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ABSTRACT

Historically, the roles of the public and private sectors in VET have been characterized by the following broad stages: (1) unstructured and unregulated VET; (2) supply-driven, state dominated VET; and (3) market-driven VET. More recently, the combined forces of globalization, technological change, and liberalization of markets have forced governments to seek the collaboration of private-sector stakeholders in administering and delivering VET. The question is how to reform state-driven VET systems to deliver such training in response to the new requirements created by multifaceted, rapidly changing labor markets. The scope and effectiveness of the state's role in VET is central to, and inextricably linked with, the role of other institutions within the nongovernmental or private sector. Core tasks in the field of VET that are specific to government are as follows: laying the foundations for an overall national VET policy and system; mobilizing investment in VET and searching for incentives; and protecting the public from exploitative practices and ensuring equal access to VET opportunities. Contributions of the private sector may include the following: providing relevant, up-to-date information on labor market requirements; participating in the institutional framework for policy design and training delivery; co-financing VET; designing the content of VET; and evaluating and providing feedback on the VET system's overall performance. (Contains 14 references.) (MN)

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INTRODUCTION

The combined forces of globalization, technological change and liberalization of markets are creating a more and more competitive economic environment and changing the very nature of work and work organization. At the same time as opening new job opportunities, they are increasing workers' vulnerability. The ILO's *World Employment Report 1998-99* estimates that, of a world labour force of 3 billion workers, 25 to 30 percent are underemployed and about 140 million are unemployed. By the end of 1998 an additional 10 million workers are expected to be added to the ranks of the unemployed, mainly as a result of the large-scale displacement of workers caused by the East Asian economic crisis.

In this environment, the quality of the labour force has become a major determinant in the competitiveness and adaptability of enterprises, workers and the economy; it also poses a challenge to the vocational education and training (VET) systems to meet the rapidly and continuously changing labour market demands. Education and training systems face a multiple challenge. Firstly, in order to equip workers who are already employed with new skills and competencies, they need to develop a system of continuous in-service training that can respond flexibly and rapidly to labour market requirements. Secondly, they need to offer young people the sound education and broad initial training that will give them a solid basis for continuing training throughout their working life. Thirdly, they must ensure access of those who are not employed the disadvantaged and at-risk, to opportunities for training. What is the role of the state and the non-government sector in adapting VET to the changing requirements of the labour market, and in its governance and delivery?

I. RETHINKING THE ROLE OF THE STATE AND THE PRIVATE SECTOR IN VOCATIONAL EDUCATION AND TRAINING: A HISTORICAL PERSPECTIVE

The world of work is evolving and with it, the role of the state in VET. The far-reaching transformation of the global economy is compelling governments and the private sector to rethink their development strategy in general, and VET in particular. Looking back at how the role of the public and private sectors has changed over the years, three broad stages can be discerned.

Stage 1: Unstructured and unregulated VET

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Historically, the private sector has played a major role in developing the knowledge and skills it

needed, through the family, religious institutions and at the workplace. Until this century, unstructured and informal apprenticeship was the usual means of acquiring the competencies that served as a passport for entry into skilled occupations. As a traditional and informal mode of skill acquisition for semi-skilled trades, crafts and occupations, it still predominates, particularly in the informal and rural sectors of many developing countries. This kind of informal apprenticeship, regulated only by custom and tradition, tends to be a once-in-a-lifetime experience through which existing skills are handed down rather than new skills acquired. In this first stage of VET, the government does not appear as a major player.

Stage 2: Supply-driven, state-dominated VET

Only in the twentieth century, with the rise of the welfare state and the introduction of development planning, did the state assume a dominant role in providing structured vocational education and training services. There are two main considerations underlying the role of the state in VET. The first is its responsibility to ensure that all citizens have access to education and training opportunities and services so that they can become useful members of society. The second revolves around the argument that, since society, as a whole is the intended beneficiary of such training, the public should bear at least part of its cost. This second stage was characterized by the establishment of national vocational training authorities. The main concern of the government has been providing education and training for those outside employment: initial training for young people and training for the disadvantaged.

VET within the education system - Using schools and public institutions within the education system to impart workplace skills has taken hold only in this century, and many countries include the delivery of skills in the regular school curriculum. In most of the former centrally planned economies and in many developing countries, technical and vocational schools combine academic and technical and hands-on training.

