interprofessionali per la formazione continua*") (hereafter, ANPAL Guidelines, or the Guidelines) (ANPAL, 2018[14]).

ANPAL Guidelines – developed in close collaboration with social partners – update an old (and arguably incomplete) legislation, and make sure that Training Funds can play by a clear, and shared, set of rules. In particular, they introduce some important novelties: they establish criteria for the use of funding; impose all Training Funds to establish a standardised internal regulatory framework; improve transparency and accountability; delineate the responsibilities of ANPAL; make the rules around "portability" stricter and clearer; and set the scene for the establishment of an integrated information system for adult learning (for a more detailed description of the Guidelines, see Annex A).

Overall, in the view of many stakeholders, the Guidelines represent a welcome and needed step in the right direction. They provide a much-needed update of the regulation and create a common understanding of what are Training Funds' roles and responsibilities.

Indeed, prior to the introduction of the Guidelines, the Training Funds have been operating in an opaque and uncertain legal framework: the law that set up the Training Funds (circolare 36/2003) was established over 15 years ago and, while it was originally conceived to only regulate the "start-up" period of the activities of the Training Funds, it was never updated (Casano et al., 2017[3]). So-designed, the original law – while providing significant margins of autonomy to Training Funds – perhaps provided insufficient details on how the JIFPs should operate.

The strategic objectives and the role of Training Funds have significantly evolved over time, too, – further highlighting the importance of updating the underlying legislation. Since the economic crisis, the potential outreach of Training Funds has expanded, shifting from the traditional target groups (the employed workers) and extending towards the unemployed and unemployed workers (cassa integrati) (see Section 6.2).

Moreover, the Guidelines reflect the recent developments in the legal framework, which has considerably changed the way Training Funds operate, by clarifying Training Funds' new obligations in the context of the Law of State Aids and Public Procurement Legislation (see Annex A).

Notes

[1] See Law 388/2000 and Law 289/2002.

[2] See Law 196/1997.

[3] See Law 289/2003.

[4] Since 2005 the Ministry of Labour and Social Affairs has approved the establishment of 12 new Training Funds. Three Training Funds were temporary suspended and then closed (Fo.in.coop; Fondazienda; FondAgri).

[5] Excluding firms in the agriculture sector.

[6] Potential adherents include all those firms that have at least one dependent employee.

[7] Excluding firms in the agriculture sector.

[8] Typically, the Training Funds' president is selected by the employers' representative organisations, while the vice-president is selected from the members of the workers' representative organisations.

[9] The Law n. 150 of September 4th 2015.

[10] The law 190/2014 establishes that starting from 2016, every year EUR 120 million are withdrawn from the 0.3%. The 2015 Budget Law (208/15) imposes that EUR 120 million for 2017 and EUR 60 million for 2018 are withdrawn from the 0.3% to finance the "contratti di lavoro a tempo parziale agevolato" to encourage older workers who are close to receiving old-age pension to continue working part-time.

[11] In Hungary, for example, employers complained that government uses resources to finance public training institutions, and more generally that it exercises too close control over the Fund, limiting its effectiveness. In Ireland, there was a very significant decline in the level of funding available to support training networks due to the recession in 2008 and 2009, both in terms of government funding support and co-investment from private enterprise.

[12] The levy is 0.55% for firms with less than 11 employees and 1% for larger firms.

[13] The Irish Government, as part of Budget 2018, decided to raise the rate of the National Training Fund levy by 0.1% in 2018 to 0.8% and by a further 0.1% in both 2019 and 2020.

[14] For example, in the Netherlands, most of O&O funding comes from national public finances and European subsidies – the European Social Fund (ESF).

[15] The Decree 150/2015 (and its subsequent amendments) has abolished two important Funds previously used by the Regions to finance education and training programs: (i) the Fund for Professional Training, established with Law 236/93, which was mainly used (though underutilised) to co-finance European Social Funds initiatives; and (ii) the resources made available with Law 53/2000, which mainly financed vouchers for individual training activities of workers.

[16] Many Training Funds lament that the INPS delays payments and it is very difficult for Training Funds to foresee the amount and time of payments.

[17] National Law 388/00; National Law 289/03; and Law 150/15.

[18] By definition, state aids are interventions (*e.g.* grants) issued by the State or through State resources, which give the recipient an advantage on a selective basis, and which can distort competition.

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