

HOW HUMAN RESOURCE DEVELOPMENT CAN CONTRIBUTE TO THE EUROPEAN POLICY FOR PRE-ACCESSION ASSISTANCE

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Summary of recommendations

On the basis of the analysis made in this paper of HRD in the current candidate and potential candidate countries preparing for accession to the EU, the ETF recommends the following for each country:

- Design a comprehensive and integrated lifelong learning strategy;
- Make this strategy a key component of an employment action plan based on the European Employment Strategy;
- Work in close partnership with the main stakeholders and social partners;
- Increase investment in HRD by devoting adequate resources to the different components of the strategy, especially adult learning and work-related training;
- Continue systemic reforms of education and training systems, using the instruments, principles and references developed by the EU;
- Improve the performance of systems in line with indicators for monitoring the Education and Training 2010 programme and especially the EU education benchmarks and employment targets;
- Continue learning from the experience of the new EU Member States and from the ongoing development of HRD policies in the EU, using networking as appropriate.
- Optimise use of the IPA as the main instrument to support these policies and the ETF as an appropriate agency to help pre-accession countries make the best use of the IPA in this respect;
- Ensure an appropriate and efficient use of the proportion of IPA resources devoted to HRD.

1. Introduction

Human resource development (HRD)¹ plays a key role in developing people's skills and knowledge. It helps promote more active citizenship in society, and can make a fundamental contribution to increasing prosperity, employability and social cohesion in modern market economies.

Developing human capital is therefore one of the EU's main priorities as regards the Lisbon agenda. Policy makers see HRD as an essential ingredient in underpinning the development of transition economies. In countries with relatively weak education and labour market systems, the return on investment in HRD can be especially high.

This paper outlines the contribution investment in HRD can make towards achieving the goals of European pre-accession assistance, and is also intended to inform the forthcoming debate on the Instrument for Pre-Accession Assistance (IPA) in the EU institutions. It draws on the expertise the European Training Foundation (ETF) has built up as an active promoter of human resources development in candidate countries and the countries of the Western Balkans over the period 1995–2005. On the basis of some of the lessons learned from the EU's investment in HRD over the last decade, it provides some indications of how HRD can help meet the broad policy objectives outlined in the draft IPA, recommends ways in which the measures proposed in the draft instrument can be taken forward to ensure effective and sustainable reform, and suggests the contribution a specialised agency such as the ETF could make to this process.

¹ For the purposes of this paper, the term HRD is used broadly to cover investment throughout the education and training sector, including formal education at all levels, continuing training, and activities linking education and training and the labour market.

2. Why invest in human resources?

The ETF firmly believes that education and training play a key role in promoting social and economic well-being. This belief is based on more than ten years of practical experience in helping partner countries reform their education and training systems. Academic research backs up this experience and provides a strong rationale for investing in HRD compared to other sectors.² Recent research findings show that:

- One additional year of schooling can increase aggregate productivity by 5% in the immediate term and a further 2.5–5% in the long term. Overall, the average rate of return for an additional year of schooling is over 10%, particularly in low-to-middle income countries.
- The direct return on investment from human capital is estimated to be at least as high as that on investment in physical capital.
- Improved educational attainment can increase employability and substantially reduce the risk of unemployment. Importantly for transition economies, education can also contribute to entrepreneurship by creating awareness of the possibilities of self-employment and developing the relevant skills.
- Education gives people a stake in the growth and prosperity of their countries. An additional year of schooling can increase an individual's wages by 6–9%. There is also evidence that on-the-job training plays a key role in improving individual wages.
- Finally, education and training are generally accepted as vital factors in improving social capital, health, active citizenship, social stability and crime reduction.

3. Lessons learned from HRD reform and EU support in candidate countries and potential candidate countries 1995–2005

It is clear that investing in human resources can be an efficient way of boosting economic and social well-being. The degree of efficiency, however, greatly depends on how such investments are made. The EU has already provided substantial support to HRD reform in each of the candidate and potential candidate countries through the Phare, CARDS and Tempus programmes, in the framework of which the ETF has provided technical assistance and support. The following are some of the key lessons learned from this experience:

- HRD reforms in the partner countries must be systemic in nature and must cover general, vocational and higher education as part of a comprehensive lifelong learning strategy. They are closely related to radical changes in labour markets and cannot be viewed in isolation from them. However, the difficulties of administrative coordination and the countries' limited institutional capacity to define and implement reform are major constraints.
- Successful HRD reform requires clear long-term policy objectives, an integrated approach and adequate resources. It should combine top-down policy development, pilot projects to introduce and test innovations, and bottom-up measures ensuring active participation by stakeholders. However, few pre-accession countries currently have such policies, and reforms so far have often been fragmented, under resourced and unsustainable.

