GUIDANCE NOTE 3

# Promoting private sector involvement in VET governance

## Topic overview

This guidance note provides *European Union* (EU) staff with practical instructions to engage with national counterparts on how to adopt a realistic tailored approach to **promote private sector involvement in vocational education and training (VET) governance structures**. The literature on VET research identifies a number of crucial dimensions of **variation in the design of VET governance structures**, such as the degree of standardisation and certification of skills and the role of the state. To this regards, four **generic models** (see Figure GN3.1) of VET governance structures can be identified, showing the **alternatives that political and social actors have at their disposal.**

There are **two central dimensions of variation** that are helpful in describing the variety of VET governance structures.

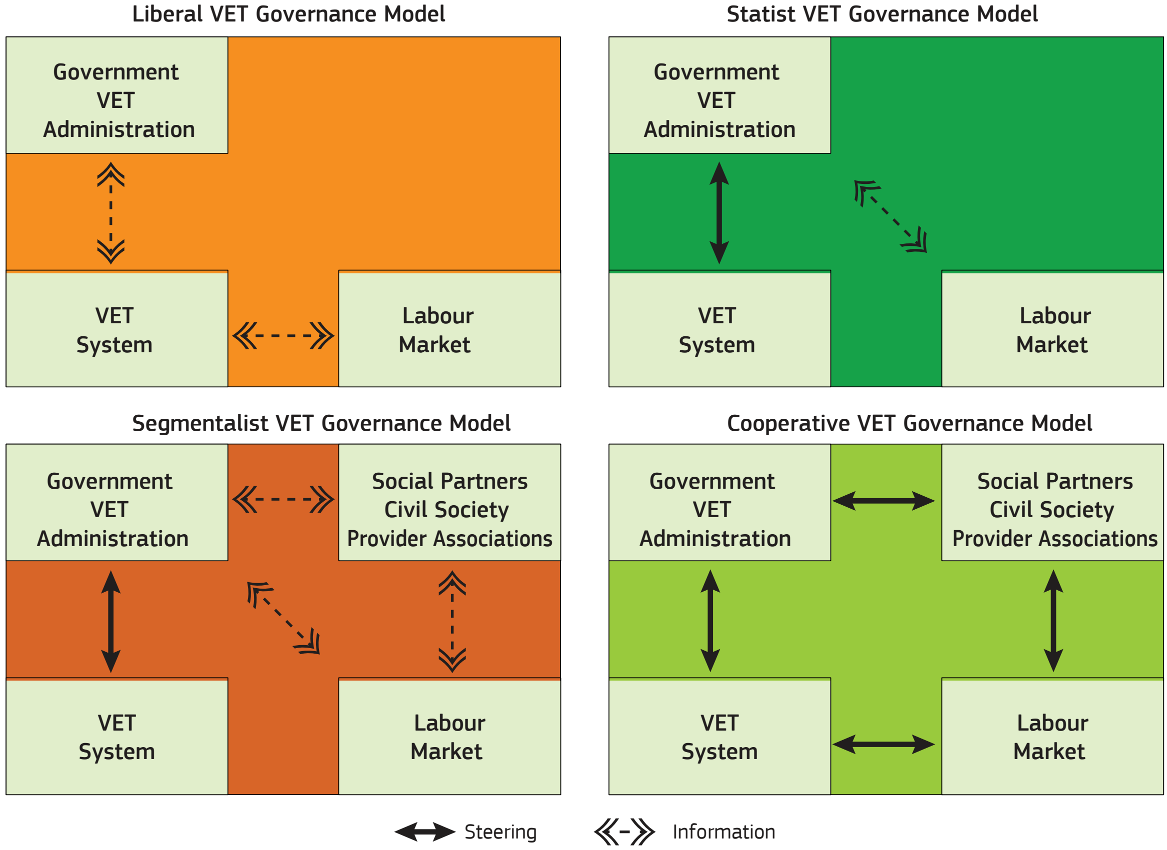
The first is the degree of company involvement in the delivery of VET courses and it pertains to the **willingness of companies to invest in VET programmes**, in particular in initial and continuing VET programmes. A higher involvement of companies in VET systems might imply a higher specificity of VET programmes, but it is important to keep in mind that it can also lead to VET programmes being polyvalent and thus potentially transferable to other companies.

