

**Strategic training partnerships  
between  
the State and enterprises**

Ayşe G. Mitchell  
Senior Policy Adviser

Training Policies and Systems Branch  
Employment and Training Department

Copyright © International Labour Organization 1997

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights or reproduction, or translation, application should be made to the ILO Publications Bureau (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court road, London W1P 9HE (Fax: + 44 171 436 3986), in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 (Fax: + 1 508 750 4470), or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

---

ISBN 92-2-111036-2  
ISSN 1020-5322

First published 1998

---

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address.

---

## Preface

The trend towards market-oriented training systems gives an increasingly prominent role to the private sector. Conversely, the traditional role of the State is evolving from government-led and government-owned training systems towards creating an enabling environment for enterprises, employers and workers to invest and actively participate in a collective training effort.

Alliances between the interested parties have become the key strategy to improve the relevance, efficiency, effectiveness, equity and sustainability of training policies and systems. Training is increasingly conceived as a cooperative effort in which the various public and private institutions share responsibilities. The partners concerned contribute to the overall training effort, and articulate their inputs to make the best use of their respective strengths and comparative advantage.

Only a few countries have set up a coherent systemic framework and appropriate incentives for partnerships to flourish on a large scale. Nevertheless, there are already innovative experiences throughout the world which offer lessons for promoting public/private alliances in training.

In order to capture the range and extent of innovation, and to better understand the constraints and opportunities facing training partnerships, the Training Policies and Systems Branch undertook an extensive research programme on “Strategic training partnerships between the State and enterprises”. The work done between 1995 and 1997 examined experiences from various regions. Preliminary results were reviewed at seminars and conferences, including major ILO regional meetings in Asia, Latin America and the Caribbean. The research programme also provided a contribution to the ILO Enterprise Forum (Geneva, November, 1996), on the theme “Training for employability”. Based on the country experiences, extensive review of literature and discussions on the subject at the national and international levels, analytical, conceptual and policy papers were elaborated.

The results of the work accomplished in this area, and the experiences, concepts and messages conveyed, have raised considerable interest and demonstrated innovative ways of rebalancing the roles and responsibilities of the private and public sectors in training. Hopefully, the lessons learned from these experiences will contribute towards building trust and fostering cooperation between the two sectors, stimulating their participation and promoting the best use of their respective strengths in training. It should also help to lay the basis for improving awareness and institutional capacity for collaboration and joint ventures on human resources development and training among a wider span of institutions and interested parties in the public and private sectors.

The variety and dynamism in this innovative and promising area merits an ongoing effort to analyse and exchange information, and encourage debate at the country, regional and international levels. With this aim, the scope of the programme on strategic partnerships in training will be broadened in the coming years under the forthcoming

“Action Programme for Social Dialogue”. Readers are encouraged to contact the Training Policies and Systems Branch for further exchange of information and experiences on this theme.

María Angélica Ducci  
Chief  
Training Policies and Systems Branch  
Employment and Training Department  
International Labour Office

## Acknowledgements

Funding for the inter-regional research programme on “Strategic partnerships between the State and enterprises” came from the ILO. The Danish Government and the Danish National Institute for Social Research gave strong support to the project. Additional financing was received from the Ministry of Labour in Japan and the Asia and Pacific Skills Development Programme (APSDEP) for four case studies in the Asia and Pacific region and for a regional seminar. The German Foundation for International Development also provided financial support to the Asian regional seminar. The European Centre for the Development of Vocational Training (CEDEFOP) financed two case studies in Denmark and Ireland. The study was initiated and coordinated by Ayse G. Mitchell who prepared the conceptual framework, the concept paper and implementation of the study in English-speaking countries, in collaboration with Pierre Martin who also ensured implementation in French and Spanish speaking countries. Valuable information and insights were provided by the authors of the case studies: A. Coldrick (Ireland), T. Crowley-Bainton (United Kingdom), D.S. Dagaur (India), W.C. Hall (Australia), M. Hamada (Japan), D. Herschbach (United States), W.Y. Kiong (Malaysia), E. Martinez Espinoza (Chile and country case study analysis), P. S. Nel (South Africa), A. Niango (Côte d’Ivoire), K. Olesen (Denmark), H. Pinaud and A. Taillandier (collective bargaining in France and comparison with Netherlands and Nordic countries), and A. Sallé (Spain). Jane Auvré provided excellent administrative and secretarial support and Nelson Bustamante organized the translation of the papers into French and Spanish. The study benefited from the exchange of views during numerous conferences and seminars during 1995-97 when the case studies and the findings were discussed.

A list of the papers produced under this project and other relevant papers are given at the back of this paper. They can be obtained from the:

Training Policies and Systems Branch/Employment and Training Department  
International Labour Office  
4 route des Morillons  
CH 1211 Geneva 22  
Switzerland

For additional information and comments regarding the study, its follow-up and advisory services for implementation Ayse G. Mitchell and Pierre Martin can be contacted at the Training Policies and Systems Branch of the Employment and Training Department at the above address.

# Contents

|                                                                                                   |     |
|---------------------------------------------------------------------------------------------------|-----|
| Preface .....                                                                                     | i   |
| Acknowledgements .....                                                                            | iii |
| Introduction .....                                                                                | 1   |
| <b>The scenario: the changing work environment</b> .....                                          | 3   |
| I. <b>The impact on training</b> .....                                                            | 5   |
| II.     II.1. The knowledge society .....                                                         | 5   |
| II.2. A new requirement: learning for employability .....                                         | 6   |
| II.3. The challenges faced by the State and enterprises .....                                     | 8   |
| <b>In search of new partnerships</b> .....                                                        | 10  |
| III.    III.1. The concept of strategic training partnerships .....                               | 10  |
| III.2. Multiple partners and motives: creating a common vision of<br>training as investment ..... | 12  |
| III.3. The changing roles of the State and enterprises .....                                      | 14  |
| <b>The process: factors that constrain or enhance training partnerships</b> ....                  | 15  |
| IV.     IV.1. Specific policies to promote training partnerships .....                            | 15  |
| IV.2. An enabling environment .....                                                               | 16  |
| IV.3. Institutional mechanisms for partnerships .....                                             | 19  |
| <b>Partnerships in action</b> .....                                                               | 26  |
| V.      V.1. Training policy and system development and delivery .....                            | 26  |
| V.2. Joint financing and incentives .....                                                         | 28  |
| V.3. Promoting access and equity .....                                                            | 36  |
| .....                                                                                             | 45  |
| <b>Summary and conclusions</b> .....                                                              | 49  |
| <b>Bibliography and references</b> .....                                                          |     |
| <b>List of papers on public/private training partnerships</b>                                     |     |
| Training Policies and Systems Branch .....                                                        | 51  |

# Introduction

The purpose of this paper is to create a better understanding of the issues and options involved in creating a favourable policy environment that promotes strategic training alliances between the State and private partners with a view to improving the skills of the workforce, thereby enhancing worker employability, enterprise competitiveness and national growth. The paper is based on 14 case studies on public/private training partnerships in Australia, Chile, Denmark, France, Germany, India, Ireland, Côte d'Ivoire, Japan, Malaysia, South Africa, Spain, United Kingdom and the United States, as well as a review of published material, interviews and discussions at various seminars and conferences, including the international conference on "New Partnership for Social Cohesion" (Copenhagen, 16-18 Oct. 1997), the private sector follow-up to the Social Summit.

**Section I** puts training in the context of the changing work environment. **Section II** describes the impact of the new work environment on skill needs. Learning for employability and the enhancement of employability through flexible and continuous training is explored. This section raises the question of why new and closer forms of public/private training partnerships are needed. **Section III** describes the concept of training partnerships, their objectives, their potential partners at the macro, meso and micro levels and their training aims. **Section IV** addresses the process of forming partnerships, and identifies critical policy factors that constrain or enhance public/private training alliances.

**Section V** gives examples of training partnerships in action and how they can have a significant impact on the development of skilled manpower for enterprise competitiveness and economic and social development. The first example is the reform of training policies and systems to make them more relevant to labour market needs, and more effective, efficient, equitable, and better able to reconcile economic and social objectives and to minimize marginalization and exclusion. The second example focuses on the collective financing of training and the adoption of incentives, in view of their importance in shaping the behaviour of private partners. The third example is about partnerships which enhance equity and improve access to training opportunities for groups and enterprises facing particular constraints. These include not only individuals with educational disadvantages, the long-term unemployed and early school leavers but also small and medium-sized enterprises which face constraints in the field of training despite their acknowledged potential for employment generation and growth.

Finally, with a view to provoking discussion and debate, the paper draws a number of conclusions on the creation of an enabling policy environment to promote public/private training alliances.

## Definitions

In the context of this study, the term **“enterprise”** includes transnational corporations and large, medium and small enterprises in the modern (organized) sector of the economy in industry, commerce and services.

**“State”** refers to government organizations at the national, provincial and local levels dealing with: policy and development planning; the development of training policy and systems; the development of curricula and training technology; and the training of trainers and managers of training at all levels, including national training development institutions and technical and vocational training institutions.

**“Enterprise/state partnerships”** refer to all types of strategic collaboration between enterprises and the State in the field of training at the national, provincial, sectoral and local levels. They include tripartite partnerships between employers’ and workers’ organizations and the government. Some examples of bipartite partnerships between employers and workers are also included in the paper.

**“National training systems”** refer to overall training activities in the field of technical and vocational training (TVET) which conform to national legislation, standards and certification systems. The training may be provided by institutions which are publicly owned, privately owned and operated for profit, or set up by voluntary organizations. They also include training delivered through enterprises which facilitate “learning” in the enterprise (both organized learning and on-the-job training) or in conjunction with training institutions, such as organized apprenticeship.

## **I. The scenario: the changing work environment**

Modern society is undergoing a process of transformation of unprecedented magnitude and speed which affects all spheres of economic, social and political life. This transformation is driven by the combined forces of globalization and rapid technological change, particularly by innovations in information and communications technologies. At the same time, deregulation and liberalization of markets is leading to dismantling of trade barriers, new multilateral trade agreements and trade groupings. The result is a highly competitive global economic environment. The new global economy is based on market principles, liberalized trade, the relocation of production and the very rapid international movement of information and capital.

