



# **EAfA Regional Seminar: EBRD Economic Inclusion Approach & WBL**

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# Key points for my presentation



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- Short intro to EBRD and what are the key economic inclusion trends and challenges across the EBRD region?
- The WBL System in Turkey and a unique case
- How can the private sector be mobilised to shape effective policy solutions?

- Who we are
  - Supranational Institution founded in 1991, owned by 66 countries, plus the European Union and the European Investment Bank
- Our mission
  - To promote transition to open, market-based economies in our countries of operation – we work in more than 30 countries from central Europe to central Asia and the southern and eastern Mediterranean
- What we do
  - Provide project finance mainly to the private sector

# EBRD: Where we invest



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# Inclusion challenges in EBRD Region

- **Economic inclusion**, the opening up of economic opportunities to previously under served social groups, is integral to achieving a transition towards sustainable market economies.
- **An inclusive market economy** ensures that any one regardless of their gender, place of birth, socio-economic environment, age or other circumstances has full and fair access to labour markets, finance and entrepreneurship and, more generally, economic opportunity.
- Promoting an inclusive market-based system is therefore about efficient (human) resource allocation rather than representing a social policy choice.
- First EIS of EBRD has been published in 2017 and covering the period of 2017-2021

# Key Economic Inclusion Challenges



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I.

Inequality of opportunity and different characteristics that determine economic outcomes

Women / young people / people in less developed regions

II.

Broader challenges and trends affecting the region

Migration and refugees

Future of Work

III.

Translating into key inclusion and gender policy challenges

# I. Achieving transition for all?



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“High levels of **inequality of opportunity** in society reduce people’s support for open markets and democracy. In contrast, **inequality of outcomes** does not have such an effect and may actually strengthen support for market economics and democracy, provided that differences in outcomes are driven by differences in effort, rather than circumstances at birth.”  
(Transition Report 2016-17)



In a well functioning market economy, opportunities to receive an education, have a good job and earn a sufficient income should not be limited by gender, place of birth or parental background.

**20-50%** of income inequality is due to circumstances at birth in many countries where the EBRD works.

**Parental background** is the most important determinant of inequality of opportunity across the EBRD region, followed by **gender**.

In countries where inequality of opportunity is higher, people express **less support for market reforms and democracy**.

# Convergence and inequality



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Only **44%** of all men and women in post-communist countries have enjoyed total income growth that is higher than the average for the G-7 economies.

**73%** of the population of post-communist countries have experienced income growth below the average for those countries.

Those in the bottom **23%** of the income distribution are still worse off today than they were in 1989.

