Costs and funding of continuing vocational training in enterprises in Europe

Katja Nestler and Emmanuel Kailis

The second European survey of continuing vocational training in enterprises (CVTS2) was carried out in 2000/2001 in all the Member States, Norway and nine candidate countries (Bulgaria, The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland - Pomorskie region only, Romania, Slovenia). The survey was two-thirds financed by the European Commission, and besides important information on the forms, content and extent of continuing vocational training at work it also provided key data for analysing the costs of continuing training.

The funding structure of CVT courses is important material for assessing enterprises' willingness to invest in the continuing training of their employees, and in addition shows the significance of CVT measures on the demand side of the labour market. The increasing importance of qualifications obtained through such measures is also reflected in enterprises' rising expenditure on internal and external CVT courses. This publication presents basic findings on the costs and funding of continuing vocational training courses in 21 European countries. For Greece, France, Italy and the United Kingdom the data were not available in time for this publication.

Figure 1: Total costs of CVT courses per employee in enterprises with CVT courses (PPS) - 1999 -

Total expenditure on CVT courses is the sum of direct costs, the labour costs of participants and the balance of contributions to national or regional training funds and receipts from national or other funding arrangements. For analysing the structure of these costs and making comparisons between countries, the decisive indicators include the following: enterprises' costs per employee and per course hour, the ratio of total expenditure to the total labour costs of all enterprises, the share of individual cost headings (such as labour costs for in-house CVT staff) in the direct costs and the percentage of total costs accounted for by contributions to public training funds and by subsidies.

The CVTS2 results regarding the costs and funding of CVT courses are very interesting, as there were found to be quite considerable regional differences. These became apparent above all in comparisons between the candidate countries, which are in the difficult phase of transition to a market economy, and the Member States with their particular forms of the welfare state. Differences also emerged between the countries of Northern Europe and the rest.
Highest expenditure per employee on CVT courses in large enterprises and in the
"Financial intermediation" branch

Total expenditure per employee on CVT courses in 1999 (Fig. 1) ranged from 109 PPS in Romania to 1169 PPS in Denmark. While enterprises in Norway, the Netherlands and Sweden also had high expenditure per employee, Lithuania, Latvia and Poland, together with Romania, were at the bottom of the scale.

In terms of enterprise size class, the total expenditure on CVT courses per employee was generally highest in large enterprises (250 employees and over).\(^1\) Exceptions were Estonia, Hungary, Latvia, Poland, Romania and Slovenia – interestingly, all candidate countries – where small enterprises (10-49 employees) had higher expenditure. Medium-sized enterprises (50-249 employees) did not fit into any consistent pattern spending more than small enterprises in some countries and less in others.

A comparison of total expenditure on CVT courses per employee between selected branches of activity shows that in all countries ‘Financial intermediation’ (J) had higher expenditure than ‘Manufacturing’ (D) or ‘Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods’ (G) (Fig. 2).\(^2\) The figures ranged from 225 PPS in Romania to 2381 PPS in the Netherlands. A comparison between ‘Manufacturing’ and ‘Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods’, however, did not produce such a uniform picture, though it can be said in general that in the candidate countries (except Slovenia) and Austria total expenditure per employee was higher in ‘Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods’ than in manufacturing. In Northern and Western Europe and in Portugal and Spain in the South, on the other hand, the ‘Manufacturing’ branch was ahead.

‘Real estate, renting and business activities’ (K) had the highest total expenditure per employee in only three countries: Denmark (1981 PPS), Luxembourg (1730 PPS) and Sweden (1270 PPS). In all countries expenditure was lowest in ‘Other community, social and personal service activities’ (O).

As regards the structure of expenditure per employee on CVT courses, the results are set out in Table 1. A distinction is made here between the direct costs incurred for organising the courses and the labour costs

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\(^1\) For Norway there are no reliable data by size class.

\(^2\) For Norway there are no reliable data by branch of activity.

