

Skills Connexion Project – Work-based Learning in Eastern Europe and Kazakhstan

Policy learning workshop on « Financial and non-financial incentives for companies' engagement in dual education »

Astana, Kazakhstan 5-6 October 2017

WORKSHOP'S REPORT ¹

I. STRATEGIC OUTCOMES

1. **Workshop's context.** The workshop, co-organised with the National Chamber of Entrepreneurs (Atameken), the Ministry of Education and Science and Holding Kasipkor, gathered around 40 participants who demonstrated high interest, proactiveness and commitment to achieve results during 1,5 days. The Ministry of Education and Science only took part in the opening session, while other ministries, namely the Ministry of Economy and the Ministry of Labour, were invited but did not participate. The EU delegation (head of Cooperation) valued the workshop as an input to the European broader support to Kazakhstan's steady economic development.

The workshop is a follow up of a focus group held in October 2016 in the framework of the project Skills Connexion (using the "ETF readiness tool"). The incentives issue was one to the priorities identified during the focus group.

Incentives for companies' engagement in dual education, and in particular the engagement of small companies, are **high on the agenda of the National Chamber of Entrepreneurs** (in charge of companies' engagement in the roadmap for the implementation of the dual education approach). Such ownership is promising in the perspective of getting the voice of private sector heard, in an incentive policy design process which should be participatory.

The approach used in the United Kingdom (via Skype) and **France on** apprenticeship levies were shared (see boxes); the experience of pilot project participants involved in **GIZ** and **British Council** supported projects on further development of work-based learning and the dual approach at national level were presented for inspiration.

2. **Incentives' context.** Incentive schemes are usually part of a financing system for vocational education and training (or work-based learning in this case), which includes at least resource mobilisation and resource allocation, and preferably as well the management of the financing chain, costing and data considerations (ETF so-called "financing prism" for structured policy dialogue on financing). This has the main advantage to get companies interested in training, because financial resources are at stake. In Kazakhstan, there is a certain **discrepancy between how the incentive issue is currently being tackled** (through the narrow lens of providing an allowance to in-company mentors for dual education) **and what it could potentially encompass**, as international experiences show; in particular, linking entitlement to financial allocations (incentives) to previous contributions (taxes);

¹ Report prepared by ETF. For comments or questions: Marie.Dorleans@etf.europa.eu, Didier.Gelibert@etf.europa.eu, Christine.hemschemeier@etf.europa.eu.

3. Agreement was reached on the need to **broaden the vision for incentives**, in various directions, in particular:
- **Combining incentives for companies and incentives for colleges**, in order to work simultaneously on company **motivation** and **quality** of training. These are 2 sides of the same coin
 - Exploring the possibility to **link incentives to companies' tax contributions**: the current use of taxes should be explored – namely the **social contribution tax**- to identify possible room for manoeuvre
 - **Complement financial incentives with non-financial incentives**: for instance, through **rewards for companies** best engaged in the dual approach (“ALTENSAPA” like: “the best training company is ...”) or grant **State procurement preferences** on this criteria.
4. **The reflection on incentives is hampered by a number of misunderstandings regarding dual education²**, which have 3 types of causes:
- The **definition of dual education itself is still partial/broad**: it has been introduced in the labour law, but there still is a need to clarify «the Kazakh model» of dual education;
 - **Colleges-companies cooperation** often lags behind the possibilities provided by the legal framework, namely involvement of companies in curriculum development, student examination...
 - The **perception of dual education** is also influenced in negative manner by **stereotypes as well as misunderstandings**,– for instance that companies accepting apprentices are then obliged to hire them;
5. This calls for two types of action:
- Further spell out the Kazakh **model for dual education and improve the related regulatory framework** (specifying clearly the difference between apprenticeship/internship...) – . This work may be assigned to the working group set-up by Kasipkor (mandated by the MoE to coordinate the implementation of the dual approach in August 2017).
 - **Design a communication/awareness-raising campaign** for companies, colleges, and public opinion, to clarify that it covers, clear up existing misunderstandings and **fight against stereotypes** on dual education and **gradually change mindsets**; this requires to first list these various misunderstandings and stereotypes. Such campaign could also integrate and use rewarded companies as success stories.
 - **Development, design of Quality Assurance tools for work based learning: supporting VET schools in a self assessment exercise as well the relationship Companies-VET School. Taking into consideration that financing and in particular should be related to QA.**