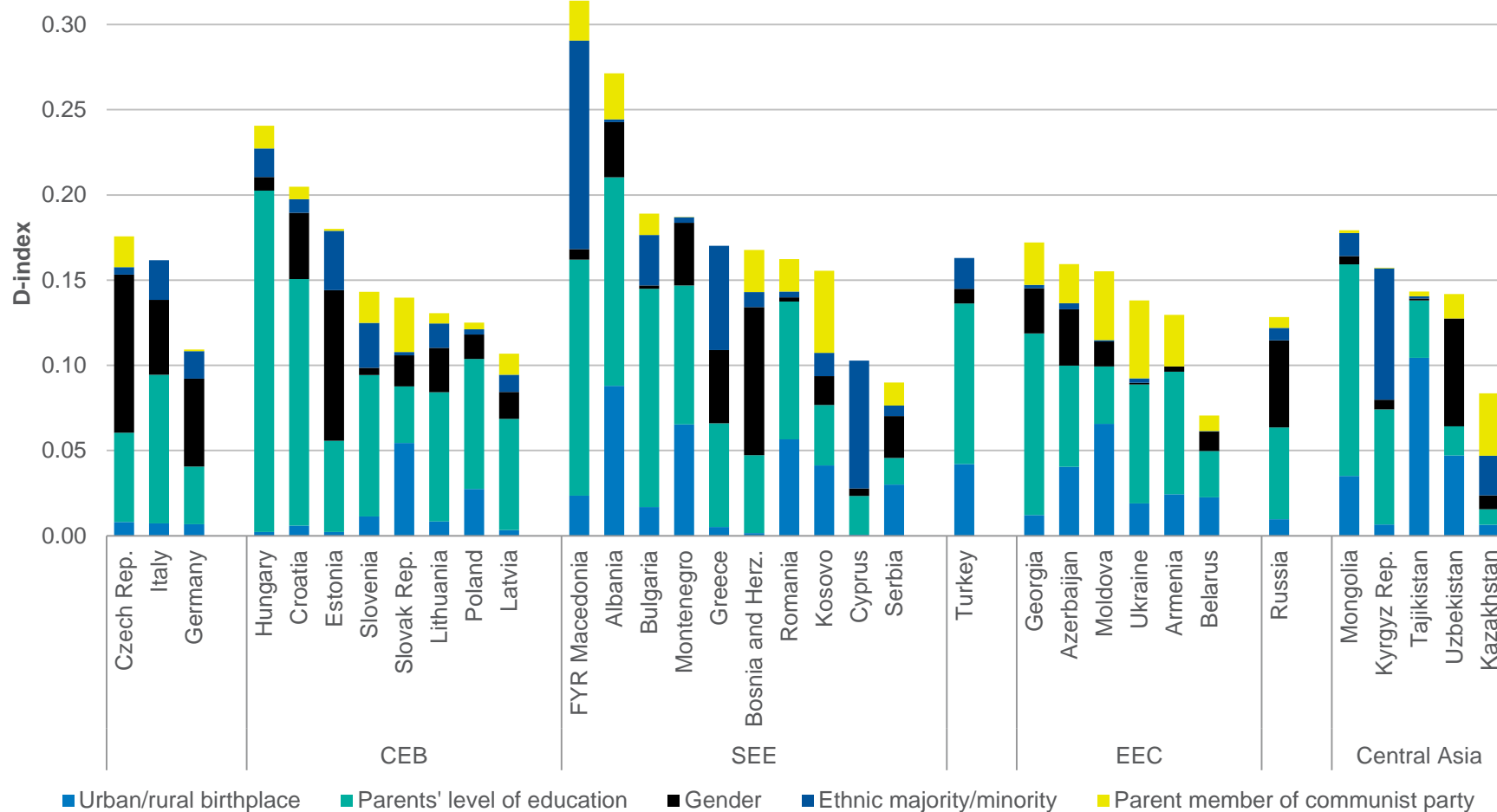


# Parental education and place of birth as main factors driving gainful employment



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## Inequality of opportunity in terms of getting a good job