This provides exciting new possibilities for economic and social growth but also poses urgent challenges because of growing marginalization and exclusion of many millions of people, due to pervasive unemployment and rising wage inequalities. The ILO report on *World Employment 1996/97* says that nearly 1 billion people, 30 per cent of the global workforce, are unemployed or underemployed. In developing countries, the majority of the labour force is trapped in low productivity employment and poverty. In the European Union, the unemployment rate has risen to 11.3 per cent of the workforce, with significant increases in France, Germany, Italy and Sweden. In the United States and the United Kingdom, where unemployment has declined, income disparities have widened. Urban unemployment has also increased in a number of Latin American countries. The report maintains that the feasible response to the challenges posed by the current economic environment is taking the “high road” of raising labour productivity through investment in skill development, infrastructure and research and development, with a continued commitment to the concept of full employment.

In this environment the enterprise, the engine of innovation, growth and employment, faces unprecedented challenges and is undergoing a profound transformation. Not only are internal company structures and methods of work changing, but also corporate relationships to the external environment. The need to adapt quickly to the global environment is forcing firms to strive for higher productivity, flexibility and innovation. During the early stages of industrialization, the principles of scientific management and work organization devised for mass production had the effect of breaking down complex work processes into simple, repetitive tasks carried out by less-educated and less-skilled workers, under close supervision and using simple technologies. In the new and infinitely more complex work environment, in which mass production is giving way to customized production and where product life cycles are becoming ever shorter, the labour force needs to be better educated and more highly skilled, while enterprises are compelled to seek innovative responses to more sophisticated technology. To respond to the three “Cs” of this new environment — competition, change and the customer — the watchword for enterprises has become

flexibility. In their search for higher productivity, enterprises are introducing leaner, flatter structures and new flexible forms of work organization, all of which profoundly affect their labour and skill needs, hence employment and the labour market.

Spurred by these changes, new types of industrial organization are emerging. Enterprises are restructuring around their core activities and outsourcing production to subcontractors, leaving the parent company to assume design, assembly and marketing operations in whole or in part. This is leading to the vertical disintegration of the enterprise and to the creation of various forms of inter-enterprise alliances. This new type of industrial organization has led to closer ties between economic units that are nominally independent, but which are in practice interdependent. Various forms of inter-enterprise alliances are being developed which involve research, co-production, co-marketing and co-distribution arrangements (ILO, 1992).

The vertical disintegration of enterprises, together with their greater autonomy, yet increased interdependence, are having a far-reaching impact on the quality of employment and the location of production, and therefore on the supply of employment, skill requirements and industrial relations. The enterprise boundaries are becoming blurred, and the concept of the traditional pattern of full-time, permanent wage employment is challenged.

**The impact of this new work environment on the workforce is twofold. In the first place, it elevates the role of human ingenuity — human creativity and knowledge — in the production process, while at the same time making workers more vulnerable in an increasingly complex and uncertain labour market.**

The changing work environment is leading to modifications in job content, skill requirements and the demand for knowledge. These changes enhance the autonomy, role and responsibility of workers. As firms are restructured to retain their essential “core” and shed peripheral activities, the importance of the workers employed in those “core” activities is increasing (Reich, 1991). Workers employed in peripheral activities are becoming less important and less redeployable. As core operations become increasingly multi-dimensional, substantive and less routine, there is less need for controls, with greater responsibility, decision-making ability and creativity being required from the workers concerned. The tendency for decline in routine and repetitive work transforms job content and requires the initiative and ability to adapt to work in new and varying types of self-directing teams.

In contrast, the greater vulnerability of workers means that these changes are creating an unstable work environment and can undermine social stability, especially in the case of workers employed in more peripheral activities. Workers used to learn skills

which they expected to use throughout their working lives. They are now vulnerable because they do not possess the diversity of skills needed to give them access to new work opportunities. Traditional training systems were not devised to equip workers with the type of flexibility required in the modern workplace.

The knowledge, attitudes and skills needed to adapt to changes, to learn, create and communicate now determine access to economic opportunities not only of workers, but also of enterprises and nations. There is an increasing gap between those with access to new knowledge and the ability to adapt and ride on the crest of change and those who are excluded from its promise who, in increasing numbers, are joining the ranks of the unemployed and marginalized.

## **II. The impact on training**

### **II.1. The knowledge society**

A knowledge society is in the making. The new world of technology and communication, with its increased level of competition, demands enhanced human capital in order to achieve sustainable growth, stability and even survival, as much for individuals as for enterprises, communities, nations and the global society. The development of human capital to sustain growth, maximize economic opportunities and meet social goals is the critical challenge of the twenty-first century. Investment in knowledge is gaining equal priority to capital investment.

The knowledge society demands a different kind of learning; the sort of learning that enhances employability. Learning can no longer be a one-time event at the start of working life. It now has to be a continuous lifelong process, conceived as such from initial training onwards, to enable recurrent learning. The need for lifelong learning dramatically increases and diversifies the demand for training. The demand is recurrent, diverse, changing and unpredictable. Urgent reforms and greater investment will therefore be required in national training systems to produce skilled manpower of the quality and in the numbers needed by the labour market, in order to make the best use of the available resources while protecting the equity and long-term sustainability of the system.

As knowledge is emerging as a key factor of competitive advantage, employability and job security, it is also creating a new dimension in the relationship between workers and employers. Traditionally, management has assumed responsibility for the success of the enterprise, with workers carrying out the tasks assigned to them by management. Workers gained employment security and improved conditions of work in return for loyalty and obedience to company rules. Intensified competition, rapid change and the emergence of new work processes and new forms of work organization are changing the traditional role of management, and are empowering core workers. A company's

competitive advantage is now based on knowledge, with the core workers taking the major share of the responsibility for enterprise performance (World Economic Forum, 1996).

For enterprises, competitiveness and growth in the new environment largely depend on investment in the continuous training of their workers, who become a valuable asset. The enterprise must retain and protect this asset by creating a supportive environment which satisfies the economic and social objectives of employees and gains their loyalty and commitment to company purposes. The role of enlightened management is to create an environment that enhances the employability of workers within the company through growth and continuous learning and that inspires loyalty and motivation to stay, while at the same time improving the company performance. “Learning organizations” are those in which learning and work are integrated and the focus is on human capital and the acquisition of world-class skill standards. These organizations treat workers as assets, invest heavily in continuous learning, equip their workers with the knowledge, attitudes and skills to produce high quality goods and services and encourage them to be problem-solvers, self-managers and entrepreneurs. In these organizations, learning is an integral part of job content. The enterprise’s interest coincides with its long-term commitment to the job security and well-being of its workers through maintaining their employability. Therefore, the purpose of investment in training is not only to achieve productivity gains, but also to enhance worker employability.

For workers, the new work environment often means the erosion of social protection and of the stability which came from life-time employment. It requires them to strive for continuous learning and personal development to increase their mobility and employability. In the new environment, job security is closely related to competence and performance in the labour market, the ability to take initiatives, decisions and risks and the achievement of personal development. The right to continuous training in such an environment becomes an integral part of social protection, and the basis of employability.

## **II.2. A new requirement: learning for employability**

### ***The concept of employability***

A prerequisite of employability is the availability of jobs in the labour market and demand for goods and services. In other words, the concept of employability presumes that jobs are available for workers in the labour market. For the individual, employability is therefore the capacity to find, keep and change employment, including the ability to generate self-employment. Employability is closely connected with the vertical and horizontal mobility of workers in the labour market and requires a

maximum of flexibility and adaptability from the individual. It is a continuing process of the successful transition from school to initial employment, including changes in employment, progress on the career ladder and/or the generation of employment for oneself. For the enterprise, employability means that its human resources are sufficiently adaptable and flexible to respond to changing requirements in the workplace and to enhance enterprise competitiveness and growth. For the State, it means creating a workforce that is flexible and adaptable to the changing demands of the labour market as a critical step towards achieving the objective of full employment.

Many factors affect employability. A short list might include: labour demand, labour market information, vocational counselling and guidance, recognition of prior learning and skills assessment, education and training, employment practices, work organization, equity policies, human resource planning and development and labour relations. Employability is a very broad concept involving a whole series of stakeholders: the individual and the family, workers' and employers' organizations, governments, the local community, voluntary organizations, education and training institutions, bodies responsible for vocational counselling and guidance, development planners and those responsible for human resource planning, development and industrial relations.

### ***Enhancing employability through flexible and continuous training***

Learning does not automatically lead to employability. Employability is enhanced by "core" competencies, which are portable from one job to another, within the company and from one enterprise to another, rather than by job-specific skills, which are less transferable. The foundations for flexible training are a sound general education and a broad-based basic training, which are the prerequisites for all subsequent training and work. Developing a broad-based knowledge requires reforms not only in initial training, but also necessitates retraining the workers who have received specialized training in line with the Taylorist approach to work. To learn new technical and non-technical skills, these workers need to broaden their current skill base. This broad and transferable body of knowledge is the basis of lifelong learning and the acquisition of the multiple skills that give mobility and employability. The types of multiple skills that enhance employability include the development of technical knowledge and skills in "core" (generic) skill areas that are central to a number of occupations and which therefore enhance worker mobility.

The multiskilling of workers in related skill and occupational areas undoubtedly promotes both external and internal employability (box 1). Therefore, many employers consider that transferable or portable skills should be acquired at the cost of the worker, since they increase the individual's mobility outside the company. In contrast, workers maintain that it is the responsibility of the employing enterprise to protect the worker's employability.

**Box 1****Canada: Partnership for multiskilling in response to local needs**

The pulp and paper industry has been a major employer in the St. Catharines-Thorold area since the early 1900s — which employs over 2,000 people, with an annual payroll of \$76 million and annual sales of \$400 million. It is suffering its worst depression since the 1930s. The five area mills have diversified their product lines and developed a technology training programme to enhance their competitiveness. A partnership between **the Five Mills and Niagara College**, the **Lincoln County Board of Education** and the **Ontario Training and Adjustment Board** involves about 250 tradespeople over the next three years for training as millwrights, pipefitting, electrical trades, instrumentation, machining and welding.

The concept of **“Flex-Trades”** is implemented to train workers to perform tasks to agreed levels within their associated trade area. For example, a millwright would be able to carry out welding and pipefitting tasks up to the agreed level, depending on the individual's competence.

The Flex-Trades concept will allow for more efficient use of personnel within the mechanical and electrical (maintenance) areas. In addition, each trade person will gain a higher skill level and an understanding of interdisciplinary relations.

Source: Adapted from: the Report of the Canadian task force on transition in employment, 1994.