The second dimension is the **degree of state involvement in VET governance structures**. This dimension captures various aspects including the existence of state subsidies to fund VET courses and public policies that monitor VET by certification, and the standardisation and formulation of occupational training profiles. This dimension also includes the degree to which the institutional set-up of the education system acknowledges and supports the existence of **VET system as a viable alternative to academic higher education.**

### SUMMARY OF KEY ASPECTS

- A precondition for the involvement of private VET stakeholders' negotiation is the willingness of the partner government to share responsibility for the VET system development with stakeholders from the private sector.
- Drawing up public and private VET stakeholder profiles based on various criteria provides a useful basis on which to make visible the relative importance of VET stakeholders and decide whether relationships between VET stakeholders need to be established and developed.
- In negotiations between public and private VET stakeholders, clashes occur between different interests — that are legitimate from the participant's point of view. Nonetheless, this logic may be compelling, real negotiations never follow this pattern exactly. Negotiations are influenced by time and place.
- To obtain really good negotiations results it is absolutely crucial to build mutual trust. Often, favourable solutions are possible that require the other party to show willingness. This willingness will only be forthcoming if the party concerned feels able to trust in that willingness not being exploited.

**FIGURE GN3.1 VET sector programme and financing modalities**




**Source:** Busemeyer and Trampusch, 2012.

Both dimensions are influenced by **decisions on the division of labour** between the state and the private sector in providing and financing VET.

## THE LIBERAL VET GOVERNANCE MODEL

In the **liberal VET governance model**, VET is largely delivered through the general education system and the labour market. This kind of governance model is typical for developing countries with a **traditional apprenticeship training system** such as in Ghana, where informal trade associations and master craftsmen organise VET apprenticeship schemes independently from the state. The general education system provides individuals with generic educational qualifications that are often followed by traditional apprenticeship schemes in the first stages of employment careers.

## THE SEGMENTALIST VET GOVERNANCE MODEL

Japan is a prominent case of the **segmentalist VET governance model**. Compared to the liberal VET system, the segmentalist model is characterised by a much higher willingness of formal firms to invest in the building of their employees' skills. Through this system, a sizable share of a typical youth age cohort enters the **internal labour markets of large firms** immediately after leaving the general school system and subsequently undergoes an intensive process of VET programmes that entails **job rotation schemes and off-the-job VET programmes at in-house training centres** and technical secondary schools.

### THE STATIST VET GOVERNANCE MODEL

The **statist VET governance model** is best exemplified by many formal educational systems in **developing countries.** In contrast to both the liberal and the segmentalist VET systems, public policymakers are much more committed to supporting VET as a viable alternative to academic higher education to promote the integration of young people with weak academic qualifications into education and employment. For instance, in many developing countries VET programmes are fully integrated into the general education system, which allows and **encourages people with vocational qualifications to pursue tertiary education**. As a corollary, the involvement of employers in the process of VET system development is limited.

### THE COOPERATIVE VET GOVERNANCE MODEL

The **cooperative VET governance model** occupies a special position, as it is characterised by a **strong commitment of both state and companies** to invest in the building of knowledge, skills and occupational competence. When cooperative VET systems are compared with the other types of basic governance structures, this distinctiveness becomes apparent because the dimensions of company involvement and public commitment to VET are often in conflict. However, a crucial prerequisite for a cooperative VET governance model is the **willingness of companies to play an active role**. This is not always the case, particularly in developing countries with a small formal economy.

Nonetheless, as in some newly industrialised countries such as South Africa, the cooperative VET governance model is gaining ground. In the **South African case study**, the dominance of the political force of social democracy after the end of apartheid in 1994 resulted in a strong public commitment to the development of a **stakeholder-driven VET system**, which in turn contributed to the marginalisation of the direct role of employers in VET programmes offered by public Further Education and Training (FET) Colleges.

The cooperative VET system, combines the strong involvement of companies in work-based VET schemes with the commitment of the state to support **apprenticeship training schemes**. Essentially, what is at stake is the degree to which the **interests of employers, the state**, and (increasingly over time) the **trade unions** prevail at specific moments in the development of the VET system.

## Procedure

The preference for a reform of VET governance structures is the **result of a negotiation process between the state and the private labour market actors**. A precondition for the negotiation process to happen is the willingness of the partner government to share responsibility for the VET system development with the private sector. To identify and compare the various perspectives and interests of the public and private VET stakeholders, it is helpful to ask the following questions:

- Which **agenda, mandate or programme** do the various private VET stakeholders have?
- In which **arena do they act** and how great is their action radius and political influence?
- What **links do they have** with other public and private VET stakeholders?

