FINANCING TVET - POLICY OPTIONS THAT PROMOTE SYNERGY THROUGH PARTNERSHIPS.

Sub Theme: Role of Industry and Government in Technical and Vocational Education and Training

Do funding incentives work: How can Government Policy reward, or at least not discourage, college and companies that form strong partnerships? What new government programmes, should be undertaken to entice other industry players to take the same steps of collaboration with colleges.

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ABSTRACT

One of the key questions that need to be answered in the process of drawing Technical Vocational Education and Training (TVET) policy is about who should pay for the cost of training and why. An assurance on the availability of resources to finance instructor training, review of textbooks, modification of workshops and laboratories is a prerequisite to curriculum reform. Curriculum reform has become a necessity with the changing demographics, financing options and liberalised industry arrangements. When defining financing options for TVET, individual learners, industry and the general public are important stakeholders that need to be considered. Equally, the relationships among these stakeholders and the benefits they derive from training should underpin the policy choices and process.

There are various funding options that policy makers can choose from, however, these should address access, quantity, quality and relevance of the outputs. It is also important to observe that such policies must not deviate from economic theory and practices.

The paper will attempt to present policy options available to Governments and TVET practitioners including industry with regard to financing of teaching and learning. The lenses from which TVET is viewed may be diverse but the theme of this paper would be that of human capital development for employment which would not be limited to formal employment. The following questions therefore need answers: Can tax finance promote access to demand driven training and assure quality? What about cost sharing arrangements including loan schemes and their impact on equity and access? There is also a school of thought that finds levy grant systems to be more equitable though the formal sector is also dwindling in most developing countries. The policy prescription should leave no one behind, industry participation in this perspective is important as it defines competences required for productivity both in the formal and informal setups.

1. Introduction

Notwithstanding the challenges both qualitative and quantitative that are taking place in the higher education sector, "higher education institutions should prompt the dynamics of social development and lead the society towards a better future" Goksu & Goksu (2015). The changing demographics and the need for increased access through enhanced enrolments have resulted in massive requirements for increased expenditure and the failure to meet such expenditures have negative implications on outputs of education and training. The increase in enrolments has not resulted in a proportionate increase in recurrent funding especially in many less developed countries. While the large class size may lower the unit cost of training, it may compromise quality as larger class sizes have reduced instructor-student contact time.

Various scholarly articles have suggested establishment of a mechanism to mobilise additional resources to support TVET (Sanyal & Johnstone 2011). These mechanisms involve a combination of various sources including income generating activities ranging from academic production units to consultancy though it is often argued that academic production units distort the market as the cost of labour is not competitive The underlying philosophy on why higher education should be financed from different combinations need to be interrogated.

The policy discourse in this regard must take the human centred approach to teaching and learning. Human development that encompasses human rights and human capabilities should be at the core of the policy process, McGrath (2012). There has to be adoption of a policy process that shifts the focus from technical to human cantered approaches where human beings are seen as agents of change and not institutions of learning. Equity, access and quality are all dealing with the learner and the teacher and in this regard they must be the centre of policy and advocacy in the TVET sector.

2. What Is The Connection Between Public Policy And TVET Financing?

Teichle (2018) argues that financing of higher education is deeply embedded in political systems and is dominantly reflected in the philosophy of a country. Arguably power and influence make up the governments' texture, Sutton (1999).Similarly the world of policy design is notorious for involving political power play to solicit for compromises to avoid losing grip on the policy intentions Mintrom & Luetjens (2017). Since effective public policies are achieved through collaborative processes, it is important to take into account the relationship between policy formulation and implementation using the concept of public value. Public value according to Moore (1995, 2013) cited in Mintrom & Luetjens (2017) is concerned with the delivery of actual service through achievement of social outcomes or utility through trust and legitimacy. These social outcomes must accrue to the individuals concerned and the society at large. To this end public value justifies the investment in education and training for its intrinsic value and also for the utilitarian responsibilities of government. Jäeger & Buhrer (2000) argues that the benefits of training accrues to the learner, employers and to the society and hence design of public policy specific to education and training must take this fact into consideration. A lack of investment in training will result in reduced improvement in social welfare, reduced earnings by individuals, while unemployment also results in deterioration of the social fabric due to a rise in social vices.

