DC dVET
DONOR COMMITTEE FOR DUAL VOCATIONAL EDUCATION AND TRAINING
GEBERKOMITEE FÜR DUALE BERUFSBILDUNG

Financing of (Dual) VET

DC dVET Webinar (13 May 2020)

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PLANCO Consulting GmbH

AUSTRIAN DEVELOPMENT AGENCY

LED LIECHTENSTEIN DEVELOPMENT SERVICE

Federal Ministry for Economic Cooperation and Development

Schweizerische Eidgenossenschaft
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Agenda

Part 1: Background & Fund Allocation Models

- Cost Drivers of VET
- Challenges | Approaches towards Sustainable VET Financing
- Models of Fund Allocation | Examples

Part 2: Involving the Business Sector in VET

- Direct and Indirect Participation in VET Financing
- Training Funds and Levy-Grant Systems

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Part 1: Background & Fund Allocation Models

Cost Drivers of VET

Infrastructure

- Buildings (high space requirement)
- Equipment

→ High investment cost
→ Savings for re-investment required

Training Operation

- Training material & consumables
- Maintenance of equipment
- Power, water supply, internet, etc.

→ High running cost (technical trades)

Personnel

- Salaries, social insurance etc.
- Qualification and work experience

→ High teacher-learner ratio (~1:15)
→ Part of running cost

VET System

- Standard and curriculum development
- Education & further training of teachers
- Assessment and certification
- Regulating bodies | VET authorities

High VET cost call for cost-sharing models

Fundamental Challenges of VET Financing

Chronic underfinancing

- State budgets alone not sufficient for high-quality training at large scale
- Revenues from fees must remain limited for social reasons
- Other revenue-generation by VET providers (e.g. through production) not enough to close financing gaps

Inefficient & intransparent budget allocation

- Cost structures widely unknown → weak financial planning
- Fund allocation to VET providers not sufficiently related to demand and performance

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Approaches towards Sustainable VET Financing

Fund Generation

- Diversification of funding: state, enterprises, individuals, (donors)

Participation of the Business Sector

- Direct: Involvement in training delivery (dual VET)
  → dual VET reduces the cost burden of the state considerably
- Indirect: Payment of training levies

Fund Allocation

- Criteria: demand and training quality
- Mechanisms to avoid waste/misuse of funds, ensuring transparency

Key Message

Objectives of VET Financing:

- Increase VET effectiveness – employment impact of VET
- Increase VET efficiency – input-output ratio of the VET process

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Forms of Fund Allocation | Definitions 1

Supply-side vs. Demand-side Financing

Supply-side Financing	Demand-side Financing
Financing of infrastructure, personnel, running cost → Ensuring availability of VET capacities → Limited leverage for quality improvement	Financing of training costs through target group → Beneficiaries decide on fund allocation → Market-driven approach
Examples: • Transactions to VET providers • Tax reductions • Subsidized loans	Examples: • Stipends, scholarships, • Student loans • Training vouchers

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Forms of Fund Allocation | Definitions 2

Input-based vs. Output-based Financing

Input-based Financing	Output-based Financing
Financing based on size, capacity or investment need of VET providers	Financing based on training results, e.g. capacity utilization, number of successfuly graduated learners, employment rate, etc.
Scope and quality of training programs usually not considered → No incentive to involve enterprises in training	Requires effective control mechanisms, Risk of high entry requirements for learners to meet the funding requirements → «creaming effect» | negative incentive