The knowledge, skills and attitudes that enhance employability may be broadly grouped as follows:

- intellectual (or academic) skills required for diagnosis and analysis, innovation and learning to learn;
- social and interpersonal skills involved in communication, decision-making, teamwork and adaptability, positive attitudes and behaviour, and the ability to assume and discharge responsibilities;
- business and entrepreneurial skills, including the development of an entrepreneurial attitude at work, creativity and innovation, the ability to identify and create opportunities, risk-taking and an understanding of productivity and business operations, including self-employment; and
- multiple technical skills in generic areas associated with a number of occupations in order to enhance occupational mobility.

Employability is therefore closely linked to the capacity of an individual to adapt to change and the ability to combine different types of knowledge and build on them by managing self-learning throughout working life. The development of an employability skills profile has been proposed, for example, by the Canadian Task Force on Transition into Employment, as a basis for developing curricula in secondary schools. It would undoubtedly be useful to explore the introduction of the concept into initial training programmes for youth, as well as into retraining programmes, especially those targeting the unemployed.

### **II.3. The challenges faced by the State and enterprises**

Can national training systems provide this kind of broad-based knowledge and these core skills through flexible, rapidly responsive and continuous training for employability, competitiveness and growth? Training systems are often criticized on the grounds that they do not respond to market demand. Trapped in tradition and bureaucracy, their critics say

that they are unable to respond to the new requirements created by multi-faceted and rapidly changing labour markets. They add that the new challenges cannot be met without fundamental changes and a thorough re-examination of basic assumptions with regard to the objectives, content, structure and delivery of training in response to new skill requirements. Indeed, it is being increasingly recognized by policy-makers that it is essential to improve the relevance of training systems to the needs of the labour market, their effectiveness in producing skilled manpower to the quality and numbers required, and their efficiency in making the best use of the available resources. Systems also have to be able to sustain quality and performance and ensure that training reflects the priorities set out in development plans. To this equation, it is necessary to add the critical issue of equity, in terms of the access of all citizens to training opportunities, in order to redress the disadvantages encountered by specific groups of the workforce at a time of increasing inequality.

The responsibility to reform and renew training policies, legislation and systems in response to changing demand rests primarily with the State in collaboration with the social partners. In fulfilling this responsibility, the State is faced with the dilemma of reconciling budgetary constraints with the need to improve the relevance, effectiveness, efficiency, equity and sustainability of training systems and is in need of private sector support.

The concern of enterprises to develop skills is primarily driven by the short-term objective of meeting their own needs to increase productivity and improve the quality of goods and services. The question, therefore, is whether they have the willingness and the ability to provide training under the constraints of the new business environment. The need for enterprises to retain their competitive edge gives rise to a dilemma: the short-term objective of keeping costs down tends to limit investment in training, while pressure to keep pace with rapid change, competition and innovation makes advanced skills imperative in the long-term. Confronted with this choice, short-term considerations often prevail and, despite the acknowledged importance of structured training, only a small percentage of employers provide it. Moreover, the training provided by employers has weaknesses: it often is unsystematic, job-specific and focused on better skilled workers, and therefore does not necessarily enhance the flexibility and mobility of the individual. Moreover, it may not be provided in areas of long-term strategic importance for national development.

The challenges of skill development in today's world are too complex, and resources to address them are too scarce for any single player. There is growing recognition of the need to find new approaches which optimally use the resources and comparative advantages of both the public and private sectors, for the benefit of both.

## III. In search of new partnerships

### III.1. The concept of strategic training partnerships

The overall objective of public/private training partnerships is to mobilize a collective effort to enhance the relevance, effectiveness, efficiency, equity and sustainability of training and to forge an optimal response to address the skill requirements of individuals, enterprises, the community and the objectives of national development.

There has always been collaboration between the State and enterprises in the field of training, such as in apprenticeship schemes. However, in the context of the current scenario, new types of partnerships are sought which are considered to be “strategic” because they can have a significant impact on the development of skilled manpower and on social and economic development.

In many countries, policies are being adopted and incentives offered to direct public/private partnerships towards areas of strategic importance. Examples of such areas include reforms of training systems (the development of training policies and systems and the delivery of training services), skill development in fields that are critical for economic and social development (for national, regional and local development) such as skill development in growth sectors, sectors affected by technological change, or retraining in declining sectors for workers threatened by redeployment. In short, strategic partnerships are those which address the training challenges and dilemmas that have become most critical in the new work environment. They cover:

- **retraining and further training of workers** who are already in employment, including those threatened by redeployment;
- **youth training for initial employment;**
- **training of the unemployed**, including the long-term unemployed, for re-entry into employment; and
- **training for groups with particular difficulties** in gaining access to training and employment, such as certain ethnic groups and persons with a low educational level.

The growing interest in activating private sector involvement in strategic areas of skill development implies the adoption of a more systematic approach to partnership initiatives, which are more likely to lead to longer term partnerships and the development of a more comprehensive policy framework which would promote training partnerships.

Public/private collaboration may occur at many levels, including the macro (policy) level, the meso (sectoral) level and the micro level (enterprise). Its scope ranges between

the shaping of national training policies, legislation and systems by the government and representatives of employers and workers and enterprise donations of materials or advice to a local training institution. The collaboration can be vertical, between local partners and national institutions, or horizontal, between local or national institutions.

Partnerships can take the form of the representation of the social partners on training boards and committees so that they can provide advice and be consulted on policy issues, planning, curriculum development, performance evaluation and quality control. At the micro level, they can be developed between individual firms and public training institutions and may also involve local government and public and private training providers, including voluntary agencies. The advice and assistance of enterprises may be sought by public training institutions on curriculum development, the setting of quality standards and performance evaluation, as well as the provision of information on training needs and planning, donations of equipment, vocational guidance and counselling, the recruitment of successful trainees or the organization of industrial assignments to give trainees or trainers practical experience (box 2).

The forms and modalities of partnerships may vary widely. They can be formal and structured or informal and flexible. They can consist of state inputs into enterprise training efforts, enterprise inputs into public training, joint efforts, inter-firm alliances or alliances between government agencies in a policy framework established in public/private partnership. They may also involve intermediary institutional mechanisms through which enterprises are contracted to deliver training services in accordance with public policies, procedures or priorities, as a result of the introduction of incentives or the provision of public financing. It is hoped that such public policies, procedures and priorities have, in the first place, been the subject of consultations and agreements with enterprises or the representatives of employers and workers.

Should strategic partnerships be voluntary or compulsory? The question arises as to whether voluntary partnerships are always sufficiently dynamic to bring about the desired impact on skill development, as in the case in the United States. How successful would partnerships be if they were imposed through legislation and a regulatory framework? Experience tends to show that genuine and equitable partnerships cannot be forced upon one party by another. The concept of partnership implies the freedom to join or leave, with willingness being shown by the various partners, clearly perceived mutual interests and benefits, a strong commitment and adequate capacity to make it work. There are certain aspects of partnerships that may require a regulatory framework and training legislation, such as certain forms of financing for training or apprenticeship. What appears to be essential, however, is that the regulatory and compulsory framework for such partnerships must be developed with the full and active participation of all the principal actors concerned.

**Box 2****Japan: Training in new technologies for competitiveness and equity**

According to the “third sector” formula of public/private partnership adopted in Japan, **computer colleges** are being opened with the aim of meeting the high demand for skills in computer sciences and information technology, reviving declining sectors and regions, creating new job opportunities and retraining workers threatened by redundancy. Computer colleges combine the strength of public financing with the know-how of the private sector. The **Employment Promotion Corporation**, with the collaboration of the **Ministry of Labour** and support of local governments, constructs the facilities and provides the equipment. The private sector, training providers and local authorities ensure joint management and operation of colleges in their communities. The enterprises involved include IBM Japan, Fujitsu, Kobe Steel, Nippon Steel, Kansai Electric Power, Sony and Mitsubishi Electric.

The **Employment Promotion Corporation** is also developing a network of human resources development service centres in all prefectures to provide advice and assistance for the planning and implementation of vocational training through the provision of instructors, facilities and customized courses for smaller firms. The Corporation receives public financing, mainly from the **Employment Insurance Fund**.

Source: ILO Hamada, 1998.

### **III.2. Multiple partners and motives: creating a common vision of training as investment**

The nature and extent of private sector involvement in training and the partnership arrangement which evolve are shaped by the local political, economic, social and cultural environment. In particular, it is this environment which determines the attitudes adopted by stakeholders as regards partnerships and participatory decision-making processes. There are a multitude of stakeholders in training, who have varying and sometimes conflicting interests, objectives and priorities. These “multiple” stakeholders, at the various levels, include:

- C the individual (workers, trainees, unemployed persons, etc.);
- C the family (especially in the case of young persons);
- C the community (leaders, local institutions and networks);
- C voluntary agencies (at the local, regional and national levels);
- C private training providers;
- C public training institutions;
- C workers and their organizations (at the enterprise, local, sectoral and national levels);
- C employers and their organizations (at the enterprise, local, sectoral and national levels);
- C government (local, state and federal).

There is also diversity within each category of stakeholder. By way of illustration, there are a number of government agencies involved with training at different levels, including planning, education, rural and industrial development agencies, as well as the various levels

of employers' and workers' organizations (federal, local, industry, small enterprise) (table 1).

**Table 1. Multiple stakeholders and interests**

| Stakeholders                                                           | Motives                                                                                    |
|------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>Government</b>                                                      |                                                                                            |
| <i>National</i>                                                        | C Economic development, national competitiveness and growth, and social equity             |
| C Ministries concerned with employment, education and training         |                                                                                            |
| C Planning agencies                                                    |                                                                                            |
| C Public vocational training agencies                                  |                                                                                            |
| <i>Decentralized/local</i>                                             |                                                                                            |
| C Agencies concerned with employment, education, training and planning |                                                                                            |
| C Public vocational training agencies                                  |                                                                                            |
| <b>Employers' organizations</b>                                        | C Enterprise competitiveness, productivity and profits                                     |
| C National employers' organizations                                    |                                                                                            |
| C Sectoral employers' organizations                                    |                                                                                            |
| C Industry-based employers' organizations                              |                                                                                            |
| C Employers at the enterprise level                                    |                                                                                            |
| <b>Workers' organizations</b>                                          | C Improved pay and benefits for workers, job mobility and security                         |
| C National workers' organizations                                      |                                                                                            |
| C Sectoral workers' organizations                                      |                                                                                            |
| C Industry-based workers' organizations                                |                                                                                            |
| C Enterprise-based unions                                              |                                                                                            |
| <b>Voluntary agencies at the national and local levels</b>             | C Social equity                                                                            |
| <b>Private training providers</b>                                      | C Profits through the provision of services                                                |
| <b>Community leaders</b>                                               | C Community economic and social development                                                |
| <b>Individuals:</b>                                                    |                                                                                            |
| C Trainees/workers, parents and parents' associations                  | C Employability, mobility, job security, career prospects, improved incomes and conditions |

In contrast with the economic and social interests of governments, and economic concerns of employers, workers consider training in terms of improved access to employment, better terms and conditions of employment, greater mobility, enhanced career prospects and greater job security. Trainees, who may be workers needing further training, young persons seeking initial employment, the unemployed disadvantaged groups, as well as parents and parents' associations, also expect similar benefits. The principal objective of non-government organizations is to promote equity through the provision of training services, while an important consideration of private training providers is to achieve profit while supplying training services.