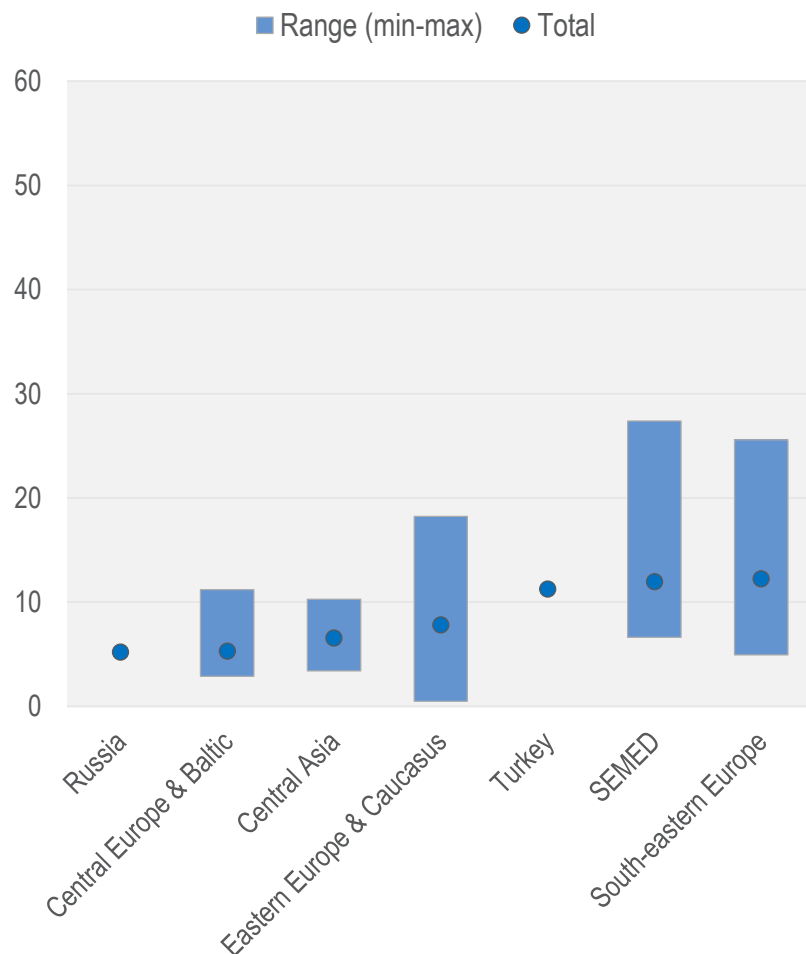


# High youth unemployment

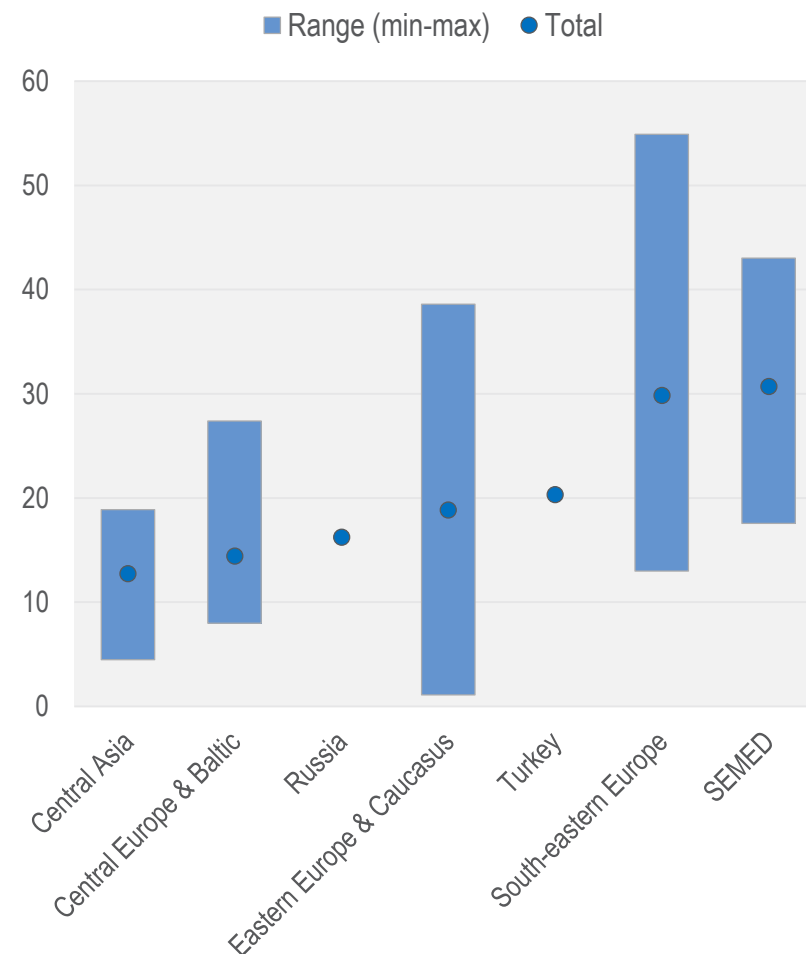


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## Unemployment rates (%)



