

ESF THEMATIC NETWORK ON SIMPLIFICATION

REPORT ON SCO PRACTICES

(Draft for the 6th Meeting of the Thematic Network - The Hague – 8-9 June, 2017)

References:

Member State / Region	Malta
Reference number (TN's map of SCO practices)	2

Contact details:

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Type of SCO reported <i>(Please choose one of these types of SCO: flat rate financing, standard scale of unit costs, lump sum).</i>	STANDARD SCALE OF UNIT COSTS
Type of activities covered by the SCO <i>(Please indicate what type of activities is targeted by the SCO).</i>	TRAINING AID

A. PROJECT DESCRIPTION

<p>A1. Description of the type of operation <i>(Please describe in brief what types of operations are covered by SCO)</i></p> <p>The <i>Investing in Skills</i> scheme will assist employers train their staff both locally and abroad to enhance the competitiveness of enterprises. The scheme will:</p> <ul style="list-style-type: none"> Facilitate training of undertakings, including partnerships, companies, self-employed persons, family businesses, associations or other bodies, whether vested with legal personality or not, having an economic activity;
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- Increase productivity and enhancing adaptability in the local workforce;
- Bridging the gap between current skills and any skills gap identified by employers; and
- Increase social cohesion by enhancing the competitiveness of assisted enterprises.

Investing in Skills is intended to promote access to the training of persons actively participating in the Maltese labour market, with a view to increasing productivity and enhancing adaptability of the same workforce by improve the knowledge and skills of employed persons. This would enhance the competitiveness of enterprises but at the same time indirectly increase the employability of the workforce.

The training envisaged under this scheme will cover both accredited training and unaccredited training.

A2. Definition of outputs/results *(Please give a short definition of outputs and/or results)*

The IIS scheme will provide training aid to enterprises in Malta and Gozo to promote continuous education and training in the private sector. Companies will be able to submit applications on behalf of their employees for training, both in-house and external. The training aid will be in the form of subsidies on the employees' wages attending the training and the trainer giving the training.

A3. Beneficiaries *(please indicate the types of beneficiaries involved in the operations covered by SCO)*

Private enterprises.

A4. Target group(s) *(Please list target groups within projects covered by SCO)*

- Micro / Small companies
- Medium sized companies
- Large companies

B. METHODOLOGY AND CALCULATION METHOD

B.1 Methodology (please indicate which methodology/ies has/have been used: Fair, equitable and verifiable method / use of existing EU schemes for similar types of operation and beneficiary / Use of existing own national schemes for similar types of operations and beneficiaries / use of rates and specific methods enshrined in the regulation or in a delegated act / use of a draft budget /combination of methodologies).

Please indicate if the concerned SCO has been covered by Art. 14(1) ESF)

Methodology applied: *Fair, equitable and verifiable method*

Rate of €25 per hour to cover the cost of external training only for both accredited and non-accredited courses:

The source of the data used to establish these rates were the actual training costs incurred under the Training Aid Framework (TAF) scheme funded through ESF under the 2007-2013 Programming Period in Malta for non-accredited training only. Data used came from the first ‘phase’ of this scheme implemented between 2009 and 2013. The Maltese PES who implemented this scheme was the IB responsible for TAF. A study was carried out to establish the average cost of training funded under TAF. Given that data on accredited courses is still being gathered, the MA applied the same rate for non-accredited courses to accredited courses given that by definition accredited courses will entail trainers with higher qualifications and more teaching hours, therefore a higher cost overall. A Delegated Act application was submitted for this rate under Article 14(1) of the ESF regulation.

Methodology applied: *Use of rates and specific methods enshrined in the regulation or in a delegated act*

Rate of €4.90 per participant per hour to cover the participants’ wages (for both internal and external training) as well as the wage of the trainer for internal training only:

The national minimum wage for persons aged 18 years or over as at 2017 was applied given that the national minimum wage sets the standard across the country for the lowest possible wage that can be given. This scheme intends to provide companies with training aid by subsidising the wage of the participating employees as well as any internal trainers giving the training.