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Table 1: Structure of the costs of CVT courses per employee in enterprises with CVT courses (PPS) - 1999 -

<table>
<thead>
<tr>
<th>Country</th>
<th>Total costs</th>
<th>Direct costs</th>
<th>Labour costs of participants</th>
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<tr>
<td>RO</td>
<td>109</td>
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</table>
of course participants. The latter are of particular interest and can be regarded from enterprises' point of view as the 'opportunity costs' of CVT courses, since for the duration of a course employees are not engaged in productive work but still incur labour costs. These costs are also known as 'staff time costs' and have to be taken into account in any complete cost structure analysis.

Table 1 shows a clear difference with regard to staff time costs between the Member States and Norway on the one hand and the candidate countries on the other, and Belgium where staff time costs exceeded direct costs by a factor of 1.6 and 1.4, respectively. The ratio was lowest in Estonia (0.4).

A further important indicator is total expenditure on CVT courses per course hour (Fig. 4). In 1999 this was highest in Germany and Norway at 59 PPS and lowest in Romania at 13 PPS. Denmark, Belgium and the Netherlands were also at the top of the scale, with Latvia, Slovenia, Lithuania and Poland bringing up the rear.

with the highest staff time costs per employee being recorded in Denmark (522 PPS), Belgium (498 PPS), Sweden (415 PPS), Norway (413 PPS) and Luxembourg (412 PPS), and the lowest in Romania (51 PPS), Lithuania (56 PPS), Latvia (59 PPS), Poland (70 PPS) and Estonia (85 PPS).
European enterprises invested between 0.5% and 3.0% of labour costs in CVT courses

As already mentioned, total expenditure on CVT courses is the sum of direct costs, staff time costs and the balance of contributions to national or regional training funds and receipts from national or other funding arrangements.

In almost all countries total expenditure on CVT courses as a percentage of labour costs was higher in large enterprises than in small ones. (For Norway there are no reliable data by size class).

![Figure 5: Costs of CVT courses as a percentage of total labour costs in all enterprises, by type of costs - 1999 -](image)

The level of this total expenditure as a percentage of the labour costs of all enterprises in 1999 ranged from 0.5% in Romania to 3.0% in Denmark (Fig. 5). The direct costs of courses as a percentage of labour costs varied between 0.3% in Romania and 1.7% in Denmark and the Netherlands. The percentage accounted for by staff time costs was also lowest in Romania (0.2%) and highest in Denmark (1.4%).

The spread of total expenditure on CVT courses as a percentage of the labour costs of all enterprises by branch of activity is shown in Table 2. (For Norway there are no reliable data by branch of activity). In over half countries the highest level of course costs as a percentage of labour costs was in 'Financial intermediation' (J), ranging from 1.1% in Romania and Bulgaria to 5.4% in the Netherlands. In 'Manufacturing' (D) Romania and Bulgaria were at the bottom of the
scale, each with 0.3%, while Denmark, Ireland and Sweden came top, each with 2.6%. In 'Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods' (G) the costs of CVT courses in Romania amounted to 0.2% of total labour costs, whereas it was surprising to find that at 3.7% this figure was very high in Estonia compared with the other countries.

In seven countries (Belgium, Germany, Denmark, Finland, Hungary, Luxembourg and Sweden) 'Real estate, renting and business activities' (K) had the highest figure for total expenditure on CVT courses as a percentage of labour costs, ranging from 2.1% in Hungary to 5.3% in Denmark. In Ireland 'Other community, social and personal service activities' (O) was in top place with 2.8%, which was very much an exception.

Payments to external providers made up the largest portion of the direct costs of CVT courses

If we look at the direct costs of CVT courses, i.e. only the costs immediately associated with the provision of continuing vocational training, the following cost headings can be identified:

- fees and payments to external training providers and training staff,
- travel and other sundry expenses and subsistence allowances,
- labour costs for internal training staff wholly or partly engaged in planning, organising and providing the courses, and
- costs of premises (including training centres) and equipment, together with the costs of materials.