Vocational training institutions (VTIs) outside the education system - VTIs have been established outside the formal education system throughout the world and may be publicly owned, or privately owned by voluntary non-profit organizations, by proprietary agencies operated for profit, or by enterprises. Many large enterprises, recognising the importance of a well qualified labour force and dissatisfied with the quality of workers provided by the VET system, have set up their own training centres.

Private sector training - Enterprises have continued to play a critical role both in the pre-employment training of youth through informal and organized apprenticeship and on-the-job training, while voluntary non-profit agencies have focused efforts on reaching the most disadvantaged. Yet, despite its economic importance, the role of the private sector in the provision of skills has been largely overlooked in official policy making, as has the contribution of VTIs operated by enterprises. In the case of proprietary training, in particular, the profit motive has sometimes been seen as overriding broader educational and training objectives and hence lowering the quality of delivery. Yet, private sector institutions can respond quickly to changing requirements, adapt their curricula to their clientele, thus maintaining placement rates, while public VTIs tend to suffer from a rigid regulatory framework, a lack of accountability, entrepreneurial know-how and capital to respond to demand quickly and adequately.

Start of public/private collaboration - As apprenticeship has evolved in line with production practices, there has been a shift in many countries towards in-service, hands-on training by the

enterprises themselves. The latter part of this second stage and the early part of the third are accordingly marked by the establishment of structured and regulated apprenticeship systems, such as Germany's dual system and the alternance training practised in France and other European countries. This combination of on-the-job training by enterprises with vocational education and training in schools and institutions has been an important step in public/private collaboration. That said, however, the extent of the private sector's actual involvement in the design, development and governance of VET has varied widely among countries.

Stage 3: Market-driven VET

The growing recognition of the need for continuous training throughout a person's working life linked to basic education and broad-based initial training has encouraged governments to involve the private sector in the development and delivery of VET and to develop market-driven mechanisms to make it competitive and responsive to demand. A more entrepreneurial spirit has accordingly been introduced that tailors the content and delivery of training to enterprise needs, attention has been given to cost recovery and criteria have been devised to regulate the quality of the training delivered by the private sector.

The role of the national training authority as training provider has diminished and its functions have been increasingly delegated to a variety of regional/local and sectoral/industry bodies. A more conscious effort has also been made to involve the private sector in the development of training policy and its delivery. These features are explored in more detail in Part III of this paper.

In its most advanced form, the system is driven by the private sector, while the government establishes the overall framework and provides the necessary incentives to motivate the collective effort. Public VTIs are subjected to the same market forces as private providers and are devolved to local authorities, to sectoral or industrial bodies or to the institutes themselves so as to make training more demand-driven and to recover the cost of delivering it.

Countries do not necessarily fall neatly into one of the categories described above. Though in the face of the challenges posed by globalization and technological change there is a clear tendency for VET to be demand-driven rather than supply-oriented and for the private sector to play a prominent and formal role in its governance and delivery, there are many intermediate stages in the transition from state-controlled, centralized and supply-driven VET to a decentralized and market-driven system dominated by the private sector. There may also be differences between sectors, industries and regions within a given country. In practice, the respective roles of government and private sector in providing VET will depend, inter alia, on a country's level of economic development, on the strength of its private sector and on the perception of the government's core function.

Thus, stage 2 is still prevalent in lower-income developing countries with a weak organizational structure and a weak private sector and training market, while stage 3 is rapidly gaining ground in industrialized countries. In most countries, however, public/private collaboration in the design and delivery of VET falls somewhere in between.

II. TOWARDS A NEW FORM OF ROLE SHARING

The reason why

There are several interconnected factors behind the recent moves by the state to seek the collaboration of private-sector stakeholders in VET:

- the **fiscal crisis**, which has resulted in a chronic shortage of public funds to meet the increasing demand for training;
- the rise of the **market economy** and the growing recognition of the private sector's critical role in skill development;
- the rapid and continuous **changes in technology, workplace organization and practices and skill requirements**, resulting in a demand for **life-long and continuing training** and a need to reform the system of **initial training**;
- the **inability of public VET systems** to respond quickly to new labour market requirements.