This multiplicity and varying capacities of these stakeholders add to the complexity of the overall picture. A number of government agencies at the national and decentralized levels are generally concerned with education, training and development planning. Certain stakeholders, such as the government, employers and workers, may be strongly represented by formal organizations (ministries and various forms of employers' and workers' organizations) at the national, provincial and local levels. Others, such as private training providers, students and parents, are likely to be much less effectively organized. Non-governmental organizations (NGOs) may have a presence at the national level, particularly

where they have formed a national umbrella organization. The multiplicity of stakeholders increases at the local level. This multiplicity of interests and objectives needs to be addressed through consultation and negotiation to create a balance in devising incentives and meeting common interests.

Very effective partnerships can also be forged between employers and workers (bipartite) (box 3). Alliances can also be formed within a particular group of stakeholders, such as between the central, regional and local levels of government (vertical) within a particular sector/industry or between groups of enterprises or employers' organizations (horizontal), as in the case of a consultancy and training project in Hesse and Thuringia in Germany designed to provide assistance to small and medium-sized enterprises (Lau-Villiger, 1995).

### Box 3

#### Italy: The social partners establish a limited liability consortium to promoting training

In order to manage vocational training efficiently, the Italian employers' organization, **Confindustria**, and the **trade unions** have created a national bilateral training organization in the form of a limited liability consortium, with the specific aim of improving the vocational training, guidance and retraining system.

The **Consortium** will represent the various parties, which have been brought together for the first time in a structure with legal status. The aim of the new organization is to ensure a balance between labour supply and demand by reviewing existing legislation and developing flexible and efficient measures for implementation.

Confindustria believes that the Consortium will be an effective tool to link training supply and the needs of enterprises. The analysis of training requirements and the creation of a national data bank will help to indicate the direction to programme training in line with the needs of the labour market.

Source: ISFOL from CEDEFOP, INFO 1/1996.

### III.3. The changing roles of the State and enterprises

It was stated earlier that by tradition, it has primarily been the responsibility of the State to ensure the effective functioning of the training system, particularly as regards training for young persons and the retraining of the unemployed. In contrast, enterprises tend to concentrate on training and retraining of their employees. The origin of this traditional sharing of roles undoubtedly lies in the primary concern of enterprises to develop the skills of their workforce. However, there has been a sharing of roles whereby institution-based training is carried out by the State and practical training by enterprises, such as "alternate training" in France, the "dual system" in Germany and apprenticeship training in India. However, in the current environment, the need has arisen to take a fresh look at ways in which closer partnerships can be forged on a new basis of shared responsibility and mutual support between the State and enterprises in areas that are of

strategic importance to both of them, not only for the delivery of training but for all aspects of skill development.

New partnerships are emerging as a result of the search for innovative approaches to the renewal of training systems. They are leading to a redefinition of the roles of the State and private partners in skills development, as well as an examination of how the State can promote and strengthen partnerships and enterprise initiatives. Enterprises undoubtedly have a strategic contribution to make in improving the relevance, effectiveness and efficiency of training systems by adapting them more closely to the requirements of markets and improving the quality of training, as well as its capacity and productivity. The inherent characteristics of business, namely that it is market-driven and flexible and therefore adaptable and capable of responding rapidly to change, as well as being entrepreneurial and innovative, are precisely the qualities that are often lacking in public training systems and government bureaucracies. On the other hand, the State can contribute to enterprise effectiveness by creating a supportive environment and promoting the adoption of a broader and longer term perspective for training policy and systems, as well as by balancing considerations of efficiency and equity. Moreover, greater enterprise involvement in the provision of training can release more of the State's capacity to areas which currently receive little attention. A close partnership between the State and enterprises in shaping training systems is desirable, not only in the interests of the State but also of enterprises, in order to develop the competitive workforce that is required by the national economy in the context of globalization. Current efforts to form partnerships therefore seek the advantage of using the strengths of both partners for their mutual benefit.

## **IV. The process: factors that constrain or enhance training partnerships**

### **IV.1. Specific policies to promote training partnerships**

A number of countries have policy statements which promote the involvement of private partners in training and have translated them into specific policy tools, strategies and measures to provide incentives to the various partners (box 4). South Africa is a unique case, with partnership being conceived as a development aim and a key process to shape a new and common vision of training, culminating in training reform.

Because of the variations in contextual factors and the recent search for new and innovative partnership concepts, there are no specific models to follow or charted paths to show the way. There are, however, a number of factors that policy-makers need to take into account when developing policies, strategies and measures to create a favourable

environment which promote partnership arrangements. Some of these are discussed below, while others will no doubt emerge in due course. The list is by no means exhaustive.

#### **Box 4**

##### **Ireland: Policy for investment in continued training through social dialogue**

The **Irish White Paper on Education** is the result of a lengthy process of consultation between all the major partners. It sets future policy directions and targets with a view to achieving significant change. It sets up a new **Further Education Authority** to provide a coherent national development framework for vocational education and training, including continuing training, in addition to ten regional boards. The White Paper addresses the issue of investment in the continuing training of Irish workers to a level that is equivalent to the best practices of the country's competitors. It also places emphasis on social dialogue, which has been a distinctive feature of Irish labour market policy at the national level, and which has served as the source of innovation of partnership concepts. The partnership commitment extends from national to local structures, which involve the social partners and act as catalysts for innovative training.

Source: CEDEFOP, INFO 1/1996.

## **IV.2. An enabling environment**

Training partnership arrangements are evidently shaped by their political, economic, social and cultural environment. The current environment of change brought about by economic, technological, social and political factors is undoubtedly the most powerful force driving the search for closer and new forms of collaboration between the State, enterprises and other stakeholders.

### ***Political, economic, technological and social change***

The development of partnerships can be triggered by major political change in a country. One illustration is Chile's transition to a market economy in the 1970s, which reinforced the role of the private sector and led to the pioneering of new forms of training alliances. As part of the liberalization process, reforms were undertaken with a view to develop a market-driven, enterprise-led training system operating in a competitive market (Martinez Espinoza, 1998).

Recent political change and democratization in South Africa has also led to extensive use of participative processes in current training reform. The Reconstruction and Development Programme (RDP) is designed to provide the country with an integrated, coherent socio-economic policy framework. It seeks to mobilize all South African people and the country's resources for the eradication of apartheid and the building of a democratic, non-racial and non-sexist future. Under this Programme, the process of consultation and joint policy formulation is identified as the basis for development, with the specific objective that civil society, and particularly the business community, should take an active and responsible part in the design and implementation of the Programme, which is designed as an inclusive and a people-driven approach to nation building with a view to combating the inequalities inherited from the apartheid period (National Training Board 1994, 1997, Nel 1998).

Two of the six basic principles of the Reconstruction and Development Programme are democratization and the development of human resources. Education and training are seen as crucial factors in the empowerment of people, and the Programme consequently proposes a substantially restructured and expanded training system. Within the context of the Reconstruction and Development Programme, first a National Training Strategy Initiative (NTSI) was formulated. Later this was refined by the Green Paper on the Skills Development strategy for economic and employment growth in South Africa (1997), which involved the revision of training policies and legislation and the training system (National Training Board 1997, Nel 1998).

Political changes such as those referred to above would appear to provide a favourable environment for reform and may therefore facilitate the process of developing public/private partnerships, particularly where the overall policy aim is to strengthen the private sector, participative processes in general and skill development in particular. In most countries, the main reason for developing public/private training partnerships is concern of current economic and technological changes in a context of increased global competition, combined with the emergence of aggravated social problems as a result of increased unemployment and poverty. Although an environment conditioned by change and social concerns accentuates the need for partnerships and calls for greater public and private investment in skill development, the resource constraints of all stakeholders present a major obstacle. Indeed, it is precisely this combination of greater need and more severe constraints that drives the process of partnerships (box 5).

#### Box 5

##### Malaysia: Partnership for competitiveness in global markets

The basic objective of Malaysian training policy, as established in the **Second Outline Perspective Plan, 1990-2000**, is to create a strong basis for education and training in order to prepare the economy for global competition. Integral to this policy is greater involvement by the private sector in the provision of industrial training. Under this system, the involvement of the private sector will include the development of curricula, the provision of enterprise-based training, the development of skills for new technologies and job placement for apprentices.

Two initiatives adopted under the Plan cover the industrial attachment of trainers and the sharing of public/private sector facilities and instructors, especially through the skill development centres set up in various States.

One example is the **Penang Skill Development Centre** for the electronics industry, which is based on a partnership between the State, private enterprise and academia. The Centre was established by multinational enterprises and the Penang State Government and is managed as a business by a management council composed of public and private sector representatives. The State provides cash grants, trainers, equipment, training materials and premises. The private sector supplies financing, equipment and trainers. The Centre is used both by the Government and the private sector. There are user fees for courses and membership fees. A one-time "founder member" fee was S\$15,000, which offers a 10-30 per cent discount on course fees. Full membership is a one-time fee of S\$20,000. The ordinary membership fee is graduated according to the size of the firm, ranging from S\$5,000 to S\$15,000.

Source: ILO, Wong Yuk Kiong, 1998.

### ***Level of development and characteristics of the private sector***

The development of partnerships depends to a large extent on the level of development of the private sector in a particular country, as well as the rapidity and nature of the change that it is undergoing. There are clearly major differences in this respect between rapidly industrializing high-income countries with a strong private sector, middle-income countries with a relatively large private sector and low-income countries with a limited private sector. To add to the complexity of the issue, there is often a high level of diversity within the private sector in a given country, depending on the size and strength of the various industries and economic sectors in the different areas of the country. This complexity implies that policies to promote partnerships have to take into account the diversity of national situations and the specific characteristics of the private sector between countries, as well as between sectors, industries and geographical regions of a country.