Drawing up private VET stakeholder profiles based on various criteria provides a useful basis on which to make **visible the relative importance of private VET stakeholders** and decide whether relationships between private and public VET stakeholders need to be established and developed. These profiles also point to the possibility of **forming groups of private VET stakeholders** with similar profiles. Groupings of this kind are important, because private VET stakeholders can **reinforce supportive or critical attitudes** towards the change of VET governance structures.

### STEP 1: Identify and engage with private VET stakeholders

As a first step, VET stakeholders are listed indicating how they are connected to the VET reform and to the change of the governance structures. Particular attention should be paid to the identification of private VET stakeholders. The list can indicate and clarify where information gaps need to be closed and can provide a first overview of the context (see Table GN3.1).

**TABLE: GN3.1 Example of relevant stakeholders for change of VET governance structures**

| PUBLIC AND PRIVATE VET STAKEHOLDERS | AGENDA MANDATE & MISSION STRATEGIC GOALS | ARENA AREA AND RANGE OF ACTIVITY | ALLIANCES RELATIONSHIP TO OTHER STAKEHOLDERS |
|---|---|---|---|
| Ministry of education and other relevant ministries (labour, industry, etc.) | National VET Strategy<br>National employment strategy | Administration of VET system<br>Administration of employment service | Government cabinet |
| Chamber of commerce and industry | Promotion of Interests of the private sector | Representation of the private sector | National network of sector chambers of commerce and industry |
| Informal trade associations | Promotion of interests of MSMEs operating in the informal conomy | Mouthpiece of MSMEs operating in the informal economy | National network of informal trade associations |
| Trade unions | Promotion of interests of workers | Representation of workers | National confederation of trade unions |
| Civil society non-governmental organisations | Promotion of interests of non-governmental organisations | Representation of organisations that manifest interests of citizens | National network of non-governmental organisations |

## STEP 2: Support an agreement to start negotiations between VET stakeholders

In negotiations between public and private VET stakeholders, **clashes can occur between different interests**. Negotiations between VET stakeholders are conducted to **soften hardening positions**, **to openly address interests** and **to harness new potential for creative agreement** (see Box GN3.1).

**BOX GN3.1 Basic principles of VET stakeholder negotiations**

- **Acknowledgement of the different interests** of public and private VET stakeholders;
- **Broadening of the boundaries of VET system** during the negotiation process to include new ideas and elements;
- **Precise definition of the various interests**, and the advantages and drawbacks of different solutions to change of VET governance structures;
- **Development of solutions** that are better for the public and private VET stakeholders than no solution at all or than leaving the partnership.

Although this logic may be compelling, **negotiations hardly follow this pattern**. Negotiations are influenced by time and place, but above all by the parties themselves, who influence the process with their cultural orientations, capacities and more or less transparent strategies. The purely **analytical description of strategic options** often remains unsatisfactory. Plans often fail to capture the rich and varied experiences of the **private sector, nor their hopes or action strategies**.

To generate an ethos of partnership between public and private VET stakeholders based on fair play, it is helpful in a first step for all **VET stakeholders to declare their respective interests** in the change of VET governance structure to be negotiated. For a negotiation process to be successful, VET stakeholders must make their own positions clear and transparent, as well as their reasons for holding them.

## STEP 3: Obtain new Information jointly

In a further step, the reform of the VET governance structure to be negotiated can now be **jointly analysed in detail**. During this step it may well be appropriate to obtain further information from the outlined VET governance models, or listen to the **opinions of**

**external experts**. The feeling of having obtained new information jointly paves the way for the next step.

## STEP 4: Build trust between the public and private VET stakeholders

To obtain really good negotiations results it is absolutely crucial to **build mutual trust**. Often, favourable solutions are possible that require the other party to show willingness. This willingness will only be forthcoming if the party concerned feels able to trust in that **willingness not being exploited.** It is helpful here to **clarify mutual expectations**, and exchange of information on the change of VET governance structures and possible options.