² Let's mention here that the use of «dual education» term, at least in English, directs the thinking on apprenticeships (most common dual education model), whereas the current «Dual education» Kazakh system covers both apprenticeships and internships – in other terms what is usually called «work-based learning»(WBL). See Kazakhstan mapping report (ETF, 2016)

6. **The choice of incentives**, which can only derive from these efforts, will also need to be made in relation to clear **policy objectives and target beneficiaries**: rewarding already active companies, or triggering the engagement of new ones? How to reach out to small companies? How to have State-owned companies participate in the apprenticeship effort.
7. **Incentives may take several forms, and choice must be compatible with the country context**:
 - Tax exemptions/credits: these have been identified as an important piece of strategic reflection, although in the short term the budget context is more to savings; **medical/social insurance exemption for apprentices** could be a concrete step here;
 - Direct cash transfers: **reimbursement of proven costs incurred by companies**, payment to mentors,...
 - Non financial incentives: prizes, State procurement preferences, training of mentors.
8. **Targeting/earmarking of incentives** (by economic sectors, types/size of enterprises, regional characteristics ...) is a remaining reflection task to be **related to objectives and cost estimates**: this aspect was not explored by participants during the workshop, although it was the purpose of one session (group work day 2; this reflects that the reflection is still at a preliminary/conceptual stage, and the need to set priorities (for budget constraints) has not emerged;
9. **Next steps for incentives' policy design** should build on a number of assumptions:
 - **Commitment from Ministries** (Ministry of Education and Science (leadership), Ministry of Labour, Ministry of the Economy and Ministry of Finance) is a pre-requisite if reform measures concerning incentives are to be shaped, possibly with ETF support. It should be checked or put as a conditionality for any follow-up support.
 - Embedment into the relevant **on-going processes and strategies** (Tax Code, Productive employment programme, quality assurance)
 - Setting up of a clear **consultation/policymaking framework**. This could include a small technical team to prepare proposals and a broad assembly for consultation and debate on these
 - Technical clarification of a number of pending questions – see below.

II. SPECIFIC ELEMENTS FOR CONTINUED REFLECTION /ACTION POINTS

Recommended axis for continued reflection

Below are some pending questions that were raised during the workshop, and would deserve to be taken up in the next phase of national work and discussion:

1. Clarify:

- What do texts say about the **cooperation/ coordination with colleges**? Where is there room for manoeuvre to improve quality (in particular: what degree of autonomy do colleges have? what are the legal possibilities for training/exposure of teachers in companies? To professionals intervention in classrooms? How to relate financing or incentives to quality criteria to achieve)
- What are the **current taxes paid by companies**, and what is their **legally expected use**? (in order to identify if one, eg the **social contribution** tax, could possibly in the future be partially directed to training/dual education)

2. Refine:

- The Kazakh dual education³ model (apprenticeship or internship? Duration?) What possible consequences of the sector specificity to the apprenticeship scheme (e.g. heavy industry: reduced working time?)
- The Mentorship approach.
- Design of curriculum
- the advantages of dual education for the different parties (as per the initial brainstorming on Day1), which would justify incentives as a means to reach a win-win situation

3. Identify: misunderstandings, prejudices and stereotypes playing against Dual education development (for the communication campaign, and possibly for the incentive scheme)

4. Discuss: Incentives for whom?

- Currently engaged companies (recognition of their engagement) or reluctant companies?
- What would SMEs need to get engaged? (At regional/local level, prizes/rewards are important for the image of the company)
- What does the enterprise gain with mentors' allowances?
- How to have State-owned companies contribute to the apprenticeship's efforts?