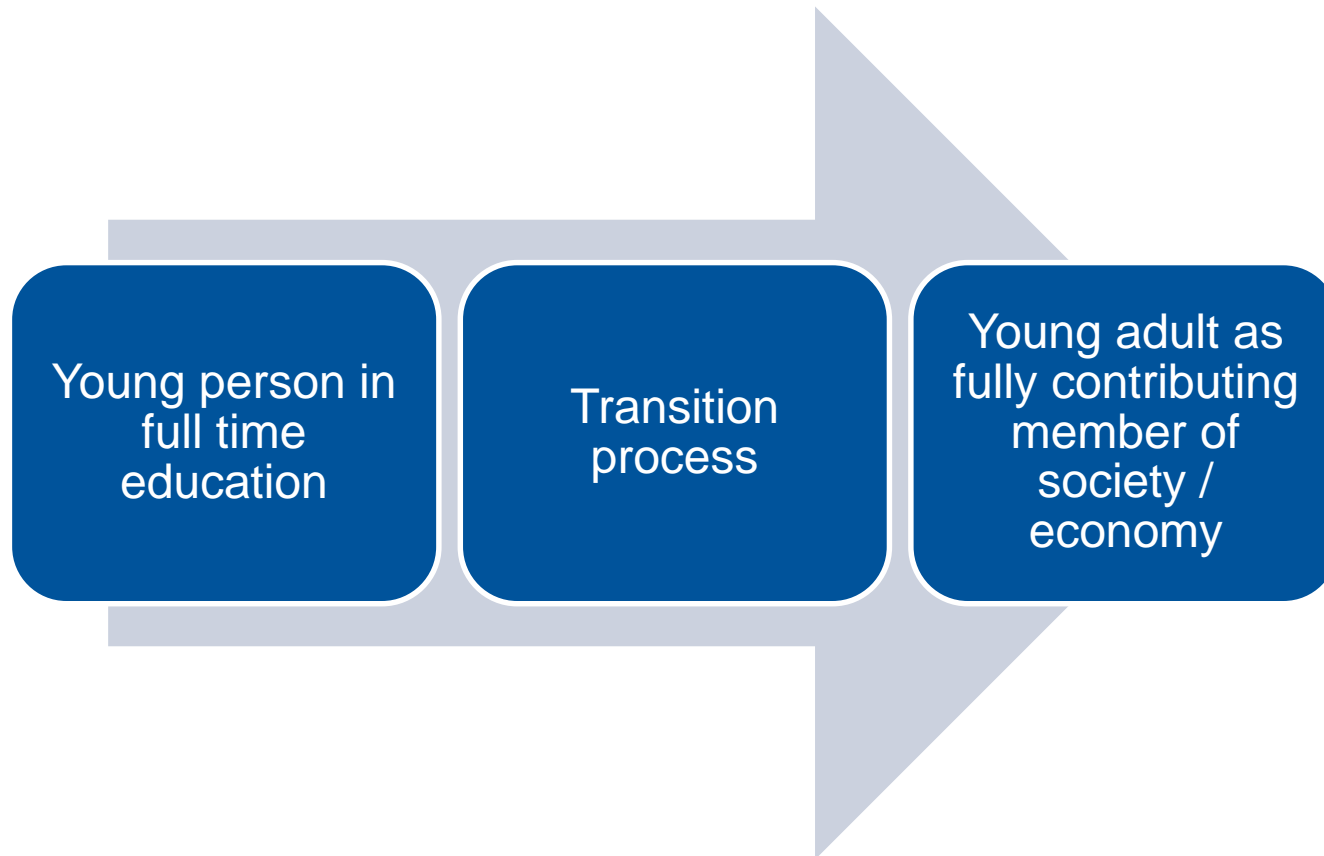
## Youth unemployment rates (%)



# Slow school to work transition constitutes a major challenge



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# I. Why does this matter?