If the last two headings are subsumed under 'Labour costs of trainers/other costs', the situation is as shown in Fig. 6. (For Belgium and Norway there are no reliable data). In all countries 'Fees and payments' constituted the largest portion of direct course costs. In Hungary (80%), high in Spain, Ireland and Luxembourg, making up around 40% of all direct course costs. For 'Travel and subsistence payments' in most countries a proportion of less than 15% was recorded, and only in Bulgaria, at 39%, was the figure unusually high.

In general it must be stressed how great a part is played by the costs of internal training staff, although there is an obvious trend towards outsourcing in-service CVT activities.

In highly technological industries or wherever highly specialised products are involved, however, it is often unavoidable to make use of internal training staff. For imparting 'soft' or more general skills, on the other hand, it can make sense to outsource continuing training.
Not much promotion of CVT courses in enterprises through public training funds or subsidies

In varying degrees enterprises are required to contribute to a public training fund, but can then also get funding from it for their continuing-training activities; state subsidies or assistance from other funding arrangements may also be available. Basically it emerged that in 1999 these receipts and contributions played only a minor role compared to direct costs (Table 3)\(^3\). A special case was Hungary, where contributions to training funds made up as much as 66% of direct costs of CVT courses, while receipts accounted for just about 5%. Although receipts were reported in all countries, their ratio to direct costs amounted to well under 10% in nearly every country. By far the largest part of the costs of CVT courses was thus borne by enterprises themselves.

\[^{3}\text{For Luxembourg, the Netherlands and Norway receipts/contributions are not available.}\]

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<td>1.1</td>
<td>0.4</td>
<td>0.7</td>
</tr>
</tbody>
</table>
Abbreviations: Β - Belgium, DK - Denmark, D - Germany, E - Spain, IRL - Ireland, L - Luxembourg, NL - Netherlands, A - Austria, P - Portugal, FIN - Finland, S - Sweden, NO - Norway, BG - Bulgaria, CZ - Czech Republic, EE - Estonia, HU - Hungary, LV - Latvia, LT - Lithuania, PL - Poland, RO - Romania, SI - Slovenia

In-service continuing vocational training: training measures or activities financed wholly or partly by enterprises for employees with employment contracts. For the purposes of this survey, "employees" means the total number of persons employed, excluding apprentices and trainees.

Continuing vocational training courses: events designed solely for the purpose of providing continuing vocational training that take place away from the place of work, e.g. in a classroom or training centre, at which a group of people receive instruction from teachers/tutors/lecturers for a period of time specified in advance by those organising the course.

Internally managed courses: courses designed and managed by the enterprise itself, even if held at a location away from the enterprise.

Externally managed courses: courses designed and managed by an organisation that is not part of the enterprise, even if they are held in the enterprise.

Other forms of in-service continuing vocational training:

planned periods of training, instruction or practical experience, using the normal tools of work, either at the immediate place of work or in the work situation, planned learning through job rotation, exchanges or secondments, participation in learning or quality-improvement groups, self-learning, information events: conferences, workshops, lectures and seminars.

Course participants: a course participant is a person who took part in one or more CVT courses at some time during 1999. Each person was counted once only, irrespective of the number of times he or she participated on a CVT course.

Hours spent on CVT courses: the total number of hours of CVT relates to the total paid working time that all participants spent in CVT courses during 1999.


NACE D Manufacturing

NACE G Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods

NACE J Financial intermediation

NACE K Real estate, renting and business activities

NACE O Other community, social and personal service activities

Other (C, E, F, H, I) Mining and quarrying; Electricity, gas, water; Construction; Hotels and restaurants; Transport, communication

PPS (purchasing-power standards): costs are indicated in PPS to allow for price differences between countries. The PPS conversion factors indicate how many national currency units the same quantity of goods and services would cost in individual countries.
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