B.2 Calculation Methods (please describe how the calculations have been made)

Rate of €25 per hour to cover the cost of external training only for both accredited and non-accredited courses:

The source of the data used to establish these rates were the actual training costs incurred under the Training Aid Framework (TAF) scheme funded through ESF under the 2007-2013 Programming Period in Malta for non-accredited training only. Data used came from the first ‘phase’ of this scheme implemented between 2009 and 2013. The research focused on the number of persons receiving the same training per undertaking when looking at a Standard Scale of Unit Cost/s for training. The best scenario that lent itself to simplification and stayed true to the market in the

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reflection of the cost established, was a rate based on the number of employees per undertaking receiving the same training in line with the following:

	Number of cases	Average hourly rate per person
1 trainee	308	€48.36
2 - 5 trainees	333	€24.72
6 - 15 trainees	380	€13.89
More than 15 trainees	168	€8.27
Total	1,189	€25.06

The rate of €25.06 has been rounded down to €25 per person per hour for simplification purposes.

Rate of €4.90 per participant per hour to cover the participants' wages (for both internal and external training) as well as the wage of the trainer for internal training only:

The assumptions taken in terms of quality and quantities are in line with the national minimum requirements for wages.

The methodology for the hourly rate of €4.90 was as follows:

Rate of pay for trainees that are 18 years of age and over (in 2017):	Per annum
Basic wage - €169.76 x 52 weeks	€8,827.52
Statutory bonus payable June and December - €135.10 x 2 =	€270.20
Weekly allowance bonus payable March and September - €121.16 x 2 =	€242.32
Employer's share of National Insurance - €16.98 x 52 Mondays =	€882.96
Total gross pay plus National Insurance per annum =	€10,223
Hourly rate = Total gross pay plus National Insurance per annum divided by 52 weeks, further divided by 40 hours	€4.91

The rounded figure of €4.90 per training participant per training hour was chosen as the standard rate to be applied across the board, irrespective of the age of the training participant.

B.3 Data source (please indicate the type of data used and the data source)

The rate of **Eur25 per hour** to cover the cost of external training (only for both accredited and non-accredited courses) was based on the actual training costs incurred under the Training Aid Framework (TAF) scheme funded through ESF under the 2007-2013 Programming Period in Malta for non-accredited training only. Data used came from the first 'phase' of this scheme implemented between 2009 and 2013. The data was produced and collected by Jobsplus (previously known as the Employment and Training corporation) which was passed on to the National Commission for Further and Higher Education (NCFHE) for analysis. The latter were commissioned by the Managing Authority to carry out a study to propose a standard scale of unit cost/s for the training aid scheme – Investing In Skills.

The rate of **Eur4.90** per participant per hour to cover the participants' wages (for both internal and external training) as well as the wage of the trainer for internal training only was based on Subsidiary Legislation (SL) 452.71 – *National Minimum Wage Standard Order*. Justification for the statutory bonus payments can be found at: <https://dier.gov.mt/en/Employment-Conditions/Wages/Pages/Bonus-and-Weekly-Allowances.aspx>. Rates for employers' social security contributions can be found at: <https://ird.gov.mt/services/sscrates.aspx>. Subsidiary Legislation 452.87 – *Organisation of Working Time Regulation* specifies the minimum and maximum working time. Article 8(1) states that *Every worker shall be entitled to paid annual leave of at least the equivalent in hours of four weeks and thirty-two hours calculated on the basis of a forty-hour working week and an eight-hour working day*. The 40 hr week is taken as the standard working week in Malta.

C. IMPLEMENTATION OF SCO

(Please describe in brief what implementation rules and conditions have been set out)

Eligibility check:

1. In the case of **non-accredited** training the number of training hours is being capped up to 25, 15 persons per group. The IB will be keeping a database for all the training being delivered and claimed through IIS. Therefore, in the event that a trainer/training provider claims that they have given the same training to more than one Beneficiary undertaking at the same time, this will be flagged and investigated by the IB.
2. In the case of **self-accredited** training providers including but not limited to MCAST and ITS, the training given by these institutions will be capped on the number of contact hours.
3. In the case of **accredited training** the Intermediate Body will be checking that the hours claimed are in line with NCFHE guidelines for that level rated course or the course prospectus for self-accrediting institutions. These will be checked between the training programme

submitted by the applicant undertaking against NCFHE guidelines and/or the course prospectus for self-accrediting institutions on the basis of contact hours. The IB will also be checking that the participant nominated for training is legally employed with the applicant organisation. This will be carried out through the IB's (PES) database.

4. With regards to NI contributions, the IB may ask for a declaration from the employer stating that the payments related to the National Insurance for the participant have been paid if such claims are included for reimbursement. The same applies to trainers wages.