Most scholarly articles have cited lack of sufficient funding and investment in education and training as a cause for failure to implement public policy in TVET. This analogy therefore brings to the fore the most intriguing question of who should pay for training and how? It should, however be noted here that there is no perfect single model recommended for financing TVET and therefore a combination of activities, models and mechanism can yield the desired outcomes in any system Jaeger & Buhrer (2000). There are many combinations of who should pay for training, these being governments through grants and other appropriations, learners through tuition fees, companies and enterprises through levies and grants as well as philanthropy Sanyal & Johnstone (2011), Walther & Uhder (2014). This therefore unlocks the need for partnerships in the financing of training in TVET.

3. Main Actors in Financing of the TVET Sector

3.1 The Role of Government in Funding TVET

TVET's importance to economic growth through human capital theories cannot be overemphasised. Many scholars have also argued that education and training is considered to be a public good and therefore the state has a utilitarian responsibility to provide financing for delivery of this public good Samuelson (1954) cited in Valisova (2009). Further the Global Dialogue Forum on VET held in Geneva in 2010 underscored the role of TVET in economic development and the need for Governments and Private sector to invest in TVET to increase its access and equity ILO (2011). Sustainable Development Goal number 4 also emphasises that education and training can bridge the gap between skills and employability and hence the need for the right policies that support investment in education UN (2015). This goal also applies to TVET as it addresses lifelong learning, skills and employability of human capital.

The state also tends to have a socio-economic obligation to invest in education in some disciplines that may not appear economically viable to the private citizen but may be important to the country's sustainable development goals. Such courses may only be attractive to the state and only the state can invest in the actualisation of such programs, Sanyal & Johnstone (2011). It is also argued that lack of skills promotes inequality and inequality deteriorates the social fabric of a society, an occurrence that the state does not want to see happen, therefore justifying the role of the state in financing TVET Jaeger & Buhrer (2000). There are also some positive externalities that accrue to society derived from education and training as argued by Valisova (2011) that some benefits of education accrue even to those that do not pay for it.

3.2 The Role of Industry and the Private Sector

Enterprises reap benefits from well-trained employees because the quality of the products and lead time on production improves per employee engaged as a result of training, Jaeger & Buhrer (2000). A typical example is the benefits of apprenticeship training and how it contributes to acquisition of skills linked to proprietary knowledge (brand related skills) that enhance productivity and profitability. This is why enterprises with big brands invest a lot in apprenticeships and research and development as is the case in the mining houses, motor industry and so on.

Another area of involvement by industry and the private sector is operating private training schools. Due to the ceilings on enrolments necessitated by limited capacities of the public institutions, an opportunity has arisen for the private sector to fill up the gap especially in Latin America, Africa and Asia, Sanyal & Johnstone (2011). There are several types of private TVET schools ranging from private for profit, private non-profit, trusts, in-company training schools etc. The purpose of these in most cases is to fill the gap in the provision of education and training

3.3 The Role of Students and Parents

Skilling and upskilling of leaners improves their position on the labour markets be it self-employment or formal sector employment. Learners get rewarded through increased wages or better profits in self-employment. With such benefits, it is no doubt that learners should also contribute to the cost of training through payment of fees to a certain degree. The benefits to the learner go beyond economic benefits as skills acquired can raise the self-esteem of marginalised youths including women, Hilal (2012). Through TVET learners can also realise their freedoms in the labour markets which will ultimately result in increased human development. TVET should therefore not been seen as the ‘Poor Cousin’ of mainstream education but as a first choice.

4. Financing Options & Partnerships in TVET

4. Financing Options in TVET

One of the points of consensus adopted by the Global dialogue on Vocational Education and Training is that “public and private investment in TVET should be at levels that ensure universal access, training quality and relevant outcomes for all learners, supplemented where possible by mutually beneficial public/private collaboration” ILO (2010:25). There are various financing options that involve public-private collaboration, these vary from region to region subject to the policy requirements Jaeger & Buhrer (2000) key among them are Unilateral Financing and Cost Sharing. Unilateral Financing involves input oriented financing while Cost sharing involves sharing of costs between the learner and the trainer/ sponsor.

4.1 Unilateral Financing

This type of funding also known as arbitrary funding can be used by the state or industry especially where the benefits of training are direct. For industry it can be used where there are proprietary benefits especially brand or technology related training is concerned. It involves input based formulae that is implemented through establishing of a unit cost of training multiplied by the numbers of learners enrolled in particular courses or cohort. This type of funding may promote access but the downside of it is that it mostly deals with the supply side of training and may not address needs of industry Ziderman (2016). The unit cost formula does not normally have built in incentives for efficiency and quality of delivery among other quality assurance benchmarks, Jaeger (2000).