New skill requirements and the need for private sector involvement

The world is in the process of transition from an industrial era to one of information and communications - often referred to as the knowledge society. The new society requires a different kind of learning, one that enhances "trainability" thus employability. For the individual, learning for employability means developing the capacity to find, keep and change employment, or to generate self-employment. Employable skills facilitate the vertical and horizontal mobility of workers in the labour market and their continuous adaptation to changing technology and new forms of work organisation. For the worker, learning for employability means life-long learning and the acquisition of competency in flexible skills that enhance mobility and job security. For the enterprise, employable skills mean that its workers are able to respond to changing workplace requirements and enhance enterprise competitiveness and growth. For the state, the concept means creating a workforce with adaptable competencies that are in line with the changing demands of the labour market, as a critical factor in contributing towards the goal of full employment.

Learning, however, does not automatically lead to employability. Employability is determined more by the ability to transfer core competencies from one job to another and from one enterprise to another rather than by job-specific skills. It requires a sound educational foundation and a broad initial training upon which continuing learning can build throughout a person's working life. Certain approaches in industrialised and rapidly industrialising countries indicate a shift from the old paradigm of VET and an active search for new responses. Some of these are given below.

Old paradigm	New paradigm
supply-driven approach	Search for demand-driven approaches
training for employment	Learning for employability
in-service training	Concept of continuing life-long learning
training and focus on the teacher/trainer	Self-learning and focus on the learner
one-time learning	Continuing recurrent life-long learning

education and training separated	Education and training integrated (a sound general education and broad-based initial training are essential bases for life-long continuing learning)
specialization in one skill	a search for multi-skilling
skill recognition based on training period and examination	Recognition based on competency and prior learning
rigid and fixed entry and exit	Flexible and multiple entry and exit
focus on formal sector	Recognition of the need to focus both on formal and informal sectors
training for wage employment	Training for wage and self-employment
centralized system	Decentralized system requiring both strong national and decentralised institutions
policy and delivery dominated by state	Policy and delivery separate, market-driven
governance dominated by the state	Participatory governance, recognition of multiple actors, social dialogue

It may be said that training for employability rests at the core of the new paradigm. It calls on the capacity of the individual to adapt to changes in work and its organization, to combine different types of knowledge and to build on them through a lifelong process of self-learning. The development of an employable skills profile has been proposed, for example, by the Canadian Task Force on Transition into Employment, as a basis for developing curricula in secondary schools. The concept could be expanded into initial training programmes for youth as well as retraining programmes.

The core knowledge, skills and attitudes that enhance employability may be grouped as:

- intellectual skills for diagnosis and analysis, innovation and learning to learn;
- social and interpersonal skills involved in communication, decision-making, teamwork and adaptability, positive attitudes and behaviour, and the ability to assume and discharge responsibilities;
- business and entrepreneurial skills, including the development of an entrepreneurial attitude at work, creativity and innovation, the ability to identify and create opportunities, calculated risk-taking and an understanding of basic business concepts such as productivity and cost and skills for self-employment;
- multiple technical skills in generic areas which are central to a number of occupations that facilitate occupational mobility.

The question is how to reform state-driven VET systems to deliver such training in response to the new requirements created by multi-faceted and rapidly changing labour markets. The objectives, content, structure and delivery of training accordingly need to be re-examined so as to improve:

- the relevance of VET systems to the needs of the market;
- their effectiveness in producing the quality and number of skilled workers required and in making the best use of available resources;
- their equity in providing access for all citizens to training opportunities in order to redress the disadvantages encountered by specific groups of the population;
- their links with the private sector.

The nature of skill development in today's world requires closer links to the private sector. Moreover, the challenges are too complex and the available resources too scarce for any single player, be it public or private. The question, therefore, is how to foster a collective effort to enhance the relevance, effectiveness, efficiency and equity of VET systems and to make use of the comparative advantages of the public and private stakeholders to their mutual benefit.

Public and private stakeholders and their comparative advantages

Because **enterprises** are market-driven and need to respond rapidly to change, they tend to possess precisely the qualities that are lacking in the state-driven VET systems, their particular strength lying in their ability to provide practical, on-the-job skills that reflect market requirements. They are therefore in a position to make a strategic contribution to the relevance, effectiveness and efficiency of those systems by improving the quality, capacity and productivity of the training provided. Their concern with skills development, however, is primarily driven by the short-term objective of meeting their own needs of increased productivity and better-quality goods and services. Training provided by employers is often job-specific and focused on better skilled workers, and may not be systematic. It therefore does not necessarily enhance the flexibility and mobility of the individuals and it may not be provided in areas of long-term strategic importance to social and economic development. In addition, by its very nature, enterprise training leaves out those outside the formal employment structure, such as the unemployed, the self-employed and informal sector workers. The role of employers' organizations can be important in voicing enterprise concern and in influencing training policy and governance, drawing attention to the need for long-term investment in continuing training and encouraging learning within enterprises.