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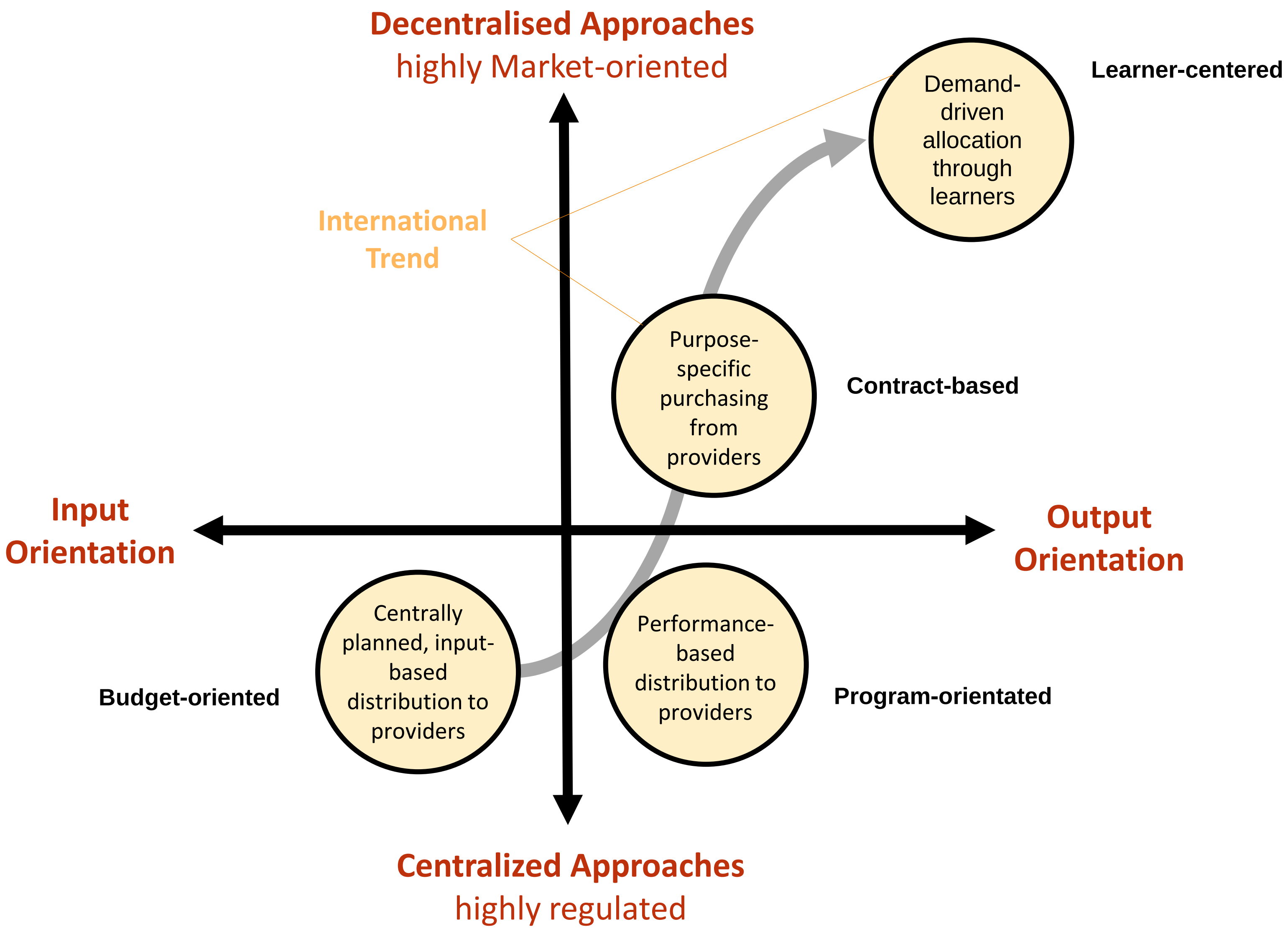
4 Basic Allocation Models



