

Hungary



Training Sub-Fund of the National Employment Fund (*Nemzeti Foglalkoztatási Alap - NFA*)

Background

Under the 2011 act on the vocational training contribution (szakképzési hozzájárulás), companies in Hungary are obliged to contribute 1.5% of their payroll to the Training Sub-Fund of the National Employment Fund (Nemzeti Foglalkoztatási Alap - NFA). This obligation can be 'paid' in three ways:

- A direct payment to the NFA training sub-fund;
- By providing practical training to vocational education and training (VET) learners (and certain higher education programmes), the costs of which can be deducted from the training levy obligation, up to a certain amount;
- By providing, or financially supporting, training to their own employees (up to 16.5% of the training levy, and under certain conditions).

Levy and Fund Purpose

<i>What is/are the main purpose(s) of the training levy?</i>	<ul style="list-style-type: none"> • To create a dedicated (and predictable) finance source earmarked for TVET separate from the public budget • To increase the incidence of employee training in levy-contributing firms • To provide opportunities for the training of workers in the informal economy, including (but not limited to) micro and small enterprises • To fund special government initiatives related to training youth as a means to address youth unemployment • To provide opportunities for the training and employment of disadvantaged and marginalized groups • To provide business development and consulting services to enterprises
<i>What is the levy type?</i>	<ul style="list-style-type: none"> • Revenue generation • Levy-exemption • Cost-reimbursement

Fund Mobilization

Levy rate, base, exemptions and income

<i>What is the levy base?</i>	Payroll
<i>What is the levy rate?</i>	1.5%
<i>Is it a national, regional or sector levy?</i>	National
<i>Who should pay the levy?</i>	Private enterprise employers (formal sector)
<i>What was the total number of levy paying firms?</i>	443,325 (2019)
<i>Does the training fund receive funding from any other source apart from the levy?</i>	Yes – government grants
<i>What was the total amount of levy funds collected in the most recent year data available?</i>	HUF 144.6 billion (USD 488m) (2019)

Method used to collect the levy

<i>Who collects the levy?</i>	National Tax and Customs Administration of Hungary
<i>What are the main challenges with regard to levy collection and how could these be addressed?</i>	No information
<i>Do levy payers pay, and what is the penalty if they do not?</i>	No information

The levy is paid to the national treasury, but there is a dedicated budget line for the training fund with collected levies either transferred to the training fund in full, or according to a specific agreed percentage of the levy collected.

Fund Expenditure

Allowable areas of expenditure for the training fund

Training of employees in levy-paying firms	Yes
Training of workers in formal small and micro-enterprises that don't pay the levy	No
Initial training of young people in secondary-level technical and vocational institutes	Yes
Initial training of young people in tertiary-level technical and vocational institutes	Yes
Training as part of special government initiatives related to training youth or disadvantaged and marginalized groups	Yes
Business development and consulting services to enterprises	Yes
Equipment and infrastructure of public training providers	Yes
Training activities for training fund staff	No
Monitoring and evaluation activities	Yes
Administrative management of the training fund	Unknown
Levy collection	No

Actual fund expenditure

In 2019, the total expenditure of the training sub-fund of the National Employment Fund was HUF 31.7 billion (USD 107m), with the largest expenditure items relating to: the initial training of young people in secondary-level technical and vocational institutes; and, equipment and infrastructure of public training providers.

Fund Allocation Mechanisms

How are funds allocated to levy-paying firms to train their employees? Firms that train their own employees are exempt – up to the amount they pay on training – from the training levy. If their training costs exceed the equivalent amount they would have paid as a levy (1.5% of payroll), they are eligible for a reimbursement from the training fund.

How are funds allocated to training institutions offering initial TVET? i) Direct grants to training institutions be spent on approved training; ii) Stipends to VET students; the Adolf Szabóky VET Scholarship programme (a VET school stipend programme with the goal to encourage learners to train for a vocational qualification that is in high demand on the labour market).

How are funds allocated to training related programs targeting disadvantaged and marginalized groups? Disadvantaged and vulnerable adults, including the unemployed, women on child care support, people on rehabilitation support, people participating in public work programmes and those at risk of becoming unemployed, are able to access funding from the National Employment Fund to obtain vocational qualifications. They can apply for reimbursement of tuition fees, related expenses (travel and accommodation costs), cost of family member/child care as well as provision of supplementary/compensatory payment.

How are funds allocated to other institutions and groups? Training providers that are not obliged to pay the training levy (e.g. central budgetary institutions in the social/health sector, farmers etc.) can still receive funding from the training sub-fund for providing apprenticeship training. The sub-fund also finances the technological/infrastructural and content development of VET and adult training.

Fund Effectiveness

<i>How effective is the training fund's monitoring and evaluation system at assessing the training and labour market outputs and outcomes of the training fund expenditure?</i>	Reporting focuses on the number of persons trained.
<i>What evidence exists on the effectiveness of levy-financed training funds, in terms of:</i> <ul style="list-style-type: none"> • <i>Improving access to training for disadvantaged groups?</i> • <i>Improving enterprise performance?</i> • <i>Improving individual employability?</i> • <i>Contributing to national public education and training system?</i> • <i>Incentivizing enterprises to train their employees?</i> 	<p>Many companies and businesses could not afford to train students without the financial support of the training fund due to high training costs (Chamber of Commerce and Industry, 15.09.20).</p> <p>According to companies' estimate, the amount of this (deductible/reimbursable) per capita funding from the Training Sub-Fund of the National Employment Fund covered about 4/5th of their actual costs of training VET learners in 2016 (survey by the Institute for Economic and Enterprise Research and Hungarian Chamber of Commerce and Industry).</p>

Fund Governance and Management

Fund governance

There is no Board. Decisions are made by the Minister through a tailor-made decision-making process, delegating the Deputy State Secretary responsible for TVET. The minister responsible for TVET decides on the allocation of the training sub-fund, assisted by the National Office of TVET and Adult Learning (NSZFH) and advisory bodies that involve the social partners. **Level of autonomy of governing Board from government:** None

Fund management

No information on efficiency or effectiveness.

Impact of COVID-19 on the Training Fund

Impact on levy collection: Between March-June 2020, companies belonging to one of the vulnerable industries (as determined by government and including, for example, taxis, accommodation, food and beverage sector, creative arts, sport, among others) were exempt from paying the training levy.

Impact on levy expenditure / allocation: No changes to allocation plans or eligibility rules were made as a result of COVID-19 in 2020.

References and Further Reading

In addition to the below sources, this country brief is informed by information and data provided by Ministry for Innovation and Technology (06.09.20) and the Chamber of Commerce and Industry (15.09.20) in Hungary.

Bükki, E. 2019. *Vocational Education and Training in Europe: Hungary*. ReferNet VET in Europe Reports 2018. National Office of VET and Adult Learning-NSZFH (Cedefop ReferNet Hungary) https://cumulus.cedefop.europa.eu/files/vetelib/2019/Vocational_Education_Training_Europe_Hungary_2018_Cedefop_ReferNet.pdf (accessed 19.12.20)

Hungary flag icon made by Freepik from www.flaticon.com

Official Website (last accessed)	None identified
----------------------------------	-----------------