


EFTA SURVEILLANCE AUTHORITY

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EFTA SURVEILLANCE AUTHORITY DECISION

OF 7 SEPTEMBER 1994

ON THE EMPLOYMENT SUBSIDY FOR APPRENTICESHIP TRAINING (FINLAND)

THE EFTA SURVEILLANCE AUTHORITY,

Having regard to the Agreement on the European Economic Area¹, in particular to Articles 61 to 63,

Having regard to the Agreement between the EFTA States on the establishment of a Surveillance Authority and a Court of Justice², in particular Article 1 of Protocol 3 thereof,

WHEREAS:

I. FACTS

1. The notification

By letter dated 28 June 1994, received by the EFTA Surveillance Authority on the same day (ref. 94-9626A), the Finnish Government notified, in accordance with Article 1(3) of Protocol 3 to the Surveillance and Court Agreement, a proposal on the employment subsidy for apprenticeship training. The EFTA Surveillance Authority, by letter dated 19 July 1994 (ref. 94-10947D), requested additional information from the Finnish Government. The requested information was submitted to the Authority by letter dated 17 August 1994 (ref. 94-12166A).

¹ Hereinafter referred to as the EEA Agreement.

² Hereinafter referred to as the Surveillance and Court Agreement.

2. The aim and contents of the proposed aid measures

The scheme aims at increasing opportunities of young unemployed people for apprenticeship training. The employment subsidy is to be granted by the Labour administration as a supplement to assistance for apprenticeship training administered by the Ministry of Education³.

Apprenticeship assistance granted by the Ministry of Education

The aim of this assistance is to increase the number of apprenticeship training alongside with the general vocational training measures and to develop training given at work places in general. The assistance is paid to the municipal authorities which, based on application, grant the employer an educational compensation covering the additional costs incurred on the employer from training an apprentice who is at least 15 years of age.

Each student is trained according to a personal training plan which spells out the period of time during which the theoretical studies and the work tasks are undertaken leading to the professional skills of the apprentice. Such a plan is drawn up between the local authorities, employer and the student. The plan is part of the apprenticeship contract of the apprentice. After completion of the apprenticeship, the student gets a certificate which lays down the grades of the apprentice based on the results of the theoretical studies and the work task carried out at the work place.

The student is entitled to certain social benefits such as a free education and teaching material. The student is also paid a daily allowance during the theoretical studies which are normally carried out in an educational institute. The municipality pays the employer a compensation to cover the costs of training given at the work place. The amount of the assistance to the municipality is intended to cover all these costs and is determined by the financial capacity classification of each municipality. The payment is, thus, bigger for the poorer municipalities where the apprenticeship training is offered. This differentiation reflects the differences in central government participation in vocational training arranged by the municipalities. The budget estimate of the assistance for 1994 both for basic training and further training is FIM 46 million while for 1995 it is estimated to be about FIM 150 million. The annual amount of assistance granted to the local authorities per student in 1994 is laid down in the table below.

Financial capacity classification of municipalities	Basic training	Further training
1 - 3	FIM 28 865	FIM 16 100
4 - 7	FIM 27 000	FIM 15 000
8 - 10	FIM 25 100	FIM 14 000

³ Apprenticeship Act (*Laki oppisopimusoulutuksesta (1605/92)*), as amended by 1222/93.
Apprenticeship Decree (*Asetus oppisopimusoulutuksesta 1606/92*), as amended by 1223/93.

Employment subsidy granted by the Ministry of Labour

The aid granted by the Ministry of Labour is given in the form of a grant. It is granted to an employer that makes an apprenticeship contract (i) for vocational training with under 25-year old, unskilled, unemployed young who have been registered as job seekers in the employment office or (ii) for further training with under 30-year old unemployed young with a basic training. Aid can be granted to the employer for basic training for a maximum period of three years. For further training the employer may receive aid during a period of 4-12 months.

84% of the student places for basic training account for vocational training or academic education. Further training consists entirely of supplementary vocational training or of specialised training. The aim of the scheme is to increase training opportunities, particularly as regards apprenticeship training which accounts for 32% of the increase in the number of student places. In addition to the possibilities of training in the context of the existing student places, the Finnish authorities aim at arranging 18 000 new student places for basic training in 1994-1996 each year while for further training it is estimated to be about 16 000 annually during the same period of time.

The monthly amount of the grant to be paid to the employer per student can be broken down as follows:

Amount of aid to employer	Basic training	Further training
Education administration apprenticeship subsidy	FIM 1 500	FIM 750
Labour administration apprenticeship subsidy	FIM 1 500	FIM 2 500
Total amount of aid	FIM 3 000	FIM 3 250

The scheme is limited in time and remains in force until the end of 1996. The estimate of the total budget of the scheme as regards the subsidies to be granted to the private sector is given in the table below.

Budget estimates of the Ministry of Labour	Basic training	Further training
1994 total budget:	FIM 48 million	FIM 20 million
1995 total budget:	FIM 96 million	FIM 84 million
1996 total budget:	FIM 108 million	FIM 94 million

The grant cannot be cumulated with other aid granted from State resources except for the educational compensation given by the Ministry of Education for apprenticeship training. The aid must not distort competition between enterprises. Moreover, the

subsidy cannot be given if the employer has laid off or made redundant employees employed in similar positions during the three months preceding the application for the subsidy. Neither may the employer have reduced the working time of such employees.

It is estimated that in 1994 the scheme would contribute to 8 000 new apprenticeship training contracts with the young, 3 000 in private enterprises. In 1995 and 1996 the corresponding yearly number could rise up to 12 000. It is further estimated that without the help of the supplementary grant paid by the Labour administration on top of the apprenticeship assistance granted by the Ministry of Education, the number of apprenticeship contracts would remain at 2 000 in 1994.