### ***The capacity and attitudes of the partners and the development of a learning culture***

Common perceptions of education and training in a society play an important role in determining the attitudes of stakeholders towards continued investment in learning. Effective training partnerships require a certain commonality of vision between the various stakeholders. The countries in which strong public/private partnerships exist in the field of skills development tend to be those in which progress has been achieved in the development of a common vision and commitment to training as a social and economic investment, for instance in Japan, Denmark, Germany and Canada. The existence of a culture of participation, a long tradition of social dialogue, tripartism and collective bargaining, can also be critical factors in the development of partnerships (box 6). Such a culture can have an important influence on the nature and extent of participation in the decision-making process and an important bearing on the quality of partnerships. It can also determine the extent to which the various partners obtain equitable and effective representation such as in Denmark, Spain, Ireland, Germany and Canada.

The exploration and identification of common ground between stakeholders through participatory approaches is likely to prove a difficult, time-consuming but an essential process for the development of a learning culture in the longer term and for the sustainability of partnerships. The question which therefore arises is how to secure the participation of stakeholders, and especially those who do not have strong representation. The challenge is to find ways to set a participative process in motion in societies which do not have a participative culture or representative organizations.

**Box 6****Germany: Tripartite collaboration in training**

The **objectives** of partnership are:

- C competitiveness in global markets;
- C initial training for youth;
- C public/private collective financing;
- C preparation for continuing learning;
- C education, labour market and industry policy linkages;
- C creation of public/private commitment for vocational education and training including retraining and further training.

The partnership is based on the joint responsibility of independent and equal partners with equal voting rights. Decisions are largely based on consensus.

Collaboration between the Government, workers and employers is practised at the:

- C **federal level** through the Policy Advice and Research Institute for Vocational Training, which is financed by the federal Government. Its Board includes federal and state governments, employers and workers as permanent guests of the Federal Employment Office and the Association of Local Communities. The partnership is based on the principle that employers and workers take joint responsibility and decisions. The federal Government has the role to invite them to negotiate the aims and content of vocational education and training and decides in agreement with the social partners;
- C **regional and local levels** through Chambers of Commerce or local employment offices.

Source: Schmidt, 1994.

### **IV.3. Institutional mechanisms for partnerships**

The institutional mechanisms through which training systems develop and operate are important in determining the quality of the partnerships that are formed. Certain features of training mechanisms would appear to take on particular importance in this respect, including: the participation of all the stakeholders, particularly employers and workers; the degree of autonomy enjoyed by the mechanisms involved; the scope for local initiative in the field of training provision through the decentralization of the relevant mechanisms; and the degree to which policy and delivery is separated.

#### ***National mechanisms***

In many cases, a strong national training agency is the primary institution in the development of training policies and strategies, in collaboration with the social partners. In countries where there is no lead training agency at the national level, a large number of agencies may share responsibility for training. Reforms designed to create effective partnerships normally require a lead agency to mobilize the process, such as the National Training Board in South Africa.

Although there is a general move away from centralized mechanisms in the field of training in many countries, there are also cases where the opposite has occurred, particularly where training has previously been highly decentralized and fragmented. One illustration is Australia, where training was fragmented across its states and territories. The need was recognized to develop a coherent national training system, and the Australian National Training Authority was established with a view to developing a more competitive training

environment (Hall, 1998). The Australian case may therefore be described as a process of the strengthening of mechanisms at both the central and local levels.

National mechanisms have an important role to play in facilitating, promoting and mobilizing collective initiatives and partnerships as engines of dynamic change in the field of training. However, although established at the initiative of the Government, if these mechanisms are state controlled through majority government membership, the interest and impact of employers and employers' and workers' organizations will be minimal. These mechanisms need to be based on the principle of equitable partnership. The case study from India, for example, indicates that decentralization, greater autonomy and participative institutional structures could lead to much greater enterprise participation in training (Dagaur, 1998). In practice, the composition of national and local mechanisms varies between bodies that are mainly government controlled, through mechanisms where the social partners have an equal voice, to cases in which a diversity of partners or stakeholders are represented. Indeed, in some cases, the national training agency may be entirely composed of representatives of employers and workers, or may also include other stakeholders. For example, in the case of the Australian National Training Authority (ANTA), the Board consists entirely of members representing industry (Hall, 1998).

### ***Decentralized mechanisms and local partnerships***

In recent years, the value of local partnerships as a source of dynamism, creativity and initiative in training has come to the forefront. The community has emerged as a more important actor in training, with primary concern for the skill development of local manpower. Highly responsive to local demand, partnerships are better able to respond to changing local needs, encourage training providers to be more market-driven, exploit the community's private and public resources for training and mobilize local networks of stakeholders, leaders, employers, workers, training providers, educators, academics and associations. The major role played by local initiatives in promoting partnerships demonstrates the importance of the decentralization of training partnerships which involve a diversity of actors (box 7).

The United States provides one of the best examples of the dynamic role of local initiatives and partnerships. Training in the United States is highly decentralized, loosely coordinated, locally administered and strongly market-driven in response to local economic conditions. The closeness of decision-making makes training more relevant and responsive to labour market needs. Training partnerships are a complex set of relationships between training providers and individual enterprises or groups of firms. Local training networks form a basis for partnerships which are fluid, dynamic and capable of adapting to demand. Through local networks, local employers are able to secure training services and funds, as well as influence political decisions. Service providers also operate through these networks (Herschbach, 1998).

**Box 7****Canada: Local partnership - the Ottawa-Carleton Learning Foundation**

The **Ottawa-Carleton Learning Foundation** is a non-profit organization dedicated to strengthening lifelong learning. Established in 1985 and supported by the leaders of the education and business communities, the Learning Foundation enhances the management and delivery of quality education and skills training through innovative partnerships. It acts as a catalyst to mobilize resources among educators, employers, employees and learners to meet the challenges of the knowledge-based economy. Examples of partnerships include:

- C **Breakfast Programme:** a partnership of education, corporations, and community organizations to meet the needs of children who come to school hungry;
- C **Destiny 2000:** a science, engineering and technology exposition for trainees, hosted by the high technology sector;
- C **Engineers in Canada:** a professional and technical orientation programme for foreign-trained engineers to assist their integration into the Canadian workforce, delivered in partnership with business and professional engineering associations;
- C **Dialogue:** a forum for leaders in business and education to work together, building a high-quality, cost-effective education system and an internationally competitive business community;
- C **Senior Volunteer Programme:** an opportunity for students to learn from retired workers; and
- C **Things for Kids:** a programme to distribute to local classrooms hardware and software no longer used by the Government and businesses.

Source: Canadian Task Force Report on Transition into Employment, 1994.

However, the experience of the United States also demonstrates that, despite the dominance of the local private sector, the role of the Government in the field of training remains important. The federal Government provides fiscal incentives for the establishment of training partnerships, with a view to encouraging local providers to offer services that they would not otherwise supply, thereby developing local training capacity. Individual states fund highly specific, flexible programmes customized to local needs. At the federal, state and local levels, advisory committees are composed of the social partners and other stakeholders. Enterprises play a key role, especially at the local level, through their membership of these advisory committees, as well as by bearing the largest share of the financial burden and by exercising control through the contracting of training services.

In this case, local partnerships shape the training system. The impetus for training partnerships comes primarily from local employers and community leaders, who initiate the networks through which partnerships are formed. Local self-supporting groups, such as economic development committees and trade associations, are the most dynamic actors and their combined impact far exceeds that of the Government. The role played by the Government is to provide fiscal incentives to initiate and facilitate local capacity building. The government funding mechanisms that have been found to be most constructive are those which facilitate local collaboration and promote flexible local programming. Government policy is therefore complementary to local dynamism and does not restrict it. The fact that public funds in the United States are used only for the establishment of local partnerships, and not for their maintenance, maximizes their impact on local policy with a minimum level of public financial support (Herschbach, 1998).

The example of the United States also points to the importance of the relationship between the central government, states and local authorities. It confirms the importance of the central government in motivating and supporting local action, instead of controlling it, which could have the effect of subduing initiative and dynamism. It also serves to emphasize the significant role played by individuals in the creation of local partnerships.

The existence of local mechanisms can also be an effective means of integrating training into local economic and social development programmes. In Ireland, the establishment of a national network of Country Enterprise Boards (CEBs) was a significant step in the establishment of local partnerships for the creation of micro-enterprises and an enterprise culture, which have been longstanding goals of the Irish Government, with the support of the social partners. CEBs play a key role in local development and the promotion of enterprises. Training is therefore an integral component of the enterprise generation strategy. CEBs have been found to be an effective means of stimulating local partnerships and harnessing the potential contribution of interest groups, in which employer and trade union representatives are prominent (Coldrick, 1998).

The local economic and social objectives pursued by CEBs include the reintegration of the long-term unemployed and other marginalized groups into the labour market and the promotion of education and training measures to prevent early school-leavers from being unemployed and socially excluded. Their main instruments for achieving these aims include local enterprise plans, enterprise awareness and culture programmes, the provision of support services to individuals and the establishment of groups to assist commercially viable small enterprise projects.

Another example comes from Australia, where group training companies, which are community-based organizations operating in every region, work closely with small and medium enterprises (SMEs). They consist of a partnership between the Government, the technical and vocational training authority, employers and semi-private providers of training. They are therefore strategically placed to identify training needs, feed this information into training curricula and modules and persuade firms to undertake structured training (Hall, 1998).

In the United Kingdom, the question of providing training that is closely related to local needs was raised in a White Paper entitled *Employment in the 1990s*. The White Paper identified the need for local organizations and local commitment to motivate employers, particularly in SMEs, which were largely uninvolved in training initiatives. This has led to the establishment of 81 training and enterprise councils (TECs) in England and Wales and 22 local enterprise companies (LECs) in Scotland. TECs and LECs provide training information and advisory services. They are enterprise-led and are structured as

independent, private sector enterprises run by boards of directors, two-thirds of whom are from the local private sector. The other directors represent the local authorities, voluntary agencies and trade unions. Although the board of directors of TECs sometimes include a trade union member, in practice the trade unions have little input into their activities. Emphasis is placed on the partnership between the State and enterprises, while other stakeholders, such as the trade unions, local government and the voluntary sector play a lesser role. The views of TECs are relayed to ministers through the TEC National Council, composed of elected TEC chairmen, who are all business leaders. TECs and LECs do not deliver training. They conclude contracts with the State for the delivery of training services, which they then contract out to local public or private training providers, including employers who deliver training. TECs and LECs are an example of private local mechanisms acting as intermediaries between enterprises and the Government and were established with a view to the creation of local mechanisms that are responsive to markets (Crowley-Bainton, 1998) (box 8).