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- **Duration of unemployment** has a substantial impact on life time earnings as well as overall levels of aspiration and work / life satisfaction
- **Longer and more complex transition** from education into work, with lengthy period of uncertainty before accessing full time permanent employment
- Young people become **less selective** about first job
- Especially difficult for young **women**
- **Delayed transition into adulthood**



# What are the reasons?



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- **Labour market structure and cycle**
- **Education systems** and their (lack of) adaptation to changing demands, resulting is in a mis-match between curricula and labour market needs
- **Welfare regimes** to support poorer households (temporarily) to manage risks without compromising on education and job aspirations
- **Type and subject matter of jobs** that a modern / transition economy offers
- **Wider cultural factors** and differences between regions:
  - strong or weak family ties
  - normative ideas about transition into adulthood
  - cultural ideas about which types of jobs are desirable - public / private sector, vocational training, tertiary disciplines
  - particularly important for young women
- **Societal factors** (levels of deprivation informing general pessimism over job prospects, drug abuse, criminal records, etc)

# The link between education systems and labour markets

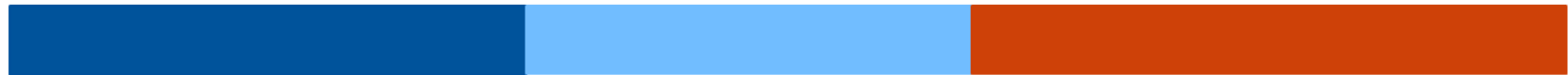


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‘study late while working’: Nordic model



‘study while working’: UK, Ireland



‘apprenticeships’: Germany, Austria, Switzerland



‘study first, then work’: SEE, SEMED, CA





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# Work Based Learning Models



# Work Based Learning: Financing Models



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- Generally speaking, financing of WBL programmes reflects governance arrangements which are based on a co-financing model between the company and the state.
- **The state pays**
  - for the cost of schools (buildings, salaries of teachers and the equipment at the schools)
- **The company covers**
  - the expenses for the in-company training.
- These **co-funding models** ensure a demand driven development and ownership by stakeholders of the system.
- The **key incentive for the companies** in their involvement in WBL programmes is that they are the recruitment channels for future skilled workers,
- Over time apprentices and trainees contribute to the income of the company as WBL is based on learning through productive work.
- In addition, **there may be other forms of incentives particularly to stimulate that SMEs** take on board apprentices and trainees. These incentives may be in the form of tax deductions, grant schemes, social security breaks or remuneration support.



# Work Based Learning: Turkey Case



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- According to the **Skills Vision 2020**, work-based learning is emphasized to actualise the 2020 Turkey vision for a socially cohesive, knowledge-based economy with reduced regional inequalities and a proactive, entrepreneurial workforce in which young people and women can participate fully
- Although all public training institutions are funded by the state budget in Turkey, **the vocational and technical schools have also a share allocated from donations and contributions through their revolving funds.**
- There is not much autonomy given to the training institution in Turkey by the financial decentralization and the so-called “**delegated budgets**”. The control over the educational process, budget spending, as well as the outcoming result are carried out by the respective educational authorities at central and regional level.
- **Education throughout all school levels is free in Turkey.** There are also scholarships for those who study at primary and secondary education. This scholarship called “Scholarship for Free Education in a Boarding School” gives successful students a lot of opportunities during their education.

# Work Based Learning: Turkey Case



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- To support private education in Turkey, Educational Support for Students Studying in Private Education has been in effect. annually depending on the education level for 250.000 students in the academic year of 2014.2015. The amounts were increased in the academic year of 2015-2016 and the support of education varying from 2.680 TL to 3.750 TL annually depending on the education level was started to pay for the students who would like to attend to private schools.
- **Educational support** is determined by depending on criteria (regional status, the income level of student's family, the number of the educational district, the number of students supported, and the contingency number of the school student would like to attend, success levels and students with priority.
- In addition, **the state pays incentives for each student having an education at private vocational and technical schools opened in the organized industrial zones.**
- The educational expenses of more than 16.000 students at 23 private vocational and technical high schools were supported in the academic year of 2015-2016 in the organized industrial zones.