The **state** can contribute to enterprise effectiveness by creating a supportive environment through economic growth and employment creation. It can also promote a broader and longer-term perspective for national training policy and systems, as well as maintain a balance between considerations of efficiency and equity. Moreover, greater enterprise involvement in the provision of training can release more of the state's capacity in areas which otherwise receive little attention.

The comparative advantage of the **non-profit voluntary sector** lies in its ability to reach the grassroots level even in remote areas and to provide training for the poorest and most disadvantaged population that public providers have difficulty, and enterprises little interest, in reaching. Voluntary agencies, however, often fail to have a large-scale impact, and thought needs to be given as to how public policy and measures can support voluntary sector initiatives so as to make them more effective and increase their capacity.

Individual workers and trainees play a vital role in managing their own learning and investing in personal development. Workers' organizations can do much to ensure access to broad-based and portable skills that enhance worker mobility. They can also give a voice to those who are outside formal employment structures - the unemployed, the self-employed, the informal sector workers - and play a critical role in creating a learning culture among workers.

There are a multitude of stakeholders in VET within the government and the private sector. The government, for example, has a wide range of agencies that are involved in education and training through their national, regional or local activities in development planning, education, labour, rural and industrial development, health and agriculture. The same diversity exists in the private sector, with various employers' organizations and chambers of commerce at the federal, sectoral, industry and local level, special associations for small enterprises, etc. Similarly, there are a multitude of workers' organizations and voluntary agencies at these levels. For all its complexity, this situation presents VET with a wealth of largely untapped resources.

III. THE BASIS FOR A NEW FORM OF ROLE SHARING

The scope and effectiveness of the state's role in VET is central to, and inextricably linked with, the role of other institutions within the non-government or private sector. The questions are: what are the fundamental tasks of the government which lie at the core of its mission, the tasks that it must take the lead in, and those which it is best at? What should be the size and scope of state action? The determining factors are the characteristics of the state and how it differs from other institutions in society.

Core functions and capacity of the government

As put by the World Bank in its *World Development Report* (1997), in the current environment the state needs to match its role to its capacity. It must, accordingly, focus on those core public activities where it has the necessary strength and capability and, for the rest, seek the collaboration of other stakeholders in the private sector which have a comparative advantage.

The power of the state lies in its legitimate use of regulatory power and in its jurisdiction over its citizens. In addition to creating an enabling environment for economic growth and employment generation, there are three **core tasks** in the field of VET that are specific to the government:

- laying the foundations for, and ensuring the maintenance of, an **overall national VET policy and system** and regulating the system through an appropriate **framework of laws and regulations**;
- mobilizing **collective investment in VET and searching for incentives**;
- **protecting the public** (especially vulnerable and at-risk groups) from exploitative practices and ensuring **equitable access** to VET opportunities.

Seeking greater private sector involvement: some features of demand-led VET

Separation of policy, system development and financing from delivery; participatory governance of VET

The separation of policy, system development and financing from delivery lies at the heart of demand-led vocational education and training and increased private sector participation in VET. While the design of the national training policy and system is one of the core functions of the state, it is increasingly recognised that, in the interests of efficiency and effectiveness, this must be shared with the private stakeholders in responding to changing labour market requirements.

Private stakeholders can make an important contribution to the design and development of national

VET policies and systems, such as:

- providing relevant and up-to-date **information on labour market requirements and occupational information and guidance**;
- reflecting private sector concerns in the government's **policy and implementation strategies and in the relevant laws and regulations**;
- ensuring the **relevance** of VET to labour market requirements;
- participating in the **institutional framework** for policy design and training delivery;
- determining the **modes of training delivery**;
- establishing standards for certifying the **quality** of the training institutions, managers and teaching staff, and the level of competency imparted;
- **co-financing** VET;
- designing the **content** of VET so as to reflect labour market requirements;
- **evaluating and providing feedback** on the overall performance of the system.