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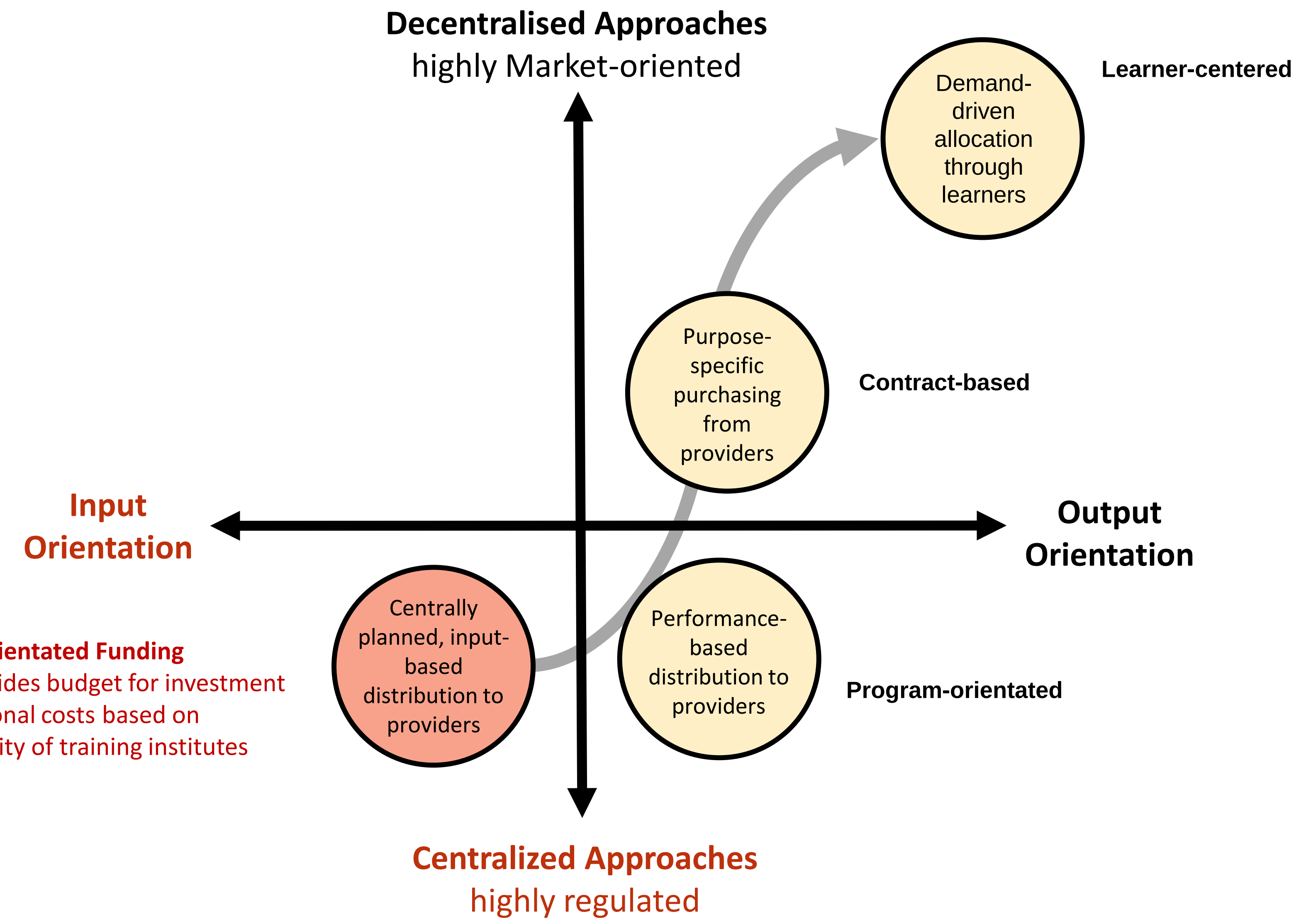
4 Basic Allocation Models



Budget-orientated Funding
State provides budget for investment & operational costs based on size/capacity of training institutes

