INCENTIVES FOR DUAL EDUCATION IN KAZAKHSTAN

POLICY LEARNING WORKSHOP, ASTANA, 5-6 OCTOBER
Session 1:
Setting the scene: *conceptual and contextual framework* for action

Session 2:
*Arguments for engaging* in dual education

Session 3:
Inspiring *international practices* of incentives for Work-based learning

Session 4:
*Lessons learnt* and possible *next steps* for Kazakhstan
Проект Skills Connexion
The 3-year action aims to promote WBL policy development and implementation in the Eastern Europe & Kazakhstan
Обучение на рабочем месте: насколько мы к нему готовы?
Readiness tool

Focus Group

Actions

Identification of priorities

Discussing priorities identified & current development (WBL)

Tackling outcomes of the focus group

WBL Platform – Regional Meetings – PLA

Region level

Country level

2016

2017
АСТАНА СЕМИНАРА
FRAMING THE POLICY DIALOGUE ON INCENTIVES: WHY?

- **Financial Incentives**: about allocating funds .... But also collecting them! — and money is a sensitive issue

- Need for a **consensus between social partners and State on**: the objectives, the types of incentives, the levels of incentives ...

- Need to build the consensus through a transparent and sane **policy dialogue**, which requires a common understanding of issues at stake and acknowledgement of respective perspectives

- Need to anchor this policy dialogue into the « **big picture** »: because policy reform measures are interconnected, because financing is not a **technical** issue...

THE FINANCING « PRISM » TRIES TO RESPOND TO THESE NEEDS
FINANCING: what does that mean? proposed clarification of terminology

- Financing: a “portmanteau” word:
  - costing (of the envisaged, or of the decided/planned),
  - budgeting/budget planning (costing of the planned + identification of financing sources)

  resource mobilisation

  resource allocation

  governance of the financing chain
  - incl. articulation with general PFM chain
  - Incl. Monitoring & Evaluation mechanisms

POLICY STAGE

DESIGN

IMPLEMENTATION: SYSTEM RUNNING

M&E
THE FINANCING PRISM: A TOOL DEVELOPED BY ETF TO SUPPORT AND STRUCTURE THIS POLICY DIALOGUE

HOW DO YOU CONNECT THESE 9 DOTS WITH 4 STRAIGHT LINES?
3 “facets”: resource mobilisation, resource allocation, governance of the financing chain

Stakeholders

Policy objectives

Financing principles
Key stakeholders (they provide the funds)

Public
- State, regions, public providers, donors

Private
- Businesses, NGOs, private training providers

Individuals
- Students, employees, unemployed

Policy issues
- How to ensure sound budget planning?
- How to foster diversification of financing sources?
- Who pays vs Who should pay?
- How to make business contribute more? Which enterprises should contribute?
- How to reconcile cost-sharing and equity across companies?
- How to consider resources in a broader sense than just financial resources (time...)

Financing topics
- Tax incentive system
- Training tax/levy, budget planning tools (MTEF, finance law), local taxation, donor and NGO funds, tuition fees, training rights systems, IGA
Policy objectives
(they guide the allocation criteria)

Policy issues

Resources’ allocation

Relevance  Quality  Equity

Financing topics

Which criteria to allocate funds?
How to promote relevant and quality training?
How to encourage company training?
How to target/outreach to specific populations?

Formula funding, school autonomy, levy-grant schemes, contract-based funding, payback clauses, recurrent/investment expenses
Governance of the financing chain

Working principles

Transparency  Accountability  Efficiency

RESULTS-BASED MANAGEMENT

Policy issues

What priority objectives is the financing chain expected to serve?
Who should participate in the governance of financing tools?
How to secure the collection and use of funds in coherence with policy objectives? Ensure accountability of partners?
How to use financing as a vehicle to enhance the steering capacity of a government?
How to improve data availability, reliability and use for policy decision?

Financing topics

Training funds, national training authority, EMIS, joint sector reviews
An unconventional dot to ensure soundness of all policy choices (incl. financing-system related choices)

> Cost and finance analysis of envisaged policy options: a tool to ensure soundness of scenarios inform decision making

> Cost and finance/budget assessment of planned sector policies: a way to check affordability, sustainability hence credibility of sector policies for EU decision on financial assistance
Data: a cross-cutting issue for transversal support

- Need for reliable data, not only regarding financing, but on the whole system, to be able to use financing as a tool for steering policies ...
  - Result oriented
  - Performance based
- Accompanying measures of EMIS reinforcement, and setting M&E mechanisms and tools
Thank you!
INCENTIVES FOR DUAL EDUCATION
IN KAZAKHSTAN

FROM POLICY ISSUES TO INCENTIVES’ IMPLEMENTATION SCHEMES
Marie Dorléans, ETF Governance and Financing Specialist
& Didier Gélibert, Private Sector Engagement Specialist

POLICY LEARNING WORKSHOP, ASTANA, 5-6 OCTOBER 2017
FROM POLICY ISSUES OF THE FINANCING PRISM TO INCENTIVE SCHEMES...

➢ RESOURCE MOBILISATION
How to foster diversification of financing sources?
Who pays? vs Who should pay?
How to make business contribute more? Which enterprises should contribute?
How to reconcile cost-sharing and equity across companies?
How to consider resources in a broader sense than just financial resources (time...)

➢ RESOURCE ALLOCATION
Which criteria to allocate funds?
How to promote relevant and quality training?
How to encourage company training?
How to target/outreach to specific populations?