The role of the private sector partners in designing VET policies and systems varies among countries and sectors. In many developing countries, their involvement is restricted to the presence of employers' and workers' representatives on training boards and committees. Their effectiveness in shaping VET policies and systems depends largely on the existence of a strong public policy in favour of private sector participation, the strength of the private sector institutions, their level and quality of representation, a participative culture and effective machinery to enable them to reflect their concerns and the realities of the world of work.

Decentralizing the design and implementation of VET by region or by industry can be an important source of dynamism, creativity and initiative that is highly responsive to local demand and changing local needs. By mobilizing all the stakeholders (enterprises, local leaders, employers, workers, training providers, educators, academics and associations), it exploits the community's private and public training resources to the full and makes the whole system more demand-driven. The decentralization of VET can be observed, inter alia, in Chile, the United Kingdom, the United States and, more recently, in South Africa.

The role of the state in VET continues to be very important, complementing the local initiatives rather than restricting them. Fiscal incentives, for example, are needed to encourage local providers to offer services that they would not otherwise supply, thereby developing the local training capacity. The state can also encourage the creation of advisory committees composed of representatives of the social partners and other stakeholders in order to secure their participation in the governance of the system. Enterprises play a key role through their membership of these advisory committees, as well as by sharing the financing and by exercising control through the contracting of training services. Public funds are used to encourage private initiative and involvement rather than to maintain the system, and this permits a considerable saving in resources. In this way the government motivates and supports the overall development of VET instead of controlling it, which might otherwise have the effect of subduing local initiative and dynamism.

Competitive, market-led delivery and regulation of VET through financial incentives

The role of the state and the private sector in training is influenced by the concern of each in initial and continuing training. The primary concern of the state is to provide VET for people outside the employment structure: initial training for first-time job seekers, training for the unemployed and

the disadvantaged, integration of the socially excluded into the labour markets. The main concern of enterprises is to train their own workers to achieve their particular objectives. These concerns should be reflected in the policies and state-led incentives that guide delivery.

There is a growing call for the delivery function to be made subject to market forces and to be transferred increasingly from the state to private providers. Generally (in Australia, Chile, the United Kingdom and the United States, for instance), the tendency is to promote competition in the delivery of VET. Exposing the providers to market forces in this way increases the flexibility and responsiveness of training to labour market demand and to technological and structural change.

By encouraging a greater diversity of providers, competition in the open market also gives consumers a wider choice and may improve the quality of training offered.

In this process, the government has to subject itself to the same incentives and competitive mechanisms as the private sector. For instance, in contracting out VET, it uses performance-based contracting, relies on market information, market assessments of quality, standards and recognition. Competitive delivery obliges public VTIs to improve their performance so that they can compete with private providers, sell their training and consultancy services and charge fees.

Market imperfections and financial incentives - Markets often fail to provide sufficient incentives for individuals and enterprises to invest in training. Enterprises may be reluctant to invest in training for a number of reasons, such as wage rigidities associated with minimum wages. When they do invest, it may be in a short-term perspective and for job-specific rather than basic, broad-based skills. Fear of poaching may also discourage enterprises from investing in portable skills.

Individuals - and small enterprises- may not perceive the benefits of training or may be unable to make informed decisions because of a lack of information on labour and training markets. Private providers tend to confine themselves to training that requires low capital and little infrastructure and to focus on urban areas and on commerce and services. Their decisions may also be dictated by social demand rather than labour market needs, or by their own installed capacity. Such services may not meet the needs of enterprises or respond to the training needs of the self-employed and of workers in rural or informal sectors.

Leaving decisions to market forces does not ensure equity. Some target groups, such as early school-leavers, informal sector workers, the self-employed, rural workers and the unemployed, are outside the education and employment structures. Small enterprises have specific constraints in terms both of the delivery and utilization of the training services offered. In-service training often concentrates on managers, the highly skilled and male workers. Individuals who may need training most may not be in a position to pay for it. In such cases, state intervention stems from its concern to promote the public interest, protect the public from unfair or disruptive competition and secure equal training opportunities for all sectors and people. In promoting equitable access to VET the state needs to focus on specific target groups, for instance by providing a range of subsidies and financial incentives, free or low-cost initial training by the public sector, the introduction of training vouchers or accounts, the provision of government-secured loans or paid leave for continuing training.