² See A. de la Fuente and A. Ciccone, 'Human capital and productivity Investing efficiently in education and training', Report to DG Employment 2002; Commission Communication (2003/779); G. Psacharopoulos and H.A. Patrinos, 'Returns to investment in education: A further update', World Bank (mimeo), 2002.

- EU assistance to the former candidate countries (now new Member States) played an important role in their national reforms in education and training. A crucial element was the gradual incorporation into the assistance of the evolving European policy on employment and education. This was particularly important when EU support shifted from technical assistance to preparation for accession, and even more so after the Barcelona council in 2002, which highlighted the Lisbon strategy as 'an incentive for the candidate countries to adopt and implement key economic, social and environmental objectives and as a two-way learning process'.³ However, it is questionable whether the Phare Programme provided sufficient funding to meet the vocational education and training (VET) priorities defined by the candidate countries or, later on, those set in the context of the accession partnerships. Overall, the best results were obtained in those countries which already had clear reform strategies, where political changes hardly affected implementation, and where Phare, Leonardo da Vinci and the ETF (as well as other international donor instruments) were effectively used as priority instruments to implement the reforms.⁴

4. Challenges to HRD systems in the current pre-accession countries

The EU's structural indicators, quantitative targets and benchmarks on employment, education and training can be used to give an idea of the particular situation of the current pre-accession countries compared to EU Member States in these fields. The ETF has analysed these trends in detail in a number of reports.

4.1 Employment

The indicators show that employment rates in the pre-accession countries are far below those obtained in the EU 25 and even further below the EU targets for 2010 (see Annex 1). The gap is very wide in Turkey and the Western Balkan countries, particularly as regards the employment of women and older workers. In Turkey and Albania, employment is still very high in agriculture and limited in the services sector. Unemployment, particularly among young people, is extremely high in the Western Balkans

In the candidate countries, economic restructuring is ongoing but the fragile development of small and medium-sized enterprises (SMEs) does not offer enough jobs to absorb the redundancies from industry. Workers' geographical and professional mobility is very low. The education systems are struggling to provide people with the qualifications needed for economic modernisation and development. The lack of resources for active labour market measures, combined with businesses' low interest in training, are holding back productivity, hampering competitiveness and deepening social exclusion and disparities between regions, sectors, age groups, sexes and other categories.

The situation is even more difficult in the potential candidate countries, where the economies are still recovering and growth is still very slow after the very severe damages caused by conflict in the Former Yugoslavia and its aftermath. The restructuring of industry and agriculture is only just beginning, while the development of services and job creation in general is very limited and the labour market is very depressed, with unemployment rates reaching 30–40% and the informal economy accounting for more than 30% of employment. The existing skills available are unsuitable or inadequate to meet national objectives for economic development.

4.2 Education, training and HRD

The gap between EU benchmarks and reality on the ground is also very wide when looking at education-related indicators such as early school leaving rates, percentages of pupils with low reading literacy and the participation of adults in lifelong learning (see Annex 2). An exception is Croatia, which

³ Presidency Conclusions, Barcelona European Council, 15 and 16 March 2002, SN 100/02.

⁴ For detailed analysis, see ETF, 'Thirteen years of cooperation and reforms in vocational education and training in the acceding and candidate countries', 2003.

exhibits good results, better than the EU average rate for early school leavers and youth educational attainment. However, public expenditure on education across the region is worryingly far below the EU average of 5.1% of GDP (2.7% in Albania and 3.7% in Turkey).

The preparation of lifelong learning strategies is at a very early stage. Vocational education has not received the appropriate priority and the introduction of new updated curricula is taking a very long time. Adult learning, particularly work-based learning and labour market training, is severely underdeveloped.

HRD systems in the candidate countries still suffer from a number of structural problems. Administrative coordination at national level and between the different layers is difficult and the involvement of social partners is weak. HRD systems face many challenges: a lack of transparency; the poor quality of many training providers and the lack of quality assurance systems; the limited development of lifelong career and guidance systems; the poor quality of teachers and trainers; and the scant recognition given to non-formal and informal learning.

Again, the situation is even more problematic in the potential candidate countries, where the process of reforming education and training started only very recently. The countries are still suffering from highly centralised systems of governance, obsolete infrastructure and narrow specialisations. There is little if any partnership between schools and social partners; teachers have low socioeconomic status; their skills, and the curricula they teach, are outdated; and reliable data is in very short supply.