## STEP 5: Develop alternative options

VET stakeholders should **avoid reaching premature solutions**; instead, they should utilise all the new information available on the change of VET governance structures to **develop alternative options**. It is worthwhile to promote this process of creative thinking because, as new options emerge, VET stakeholders will gain the feeling that all they now need to develop are appropriate criteria for selecting from among those options. The modernisation of VET systems meant a more **open and active social partnership** (see Box GN3.2) between public authorities and the associated private VET stakeholders, particularly employer organisations and trade unions. Social partnership is the best term to describe this more participative cooperative governance form of VET. It is inextricably linked with employment policymaking and to processes of social and economic innovation in which decision-making is distributed across a wider range of public agencies and private sector partners than was previously the case.

### BOX GN3.2 National Skills Partnership in Belarus

Belarus urgently needs a new model of collaboration between the labour market/economic sectors and the system of education (and first of all — VET) that would enable the matching between the supply of skills and the demand from the employers. Over the past years, the VET system in Belarus has undergone a number of organisational and structural changes in education and training. There have been significant developments regarding development and strengthening of social partnership in VET system development. One of the key initiatives is improving labour market relevance of skills and competences of human resources, with the focus on the **establishment of Sector Skills Councils** and the introduction of the National Qualifications' Framework, as well as modernisation of standards and upgrading curricula. The current momentum provides a window of opportunity for EU added value co-operation in VET systems development. In order to strengthen link and establishing sustainable partnerships between the labour market and VET providers, the following activities could be envisaged:

- Setting up a system of **National Skills Partnership**, involving the key public and private stakeholders through the introduction of Sector Skills' Councils;
- Elaboration of a methodology and **setting up of institutional structures** for continuous review and upgrading of occupational standards and qualifications — through capacity development and peer learning;
- Development of a Labour Market Information System capable of anticipating skills needed.

**Source:** Action Fiche on Employment and Vocation Education and Training in Belarus, 2014

## STEP 6: Agree on assessment criteria

The final step is to agree on corresponding criteria by which possible solutions for private sector involvement in VET systems development can be assessed. The joint evaluation and selection of possible options can be rounded off by skilfully introducing compensatory elements wherever there is any remaining sense of unease. Whatever VET governance model is chosen, important challenges remain, such as how to **fund sectoral structures**, particularly in poorer developing countries; how to **manage their relations with the state**; and how to **ensure that the voices of micro- and smaller enterprises** are represented.

To conclude, we can say that after a long tradition of supply-driven, government-led VET, in some developing countries public and private stakeholders on the supply and demand sides are adjusting to a **new decision-making context** comparable to developments in the European Union, where social dialogue is a basic component of the social model which is a core value in European policies. The ministries are having to step back from taking all the decisions as suppliers of VET programmes. By the same token, the public and private stakeholders have had to assume jointly responsibilities that previously were left to the government. However, the introduction of such stakeholder-driven VET bodies is complex and was often hampered by delays, a lack of capability and sometimes difficulty in establishing legitimacy.

## References and further reading

Bird A. and Heitmann W., 2009. 'Policy Transfer or Policy Learning: Interactions between international and National Skills Development Approaches to Policy Making in South Africa'. NORRAG, Geneva.

Busemeyer M.R. and Trampusch C., 2012. *The Political Economy of Collective Skill Formation*. Oxford University Press, Oxford, UK.

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ETF (European Training Foundation), 2011. *ETF yearbook 2011: Social partners in vocational education and training*. ETF, Turin.