Under-investment in training by individuals and enterprises lowers the level of market-provided VET, threatens productivity, and limits the potential social and private benefits accruing from skill development. In such cases, public intervention and financial incentives are necessary. Financial incentives are the principal tool for shaping the training system and stimulating investment by private stakeholders in skill development. They also enable governments to determine the rules of the game that the public and private partners are playing, thereby influencing their behaviour

so as to ensure that national, regional and sectoral goals and equity targets are achieved. Government regulatory action uses incentives to solicit greater private investment and to induce private beneficiaries to share the cost of training. Incentives give signals to training providers depending on whether training funds are disbursed on the basis of budget allocations or grants, competitive bidding or through contracts based on performance or enrolment. Incentives may be directed towards providers and consumers, enterprises, public VTIs, proprietary agencies, voluntary agencies, as well as individuals. For instance, instead of allocating budgets directly to institutions, some governments award public training contracts on a competitive basis according to the providers' performance and output in order to direct them towards certain priorities such as raising the number of graduates, the standard of achievement or the rate of placement. Funds may also be offered to consumers in the form of vouchers so that they can purchase training on the open market from any training provider. Various methods of cost recovery can be introduced to enable public providers to sell their services on the open market. The government itself may be a major purchaser of such services, thus largely determining the terms and conditions under which they are delivered.

In many industrialised countries intermediary mechanisms are established which stimulate enterprise training by acting as training brokers in a variety of ways, such as linking government and private training providers including enterprises. The government delegates maximum amount of delivery to private providers and confines its role to providing financial incentives. Intermediate agencies provide the linkage between the government and enterprises, often on a contract basis, with payment being based on a specified output or performance linked to the placement of trainees or their attainment of a certain skill standard. The state here plays its regulatory role by providing incentives and ensuring that training attains certain objectives and target groups, such as equity groups and those outside employment structures such as in the United Kingdom and Chile.

Other incentives used to expand enterprise-based training programmes could take the form of tax rebates, or grants to reimburse training expenditures. This could cover the cost of in-service training and the wage cost during the training period. These measures need careful planning and execution so that they will not result in subsidizing training that the enterprise would have carried out anyway. Compulsory financing of training through training taxes may be used to raise the level of training beyond that which is provided by the free market and encourage a move towards the concept of lifelong learning. Under market failure, there is a case for subsidizing portable/transferable in-service training and apprenticeship training. Concerns for equity could also lead to subsidizing pre-employment training in addition to that of the disadvantaged.

General tax revenues and compulsory training levies (payroll levies, taxes based on output such as production, contracts or exports) are suitable for middle and high-income countries with a sufficiently well developed private sector and administrative capacity. Such levies can be varied according to the size of the enterprise so as not to place an excessive burden on small enterprises. The levy can also be varied by sector and industry to reflect differences in training costs and conditions.

To avoid doing too much in some areas and too little in others, the extent of the state's intervention must be geared to the strength of the private sector, the level of development of the economy and the existence of a training market. In countries where training markets are rudimentary or virtually non-existent and where market imperfections distort incentives for individuals and enterprises to invest in training, the government may have to be the main source of financing. In contrast, where the labour and training markets are sufficiently developed to encourage private investment in

training, the regulatory and financing role of the government is less significant.

In short, a number of factors determine whether state support should be in the form of direct delivery of training or through incentives and subsidies. Continued state involvement is normally required where the complexity, high capital cost and difficulty of providing a specific type of training, or the experimental nature of the training, mean that private providers are unlikely to undertake the necessary research and development work. In other cases, the state may have to maintain its delivery function in order to overcome the difficulties experienced by specific groups in gaining access to training opportunities, or so as to counteract the lack of training capacity of the private sector or its unwillingness to provide training where there is no apparent training market.

CONCLUDING REMARKS

The state and society: towards an interactive and complementary partnership

The level of development and the size and strength of the private sector determine the respective role of the government and non-government sectors in VET and to what extent a demand-driven approach can be introduced. In low-income countries with a weak private sector, for example, the government needs to play a strong role in financing and delivering training, until such time as the private sector is in a position to absorb a larger share of the task. In middle-income countries with a large industrial sector and widespread basic education, on the other hand, the private sector can assume a more active role. In rapidly growing economies with a strong private sector, the tendency is to leave the delivery of VET largely to the private sector so that business and industry are able to assume and discharge most of the training functions. Ultimately, it is the overall policy environment that will determine the investment decisions of enterprises as well as of individuals to acquire skills and hence the incentive for private training providers to offer their services.