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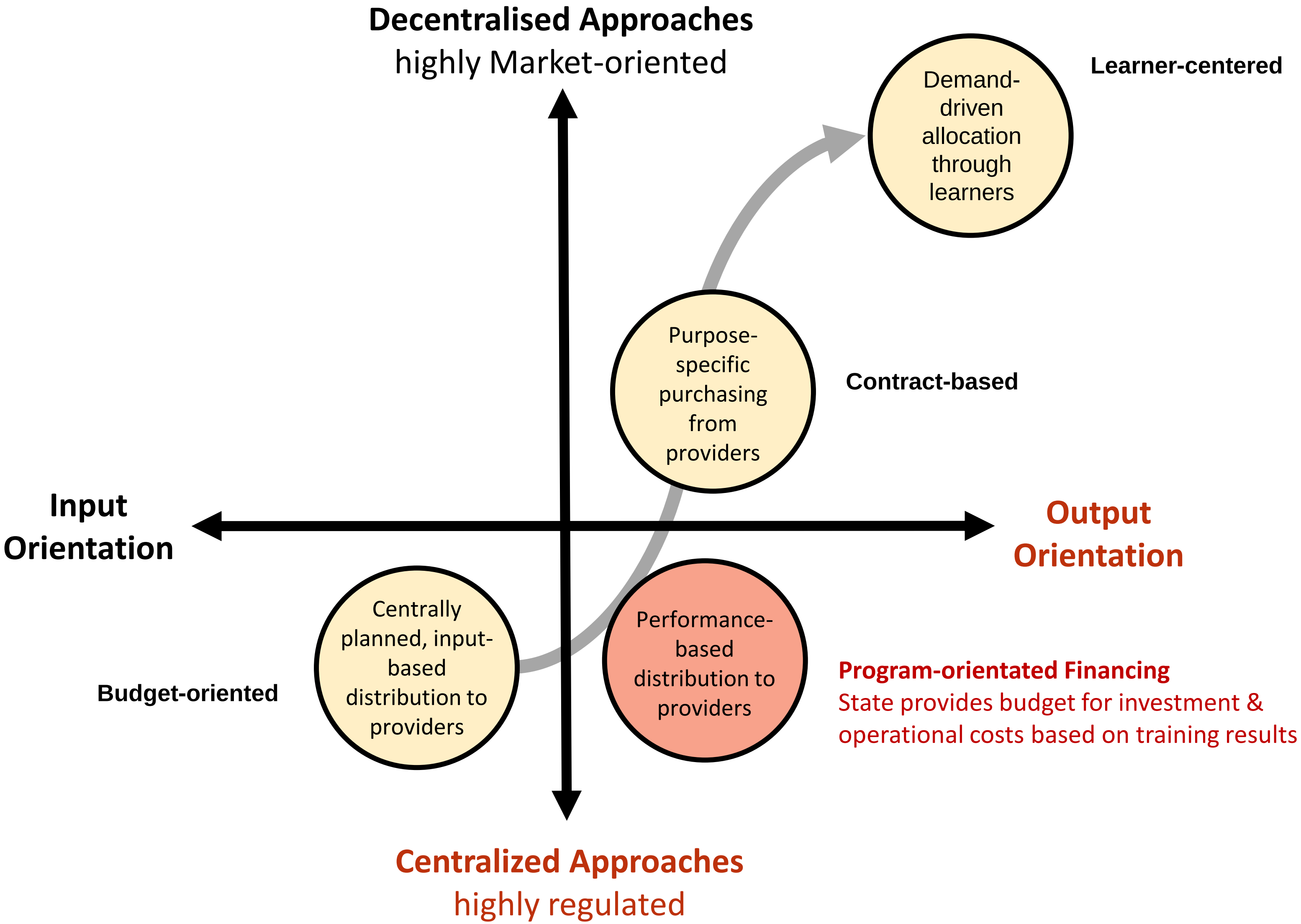
4 Basic Allocation Models