# Work Based Learning: Turkey Case



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- Learners' remuneration during WBL falls under the scope of Law no:3308.
  - Trainees are paid **at least 30% of the net minimum wage**:
  - enterprises with employees 10 or above pay no less than 30% of the minimum wage.
  - Those with less than 10 employees pay no less than 15%.
- To promote VET, and as an employer incentive, **the minimum amount of remuneration is paid in the form of Government contributions for a limited time** – two-thirds for enterprises employing fewer than 20 employees and one-third for enterprises employing over 20 or above..Learners' social security premiums (covering occupational accidents, occupational diseases and health insurance) are paid by the MoNE.
- All public VET school facilities are funded by of the state budget. For private VET schools the students pay tuition- funding for private VET school facilities is undertaken by the schools' top management.
- In some public VET schools, companies have established workshops/laboratories/simulation centres. Public VET schools can sign a protocol with companies to ensure the establishment of such workshops and/or the refurbishment of their classrooms.

# Work Based Learning: Turkey Case



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- **State subsidy for employers in regard to WBL** that has been introduced earlier in 2016 is well received by many companies.
- However, **learner wages have become fully dependent on the release of funds from the state budget**, and as a result, in some cases companies choose to delay payments to learners. Moreover, wage payment process can be tedious, and school, company and state calendars do not always fit together to adequately meet the deadlines .
- **The learner's wage in some cases is the sole income of his/her family. Learners from low income families** often face the challenge of meeting extra costs for the organisation of transportation and payment of meals at companies, although coordinating teachers and the schools try to support the learner in many cases.

# A Unique Example: Skills'10 Project

- In 2011, TOBB, Education and Labour Ministries, Employment Agency cooperated to establish the Skill 10 project;
  - **Public-Private-University Partnership**
  - Local Labor Market Analyses are being conducted for the first time in Turkey
  - **Private sector is located at the center of the Vocational Training system through the Chambers of Industry and Commerce**
  - Courses for the young unemployed are designed according to the requirements of the private sector,



# A Unique Example: Skills'10 Project

- **Firms-Flexibility**
  - involved in the creation of the course curriculum
  - chose the trainees they want to employ
  - foremen acted as trainers in the courses
  - observed trainees during the whole process
  - Provided work-based learning
- **Financial Incentives of the project:**
  - Daily and monthly allowances +public health insurance provided
  - When trainees are employed – employer's insurance contribution is paid by government for up to 4.5 years



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# III. Private sector-led models for inclusive policy making

# Policy challenge:

## Inadequate skills matching and development



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Mismatches between the skills needed by employers and those acquired by individuals, with people being either over- or underqualified for a particular job opportunity.

In a majority of EBRD countries, a **third of people under the age of 30** are either over- or underqualified for the job they hold.

- In Cyprus, Romania and Turkey, mismatches between job requirements and young people's qualifications affect employment opportunities of every 2<sup>nd</sup> young person
- Prevalence of young people overqualified for their jobs has steadily increased over the last decade

