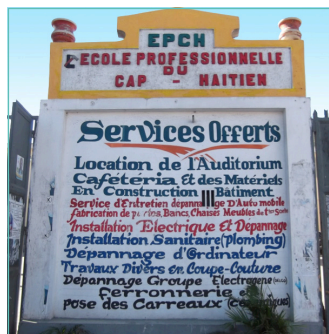




European
Commission



CONCEPT NOTE

Technical Workshop on **VET** [Vocational Education and Training] Brussels, 12 October 2017

Income generating activities within VET (Vocational Education and Training) schools: goods and services production units, unfair competition or an opportunity for entrepreneurial learning?

Introduction

A big part of DEVCO's interventions over the last few decades (with up to three generations of programmes in some countries, particularly in the ENP South region¹) has focused on Vocational Education and Training (VET). A strong focus of the EU VET strategy for cooperation with developing countries is in ensuring that VET systems are more responsive to labour market needs, hence the Commission is committed to helping EU partner countries reform VET systems to make them more flexible, higher in quality and more relevant. Nevertheless, VET is largely underfunded: this is particularly true in Sub-Saharan Africa where the enrolment rate in formal TVET (Technical and Vocational Education and Training) at secondary level is 5 % or less, and the percentage of public expenditure dedicated to TVET is very low (between 2 % and 6 % in Sub-Saharan Africa (OECD/BAD; 2008)). To this regard, a strong commitment and continuous efforts in terms of financial resources both from the public and the private sectors are necessary.

Diversified financing of VET systems is considered crucial for the successful transition from policy formulation to long-term policy implementation. However, public funding is still the main source of VET financing. Alongside this, public-private partnerships (PPPs), payroll levies, VET funds, employer sponsorship and individual sponsorship, as well as other innovative models of "productive VET centres", are emerging in developing countries with different and uneven impacts on the efficiency, effectiveness and the quality of training provided. The factors determining the success or the failures of such models are still unknown and basically non-investigated, as well as their impact on local labour markets.

Background

While VET is increasingly recognised as a driver for economic and social development, providing the labour force, and particularly young people, with the skills to meet the demands of the labour market,

there are persistent challenges faced by the sector. Namely, VET is undervalued, integrating VET strategies into comprehensive employment policies is challenging, and, in some countries, VET is of a low quality and is not so relevant to the labour market.

The EU considers VET a major instrument in support of employment, nevertheless, it is important to realise that VET in itself does not create employment. Most jobs are created by private businesses and entrepreneurs. Therefore, VET can only be successful if the private sector is involved in all aspects of the sector and the training provided responds to the needs of the labour market.

Recognising the pivotal role of the private sector as the motor of employment, the VET sector should be more responsive to its needs as a precondition to increasing the number of graduates able to find decent work. This link is recognised in the 2030 Agenda for Sustainable Development, with Sustainable Development Goal (SDG) 4 (quality education) and SDG 8 (decent work and economic growth) targeting VET outcomes. Delivery is specifically mentioned in Target 4.2, which seeks to 'substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship'.

Entrepreneurship and enterprise skills are of paramount importance for innovation and the self-reliance of learners. The integration of entrepreneurship skills in VET should act as a tool in mitigating unemployment and opening opportunities for self-employment and SME development. Incorporating entrepreneurship and entrepreneurial skills with technical training inspires young people interested in starting their own business to choose apprenticeships and raises the social status of vocational training. Similarly, combining classroom and workplace training enables employers to match training to their needs and makes learning more applied and interesting for young people.

Quick links between training institutions and industries can be created through sub-contracting services or production work, or even through the direct provision of services and products to the community. In

1. European Neighbourhood Policy-South region covers ten non-EU Mediterranean countries: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia.

that way students can develop real industrial skills, the VET institutions can generate revenues and some students can begin to master self-employment skills.