5. How can HRD support the objectives of the pre-accession strategy?

Investment in HRD can significantly support the objectives of the pre-accession strategy by taking full account of the *acquis communautaire* in employment, education and training alongside the IPA. The following sections examine this potential contribution in more detail.

5.1 The *acquis communautaire* in employment, education and training in the pre-accession countries

The *acquis communautaire* in HRD has now developed largely in the context of the European Employment Strategy (EES) and the European Education and Training 2010 process. It concerns in particular the European Social Fund (ESF), preparation for which is covered by the fourth component of the IPA proposal and will concern the candidate countries, and the new integrated Lifelong Learning programmes, already considered by the IPA proposal as part of the Community programmes for all countries. More generally, as already demonstrated in the cases of Phare and CARDS, the first component of the proposal, institution building, can contribute to the adoption and implementation of the *acquis* in the candidate countries and to progressive alignment with the *acquis* in the potential candidate countries.

Since the Luxembourg Council, preparation for the ESF has involved candidate countries and, since Lisbon (2000), EU programmes such as Leonardo da Vinci, Socrates and Youth for Europe have been made accessible to them. The new candidate countries have begun to prepare for the implementation of the European Employment Strategy by means of the Joint Assessment Paper for Employment Policy (JAP). Also, since Barcelona candidate countries have been fully associated with the development of EU policies in education including, in particular, participation in the Copenhagen/Maastricht and Bologna processes. In the framework of Phare and CARDS, these developments have begun to benefit HRD-related reform processes in the candidate countries. Turkey and Croatia embarked on this process only recently, but they are expected to follow the same path as Romania and Bulgaria have been doing since 1998.

The potential candidate countries in the Western Balkans have longer-term political perspectives. However, membership of the EU is their aim and they have already grasped the contribution EU developments can make to their reform processes. On the occasion of the 7th Conference of European Ministers of Education (Nicosia, 2003), they demonstrated their commitment to a concrete action plan which identified priority areas for educational development and reform, and agreed on the need to strengthen regional cooperation and follow European policy developments closely. The 8th Conference of European Ministers (Oslo, 2004) provided a fresh opportunity for a joint statement: this set out a

number of recommendations addressed to the countries as regards the development of lifelong learning strategies and more and better investment in human capital.

Many of the countries have already signed the Bologna declaration of 1999 on the European space for higher education. They are actively involved in the Tempus programme and participation in the new Integrated Lifelong Learning Programme 2007–13 will be open to them.

The ETF is implementing a project disseminating the key messages of the Copenhagen/Maastricht process in each of the potential candidate countries (see below).

5.2 The European Employment Strategy

The ETF has undertaken in-depth reviews of the candidate and potential candidate countries' labour markets, using the central concepts of the EES. In the Strategy, the development of human capital and lifelong learning is one of the key priorities for contributing to the three objectives of full employment, better quality and productivity at work, and stronger social cohesion and inclusion. The European Social Fund is an important lever to support Member States' employment policies and align them with the EES. The 2002 evaluation of the first five years of the EES showed that the Strategy had had an influence on national policies, including labour market reforms and adaptation of the education and training systems in line with common EU objectives and policy approaches.

Pre-accession countries will be able to advance their national economic priorities along these lines, including industrial and agricultural restructuring, SME development and rural and regional development. Increasing employability, productivity and competitiveness will enable them to develop industrial and commercial exchanges with the EU and prepare for further integration into Europe. Such a process will also help to improve social cohesion and inclusion and the integration of ethnic minorities, reduce long-term unemployment and promote equal opportunities particularly between men and women – all important steps in their gradual preparation for inclusion in the European labour market.

5.3 The Education and Training 2010 work programme.

In parallel with employment-related processes, pre-accession countries could benefit from the EU's approach to education and training, which has been developed largely on the basis of the Lisbon strategy and the open method of coordination. The Education and Training 2010 work programme now integrates a series of relevant processes: the Copenhagen/Maastricht process on vocational education and training, the Bologna process on higher education, the Lifelong Learning process emerging from the Barcelona Resolution and the Objectives process concerning whole education systems. All these would contribute substantially to the HRD reforms in the pre-accession countries.

Ever since the Barcelona council, the candidate countries have been involved in the open method of coordination, working together with the EU countries to identify common challenges, disseminate best practices, achieve greater cooperation and convergence, agree on benchmarks and targets, and implement policies based on long-term policy objectives in a decentralised way, in full respect of national ownership and making full use of Community programmes. Although they are not yet part of this process, the potential candidate countries, too, could work together in a similar way. By networking with the candidate countries and some of the new EU Member States, they could continue learning from those countries' experience of reforms and from the ongoing development of HRD policies in the EU, and could improve the performance of their systems by using the EU indicators for education and training and particularly the EU education benchmarks and employment targets.