4.1.1 Output based financing

Under unilateral financing, an alternative model that focuses on training outputs can be used. This system is mainly used by training funds where industry may be a contributing partner. The output based mechanism mainly covers pre-employment training and may involve funding tied to set targets such as enrolment, completion rates, equity issues such as gender balance, and or placements after training.

This financing approach promotes quality of delivery but may encourage creaming where only students with a strong intellectual disposition are selected to ensure delivery of the set benchmark so as to ensure adequate financing Jaeger & Buhrer (2000). Access is also addressed as this mechanism provides assured funding per enrolment. Where equity is one of the benchmarks, this can be adequately promoted as it forms an input into the formula. However, funding formula based financing does not insulate the institutions from shocks as result of reduced enrolments since the fixed cost remain unchanged, Lung et al. (2012). This then encourages institutions to embark on enrolments for programs mostly preferred by student which in most cases offer short run comfort in terms of labour market needs but provide a financial cushion for the training institutions. Therefore policies that support funding formula based financing should include preservation of courses that have less appeal to leaners but are of significant social-economic development impact.

4.2 Cost Sharing Financing Options

Cost sharing schemes involve a combination of various actors in the financing of education and training. There are various reasons for such an arrangement in financing of education and training but the most compelling is the need to have other sources to supplement the traditional revenue streams Sanyal & Johnstone (2011). Cost sharing mechanisms also are intended to spread the cost of training to the beneficiaries Ziderman (2002). There are many examples of cost sharing arrangements these being apprenticeship schemes, dual learning models, levy-grant systems and tuition fee payment by learners.

4.2.1 Apprenticeship Training Funding

The relationship between training providers and industry can be defined through apprenticeship (learnership) models. Such relationships also help define the quality of TVET, Mulder et al. (2015). Apprenticeship also helps mobilise alternative financing for training as well as help improve training standards and relevance UNESCO (2017). There are many options through which apprenticeship training can be financed. Firms are able to design a cost structure that enables them to recoup the cost of apprenticeship training during the duration of training. Apprentices are able to fill vacancies at even lower costs than already qualified workers doing the same tasks. As argued by Muehlemann (2016), firms' training costs in apprenticeship are basically wages, cost of materials and infrastructure, which can be recovered in terms of saved wage payments that could have gone to skilled workers doing the tasks that apprentices undertake. Apprenticeship training should not be seen as corporate social responsibility since firms also benefit from this engagement.

5. Policies that Support Industry - Training Provider Partnerships

From the analogy above, TVET Financing should therefore be considered in the Employer-Trainee- Public interest matrix as argued by Jaeger & Buhrer (2000). Policies in this respect should address these stakeholders for it to be relevant.

5.1 Getting Industry into the Loop

The initial step in promoting industry participation in training is to first industry appreciate the idea about the synergy that industry can derive from training. Competence Based Training (CBT) is one such concept and practice that can be exploited to get industry involved. Industry should be first made to realise the value of training to their own system. It must be accepted here that the motivation for industry is not providing training but profit. Therefore, the involvement of industry in funding of training will not come naturally. This is not to say that industry has no needs that link directly with training. Industry needs competent human resources and this need can only be met if industry is involved in formulation of curriculum Maclean & Lai (2011). TVET Policy in this regard must advocate for a system that specifically spell out development of competences other than qualifications Boahin et al. (2014). This is based on the understanding that training approaches in TVET must emphasise on reducing the gap between training and the labour market and achievement of employability. This is more about competences and not qualifications. This is, however, an issue of emphasis and not elimination of qualifications. Employability must be linked to lifelong learning and the ability to get the person out of problems that life presents and be able to survive as a result of the training they received or continue to receive. Industry must also be made to realise the link between CBT and Recognition of Prior Learning (RPL) much of which happens in industry. It must also be realised that "competences should not exclusively be demonstrable through formal examinations but also through past experience" Deissinger (2009: 3).

A clear cut policy on the link between industry and training providers in development of competences and modalities for recognition of prior learning should be in place to solicit for industry appreciation of its role in training.