## Case study: Involvement of stakeholders in post-Apartheid VET reform in South Africa

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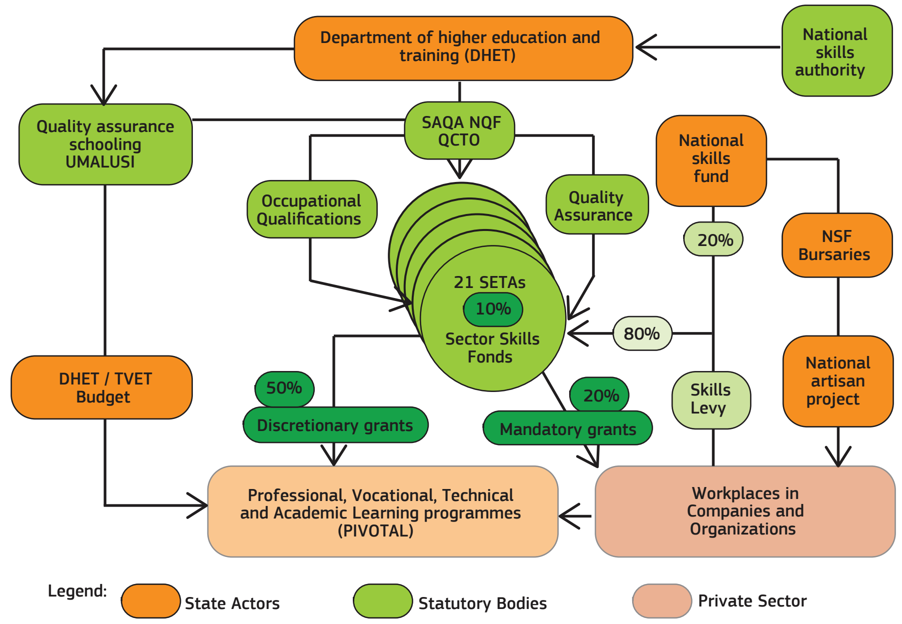
|---|---|
| **CONTEXT** | Since the advent of democracy in 1994, South Africa has made significant gains and progress in overcoming the VET legacy of its past. But despite this progress, **low levels of knowledge, skills and occupational competence** among the majority of the formerly disadvantaged population and stubbornly **high unemployment rates**, especially among youths (age 15-24), still remain one of the country's most pressing concerns and greatest impediments towards a better future for all. The VET challenge as it has been inherited from the restrictive Apartheid policies of the past is not easy to be overcome. Apart from dealing with pressures produced by a globalised economy, South Africa faces some unique domestic challenges in the field of VET systems development. |
| **CHALLENGES AND OPPORTUNITIES** | Given these challenges the new democratically elected South African government has recognised the importance of VET and providing an **integrative framework for all learning achievements regardless of their origin** based on **private sector involvement** as being the most vital element for the VET systems development. Embarking on a comprehensive and **universal reform process of VET policies** the government invested in the transformation of the institutional landscape of the VET system on all levels (see Figure GN3.2).<br><br>An initial vision towards an **integrated South African National Qualifications Framework (NQF)** was first formed. The South African NQF concept was designed to **embrace a universal system of outcomes-based education and training,** quality assured unit standards and qualifications embracing all education, training and VET at all eight levels, both in and for the workplace and in learning institutions by **recognising prior learning (RPL)**.<br><br>Recognising the dire need to improve the VET system, South Africa ratified in 1998 the Skills Development Act which defined a **new stakeholder-driven cooperative governance structure** for the VET system, called the **Sector Training and Education Authorities (SETAs).** The SETAs are **stakeholder-driven statuary bodies** and **led by employers, trade unions and professional bodies** from appropriate industries. In March 2000, the Minister of Labour established 25 SETAs, each with its own clearly defined economic sector. One of the primary objectives of the SETAs was to **collect skills levies from enterprises and organisations within each economic sector** |

**FIGURE GN3.2 Modernising traditional apprenticeships**




**Source:** Bird and Heitmann, 2009.

**ACTIONS TAKEN**

The financing of the cooperative VET system is based on the so called **levy-grant scheme**, regulated in the Skills Development Levies Act of 1999. Every employer, who is not generally exempt by the Act and whose total employee payroll as calculated by PAYE (Pay as You Earn) is to exceed R 500 000 per year, has to pay a skills levy of 1 % of the total employee payroll. The levy is collected through the South African Revenue Service (SARS). **20 % of the levy** is allocated to the National Skills Fund (NSF) and the **remaining 80 % is paid to all existing SETAs.** In addition, certain discretionary grants for pursuing relevant VET initiatives can be obtained by employers or VET providers.

**LESSONS LEARNED**

- The restructuring of the South African VET system meant a more **open and active social partnership** between public authorities and the **associated stakeholders, particularly employer organisations and trade unions**.
- The establishment of **Sector Education and training Authorities (SETAs)** as an instrument for meeting the demands for a trained workforce in different industry sectors has been done this by bringing together all stakeholders.
- The ministries stepped back from taking all the decisions as suppliers of VET programmes. By the same token, the **stakeholder-driven SETAs have had to assume responsibilities** that previously were left to the government.
- The **different culture and identity of stakeholders** in schooling, higher education and work-based learning **were not explicitly conducive to the idea of having a fully integrated NQF** in place.
- Government acknowledged the weaknesses and proposed the establishment of **new quality assurance councils**, one for Higher Education Qualifications (HEQC), one for General and Further Education Qualifications (UMALUSI) and one for Occupational Qualifications (QCTO).

**Source:** Bird and Heitmann, 2009.