

DC dVET Webinar on Financing of (Dual) VET (13 May 2020)

Questions & Answers Session and Input Country Insight “North Macedonia”

Please find below the questions raised by the participants during the webinar and the corresponding responses by G. Specht and C. Aipperspach.

In addition, you also find the bullet points of the country insight “North Macedonia” presented by Kurt Wüthrich (Helvetas North Macedonia) and his responses to the questions related to his input.

Questions & Answers – General Part

Question

Please, elaborate more on ‘cream effect’ and how to avoid it, since Georgia is going to introduce the performance-based funding model.

Answer:

The ‘creaming effect’ describes the phenomenon that in case of output financing (e.g. funds allocated according to number of “successful graduates”) VET providers tend to select those applicants having best entrance qualifications - which might not be intended for social reasons. Therefore, this effect should be reduced/avoided by accompanying regulations: e.g. by defining a minimum share of disadvantaged target groups to participate (as part of the output / performance definition), or financing training programs specifically relevant for those groups.

Question

Does any country in this region have experience with a purpose-specific purchasing allocation model?

Answer:

We do not know examples in the Balkans where purpose-specific trainings are purchased. We may however refer to two KfW-funded projects that aim to establish challenge funds in this region (these are not purchasing models but belong to contract-based financing allocation): the Regional Challenge Fund covering the six Western Balkans countries incl. Kosovo (RCF, currently in the inception phase), and the Kosovo Challenge Fund (KCF, not yet operational). Both offer specific incentives for implementing dual VET by supporting cooperation schemes between VET providers and companies. Further information will be made available on the project websites soon: www.rcf-wb6.org and www.kcf-kosovo.org (not yet online).

Question

How are VET schools reacting to the pilots in dual VET - do they see these activities as threat? Do VET schools fear to lose because of dVET and therefore start to ‘lobby’ against dVET pilots?

Answer:

We have no reliable data on perceptions of VET providers facing dual VET piloting approaches. As per our experience, the following can often be observed: Most public VET providers are not at all familiar with the dual VET approach and have little awareness on the intended role of VET schools within such a system. Often they remain in the existing structures of the public education system which is not linked to the business sector and its demand for skilled labour; cooperation with companies - if any - is limited to sending trainees to mandatory (non-structured) “internships” in companies, with little or no follow-up. Therefore, they need substantial advisory input on organization of dual VET, the share of responsibilities and training contents, the set-up of related coordination structures with the business sector, etc. Once the approach is well understood and cooperation is initiated, schools are

often willing and engaged to participate in projects that try to establish dual training approaches; others remain passive. Anyhow, from our experience we cannot confirm that active “lobbying” by VET schools against dVET approaches has been a noteworthy problem.

Question

Could the experts share their view on how Covid-19 will affect the VET financing in the region?

Answer:

Forecasting the impact of the corona crisis on VET financing is yet impossible; it will also differ from country to country. However, the following effects appear likely:

- Private VET providers’ revenues significantly decline as training courses are stopped and fees will not be paid accordingly. At the same time, some cost types (rent, salary for long-term employees etc.) are still being incurred, while others are decreasing (such as fees for freelance trainers, training materials).
- In any case, the majority of private VET providers will suffer from the situation; some might even not survive. Those training providers of training in occupational areas that cannot be transferred to distance learning formats (crafts, technical areas, nursery and alike) are already facing these problems.
- Costs borne by the state - subsidies to public VET providers, testing and certification centres etc. - may be covered without changes in the short term. However, government budgets of all states are burdened by dramatic tax shortfalls due to the crisis, and respective budget cutbacks will probably also affect the VET systems (dependent on the political priority).
- For dual VET a specific challenge occurs: Many companies follow short-term strategies to maintain their business despite a massive decline in turnover. This often implies downsizing the number of employees to a “core workforce” necessary to keep a certain production level. Being bound to such limited planning horizon, the assignment of new apprentices - the potential employees of tomorrow - may not be regarded an essential part of this workforce. Related engagement in training can thus be expected to be withdrawn. Moreover, in the current uncertain situation very few companies might pilot dVET approaches for the first time. See also the presentation of Prof. Wolter in the DC dVET webinar on cost-benefit analyses held on 13.05.2020 (Part 1, Slide 8). So, one of the key question is the current situation is, how to keep the companies engaged as training providers despite the current situation.

Question

What are successful mechanisms introduced in concrete examples that mitigate against a free-riding problem with sector fund (except for declaring it compulsory for every company)? The issue of companies contributing and the other companies gaining access to “free” quality skills is a worry we hear often from companies.

Answer

Concrete examples from the region are not known to us. As per international experience, generally it is advisable to a) force all companies to pay a levy and to claim grants back, instead of b) exclude those companies from the levy which already train. Under case (a) the companies are encouraged to train beyond their own demand.

Country Insight “North Macedonia”

The country insight was provided by Kurt Wüthrich - Project Team Leader of the Education for Employment in North Macedonia (E4E@mk) Project that is supported by SDC and implemented by Helvetas North Macedonia.

Finance Expert Group FEG (North Macedonia)

- Situation In NMK: 97% of VET is state financed (manly salaries, fixed costs)
- FEG Objective: Inform policy decision makers / Raise awareness for VET financing
- FEG Members: 6 Ministries, VET Center, Social Partners, Independent Experts, Donors
- FEG key topics: Resource mobilization-, allocation-, management
- FEG process: Parallel to the ongoing WBL/dual VET development process

Current FEG activities:

- Analyze different mechanism / formula of resource allocation
- Analyze potential of private sector engagement (manly micro / small companies)
- Keep in mind: Institutional capacities, VET quality, Laws and regulations

Private Sector Engagement (North Macedonia)

- Very low financial contribution of private sector in VET
- Private sector and state recognized the need for more private sector engagement in VET
- Introduce more WBL /dual VET – shifting training costs to private sector (reallocate state funds, use of private sector infrastructure, support of private sector to state VET schools, etc.)
- Levy currently not seen as an option (trust)
- More private sector contribution requires more codetermination (shared responsibilities)
- Improved quality of VET (skills) will be crucial to involve the private sector in the long-term

Question to North Macedonia

Will it be possible to have additional information about the main components in formulas after?

We expect the final report from the national Finance Expert Group FEG in summer 2021. The report will be public and include the different scenario (formulas) of financing VET. In the meantime, the E4E@MK project is at your disposal to answer questions regarding the ongoing process. Contact:

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Question to North Macedonia

How was the reaction of private sector in taking their responsibility in VET financing, as they are also part of the expert group you have established. Are they willing to participate in VET financing and in which way?

The Economic Chamber of Macedonia, the related Ministries and the E4E@MK project invested during the past 2 years in awareness raising of the private sector for VET (information, international exchanges, seminars, advocacy events etc.). Yes, the private sector is aware that they have to engage in VET because they need urgently and also in the mid-term qualified labour to survive / develop. Currently there are 2 main ways of contribution: to receive students for practical training in the companies (Work Based Learning) and contributing with equipment / money to the teaching equipment in partner VET schools so that students can acquire the basic skills before they come to the companies for practices.

DC dVET, June 2020