### Box 8

#### United Kingdom: Training for the adult unemployed

Comet is a major high street electrical retailer, which faced a lack of qualified audio engineers for its Leeds sales and service headquarters in 1994. The Leeds **Training and Enterprise Council (TEC)** entered into three-way discussions with training providers and Comet. It was agreed that Comet would provide premises, equipment and materials for training, while the training providers would supply the expertise and administrative support. The TEC would provide funding under the normal Training for Work rules and quality assurance.

A customized training scheme was set up under the auspices of **Training for Work** to offer long-term unemployed electronic servicing engineers with little or no practical experience, the opportunity of in-house training, as well as the possibility of full-time employment with Comet. Candidates with an intermediate-level electronic servicing certificate were recruited by the State Employment Service for an intensive eight-week theoretical and practical training programme. The aim was for all the candidates to obtain an audio qualification.

A number of trainees were offered full-time employment with Comet and others were taken in a second training scheme. A majority of trainees have found employment at Comet and with a smaller local enterprise. The TEC is now sufficiently satisfied with the company's training to contract directly with the company to deliver the training. Comet is to expand this programme which will benefit local long-term unemployed.

Source: Crowley-Bainton, 1998.

In Chile, where there is a tradition of highly-centralized government, the reforms of the early 1980s included a major dose of decentralization, which resulted in the creation by local entrepreneurs and the public authorities of four regional councils for education and work (CRETs) between 1992-94. This employer-led initiative exemplifies the growing role of the private sector in Chile and the importance of local action in the field of technical and vocational education and training. CRETs are designed to promote the efficiency, quality and labour market relevance of technical and vocational training through greater enterprise participation in policy formulation, curriculum design, teacher training and financing, the coordination of training and the pooling of resources. They also act as organized

representatives of local interests in negotiations with the central government on policy issues of local interest (Martinez Espinoza, 1998) (box 9).

### **Box 9**

#### **Chile: Mobilizing local resources The Regional Council for Education and Work (CRET) in the Valparaiso Region**

The **CRET** in Valparaiso was founded in 1992 at the initiative of local enterprise associations and the regional authorities of the Ministry of Education and the Ministry of Labour and Social Security. Its Executive Committee is composed of representatives from enterprise associations, universities, the teachers' union, other labour unions, headmasters of local vocational schools and the Government.

The CRET is involved in improving the performance of 35 public vocational schools located in socially deprived areas, providing training for teachers, technical assistance for curriculum design and financial support for the investments and expenditure of the schools. An Advisory Committee, in each school, includes local entrepreneurs. Over 50 large and medium-size enterprises are actively involved in the activities and funding of the CRET. Voluntary contributions from enterprises and conference admission fees provide key financing. The Government provides the physical facilities and secretarial support.

The CRET is facing three main problems: its limited capacity to provide technical assistance to schools due to budgetary constraints; difficulties in implementing a long-term strategy due to the irregular economic support from enterprises and enterprise associations; and legal obstacles to curriculum reforms in vocational schools.

Source: Martinez Espinoza, 1998.

### ***Collective bargaining mechanisms***

Collective bargaining is another powerful instrument to promote social dialogue and concerted action between employers and workers in the field of training. In this respect, a distinction should be made between, on the one hand, tripartite consultation and agreements reached between the Government, employers and workers and, on the other hand, collective bargaining and bipartite agreements reached between workers and employers within the legal framework of labour legislation. It should also be recalled that collective agreements which contain a training provision may be concluded between workers and employers at the level of the enterprise, industry and branches of an industry. Collective agreements can have a significant impact on national policies and the organization of training systems, particularly where they involve formal partnerships with the State.

The influence of collective bargaining at the national level is illustrated by the case of Spain, with the development of its national continuing training strategy. Two years of bipartite collective bargaining at the national level led to the conclusion of a collective agreement. Further negotiations with the State finally resulted in a national tripartite agreement. This in turn became the national policy for the continuing training system, which is based on a strong financial contribution from the State and involves both public and private institutions at the national and local levels (Sallé, 1998).

In most cases, the use of collective bargaining as a mechanism to promote training partnerships is relatively new. Even in France, where training is subject to collective

bargaining, the tradition is not old. It started around 20 years ago, when the importance of training for economic and social change began to attract the attention of the social partners, alongside other traditional areas of bargaining. There is still considerable potential for training to take on greater importance among the subjects covered by collective agreements. The inclusion of training in collective bargaining at the industry level has expanded rapidly in France over recent years. In contrast, it has remained almost stagnant in enterprise-level bargaining.

The Labour Code in France contains specific provisions regarding collective bargaining and establishes the legal basis for the right to training. Employers are also required to contribute a minimal level of financing for training. Collective agreements may also cover joint mechanisms for the consultation of elected worker representatives in enterprises. The process of collective bargaining has the advantage of giving authority, responsibility and initiative to workers and employers. The social partners are given total autonomy in decision-making within the process of collective bargaining, as set out in the Labour Code. However, any action that they take is necessarily closely related to the measures adopted by the State, training providers and enterprises. This interaction has been carefully sought by the French legislature and means that, in this respect, France is unique among European countries (Pinaud, 1998).

In Denmark, which has a long tradition of democracy and social dialogue, a growing number of collective agreements include provisions relating to training, and major results have been achieved in the fields of education and training through collective bargaining. In many cases, special agreements have been concluded on education and training. A significant part of the workforce is covered by these agreements. The Danish Federation of Trade Unions (LO) estimates that between 700,000 and 1 million private sector workers, out of a total workforce of 2.9 million, are entitled to one week of technical training every year. The conclusion of this type of agreement at the enterprise level is considered to be very important in order to ensure that the right to training is actually used. The General Workers' Union in Denmark (SID) separates bargaining on training, which is subject to greater consensus, from other bargaining issues and enters into separate training agreements (Olesen, 1998).

Collective bargaining primarily covers employed workers, although it may also be extended to the unemployed and apprentices. For instance, in France agreements have been concluded which cover workers, the registered unemployed and apprentices. Collective bargaining therefore has a strong role to play in continuing training, although it has a more limited impact on pre-employment training. The issues addressed by collective agreements include the right to training, educational leave and the financing of training. They also include the joint management of training funds, the certification and recognition of qualifications and the control of training.

## **V. Partnerships in action**

### **V.1. Training policy and system development and delivery**

The countries covered by the case studies on which this paper is based have reported to have policies and established incentives designed to expand the role played by the private sector in skills development. However, in many developing countries, training policies are remarkably silent with regard to private sector involvement, with the exception of the inclusion of employers' and workers' representatives on training boards and committees, almost as a matter of form. On such cases, collaborative efforts, however useful, are likely to remain limited in their impact without the backing of strong public policy, strategies and incentives seeking to establish an equitable partnership with the private sector.

The context for policy reform differs in each country. The size and strength of the private sector is a determining factor. In low-income countries with a weak private sector, the strong role played by the central government in financing and delivering training means that partnerships have to be calibrated so that the private sector is able to absorb its share as it develops. In middle-income countries with a large industrial sector and widespread basic education, the private sector can assume a more active role. In rapidly growing economies with a strong private sector, reforms can be implemented quickly, since employers and workers are able to take on a more important role in sharing responsibility for training with the State. In all of these cases, the Government continues to play a central role in the design of training policies and systems. Moreover, it should always be borne in mind that the overall economic situation and the policy environment are of great importance in sending signals and influencing investment decisions by enterprises in respect of training, as well as in the decisions of individuals to acquire skills and of providers to offer their services, influencing the formation of partnerships.

The establishment of effective and sustainable partnerships depends largely on the degree to which the State is prepared to delegate its authority and responsibility to the private sector and the degree of control retained by the State over systems shared with the private sector. Equally important is the extent to which private partners are willing and able to assume delegated authority and responsibility, which clearly depends greatly on the strength and capability of the private sector, of employers' and workers' organizations and of other private partners. The effectiveness of partnerships also depends on the development of an accurate perception of the strengths and weaknesses of each partner, with a view to their combination for the common good. By way of illustration, the relative strength of non-governmental organizations lies in their ability to work at the grass-roots level and to mobilize and provide training for categories that public and private training providers have difficulty in reaching, whereas the strength and capability of enterprises lies in providing practical skills in the work environment.

The strength of the Government lies in its capacity to develop a policy and regulatory framework for the training system. Various components of this system which call for public/private alliances are:

- C the provision of information on labour market requirements by reporting market signals and assessing training needs at the national and sectoral levels;
- C the setting of policy and the establishment of the legislative framework for the training system;
- C the establishment of quality standards, including testing and certification, to ensure consistency;
- C the establishment of an institutional structure and operational mechanisms;
- C the mobilization of stakeholders to achieve maximum participation in the implementation of the system through appropriate strategies, measures and incentives;
- C the planning of training delivery;
- C securing financing for the training system;
- C improving curriculum development, the training of trainers and training managers;
- C the provision of occupational information, guidance and counselling;
- C evaluating the overall performance of the system;
- C the provision of practical on-the-job training in various forms; and
- C ensuring equity in access to training opportunities.

There is an increasingly widespread call for the delivery function to be made subject to market forces and transferred by the State on a wider basis to private providers (box 10). A number of factors determine whether state support for training delivery can be maintained, either in the form of direct delivery or indirectly through various forms of support and incentives, including subsidies and financial incentives. Continued state involvement is normally required where the complexity, high capital cost and difficulty of providing a specific type of training, or the experimental nature of the training mean that private providers would be unlikely to venture into the provision of that type of training. The State may well have to continue its delivery function for instance, to help overcome the difficulties experienced by specific groups in gaining access to training opportunities, to counteract an evident lack of training capacity or unwillingness by the private sector to provide training where there is a lack of training markets. The State also normally has to retain responsibility for ensuring that sufficient account is taken of the question of equity of access to training opportunities, as well as in the provision of initial training for young persons, the retraining of the unemployed for re-entry into the labour market and the training of specific groups who are disadvantaged in having access to training opportunities.

**Box 10****Chile: From public to private training delivery**

The delivery of vocational training was originally the concern of the public sector in Chile. However, the system evolved into a structure in which the State does not offer training but finances and controls the use of public funds according to market demand. Under this **market-oriented system**, private training agencies sell their services to enterprises and execute government-sponsored training programmes. The Government also subsidizes enterprise-based training through tax rebates. In addition, it finances training for those who have no access to enterprise-based training.