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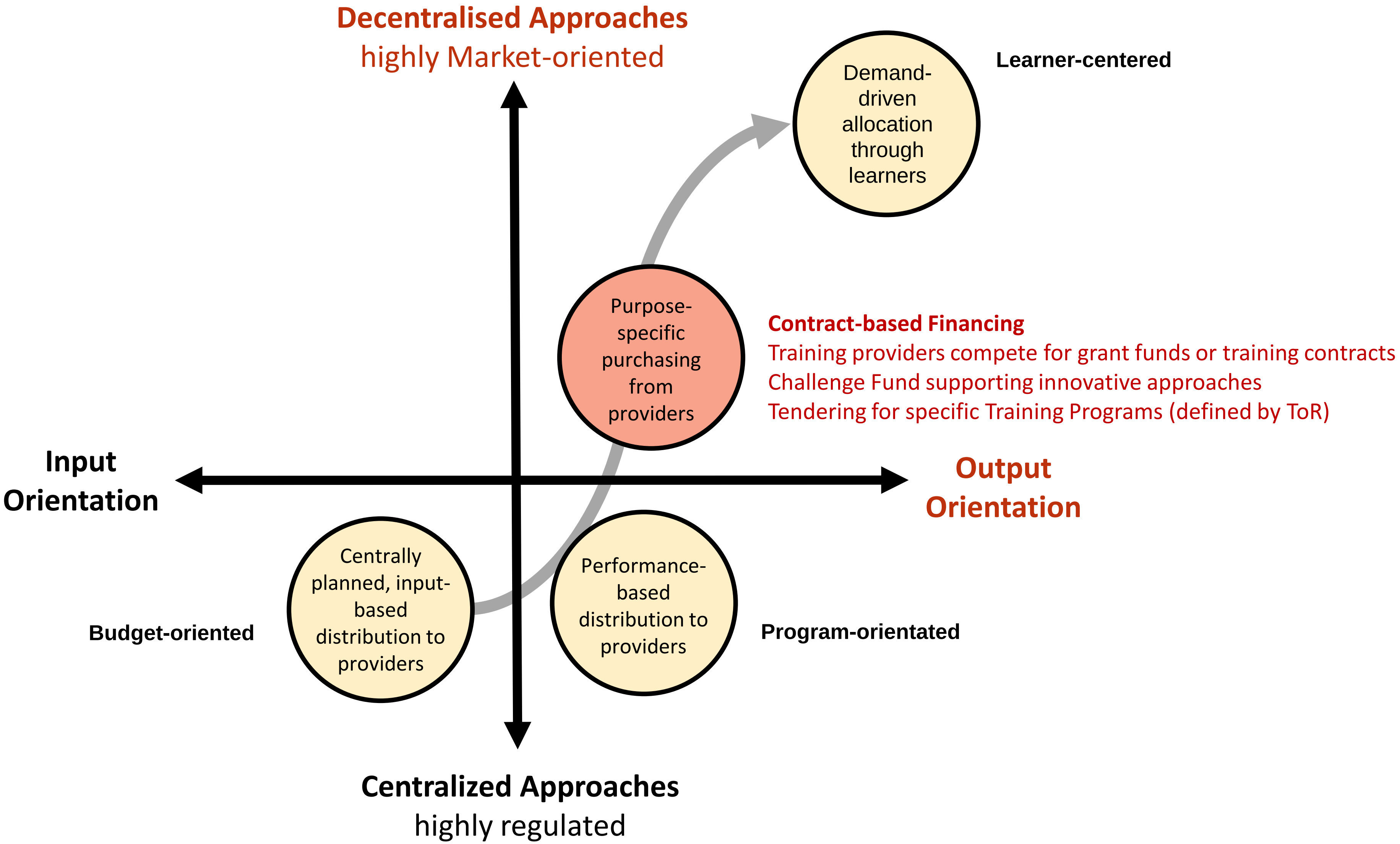
4 Basic Allocation Models