In this regard, some VET schools have started to pilot schemes known as 'Production Units' that are in charge of promoting activities aimed at generating income for the VET institution and for the community. Cost recovery and income generation become important for many VET institutions, so these units can be used to provide additional funds to VET institutions and, at the same time, to focus on the transition from school to employment. This also contributes to promoting entrepreneurship and in supporting self-empowerment.

Productive units are usually established to improve the sustainability of the VET institution. However, they can bring real benefits to a number of operational dimensions, including, financial, institutional and governance.

Productive VET centres can bring and engage employers in the learning processes of the training institution and can contribute to recover the cost of training materials and consumables used in providing a client service, as well as the cost of salaries of staff and operations. They can also provide valuable work experience for students in a simulated work environment and expose teachers to a real work environment. Moreover, the production of services and goods provide students with a experience in operating a small business (including marketing, accounting, quality control and servicing) and at the same time, supporting equity of access by creating income for low-income students. Most importantly, they reinforce the VET systems' links to the market and reduce dependency on government funding.

The work carried out by productive units can be accompanied and reinforced by business incubators, job guidance, job fairs, micro-credit facilities and other employment and business support measures in order to ensure all the necessary support required for business start-ups and growth.

Different models can be adopted for these units. One such model, which is well known, is the one of Young Africa, an NGO founded in the Netherlands in 1998. It is a confederation of independently and locally registered affiliated organisations. Each affiliate runs skills centres, youth (self-) employment programmes and community activities in Zimbabwe, Mozambique, Namibia, Botswana and Zambia.

With this model, the training centres become financially self-sustainable, within five to eight years after the vocational training departments have been set up. Every training centre is set up as a social enterprise, where local entrepreneurs hire a vocational training department, run their business and provide skills training at the same time. In addition to taking responsibility to pass on their artisanal skills to the young people of their communities, local entrepreneurs pay rent for using fully equipped workshops (or land) from Young Africa. Every centre runs an average of 15 vocational training departments. The rents from all these departments cover the operational costs of a training centre. The franchise model therefore offers a cost-effective and efficient solution to youth unemployment. In this way, life skills, entrepreneurship training and talent development are fully integrated into vocational trainings.

In other cases, the vocational training centres produce goods and provide services for the community in order to top up existing funding and re-invest revenues in equipment and materials. In India, for example, "Training Cum Production" units have been set up for trainees (mainly girls) coming from various slum communities. Courses are offered in tailoring, beauty therapy and IT, and more, in order to provide sustainable livelihood options. In these models, vocational training has evolved into the next logical step of economic empowerment.

In other cases, especially in rural areas, the training centres produce goods that are used for the subsistence of students and staff (e.g. in the canteen).

These income-generating activities have positive effects on the finances of VET institutes. Nevertheless, there are also some drawbacks: the competition on local markets can be unfair as goods and services provided can be offered for a lower price. Furthermore, the law of supply and demand can be altered, and the availability of cheap and an undeclared workforce can hamper job creation.

Proposal

Against this background, DEVCO has planned to organize a technical workshop to examine:

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The idea is to investigate:

- Whether and how productive VET institutes can support the development of entrepreneurship and the development of entrepreneurial skills;
- What innovative approaches (in terms of partnerships, policies and governance mechanisms) can be adopted and which elements determine the success or the failure of "productive" VET units;
- Whether (subsidised) VET institutes producing goods and services are crowding out local private sector entrepreneurs and hence undermine local employment opportunities for graduates;
- What mechanisms can be set up for mitigating the negative effects on the local economy and labour market.

A discussion paper will be prepared on the basis of available literature and empirical experience before the conference and will be used as a basis for an introductory lecture.

This introductory lecture will be followed by a panel discussion amongst relevant stakeholders and practitioners. The event will bring together high-level representatives from different VET partner countries, including experts, government institutions, private sector representatives, EU Member State agencies, international organizations, academia, youth, civil society organizations and EU institutions.

The final output of the event will be a review of existing literature, a critical analysis of past and on-going experiences, and a set of recommendations for future initiatives. A conference outcome report will be prepared for policy makers and practitioners.