VOCATIONAL EDUCATION AND TRAINING REFORM: LESSONS OF EXPERIENCE

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Labor Markets Core Course: Jobs For a Globalizing World
Outline of Presentation

- Discuss international experiences and lessons learned
- Discuss a recent case study (India)
World Bank Policy Paper in the 1990s

- **Broad thrust**
  - Encourage *private* provision and finance of VET, and
  - Improve efficiency of *public* vocational education and training

- **Basic approach**
  - *Correct important non-VET problems*
    - access to and quality of *general* education
    - *policy environment* for investments
    - output and employment *growth*
  - *Reform vocational education and training*
    - evaluate training supply, assess policies and planning
    - tailor actions to context
    - build commitment and maintain *support* for implementation.
Common constraints faced

- Inadequate financing of public systems
- Weak information links with employers
- Fragmentation of VET systems
- Institutional capacity constraints
Definition: distinguished from general education

Objectives: have been to
Vocational & technical education (contd)

- **Summary of experience:**
  - *Does not seem to be a good way to keep less able people out of subsidized higher education;*
    - cases of Egypt and Korea
  - *May be a good way to keep people temporarily out of the labor market if non-VET reforms are tackled in the meantime;*
    - case of Czech Republic
  - *May be best if used simply to meet current employer demands.*
    - cases of Indonesia and Chile

- **One-sentence summary:** successful reforms appear to make vocational more like general education in two ways
  - the content is made more general,
  - and VTE is made less dead-end.
Training Institutes & Programs

- **Definition:** distinguished from
  - *vocational education*
    - by being outside the formal schooling cycle, and thus of greater variety in duration and entry requirements
    - by a higher ratio of practical to theoretical instruction.
  - *in-service training*
    - by being outside the workplace
    - by a lower ratio of practical to theoretical instruction.

- **Objectives:** have been to
  - help unemployed workers find jobs
  - prepare school-leavers to enter the labor market
  - upgrade skills of employed workers.
Summary of Experience:

- Public programs are not a good way to help unemployed find jobs, but can be used to help the very disadvantaged;
  - cases of Hungary, Mexico, and Chile
- Vocational training can be effective in preparing school-leavers for jobs if delivery is competitive and the economy is buoyant;
  - cases of Indonesia, Chile and Korea.
- Vocational training programs may be most effective when used to help employed workers upgrade their skills
  - case of Malaysia

One-sentence summary: The most successful reforms appear to be those combine public financing of training programs with
- rigorous evaluation of program impact in design, and
- competition between providers in delivery.
Encouraging private provision

- Clear and lenient laws regarding setting-up of training firms result in a vigorous response, especially for postsecondary training programs.
  - Chile clarified laws in 1989; rapid growth followed (see table)

- Public funding can encourage private provision of longer (e.g., secondary) technical-vocational programs.
  - In Chile, 28% of secondary enrollment was private in 1980, by 1993 aided by a new funding formula - this ratio had doubled.

- Commercial programs are the first to proliferate the private market, but rapid industrial growth can lead to strong private supply of technical training.
  - Much of technical training in the Czech Republic - where manufacturing employment has grown - is privately provided
Encouraging private provision (contd.)

- **Unplanned public provision crowds out private supply**
  - In Indonesia, only high cost training (e.g., technical) was to be provided by government, but budgetary pressures forced public centers into low cost areas (e.g., commercial), already well catered to by private centers.

- **Effective private VET supply is forthcoming even without compulsory accreditation schemes**
  - In Chile, two-thirds of secondary and postsecondary technical-vocational enrollment is in private institutes.
  - In Czech Republic and Chile, accreditation is required only if private providers apply for public subsidies.
  - In Russia, accreditation is necessary only if the provider wishes to award certificates recognized by the government.
In-service training initiatives

- **Definition**: distinguished from vocational education and pre-employment training by
  - being in the workplace (i.e., on the job)
  - being specifically job-relevant
  - often being relatively informal, even in the formal sector (OJT)

- **Objectives**:
  - encourage firms to pay for investment in general skills of workers.
  - assist school-to-work transitions, e.g., through apprenticeships
  - help workers acquire job-specific skills that are currently needed
In-service training initiatives (contd.)