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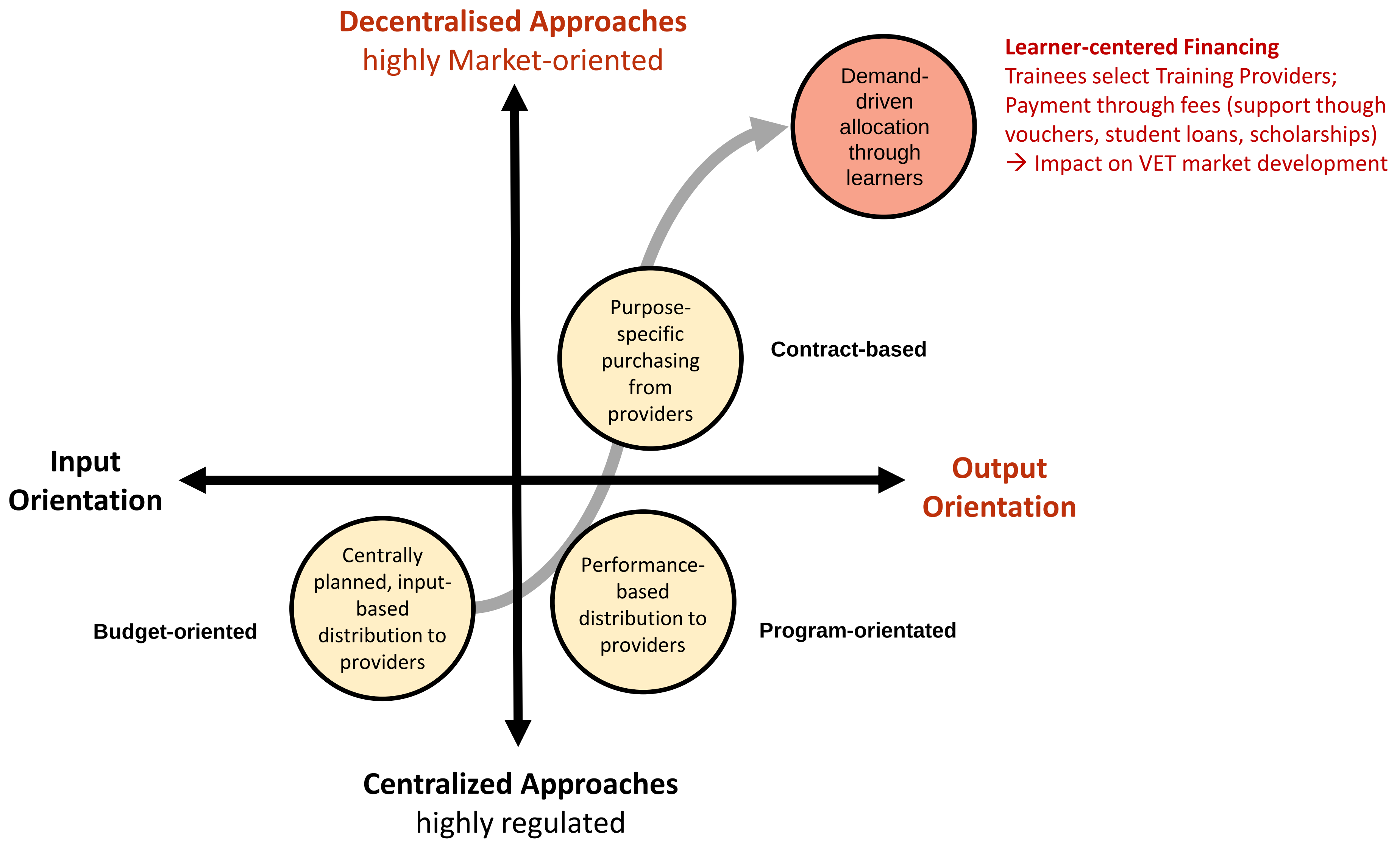
4 Basic Allocation Models



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Part 2: Involving the Business Sector

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Increasing Business Participation in VET Financing

Objectives

- Overcoming chronic underfinancing of VET
- Increasing the ownership of the business sector
- General level: Improvement of VET relevance, quality & reputation of VET

Options of Co-funding

- Direct participation of enterprises in training delivery
- Indirect participation: Financial contributions (Training Levies)

Increasing Business Participation in VET Financing

Option 1:
Direct participation of enterprises in training delivery

can be achieved if:

- Companies recognize a direct benefit
- Dual training concepts are available
- Companies are able to provide workplace training