The aim is to stimulate enterprise demand, with a view to orienting supply. Market competition is cultivated between training providers as a means of promoting efficiency and quality. Free public vocational training is also provided for new labour force entrants, unemployed adults and workers who have no access to enterprise-based training.

Although the system increased training opportunities from 97,000 in 1980 to 400,000 in 1994, concern has been expressed about the low quality and high cost of training.

Source: Vasquez Corvalan, 1994.

**V.2. Joint financing and incentives<sup>1</sup>**

The financing of training is the principal policy tool for shaping the training system. Financing of training can be provided in such a way as to stimulate investment by stakeholders in skills development, thereby mobilizing additional resources at a time when the training budgets of governments and enterprises are severely constrained.

A collective effort in financing can have a beneficial impact on diversifying and expanding resources for training, which in turn can result in a broader availability of training opportunities and greater resource stability.

The collective financing of training gives rise to three main issues. The first of these concerns the problem of raising revenue for financing or, put simply, who pays the cost of training. The second relates to the disbursement of revenue or who should benefit from training. The third covers the various mechanisms that need to be developed to achieve the objectives of training through broader participation by the partners in the management of revenue raising and distribution.

It is because training is an investment that, by implication, its costs and benefits should be shared amongst stakeholders, including the Government, individuals, enterprises, training providers and the community. The question however arises as to whether the costs and benefits should be shared by all equally and the extent to which various elements of cost-sharing should be obligatory or voluntary.

<sup>1</sup> This section draws on the draft document *Diversifying sources of financing vocational training* to be published by the Training Policies and Systems Branch of the ILO.

The policy decisions that are taken and the measures that are adopted for the financing of technical and vocational training are influenced by the extent to which a training culture has been developed and the attitudes of the various stakeholders. These policies and measures send important signals to specific stakeholders, which shape their reactions. For instance, very different signals are sent to training providers, depending on whether training revenue is disbursed on the basis of budget allocations, competitive bidding or through contracts based on performance or enrolment.

When consideration is being given to the adoption of policies and measures to diversify training resources and attract investment by other stakeholders, it is necessary to review with great care the potential strengths and weaknesses of the various measures and the ways in which they can be combined, to ensure that they are suited to the prevailing conditions and circumstances. For example, it is necessary to examine carefully the specific signals sent to the various stakeholders by existing financial incentives and any new incentives that may be introduced. What reaction are these signals intended to provoke among specific stakeholders? Which signals encourage or discourage investment in training by each stakeholder? It should be recalled that an incentive for one category of stakeholder may be a disincentive for another.

Closely related is the policy decision between, on the one side, compulsory financing through regulatory measures and, on the other, voluntary financing through promotional measures, such as incentives. For maximum acceptance and support from all those concerned, compulsory measures should preferably be devised in collaboration with the social partners. Resistance by these partners to compulsory measures could seriously compromise their success.

## ***Revenue raising***

### *Public revenue*

The State retains the principal responsibility for designing policies to mobilize sufficient resources to ensure an adequate and stable level of training delivery, taking into account the principles of equity and efficiency. However, the involvement of the social partners and other stakeholders in the determination of policy and the management of funds is vital to the establishment of successful partnerships for the financing of training.

There are two main considerations underlying the role of the State in the financing and provision of training. The first of these relates to the responsibility of the State to ensure that its citizens have access to education and training opportunities and services, so that they have every available opportunity to become useful members of society. The second revolves around the argument that, since society as a whole is a beneficiary of the outcome

of training, the public should bear, or at least participate in, the cost of providing such training.

The main sources of public funding are:

- C **general tax revenues**, including excise taxes and duties (particularly in low-income countries) and taxes on company profits and the incomes of individuals (in middle-income and high-income countries); and
- C **compulsory training levies**, which are paid by enterprises in the form of either payroll levies or levies based on output, including taxes on production, contracts or exports (suitable for middle- and high-income countries with a sufficiently well-developed private sector and administrative capacity).

The advantages of compulsory payroll levies are that they produce a relatively stable source of financing for training. In addition, they are often administered by a central authority and may therefore be relatively simple to manage. However, they may also display a number of weaknesses, including fiscal rigidity and raising the cost of labour. Moreover, the burden of the payroll levy may, in practice, be borne by the workers in the form of lower wages. If the levies are set at a flat rate, without any form of reduction for enterprises which provide their own training, they could also, under certain circumstances, be instrumental in causing a reduction in the amount of training provided by some enterprises. This form of financing is generally channelled through a central training authority and is used to support public training institutions. The focus of the training is often on the urban formal sector jobs. This raises an equity issue: if the levy is applied at a flat rate to all enterprises, it may later be found that benefits are distributed unevenly between the various types of enterprise, with large enterprises, the modern sector, engineering trades and managerial and supervisory staff tending to benefit disproportionately. Finally, compulsory payroll levies necessitate reliable tax collection mechanisms.

A number of measures can be adopted to counteract the disadvantages and increase the effectiveness of compulsory payroll levies. These include:

- C the rate of the levy can be varied in a number of ways, such as according to the size of the enterprise, since uniform levies tend to involve certain inequities;
- C the system can also incorporate incentives for enterprises to finance their own training; and the rate of the levy can be varied by sector and industry to reflect differences in training costs and conditions.

### ***Decentralized sources of public revenue***

Sources of public financing can, under certain circumstances, be diversified and expanded by raising revenue at the provincial, local or municipal levels. Most public financing for training comes from the central or federal government. However, central government financing is generally accompanied by central control and decision-making, which may not be conducive to developing dynamic partnerships with the various actors at each level. Decentralized public financing from state or local governments, or from municipal authorities, may represent a substantial source of funding that has not often been exploited. Nevertheless, this source of financing can only realistically be tapped within a broader framework of the decentralization of decision-making. Unless some compensatory mechanism is introduced, imbalances in local revenue-raising capacities may have the effect of contributing to further unevenness in local development.

### ***The direct financing of training by enterprises***

Enterprise-financed training is an important form of skill development in many countries. It is also the source of financing that probably offers the greatest potential to increase the provision of training. Enterprise-financed training normally takes the form of enterprises covering the cost of in-service training for workers, as well as the cost of their wages during the training period.

### ***Allowing public training providers to generate income***

There has been a trend over recent years to deregulate training fees and to allow public training institutions to engage in activities which generate income by selling their services or products on the open market. In this respect, the deregulation of training fees involves the elimination of restrictions imposing a ceiling on such fees, thereby allowing full cost pricing. Equity considerations mean that such measures are often combined with the introduction of subsidies or loans to help people that would not otherwise be able to gain access to training. Moreover, the government or industry still normally has to play a regulatory role in accrediting institutions and monitoring quality. Another option is the authorization of direct income generation by training institutions, for example through the sale of training services, such as consulting, in order to enable providers to raise additional financing.

### ***Transferring the cost of training to individuals***

There has been a broad debate over recent years concerning the advantages of leaving individuals to invest in their own training. The supporters of this system perceive the advantages to be a higher level of individual motivation to acquire better employment prospects, greater mobility and the promise of better conditions of employment and job security.

In this context, however, it is important to make a distinction between pre-employment training and further training. It is debatable, for example, whether it is equitable to charge

fees to students who are receiving pre-employment training in technical and vocational training institutions, when secondary and tertiary education is subsidized. It is clear that in the current environment of rapid technological change, with the consequent requirement of continuing training, it is in the interests of individuals to invest in multiskilling and portable skills. The incentive for individuals to pay for their own training depends on the benefits that they expect to derive from their newly acquired skills. In general, under such a system, government financing in the form of subsidies and loans is made available to individuals who are unable to finance their own training (Crowley-Bainton, 1998; Martinez Espinoza, 1998).

The distinction between “transferable” or “portable” skills and job-specific skills is central to the question of who should bear the cost of training. Enterprises are unlikely to be willing to invest in training for their workers if there is little possibility for them to obtain a return on their investment because of a high rate of labour turnover. This is particularly true in the case of portable skills, which can by definition be poached more easily. There is therefore a natural tendency for enterprises to invest in the acquisition of job-specific skills, while individuals are more likely to invest in training for portable skills.

Training loans for individuals are another means of transferring the cost of training from the State to individuals. However, they are suitable only in the case of individuals who are likely to have a reasonable chance of paying them off after they have received their training. Training loans, used in industrialized countries, are now being introduced in developing countries such as Zimbabwe.

### ***Additional resources from local communities***

The local community offers the potential for the mobilization of additional resources, including subsidies and grants in cash and in kind, cost-sharing with local training providers and support for training fees through fellowships. Financing provided by the local community at its own initiative is likely to be directed towards specific groups, sectors and areas which are considered to be local priorities for social and economic development.

### ***Disbursement of revenue***

#### *Public revenue disbursement*

Individuals and enterprises invest in training mainly to raise their earnings and profits. In contrast, the concern of the State should be to ensure that the benefits of the training of the workforce accrue to society. State investment in training supplements that of enterprises and individuals and brings into play a broader perspective for longer term investment in training in the interests of society. By way of illustration, the concern of the State in training emphasizes the attainment of macroeconomic objectives, compensation

for skill shortages in key areas of the economy, the attraction of new investment or the expansion of export industries and equity.

The State may also intervene in order to correct market imperfections, for example where a lack of rewards on the market results in under-investment by enterprises and individuals in training. Such under-investment may result in skill shortages in key growth areas or the lack of a skilled workforce becoming a deterrent to investment or preventing the expansion of export industries. The lack of incentives to invest in training may be caused by distortions preventing enterprises from paying lower training wages to trainees; low wage rates which do not enable individuals to pay for training; or risks and uncertainties about whether trained workers will remain with the company. Government intervention may also be designed to remedy a lack of availability of private sources of financing for training, to support types of training which require a high level of investment, to promote research and development or to make up for a weak capacity for the private provision of training. Public financing is also normally required to subsidize research and development activities in the field of technical and vocational education, as well as to fund institutions such as central training authorities. State intervention is also often motivated by a concern to ensure equity in access to training opportunities. Public interventions are therefore designed to assist specific target groups which have difficulty in gaining access to training opportunities through, for example, incentives to facilitate the access of small and medium-sized enterprises to training, subsidies to meet the training needs of the long-term unemployed and the disadvantaged, and the provision of initial training for young persons.