The trend towards demand-driven and private sector-led VET centred on enterprise needs is gaining ground, however, due attention must also be devoted to the supply aspect of training. Enterprise-led training should improve the effectiveness, efficiency and relevance of VET and its rapidity of response to market requirements. Demand-driven VET, however, tends to have a short-term vision of human resource development, favouring job-specific training in order to meet immediate and foreseeable needs. Moreover, technology and the working environment are changing so rapidly that longer-term demand is not always clearly predictable. This needs to be counter-balanced by the provision of sound education and broad-based initial training to provide the workforce with a flexible and adaptable skills base. It is the government's role here to give a long-term perspective to the development of national skilled manpower, with the emphasis on broader, multiple skills which enhance worker employability and equity.

To sum up, the role of the state today is shifting from direct delivery of training to the creation of the necessary conditions to ensure the efficient operation of markets, through financial incentives and appropriate initiatives to fill any existing gaps. As the participation of the private sector in vocational education and training grows, the state increasingly assumes the role of catalyst, promoter, supporter, motivator, financier and regulator by supporting the public and private agents operating in the training market in order to satisfy unmet needs. The promotion of an open training market frees the state from direct provision of training services and shifts its attention to governance of the VET system as a whole. The state provides the overall policy framework for

training, sharing the process of decision-making with its private partners while leaving maximum delivery function to the private sector.

This sharing of roles and responsibilities depends on the extent to which the state is ready to delegate its perceived authority as principal actor and provider of training to the private sector, as well as the extent to which the private sector is able and willing to assume this delegated authority. This is where the provision of financial incentives by the state comes into play.

The extent of private sector involvement is determined by specific circumstances of each country and the capacity of the state and the private sector. Alongside the political will, the involvement of the private sector further entails strengthening the capability of employers and workers and of their organizations to participate more effectively in the governance of VET. This means expanding social dialogue with public and private stakeholders, particularly those responsible for the planning and implementation of vocational education and training. It also means promoting a culture of learning among the private stakeholders and an enterprise culture in the public VET institutions.

The primary concerns of the state and of the private actors over VET are of course not the same. The primary concern of the enterprises is in-service, thus continuing training, while that of the state is with those who are outside the employment structures, i.e. with the initial training of youth and the training of the unemployed, the disadvantaged and at-risk workers. In the past, the public and private sectors have assumed separate tasks: initial training for the former and in-service training for the latter. In today's constantly changing environment, however, the question is posed somewhat differently. Given their different concerns and comparative advantages, how can the government and private sector best work together as complementary partners in assuming joint ownership of vocational education and training which enable life-long learning and enhance workers' employability?

Points for discussion

1. What are the respective roles of the state and the private stakeholders in the various aspects of vocational education and training:

- policy and system development, including legislation and the regulatory framework;
- ensuring quality: standards of competency and measurement, quality of providers, quality of teaching staff, quality of content;
- financing: initial training, continuing training, training of the unemployed and the disadvantaged, portable skills versus job-specific skills;
- delivery of training:
 - initial training;
 - in-service and continuing training;
 - training of the unemployed and the disadvantaged;
 - other.

2. How can the greater participation of the private sector in VET be ensured, taking into account the differences between industrialized, rapidly industrializing and less developed countries? How can a system of participatory governance of VET be built up in countries where participatory mechanisms and processes are weak?

3. How can a country's VET capability be built up:

- among policy-makers, managers and providers of training?
- among government agencies, large and small enterprises, research and development agencies, voluntary non-profit agencies, employers, workers and trainees?
- through multinational enterprises?
- for initial training, continuing training, targeted training for the unemployed and the disadvantaged?
- at the national, sectoral/industry and enterprise levels?
- other?

4. How can a learning culture and private/public partnerships be enhanced to strengthen VET in such strategic areas as:

- initial training?
- continuing training?
- targeted training for the unemployed and the disadvantaged?
- growth sectors and declining sectors?
- other?

5. What are examples of good practice and innovation which encourage private sector participation and private/public partnerships in areas of strategic importance to VET and economic and social development?

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