➢ GOVERNANCE OF THE FINANCING SCHEMES
Who should participate in the governance of financing tools?
How to secure the collection and use of funds in coherence with policy objectives? Ensure accountability of partners?
Objectives of incentives may include:
• Ensuring **future employees are trained in skills enterprises need**, as a means to promote employment and labour market integration.
• Supporting **current employees to meet new skills requirements** and avoid unemployment.
• Meeting **regulations and/or new industry standards** or expectations.
• Encouraging **research, development and innovation** and investing in the skills which will facilitate them (to encourage productivity and economic growth).

The options for financial incentives are:
• **Giving money or in-kind subsidies**: full or partial cost;
• **Addressing market imperfections**: overcoming funding obstacles;
• **Exempting expenditure**: using the corporate tax/social security system;
What incentive schemes will enable to address these policy issues? Questions to address:

1/ At the objectives’ level:
What entreprise training behaviours and actions to be encouraged? What is the monetary benefit on offer?

At the operational level:
- What type of incentives?
- What level of incentives?
- What quality of incentives?
- What tracking and verification of impact?
FROM POLICY ISSUES OF THE FINANCING PRISM TO INCENTIVE SCHEMES…

Key issues in policy design include:
- Having a **clear rationale and stated objectives** for the activities to be incentivised;
- Deciding upon the **type of monetary benefit** to be offered;
- **To whom** the policy should apply;
- Defining the **monetary benefit**;
- Linking the money to a **unit of measure**;
- Fitting an incentive into the **current financing system**.

Key issues in the policy process include:
- Who are the stakeholders and what they have to gain and/or lose;
- Coordinating policy: joined-up decision making;
- Governance and capacity: central versus local solutions.
Key issues in the **policy implementation** include:

- Does it require **new legislation**?
- Does it require a **budgetary appropriation**?
- Can it be administered through the **existing structure**?
- Tracking – can it be **monitored and verified**?
FROM POLICY ISSUES OF THE FINANCING PRISM TO INCENTIVE SCHEMES...

Key conditions for success:

• **Is the incentive sufficient** to encourage more VET investment and VET activities by enterprises?
• Keeping the procedure **simple for enterprises**?
• Keeping administration **simple for government**?
• Is the incentive **achieving its aims**? – overcoming risk
FINANCIAL INCENTIVES

Tax Breaks

- Tax deductions/tax allowances
- Tax credits
- Tax exemptions
- Tax relief
- Tax deferrals

Direct cash transfer

- Aid / Allowance / Subsidies / Grants
- Flat rate / universal or differential
FINANCIAL INCENTIVES

Levy schemes

- Imposing a tax, fee, or fine to all or certain kinds (size, sector etc) and allowing exemption for those who participate in apprenticeships

Discount in wages to apprentices

- No wage (learners legally students)
- Allowance
- Wage (less than for a qualified worker)
- Wage is paid plus a wage subsidy paid to the employer
NON-FINANCIAL INCENTIVES

Design of the apprenticeship

• Duration of apprenticeship
• Balance of time spent with the company and at college
• Apprenticeship wage

Image enhancement measures

• Award (financial or status based) for best training company
• Preferential treatment in public procurements
NON-FINANCIAL INCENTIVES

Enhancing training capacity of employers

- Authorization as a training company
- Access to financial incentives
- Training related tasks (recruitment, training of mentors, assessment of students)

Regulatory measures

- Require companies to train apprentices (penalize if they do not)
## A SYNTHETIC COMPARATIVE ANALYSIS OF INCENTIVES

<table>
<thead>
<tr>
<th>Description</th>
<th>Decisions</th>
<th>Advantages</th>
<th>Disadvantages</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subsidy (full or partial)</strong></td>
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<td></td>
<td>Level of government?</td>
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<td></td>
<td>What costs are subsidised?</td>
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<td>Scaled according to need?</td>
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<td>Interaction with tax system?</td>
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<td></td>
<td>Use private banking?</td>
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<td>Administration in place (potentially).</td>
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<td></td>
<td>Underwrite private loans?</td>
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<td>Can be targeted.</td>
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<td></td>
<td>What loans can be used for?</td>
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<td>Training costs amortised.</td>
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<td></td>
<td>Level of liability?</td>
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<td>Preferential interest rate</td>
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<td>Who will check banks?</td>
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<td></td>
<td>Interest level?</td>
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<td>Interaction with tax system?</td>
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<tr>
<td><strong>Loans</strong></td>
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<td><strong>Tax/social security</strong></td>
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<td></td>
<td>Deduction.</td>
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<td>Can be targeted.</td>
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<td>Exemption</td>
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<td>Administration in place.</td>
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<td></td>
<td>Allowance.</td>
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<td>Can be combined</td>
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<td></td>
<td>Credit.</td>
<td></td>
<td>Linked to tax liability (e.g. not start-ups or those without a formalised profit)</td>
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<td>Deferral.</td>
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</tbody>
</table>

- **Description**: The level of government, the costs treated, and the type of enterprise.
- **Decisions**: The use of private banking, underwriting loans, and the interaction with the tax system.
- **Advantages**: Can be targeted, not profit linked.
- **Disadvantages**: Requires a budget, requires administration, can increase tax liability.
- **Risks**: Deadweight, employees replaced, shifts risk (moral hazard), not available enough, too complex to use, risk of non-repayment, loans not used to train, deadweight, capacity to incentivise additional investments, too complex to use (audit requirements).
TWO QUOTES TO CONCLUDE ...

Financial incentives “have modest effects, and will usually involve substantial deadweight” (Kuczera, 2017)

Financial incentives appeal to companies “that can easily substitute apprentices for workers”, but less so to ones that cannot (Kis, 2016)

Thank you for your attention and questions!