5. Identify and put forward: Anchorage in on-going processes:

- Link with roadmap on dual education: specialties, professions identified –
- links with other VET reform areas – incl curricula development, centres accreditation, students examination, continuing training for employees (in TC)
- Link with programme for productive employment
- Regional approach

6. Brainstorm on other points that were not tackled during the workshop:

- **Penalties** (versus incentives)?
- **Cost** estimates of future incentives: who could do that? (will be needed in view of negotiating with the Ministry of Finance)?
- Which **sources of data/information** to monitor the implementation and impact of the incentives schemes? This will also enable a reality check of the proposed incentive schemes.

Once these steps are completed, and upon Kazakh's request, ETF is available to help facilitate the policy dialogue by providing feedback and international examples.

III. Country cases and Pilot projects

1. EU country cases

UNITED KINGDOM CASE – the APPRENTICESHIP LEVY

(John Mountford, International development director SEMTA)

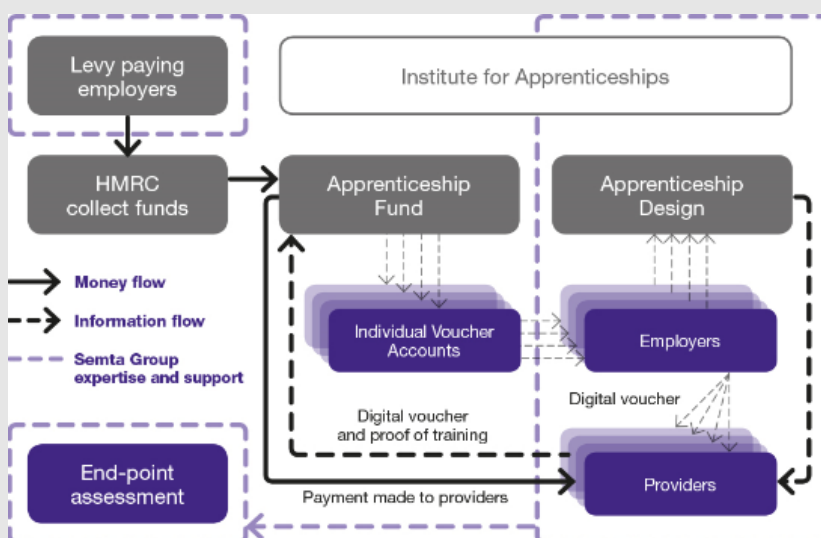
National policy objective: 3 million apprenticeships by 2020 – ‘employer-led’ approach to skills

Sector Skills Council « SEMTA » (Science engineering, Manufacturing, Technologies Alliance) « brings together employers, education and government to deliver employment focused initiatives ». Apprenticeship and industry standards developed for 70 years.

Represents 145.800 employers, 1,7 million workforce, 125.000 apprentices' completion per year

LEVY (0.5% of wage bill) paid only by large employers (pay bill over £3m) i.e. around 2% of employers.

Mechanism: how it works (source: SEMTA website FAQ)



The levy will be paid to HM Revenue and Customs through the Pay As You Earn (PAYE) scheme and will apply to employers across the UK. Access to levy funds will be through a new online apprenticeship service. Levy funds collected one month will appear on the online system the following month and can be exchanged for vouchers to spend on training with an approved training provider

What can be the levy spent on? (Source: SEMTA website FAQ)

Employers can spend their levy funds on the costs of an apprentice's training, assessment and certification. This includes either existing staff or new recruits, as long as the training meets an approved standard or framework and the individual meets the apprentice eligibility criteria.

Employers will also be able to fund qualifications through the levy as long as they are included within approved apprenticeship standards and frameworks, although qualifications are not mandatory

Employers will not be able to use levy funds to cover all the costs associated with taking on an apprentice. For example, overheads, supervision costs and apprentices' wages will not be funded by the levy

Employers will be able to fund apprenticeships at the same level or a lower level than an individual's highest existing qualification, so long as the individual will acquire 'substantively' new skills through doing the apprenticeship

What will employers be able to claim for each apprenticeship? (Source: abstract SEMTA website FAQ)

The government publishes funding bands for apprenticeships. Although they are called bands, they do not have a lower spending limit, just an upper one. There are fifteen bands, up to a maximum value of £27,000.