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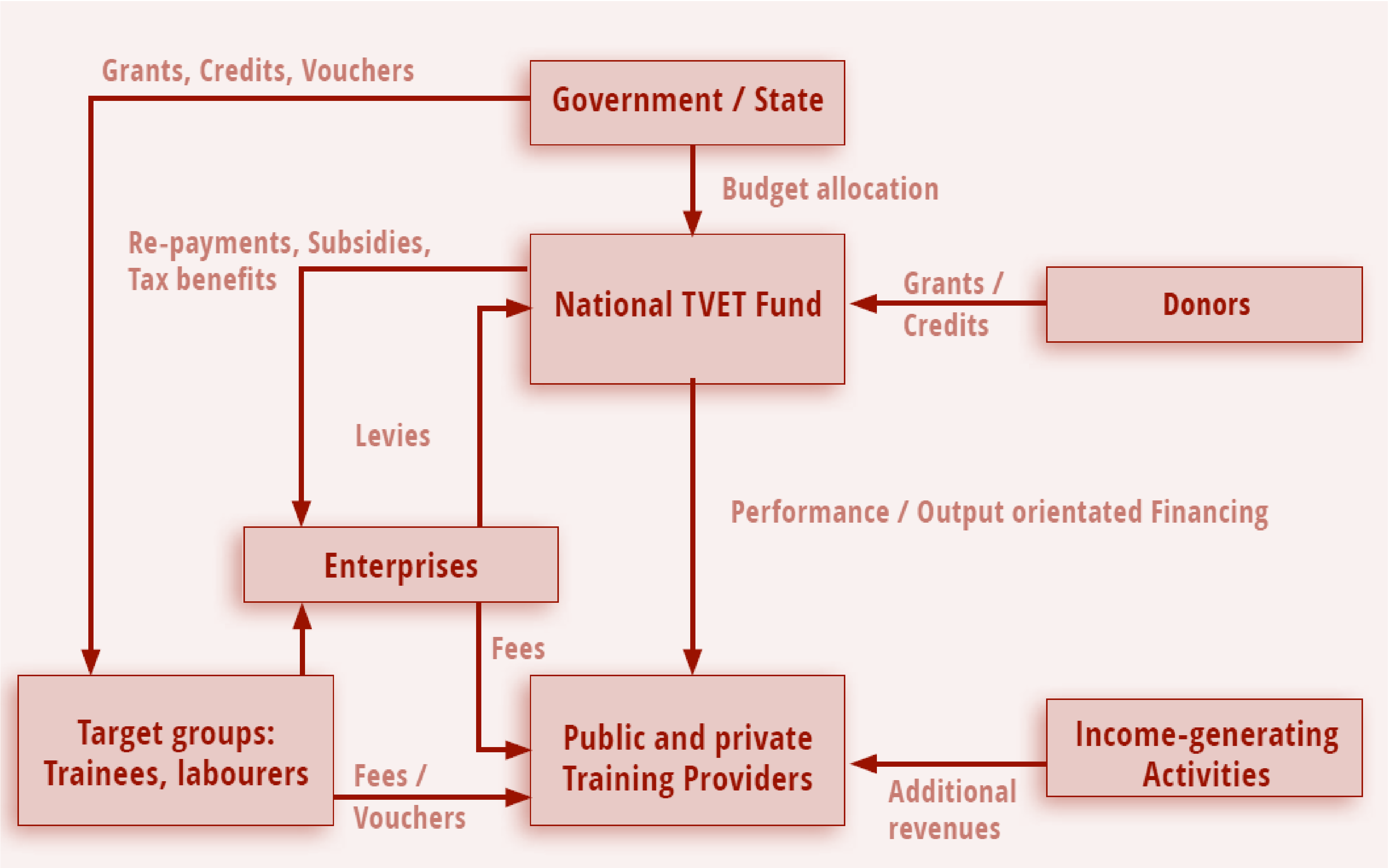
Increasing Business Participation in VET Financing

Option 2:
Financial contributions (training levies)

may be accepted if:

- Earmarking of funds is secured
- Transparent fund management is ensured
- Companies receive compensation (Grants) for own training activities
- Business sector has influence on the VET system

Example of a TVET Financing System involving a Training Fund



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Wrap-up & Take Aways

Wrap-up and Take-aways

VET Financing has high influence on VET efficiency and effectiveness

- Input-based financing secures basic VET capacities
- Output-based financing allows flexible adjustment of VET offers towards demand and quality

Strong participation of the business sector in VET financing is generally favorable

- Direct participation (dual VET) shall be the main objective
  -- Conceptual support and/or incentives might be required (→ e.g. Challenge Funds)
- Training Funds with Levy-Grant Systems can help to
  -- Generate sufficient funds on sustainable basis
  -- Ensure a demand-driven fund allocation (incl. dual VET)

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Thank you for your attention

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