II. APPRECIATION

The educational compensation granted by local authorities to employers may be regarded as part of the educational system in Finland. An apprenticeship contract is made in order for an apprentice to obtain certain professional skills through theoretical studies and training at the work place. Compensation is given to the employer to cover the costs of training. The aid is, thus, not given to the employer in order to maintain employment or to create additional jobs whereby the labour costs as such are being covered. The existing apprenticeship system administered by the Ministry of Education is, therefore, not considered to constitute aid in the meaning of Article 61(1) of the EEA Agreement.

By offering the supplementary apprenticeship subsidy under the proposed scheme the Finnish authorities create training opportunities to young unemployed which would normally not be available, in particular due to the economic difficulties now prevailing in Finland. Although the aid scheme is potentially open to all companies (regardless of size, sector and region) on the basis of certain objective criteria, the Finnish authorities are left with certain discretionary powers to decide when to grant the aid and when not to. Moreover, as the total amount of subsidies foreseen to the private sector is a rather modest one, some enterprises are likely to benefit from the aid more than others. Thus, the aid measures cannot be regarded as general measures but constitute aid in the meaning of Article 61(1) of the EEA Agreement. The aid granted to enterprises, therefore, threatens to distort competition and affect trade within the EEA, particularly since the products of the favoured undertakings may be in competition with that of undertakings in other States participating in the EEA.

Consequently, the EFTA Surveillance Authority is obliged to assess whether any of the exemption clauses under Article 61(2) and (3) are applicable in order to exempt the aid measure from the general prohibition of aid under Article 61(1).

The scheme has clear horizontal objectives in increasing possibilities of the young unemployed for training in apprenticeships. The scheme constitutes a part of a wide effort by the Finnish authorities to combat youth unemployment. According to the information given in the notification, the number of unemployed young under 25 years of age amounted to about 100 000 in 1993, with a total of 15 000 long-term unemployed. Approximately 50 000 of the young unemployed have no vocational training while about 50 000 young people who have finished their vocational training

are still unemployed. In some fields, the unemployment rate among those having finished their training has risen to 40-50%. Despite of these facts, the young willingly seek to enter into vocational training and institutions of higher education. About 50 000 young people who had applied for admission to institutions of college level education in 1993 were not admitted. During the same year the unemployment rate among the young averaged 34%.

There are a number of conditions that must be met in order for enterprises providing training to the young unemployed to be eligible for the subsidy. Aid may be cumulated only with the educational compensation given by the Ministry of Education for apprenticeship training. The aid must not distort competition between enterprises. The employer must not receive the subsidy if a student is being employed in the enterprise concerned before the decision of the granting of the subsidy is made. Neither can the subsidy be given if previous employees of the enterprise have lost their jobs during a certain period of time before the aid decision is made. The same applies to a situation where current employees of the enterprise are to be made redundant due to the training of young unemployed with the help of the subsidy. If it is estimated that the post can be filled without the use of the subsidy the aid may not be granted.

The employment office, which grants the subsidy based on application from the employer, ensures that the above-mentioned conditions are fulfilled. However, once the apprenticeship contract is being made by the employment office, the local authorities that have authorised the educational compensation to the enterprise give their view on whether the supplementary subsidy paid by the employment office is necessary. The final decision is, nevertheless, made by the employment office. The employer commits itself to train the young unemployed according to a plan set up by the employment office which monitors the use of the subsidy by means of a report submitted by the employer of the period of time a student has trained in the enterprise in question. The subsidy may be recovered if the recipient has not fulfilled the conditions on which the aid was granted.

As the nature of the scheme is a temporary one to relieve the current grave unemployment situation in Finland, the scheme is limited in time covering employment subsidies granted until the end of 1996. Furthermore, the Finnish authorities are currently drafting new guidelines for employment aid schemes whereby the conditions for enterprises to receive such aid will be restricted. The Government has already in principle agreed to propose such new measures which are planned to enter into force in the beginning of 1995.⁴ The proposals shall be notified to the Authority in due course before the end of the year.

According to chapter 18 of the Procedural and Substantive Rules in the Field of State Aid, adopted by the EFTA Surveillance Authority on 19 January 1994⁵, aid which has the effect of reducing labour costs without meeting special needs is to be regarded as operating aid and is in principle incompatible with the functioning of the EEA Agreement. On the other hand, the Surveillance Authority takes a favourable attitude

⁴ Summary document of the Government's discussion on the budget for 1995 (*Hallituksen tiedote vuoden 1995 talousarvioesityksestä, 19.8.1994*).

⁵ Hereinafter referred to as State Aid Guidelines.

to aid schemes for promoting employment where they are designed not just to keep workers in employment but to encourage firms to take on new workers, and especially to create additional jobs for particular categories of workers who have special difficulty in finding employment, for example the young. The measures are further justified by the seriously difficult employment situation that the young face in Finland.

On the basis of the above considerations, it is concluded that the employment subsidy for apprenticeship training qualify for exemption under Article 61(3)(c) of the EEA Agreement by facilitating the development of certain economic activities.

HAS ADOPTED THIS DECISION:

1. The EFTA Surveillance Authority has decided not to raise objections to the employment subsidy for apprenticeship training, as notified by letters dated 28 June and 17 August 1994.
2. The Finnish Government is obliged to submit a simplified annual report (according to chapter 30 of and Annex IV to the State Aid Guidelines) on the application of the scheme to the EFTA Surveillance Authority.

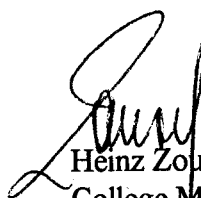
Done at Brussels, 7 September 1994

For the EFTA Surveillance Authority



Knut Almestad

President of the EFTA Surveillance Authority



Heinz Zourek

College Member