Work-based learning – financing and cost sharing mechanism

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Work-based learning is…

- **Learning by doing real work**
  - through production of real goods and services
  - whether work is paid or unpaid
  - may or may not be combined with school-based learning (classroom or workshop)
    - But it usually is

- **Borderline cases:**
  - WBL simulation
  - Job shadowing
Critical success factors

- Place of work-based learning in the VET system
- Governance structures (roles and responsibilities of key players)
- Training content and learning outcomes
- Cooperation among learning venues
- Participation of and support to companies
- Requirements and support to teachers and in-company trainers
- Financing and cost-sharing mechanisms
- Quality assurance
- Working and learning conditions of learners
- Responsiveness to the labour market
The challenge

Public commitment to VET

High

Low

Statist system

Collective system

Liberal system

Employer-dominated system

Low

High

Involvement of companies in VET
Statist systems

- VET is integrated into the secondary school system
  -> In our Partner Countries usually 3-year and 4-year programmes

- Students can easily proceed to Higher Education

- Employer involvement is (very) low
Collective systems

- Employers’ organisations, trade unions and work councils play a crucial role
- Employers have a strong influence on qualifications and assessment standards
- Employers provide training
- Employers are involved in learners’ assessments
- Employers are involved in the evaluation of results
Some questions...

- Who controls?
- Who provides?
- Who pays?
- Relationship between VET and general education
What does financing refer to?

- Direct costs: e.g. wages, training equipment, school fees
- Foregone income: e.g. Tax reductions, training wages
- Who pays for what
- How funds are raised and distributed
- Benefits in relation to costs
- How financing of work-based learning is managed and steered
Well designed financing

- Increased access and participation
- Helps resources to go further
- Fairer cost sharing: Employers, individuals, governments
- Better quality programmes
- Better steering and management of the VET system as a whole
The financing process

- Estimating costs
- Planning and budgeting
- Distributing funds
- Raising funds
- Steering and managing finances
## Financing: The ideal and reality

<table>
<thead>
<tr>
<th>The ideal model</th>
<th>Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government meets all school-based costs</td>
<td>Employers and learners also contribute to school-based costs</td>
</tr>
<tr>
<td>Employers meet all company-based costs</td>
<td>Governments subsidies employers’ training costs</td>
</tr>
<tr>
<td>Learners’ wages reflect their productivity over time</td>
<td>Learners’ wages are higher than their productivity or Unpaid trainees deliver productivity that exceeds company training costs</td>
</tr>
<tr>
<td>Learners’ wages plus company training costs are equal to or less than their productivity</td>
<td>Learners’ wages plus company training costs exceed their productivity</td>
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</tbody>
</table>
Costs

VET Programme

Work-based learning component*
- In-company trainer
- Professional development of in-company trainer
- Facilities, training equipment, tools
- Learning material
- Learner’s wage/allowance
- Learner’s insurance
- Learner’s transport

School-based learning component
- Teachers, instructors
- Professional development of teachers
- Facilities, equipment, tools
- Maintenance
- Learning material
- Learner’s insurance
- Learner’s transport

Costs related to the VET System:
- Occupational and educational standards
- Inspection, supervision
- Assessment
- Counselling and guidance
- Research
- Administration

*In some countries, the work-based learning component is complemented by additional training in inter-company training centres.
Supply, demand and costs

- Business prospects
- Current and future demand for skills
- Availability of skilled labour
- Capacity to train
- Quality and qualifications of applicants
- On-the-job training time
- Apprentices or trainees wages or allowances
- Sense of social responsibility
- Changes in policy

**Supply of places by employers**

**Demand for places by young people**

Participation level

Costs

- The size of age cohorts
- Levels of educational attainment
- School completion rates
- Migration patterns
- Cultural attitudes
- The attractiveness of programmes and their quality
- The availability of other pathways
- The attractiveness of other pathways
Balancing costs and benefits

Gross Costs - Learners’ productive work (short-term benefit) = Net Costs
Employer benefits in Germany’s dual system

**Benefits**

**During work-based learning (short-term)**
- Productive work
  - Unskilled tasks
  - Semi-skilled/skilled tasks

**During and after work-based learning (long-term)**
- Savings
  - Recruitment costs
    - Advertisement
    - Pre-selection
    - Interview
  - Job familiarisation
    - Differences in productivity
    - Further training
    - Commitment of skilled personnel
- Other benefits
  - Company- and job-specific skills
  - Reduced risk of skills mismatch
  - Reduced risk of skills shortage
  - Employee loyalty
  - Image (CSR)

**Differences in productivity**
- During work-based learning (short-term)
- During and after work-based learning (long-term)
What influences the cost-benefit ratio?

- Occupation or industry:
  - Car repair: high cost
  - Retailing: low cost

- Company size:
  - Economies of scale in large companies

- Duration of work-based learning:
  - With longer training companies may recover more of their training costs

- Training wages:
  - Benefits are harder to realise if training wages are too high, and easier if wages and allowances are low.

- Incentives:
  - Government subsidies and grants can reduce costs and raise benefits
School-based costs will be higher if...

...little time is spent in the workplace

...schools rather than workplaces

- select firms
- find placements
- visit firms for quality checks
- assess the work-based learning

High

School-based costs

Low

% of total time in workplace
# Managing and steering costs

## Government costs
- Paying staff who help steer and manage programmes
- Staffing committees, working groups, governing bodies

## Social partner costs
- Staffing committees, working groups, governing bodies
- Promoting work-based learning
- Quality assurance e.g. screening firms
- Assessment

## Other costs
- Innovation
- Development
- Evaluation
Levies

- Try to address the free loader problem:
  - Firms that do not train poaching from firms that do train
- And so try to:
  - Counter a tendency to under-invest in training and
  - Create greater equity between firms
Cost reimbursement & levy rebate

- Firms that do not train
- Firms that do train

Levy

VET Fund

Cost reimbursement and/or
Rebate

- Reimbursement is based on actual costs
- Partial refund of the levy
Exemption from the levy

Firms that do not train

Exemption from the levy

Firms that do train

Levy

VET Fund
Back up: work-based learning
Types of work-based learning (I)

- Informal Apprenticeship
- Formal Apprenticeship (dual education/training)
- On-the-job Learning

Learner is an employee
Types of work-based learning (II)

Learner is a student

- Alternance/Co-operative education
- Internship (Traineeship, Placement)
## Why does it matter?

### Good for Learners
- Improved employability
- Faster school-to-work transition
- Personal and professional development
- Better access to jobs

### Good for Employers
- Higher productivity
- Technical and job-specific skills
- Efficient recruitment
- Social engagement

### Good for Society
- More relevant skills
- Economic development
- Employment of less advantaged groups
- Strong links between VET and business