D. AUDIT TRAIL

(Please provide a brief description of the audit trail for the concerned SCO, including documents, key contents/conditions and procedures)

Management verifications (desk-based checks) shall be carried out by the Intermediate Body (IB) implementing this scheme and a sample check by the Managing Authority. The IB will be conducting checks on all Undertakings to ensure that expenditure is carried out in line with the Covenant/Commission Decision, Delegated Act and that the relevant procedures have been followed, and that operations and expenditure comply with Community and national rules.

Payments related to the **€25** per hour to cover the cost of external training will be processed upon evidence of participation including attendance sheets and certificate of qualifications / participation.

Payments related to the **Eur4.90** per participant per hour to cover the participants' wages (for both internal and external training) as well as the wage of the trainer for internal training only will be processed upon evidence of training given including attendance sheets and the NI declaration issued by the employer.

The IB and MA will also be conducting physical checks which will focus on the physical deliverables of the project. Physical checks will take place to verify the actual delivery of the training, to cross-checks between the number of signatures on the attendance sheets and the number of actual participants on site, and to verify that the training being delivered is in line with the training course listed in the agreement between IB and undertaking.

The trigger for declaration to the EC will be once requests for reimbursement are processed through Treasury, verified by the MA and certified by the Certifying Authority.

E. ASSESSMENT BY THE AUDIT AUTHORITY (IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT

(If relevant, please explain how the audit authority has been involved in preparation and assessment of the SCO).

The Maltese national audit authorities have not assessed these SCOs ex-ante. However they have been informed on the study conducted, related workings, SCOs established and relevant implementation measures through their participation within the national Steering Committee on simplification measures.

F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS

(Please explain how you have perceived impact/added value of the SCO for the MA, beneficiaries and other stakeholders).

SCOs under the IIS Aid Scheme will reduce the administrative burden for all stakeholders involved. Both the IB and the MA will be able to focus on tasks such as carrying out sample physical on-the-spot checks in order to keep a constant tab on the quality of the training delivered and achievement of objectives through the programme indicators. The administrative burden on private undertakings is also reduced resulting in quicker disbursement, which should result in more encouragement for the private sector to continue to invest in training.

G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO

(Please indicate any issues/problems/challenges you have experienced when setting out or implementing the SCO, i.e. high workload, state aid, public procurement, national legislation, revenues etc.)

The standard rate of €25 is based on historical data. The raw data obtained was filtered for exclusions and this left the MA with a small albeit representative sample.

The national minimum wage is revised from year to year therefore the established rate may be revised. In this regard an adjustment method was included in order to be able to revise the year in line with national increases in the Cost of Living Adjustments as well as any revisions made to social security contributions, statutory bonuses and weekly allowances. Even though this rate is providing the minimal amount allowed by law, given that this is a state aid scheme, the intention is to incentivise the private sector with a subsidy.

H. LESSONS LEARNED AND POINTERS

(Please indicate any unforeseen practical implications that have emerged and any key lessons you have learned from the development and implementation of the concerned SCO practice).

These standard scale of unit costs are based on the use of timesheets which can at times be error-prone. This has resulted in SSUCs that are output based instead of result based. The MA is actively looking to avoid establishing future SCOs that are solely output based and move to a more result oriented approach, even though at this initial phase a potential mix of both output and result based SCOs is likely to be the case.

I. ANNEXES OR LINKS TO ONLINE DOCUMENTS

(Please list documents or links to online documents like complete methodology, calculation methods, documents submitted to the Commission, guidance for MAs and beneficiaries, calls for proposals, audit trail, legal acts etc.).

- With regards to accredited training, the study *Referencing Report: Referencing the Malta Qualifications Framework (MQF) to the European Qualifications Framework (EQF) and the Qualifications Framework of the European Higher Education Area (QF/EHEA)* published by the National Commission for Further & Higher Qualification in Malta (4th revised edition, February 2016) is available at <http://ncfhe.gov.mt/en/Documents/Referencing%20Report/Referencing%20Report%202016.pdf>
- The rates of inflation are published by the National Statistics Office and can be found at: https://nso.gov.mt/en/nso/Selected_Indicators/Retail_Price_Index/Pages/Index-of-Inflation.aspx.
- Any adjustments to the Statutory Bonuses and Social Security Contributions emanating from Chapter 452 of the Maltese legislation on the Employment and Industrial Relations Act are specified on the following two websites: <https://dier.gov.mt/en/Employment-Conditions/Wages/Pages/Bonus-and-Weekly-Allowances.aspx> and <https://ird.gov.mt/services/sscrates.aspx>