Employers will pay month to month for the apprenticeship training and 20% of the total training cost is held back and taken from the apprenticeship service account at the end of the apprenticeship, as apprenticeship standards include an end point assessment for which the cost is incurred at the end of the programme.

From May 2017 the following incentives are available to all employers

£1,000 payment if they train a 16-18 year old apprentice

£1,000 payment when they train a 19-24 year old apprentice who has previously been in care or who has a local authority education, health or care plan.

HOW DO COMPANIES ACCESS THESE BENEFITS

- ON-line vouchers to purchase apprenticeship training?

Lessons learnt in relation to the Kazakh's context :

- crucial to **include small companies** in the incentives' scheme even if they cannot pay the levy, as these are the least likely to take on apprentices if not incentivised, and those who may suffer most from a skills crisis when retiring workers are not replaced

- having the companies pay first enables to engage them even if they get reimbursed through the levy.

- the **levy has 2 advantages** (« ticks 2 boxes »): it encourages companies' involvement in training and the funding burden lies with big companies

- **promotional campaigns** are a key condition for attracting companies, young people and colleges to apprenticeship.

- **Colleges' autonomy** enables them to work closely with companies

FRANCE CASE – INCENTIVES FOR APPRENTICESHIP (Marie-France Costagliola, former regional director of the Automotive sector and President of ADAPEI Ain, medical-social sector major employer)

National policy objective : 500.000 apprentices in 2018 (currently: 419.000, 11% of young people, 7 out of 10 find job within 6 months after graduation)

Automotive sector : almost 400.000 workers, 140.000 companies (95% of the companies employ less than 10 employees). 19% of workers are under 25 years old. 22.000 apprentices, representing 5,3% of employment.

Social-medical sector: 1 million workers. 2400 apprentices.

APPRENTICESHIP LEVY : all employers pay 0.68% of payroll/wage bill. Companies over 250 employees may pay an additional contribution (ca 0.05%) if they don't meet the condition to recruit a minimum of apprentices (5% of the staff)

Penalties are foreseen for companies over 250 employees who do take on apprentices.

51% of this tax is transferred to regional councils. Part of the tax goes to training centres

Apprenticeship' features: apprentices are both students and employees (15-25 years old) under an apprenticeship contract signed with employer and training centre. 60 to 75% of the time is spent in the enterprise. The contract's length depends on the occupation and the qualification (from 1 to 3 years). Each year, the apprentice spends 29 weeks in company and 18 in training centre

The apprentice receives a salary, paid by his/her employer, which varies from 25% to 78% of minimum national wage according to the age and the year of training.

The employer received financial assistance from the State and the region that can reach about 7.000 euros for the first year.

Lessons learnt

Financial incentives: the labour contract has a low cost thanks to the reduction of minimum wage

Non financial incentives: the apprenticeship period is both **a trial period and a recruitment chain** if companies wish (reduce recruitment costs when apprentices are retained in the business.) Better employability thanks to the transition education/labour market. Good cooperation with sectors influencing qualifications (good thing to update and upgrade employees 'qualifications).

But the **motivations are different in each sector and according to the size of the enterprises.**

2. Pilot projects

THE PILOT PROJECT IN HOSPITALITY SECTOR IN KAZAKHSTAN (Ataliya Tulegenova)

Lessons learnt from this pilot project aiming at promoting mentorship in the hospitality sector include :

Non financial incentives:

- the apprenticeships enable the company to have a database for future employees*
- the apprenticeships enable the employees to grow and be trained:*
 - ° recognize employees/mentors that conduct training for personnel (DE apprentices) by delivering certificates*
 - ° train mentors to train (pedagogical skills on delivering and transferring knowledge) as a personal development opportunity*
- the apprenticeship should foster closer relationships between companies and colleges*
 - ° train teachers so that are better prepare their students to the period in companies and have their knowledge updated according to latest developments in companies (technological...)*
 - ° allow employees to deliver training sessions in training centres/universities*
- _ the apprenticeships enable students to have a work experience, unpaid but with food and uniform provided, and to follow free English courses.*