The **Copenhagen/Maastricht process** already enables the candidate countries to make full use of a range of instruments, principles and references which have been developed for reforming education and training systems. The priority areas already worked out during the process -- including transparency, guidance in lifelong learning, quality assurance, and recognition and validation of non-formal and informal learning -- are crucial subjects for policy development of systemic value, as are the new priorities given in the Maastricht Communiqué: the development of a European qualifications framework, the development and implementation of the European credit transfer system for VET, an examination of the learning needs and changing role of vocational teachers and trainers, and the improvement of VET statistics. In addition, the Maastricht Communiqué calls for national-level implementation of the common instruments, references and principles already developed.

In the context of the European Reform Initiative of South Eastern Europe (ERISEE) and with the support of the Task Force Education and Youth of the Stability Pact for South Eastern Europe, the ETF is already implementing a project disseminating these main messages from the Copenhagen/Maastricht process in the potential candidate countries. Beyond this small-scale project, full consideration of these systemic approaches would help to continue the systemic reforms of the education and training systems in the following ways:

- Developing a lifelong guidance system would address the low quality and effectiveness of counselling and guidance systems and allow for integration between systems developed in education and the labour offices;
- Introducing quality assurance approaches based upon the Common Quality Assurance Framework for VET would be crucial when working on certification issues and addressing the poor quality of some continuing vocational training (CVT) providers;
- Promoting transparency on the basis of the Europass instruments would support professional and geographical mobility and more specifically, implementing the certificate supplement would require identifying and listing existing vocational certificates and preparing for further work setting up national qualification systems and modernising curricula;
- Setting up appropriate systems for the recognition and validation of non-formal and informal learning would contribute considerably to the development of training at the work-place, professional mobility and also a return to education for less qualified people.

Teacher training, best use of resources, key competences, improving reading literacy, increasing the number of graduates in mathematics, science and technology, and introducing ICT in education and training are among the themes identified by the **objectives process** as being of substantial interest to the improvement and adaptation of HRD systems. Work is currently progressing through clusters of countries and peer learning exercises already open to the candidate countries. The results will be also of great importance for the potential candidate countries as they will support their existing reforms and open the way for consideration of other urgent reforms.

Another set of valuable tools is the six 'building blocks' set out in the **EC Communication on lifelong learning**. These are :

- building partnerships;
- creating a learning culture;
- striving for excellence;
- insight into the demand for learning;
- facilitating access to learning opportunities;
- adequate resourcing;

and they are accompanied by six priorities for action:

- valuing learning;
- information;
- guidance and counselling;
- investing time and money in learning;
- bringing together learners and learning opportunities;
- basic skills;
- innovative pedagogies.

Both EU Member States and candidate countries are already required to consider all these elements seriously when drafting their lifelong learning strategies for the next Joint Report on Progress towards Lisbon Objectives. The potential candidate countries would also benefit greatly from these approaches. It would be particularly helpful to set up strong partnerships especially with social partners prior to the drafting of strategies, to assess and address the resource needs of any component of the lifelong learning system, to address the lack of motivation for training in some categories, to consider learning as a continuum and to create in initial education better conditions and capacity to meet needs for adult learning,

The **Framework of actions for the lifelong development of qualifications and competencies**, set up in 2002 by the EU social partners, also provides a substantial contribution to EU education and training policy. It focuses on four priority actions:

- to identify and anticipate qualification needs;
- to recognise and validate competences and qualifications;
- to inform, support and provide guidance;
- to mobilise resources.

The best practices presented in the annual follow-up reports of this instrument are of considerable interest for all pre-accession countries, particularly when identifying incentives aimed at increasing businesses' investment in human capital and providing more private resources for education and training. Wide dissemination of these reports would help to mobilise the social partners and would highlight the importance of their role in the preparation of adequate strategies.