**Large skills mismatches impose significant costs on all layers of the economy**

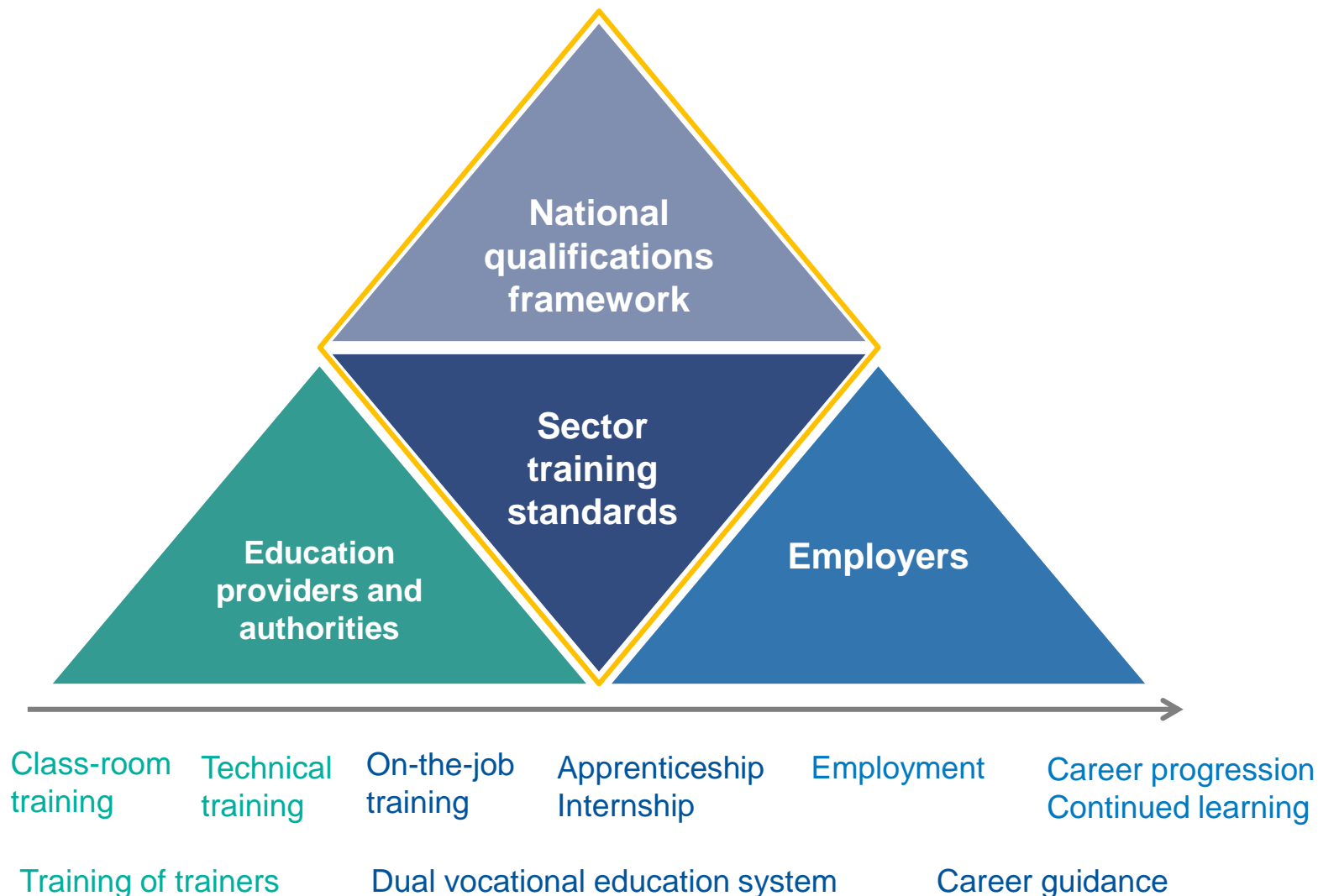
- They limit the productivity of businesses
- They negatively impact the current and future welfare of young people
- Larger skills mismatches are associated with lower levels of labour productivity

While there are many country-specific factors determining the prevalence of skills mismatches, **most EBRD economies face similar challenges.**

# Engaging the private sector in skills policy reforms



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# Policy response: Inclusive Procurement

## Description

**Inclusive procurement** is the integration of an additional clause into public procurement processes encouraging contracting companies to offer on-site training opportunities for specific target groups, such as young people or refugees.

- Particularly relevant in the context of large infrastructure projects: Construction industry as first entry point for unemployed youth who possess entry level skills but lack practical experience

## Strengths

- Combines quality training with direct exposure to employers
- Little additional costs for clients
- Easily scalable across public procurement processes

## To keep in mind

Systemic impact stems from **on-going application** of inclusive procurement standards in the future.

- Important to ensure close engagement of key stakeholders, including relevant ministries, National Procurement Office, vocational training institutions, job centres, etc.





- **The EBRD's inclusion policy dialogue** leverages the Bank's strong private-sector engagement to achieve broader systemic impact at national, sectoral and regional levels by addressing structural, regulatory and other policy challenges to foster equitable access to economic opportunity.
- **Strategic engagement and partnerships** are critical for the successful development and delivery of the EBRD's inclusion model
- **EBRD has established a strategic partnership with the European Training Foundation** to complement the Bank's private sector focus and the ETF's significant policy expertise to help young people gain relevant skills to access jobs.



Thank you!

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