• Summary of experience:
  – Mandatory requirements, levy-rebate schemes and tax incentives have at best a mixed record in increasing in-service training.
    • cases of Korea, South Africa and Tanzania
  – When organized well (quick processing, simple administrative procedures), levy-rebate schemes may increase training modestly.
    • case of Malaysia
  – Involvement of employers in design and implementation of schemes is key
    • cases of Malaysia and South Africa

• One-sentence summary: Financial incentives have limited impact on increasing training quantity and small employers and unskilled workers are not assisted. It is important to:
  – Involve employers in schemes
  – Ensure schemes are administratively transparent
Lessons

- Successful reforms make *vocational education* more like general education in two ways: the content is made more general, and the vocational track is less of a dead-end.
- Successful reforms combine public financing of pre-*employment* training with evaluation of program impact, and ensure competition between providers in delivery.
- Successful initiatives to encourage *in-service training* recognize that incentives have limited impact on increasing training quantity and it is important to involve employers in design of schemes and ensure administrative transparency.
Lessons (Cont.)

- Matching instrument to target group is as important as picking the best delivery mode.
- The government’s role in facilitating the provision of information about VET has been relatively neglected.
- A vigorous private response has refuted claims of the reluctance of private provider to enter the field.
- Political will, not institutional capacity, is the main obstacle to comprehensive reform.
The Example of India: Vocational Training Improvement Project (VTIP)

**Context**

- India’s economy has grown rapidly over the past decade and rising levels of education and skill acquisition are important factors in this growth.
- However, the VET system has not effectively responded to labor demand.
- For the system to become relevant, to maintain high levels of productivity and compete effectively with rapidly growing economies, need to pay attention to quality of VET.
Vocational Training Supported by the Public Sector:

- Institution based – for individuals with minimum grade 10
- Offered by 5200 institutions (ITIs) of which 2/3 private (with government accreditation)
- Total enrollment around 750,000
- Courses vary from 6 mos. – 3 years and 80% of students enrolled in engineering related trades
Key Issues Facing the Sector:

- The VET system is not geared to the needs of the LM
- Lack of administrative and financial autonomy
- Lack of data for informed policy decisions
- Financing is not linked to performance
- Low-level of public-private collaboration
VTIP Objectives

- To produce high quality craftsmen from ITIs
- To enhance knowledge and skills of ITI instructors and trainers,
- To promote innovations, and
- To bring about systemic reforms
  - Transparency
  - Industry involvement in decision making across the system
  - Empowerment of institutions
  - Reward for performance
  - Window for innovations
  - Emphasis on policy dimensions
VTIP Design

- **Design Principle 1:** Upgrading institutions in states as long as states provide greater autonomy to institutions and enhance role of pvt. sector in management
  - Private sector plays a key role in IMCs;
  - IMCs have significant delegation of academic, managerial, administrative and financial autonomies;
  - Autonomy includes the power to modify courses, add new trades, engaging contract faculty, enhanced financial authority to manage resources.
Activities to be financed include:

- Purchase of equipment to meet training requirements
- Refurbishment of institutions
- Training of instructors
- Establishment of placement cells
VTIP Design (cont.)

- **Design Principle 2**: Incentive Fund provided to states if they meet certain criteria, to generate competition among states to perform.
  - Level of utilization of funds by ITIs
  - Percentage of pass outs that find employment within 12 months of graduation
  - Percentage of remaining instructor vacancies
  - Percentage on instructors that receive training
VTIP Design (cont.)

- State can use incentives funds for:
  - Strengthening non-project ITIs
  - Training instructors in highly specialized areas
  - Translating instructional packages into regional languages
  - Conducting short-term training for artisans and unemployed youth in both project and non-project ITIs, etc.
**Design Principle 3:** Promoting systemic reforms through undertaking studies designed to develop viable proposals for reform.

- National Vocational Qualifications Framework
- Developing a Framework for Private Providers
- Developing Replicable Models for Training for the Informal Sector
- Feasibility of Establishing a Training Fund
**Design Principle 4**: Innovation fund aimed at providing resources to various stakeholders who can put forward a viable proposal to pilot interventions aimed at improving relevance and quality of the system. An important objective of the fund is to promote public-private partnerships so proposals from employer associations will be encouraged.
VTIP Design (cont.)

- Design Principle 5: Monitoring and Evaluation
  - Management Information System
  - Monitoring Implementation and Outputs
  - Evaluating Outcomes