5.4 Recommendations

Taking into account the situation of HRD in the current pre-accession countries, the ETF recommends the following for each country:

- Design a comprehensive and integrated **lifelong learning strategy**, with long-term policy objectives, based on the building blocks and priority actions identified in the EC Communication on lifelong learning and drawing on the best practices highlighted in the follow-up reports of the social partners' Framework of actions.
- Include this strategy as a key component of an **employment action plan** based on the main points of the European Employment Strategy.
- Draw particular attention to the need to **work in close partnership** with the main stakeholders and in particular with the social partners, and to **increase investment in HRD** by devoting adequate resources to the different components of the strategy. Particular attention should be given to adult learning, including training at the workplace and labour market training.
- Continue the **systemic reforms of education and training systems** aimed at contributing substantially to HRD by making good use of the instruments, principles and references developed by the EU. These include developing a **lifelong guidance system**, introducing **quality assurance**, promoting **transparency** and setting up appropriate systems for the **recognition and validation of non-formal and informal learning**.
- Improve the **performance of the systems** according to the EU indicators designed for monitoring the Education and Training 2010 programme, with particular attention to the **EU education benchmarks and employment targets**.
- Continue **learning from the experience** acquired by the new EU Member States and from their reform processes, and from the ongoing development of HRD policies in the EU, using **networking** as appropriate.

- Make full use of the **IPA as the main instrument** to support these policies and the **ETF as an appropriate agency** to support pre-accession countries in making effective and efficient use of the IPA.

Finally, In the light of its experience with the Phare Programme, the ETF recommends that an appropriate allocation and an efficient use of the proportion of IPA resources devoted to HRD should be ensured.

Annex 1 Employment indicators and benchmarks, EU 25 and pre-accession countries, 2004

	EU 25	EU 2010	Candidate countries	Western Balkans
Employment rate	63.2%	70%	BG 55.1% HR* 53.4% RO 58.7% TR* 45.8%	AL* 53.7% MK* 39.3% <i>MON*49.8% SR* 57.9%</i>
Female employment rate	55.7%	Over 60%	BG 51.6% HR* 46.3% RO 53.5 % TR 25.7%	AL* 40.1% MK* 30.7% <i>SR* 44%</i>
Employment rate of older workers	40.2%	50%	BG 33.3% HR* 28.4 % RO 38.5% TR* 33.5%	AL* 27.5% MK* 27.7%
Employment in agriculture (% of total)	5.2%[*]		BG 11% HR* 17% RO* 34.1% TR* 32.8%	AL* 51% MK 20% <i>MON* 21.4% SR* 25%</i>
Employment in services (% of total)	69.2%[*]		BG 56% HR* 46% RO* 35% TR* 26%	AL* 36% MK 49% <i>MON* 62.2% SR* 46%</i>
Unemployment rate	9.0%		BG 12.2% HR* 14.3% RO 8.1 % TR* 10.7%	AL* 15% MK 35.8% <i>BA*43% MON*23% SR* 20.2</i>
Youth unemployment rate	18.3%[*]		BG 24.5% HR* 35.9% RO 20.7% TR 23.7%	AL* 35.5% MK 61% <i>MON*51.3%</i>

Key: BG = Bulgaria; HR = Croatia; RO = Romania; TR = Turkey; AL = Albania; MK = Macedonia; MON = Montenegro; SR = Serbia; BA = Bosnia & Herzegovina.

* Most recent year for which data are available.

Sources: Eurostat, Structural indicators webpage; ETF, Key indicators database. Data in italics are taken from from ETF Labour Market Studies (forthcoming).

Annex 2 Education and training indicators and benchmarks, EU 25 and pre-accession countries

EU benchmarks on education and training	EU 25	EU 2010	Candidate countries	Western Balkans
<i>Early school leavers (2004):</i> % of 18–24 year-olds with at most lower secondary education (ISCED 2) and not in further education	15.9%	10%	BG 22.4% HR* 8.4% RO 23.6% TR* 52.9%	AL* 61.2% MK* 36.2%
<i>Youth educational attainment:</i> % of 20–24-year-olds having completed at least ISCED 3 level (2004)	76.4%	85%	BG 76% HR* 90.7% RO 74.8%	
<i>Total tertiary education:</i> Graduates in mathematics, science and technology (2001)	649,000	746,000 Increase of 15%	RO 18 400 BG 9 100	
<i>Literacy:</i> % of pupils with low reading literacy, Level 1 or below (PISA 2003)	CZ 19.4% HU 20.5% LV 18%	Decrease by 20%	BG* 40.3% RO* 41.3% TR 36.8%	AL* 70.3% MK* 62.6% SR 46.7%
<i>Lifelong learning (2004):</i> % of people aged 25–64 participating in education and training	9.4%	12.5%	BG 1.3% HR* 2.1% RO 1.6% TR 2.3%	SR* 3.8% MK* 1.9%

Key: as for Annex 1; CZ = Czech Republic; HU = Hungary; LV = Latvia.

* Most recent year for which data are available.

Sources: Eurostat, Structural indicators webpage; ETF, Key indicators database.