5.2 Governance

Introduction of new governance structures in public institutions that are aimed at giving a voice to other stakeholders such as industry McGrath (2012), can boost the confidence of industry in the training system. This is intended to promote decision making that responds to market needs as well as national development agenda. Such governance structures are able to address issues such as green jobs in response to environmental changes, technological changes and proprietary intersts. Management of training funds or their equivalencies should involve all stakeholders and not government and political leadership. The changes that public TVET institutions must make to provide for obtaining of funds from the private sector must be clearly spelt out in the policies and through to the service charters. Guidelines on how funds from the private sector must be utilised should also be clear as these may be outside the rules of audit for public institutions, Lung et al. (2012). Reporting requirements and other monitoring and evaluation requirements must be clearly built into the policies.

5.3 Qualification Frameworks

The multiple function that qualifications frameworks have such as setting of standards, quality assurance in the outcomes of learning programs provides the basis upon which performance based funding can be anchored. As argued by Coles et al. (2014), National Qualifications Frameworks (NQF) have been quite successful in engagement of stakeholders including the business community in education and training since NQFs have been seen as symbols of trust by many stakeholders including training providers.

A Policy of clearly defined qualifications frameworks, not just a listing of pathways and equivalencies, can be a basis upon which Industry's interest in TVET would natured. Industry especially multinational enterprises need an assurance on the recognition and transferability of qualifications in most of the countries where they have business interests to reduce the costs associated with further training.

5.4 Transparency & Policy Predictability

Clearly defined policy networks through sector training advisory groups must be constituted to provide a platform where narratives and political interests can be converged in the policy development process Sutton (1999). This is because the policy process is influenced by interest groups in any discipline. It also is important to be aware "that the dark side of bureaucratic discretion is that it creates opportunities for (wilful) misinterpretation of directives, sloth and self-aggrandisement" Mintrom & Luetjen (2017173). Therefore policy must be clear and predictable. With the performance contracts system that have come to the fore with the advent of New Public Management (NPM), managers of the TVET institutions must be made accountable to the existing governance structures. The policy must be clear to allow for managers to set strategic goals for the institutions in line with the requirements of the partners (industry) and for the good of the society in order to guarantee public value Mintom & Luetjens (2017).

5.5 Policy Coherence

Many scholarly articles have argued that fragmented policies result in policy implementation gaps and hence the need for policy coherency. May et al. (2006) defines policy coherence as status where policies and implementation strategies go together because they share common ideals and objectives. The need for policy coherence in teaching and learning as argued by Smith & O'Day (1991) cited in Knoeppel et al. (2013) advocates the need for a systematic reform of the education policy coupled with an alignment of standards, testing of learners, teacher training, learning instructional materials and professional development to link with the funding mechanisms. This means that the ability of training institutions to adequately educate the learners is impacted by the ability to claim funds and utilise these resources to maximise student achievement across the entire cross section of teaching and learning and in this case TVET. This is what policy coherence can achieve when there is a commonality of goals. Our policy domain here is TVET financing that encompasses equity, access and quality in order to achieve change of attitudes of the learners and satisfy the labour market. This therefore means that the policies that define enrolments, teaching and learning, assessments and quality assurance, qualifications frameworks, and other TVET systems must provide insights into the interplay of issues and interests that are dominant in sector vis a vis delivery of the desired outputs.

5.6 Inclusive Policy

There is need for a policy on mainstreaming of the private sector into the skills development process of any country. Why are employers still considering training levy as a tax? Deliberate policy on provision of information on management issues as they concern training levy administration must be provided. There can be no synergy to be derived from a system that is devoid of proportionate participation by all stakeholders.

Conclusion.

The development of sound policies also depends on the level of development of the institutions concerned with the delivery of TVET and its attendant outputs. Therefore all systems must be taken on board the development process with a coherent policy framework. Partnerships in the financing of TVET can only thrive with a well-defined policy community. This therefore means that all stakeholders in the TVET sector need to be included in the policy design and implementation. Financing options will only be able to achieve the intended objectives if they are sustainable and sustainability requires commitment of all parties in the perceived partnerships. Unless all partners have trust in the system there can never be any commitment, therefore, TVET systems such as quality assurance, curriculum design, assessments and qualifications frameworks must be designed in such a way that they enhance the trust the stakeholders are expected to have in TVET. The learner who is often ignored in the financing arrangements must be considered as important as any other player for the system to be sustained.

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