### ***Incentives to expand enterprise-based training***

Various types of measures can be adopted by the public authorities to provide enterprises with incentives to expand their own enterprise-based training programmes. These include training grants or loans to enterprises to help them cover or recover part of the cost of training. The introduction of such measures needs careful planning and execution or they may simply serve the purpose of subsidizing training that enterprises would otherwise have carried out anyway. Another form of incentive for the expansion of enterprise-based training is the provision of a wage subsidy by the State during the period of training. In some countries, such as Singapore, a system has been introduced of reimbursing the training costs of employers, while in other countries, including France, some form of tax exemption has been established to help cover the cost of training. In France, this takes the form of a reduction of the training levy. Tax credits can also be established for employers who provide training for their workforce.

Under systems of exemption from taxes or training levies, the firms which train the most reap the most benefit, with the result that the cost of training is transferred, to some extent at least, from the firms which do not provide their workers with training to those which do. There is a risk under these systems that enterprises may make undue gains by

overstating the amount of training that they provide. Other disadvantages include the level of bureaucracy required to administer and control the system, as well as the difficulty of assessing quality. Moreover, a system of this type tends to benefit large firms more than small and medium-sized enterprises.

### ***Voluntary enterprise financing***

In countries where collective bargaining is traditionally strong, training clauses are sometimes included in collective agreements, resulting in the voluntary establishment of training funds financed by employers and managed collectively by unions and employers. Examples will be given later under the section “Management of training funds by the social partners”.

### ***Targeted subsidies and training vouchers for individuals***

The incentives and types of assistance offered to individuals by the State to encourage them to undergo further training can take a variety of forms, including fellowships, grants and training loans. An innovative idea discussed in November 1994 at a UNESCO Commission on Education for the 21st Century, presided over by Jacques Delors, the former President of the European Commission, was the provision of education vouchers to young people. Vouchers would be credited to a bank as a form of capital for young persons to continue education and training with a view to their adaptation to the rapid changes in the job market. Each person would be able to increase his/her capital by making deposits at the bank under an educational savings scheme for use during his/her work life. Training vouchers are currently used in some developing countries such as Mauritius. Kenya encourages small enterprises and the informal sector workers to buy training in public or private institutions (box 11). Following course completion, they are cashed by training providers. Thus, the system also contributes to the establishment and regulation of a training market.

#### **Box 11**

#### **Kenya: Informal Sector Training Fund for equity and growth**

Kenya has recently established a micro and small enterprise training fund to upgrade skills in the informal sector in an innovative partnership between the **Government** and the **Jua Kali Association for the Informal Sector** (Jua Kali, meaning hot sun). The aim is to develop demand-driven training and enhance cost-sharing for enterprise-based skills upgrading. Public funds will be channelled on a competitive basis to training providers. The fund is managed jointly by the public/private members appointed by the Minister for Research, Technical Training and Technology, with three representatives of the Kenya Federation of Jua Kali Associations (formed in 1992), three from the Government, and four from organizations working with the informal sector. Training vouchers are also used to encourage training in small firms.

Source: UNESCO, International Institute for Educational Planning (IIEP), 1997

### ***Performance-based financing***

This is a measure requiring training providers to meet certain standards of quality and quantity. Training providers are obliged to meet standards set by the Government, in terms of the employability of trainees or their success in obtaining certification, in order to be able to bid for contracts, grants or loans (Crowley-Bainton, 1998). Under such schemes, it is important to establish a sound system of quality control in order to be able to judge whether performance has actually reached the required objectives.

### ***Training awards as an incentive***

Training awards are sometimes used to motivate employer investment in human resource development. In the United Kingdom, the Investors in People Standard is awarded to organizations which reach prescribed standards in the provision of training. The Investors in People programme is considered by the Confederation of British Industry (CBI) to be an important step in the development of a learning culture in enterprises. By early 1995, over 15,200 companies employing over 4.8 million workers were committed to achieving the standard. Another example is the system of National Training Awards set up in the United Kingdom with the aim of increasing both enterprise investment in training and the quality of the training provided. The system takes the form of an annual competition managed by the Department for Education and Employment. Awards, financed from donations by the private sector, such as employers' organizations and national newspapers, are given to approximately 80 firms and 20 individuals out of the 1,400 competitors selected by independent regional panels, composed of employers, training providers, voluntary training providers and trade unions. Both the Investors in People Standard and National Training Awards are considered prestigious and are reported to have resulted in benefits, such as higher productivity, improved morale and publicity for the enterprise (Crowley-Bainton, 1998).

### ***Management of training funds by the social partners***

As mentioned earlier, collective agreements which include training provisions have led to the establishment of voluntary enterprise levies and training funds in some European countries, as well as to compulsory contributions to training such as levies. They also lead to the joint management of training funds by employers and workers. This approach is suitable for middle and high-income countries with a strong private sector, a culture of collective bargaining at the sectoral or industry level, and a training culture among the workers and employers, who both recognize the need for continuing training for productivity and competitiveness (box 12).

**Box 12****Europe: Financing through collective bargaining and joint fund management**

In a number of European countries, training is covered by sectoral collective bargaining agreements which have resulted in the creation of **training funds**, financed by enterprise payroll levies. They arise from voluntary bipartite agreements, leaving the initiative and control to employers and workers, outside state control. They also allow for joint fund management by workers and employers and include cost-sharing arrangements between firms.

In Belgium, a levy is imposed through collective agreements and collected by the social security to finance sectoral training funds. The funds finance training policy development and trade union training. In 1991-92, firms also contributed a payroll levy of 0.25 per cent to finance training for disadvantaged groups. The levy is paid to the National Employment Fund and exemption is granted to firms which provide the required level of training.

In France, training funds are managed by administrative councils composed of employers and trade unions. The funds can also receive subsidies and donations. Enterprises which pay into these funds are exempted from the compulsory employer payroll levy. Similar sectoral funds exist in the Netherlands and receive a government contribution to subsidize apprenticeship training.

A limited number of sectoral funds have been established in Germany under the terms of collective agreements. They operate without tax support. Training levies are paid by some Chambers of Industry to finance training for their members. In addition, four funds have been established by collective agreements for: the construction industry, horticulture, stone masonry and roofing and tiling. The levies collected by these funds do not cover the total cost of vocational training for the firm. However, employer contributions are used to meet the cost incurred by firms in establishing multi-firm centres.

Source: Adapted from Gasskov, 1996

**V.3. Promoting access and equity**

With knowledge and skills rapidly becoming the key source of competitiveness, employability and job security, persons who do not have access to training and education will increasingly be threatened by marginalization. This raises the important question of equity for the beneficiaries of training.

If, as stated earlier, there is increasing demand for highly skilled and versatile “core” workers, two important questions arise. The first is what proportion of the workforce will be capable of fulfilling these requirements. The second is how large a proportion of the population will have access to opportunities for such training. If only a small proportion of individuals have the capability and access to training to become “core workers” who are highly skilled, competitive and of world-class quality, what will happen to the rest? The danger of creating a “three-speed society” is very real: a small proportion of high fliers who are core “knowledge” workers, a large proportion of peripheral and increasingly less secure workers, and a growing underclass of the marginalized and socially excluded. This situation threatens not only individuals, but also economic and political stability and social cohesion, and may therefore have the result of precluding a healthy business environment. Directing public/private efforts to protecting social cohesion is therefore important for all parties.

The current environment accentuates the importance of the concept of equity in training. The principle of the right to education needs to be extended to take in the “right to training”, a concept that is gaining recognition and is reflected in policy statements in a

number of countries, such as Canada, France and Denmark, when the right to educational leave is included in collective agreements.

The primary concern to increase access to training has to come from the Government. The traditional enterprise view is that responsibility for the skill development of its current workforce lies with the firm, while the State bears the responsibility for providing basic education and training for youth, as well as for the training of the unemployed for re-entry into employment. This view, for instance, is reflected in a position paper by the Union of Industrial Employers' Confederation of Europe (UNICE) on Objectives and Strategy in Education and Training, issued on 23 December 1996. UNICE, however, indicates that employers are willing to assist in the training of the unemployed or youth if this can be done without too much interference to normal production and if the costs can be met.

In progressive business circles, there is growing recognition of the broader role of enterprises, not only in respect of their shareholders but of all their "stakeholders", who include customers, workers, the community in which the enterprise operates and society at large. Numerous businesses and business networks emphasize that the enterprise has become one of the most powerful institutions in modern society and that it therefore has a critical role to play and responsibilities to fulfil. From this viewpoint, profits and growth are seen in the broader perspective of the enterprise and its role in society. This new leadership role of business is being explored; pioneering business initiatives, involving a convergence of the economic and social objectives of the enterprise, are being developed as case studies with the aim of stimulating wider awareness of changing paradigms within the business community.

From this perspective, the role of the enterprise in human resource development extends beyond the objective of meeting its own immediate needs and purposes. Its broader aim is to contribute to sustainable development. There is an emerging trend for enterprises to acknowledge more openly their interest in the economic, social and political stability of the society in which they work. From this point of view, the interest of enterprises in training is not only to improve productivity and profitability, but also to increase workers' employability, combat poverty and exclusion and contribute to national growth. Social, economic and political stability are increasingly being acknowledged as the prerequisites for a healthy business environment. The training and development of human resources as useful and productive members of society and potential business clients are key factors in ensuring this stability. Moreover, in the new global economy, the contribution of enterprises to the development of a well-qualified workforce with recognizable skill standards should be seen as a means of gaining a competitive edge in expanding markets, attracting foreign investment and earning foreign exchange. These

visionary views are gradually encouraging enterprises to assume a broader role in improving the national training systems which supply them with skilled labour and to take initiatives to provide training opportunities for a broader segment of society.

An example of emerging business concern for social issues is the Declaration of European Business against Exclusion, adopted by a group of business leaders in January 1995. The European Commission intends to extend the scope of this Declaration and involve the social partners, civic and voluntary bodies, foundations and trusts. Following this initiative, the European Business Network for Social Cohesion (EBNSC) was formed with the aim of promoting socially responsible businesses and social cohesion. Among the companies involved are Bayer, British Telecom, Levi Strauss Europe, Phillips International, the Société Générale de Belgique, Svenska Shell, Volkswagen and Accor. It is supported by numerous businesses and voluntary agencies, such as the Dutch and German Federation of Christian Employers, the King Baudouin Foundation of Belgium, the London Enterprise Agency, Sodalitas (initiative of the Italian Manufacturing Association Assolombarda) and UNIAPAC. It works in close partnership with the European Commission (EBNSC, 1996).

Another network of business leaders and scholars is the World Business Academy (WBA), founded in 1987, which is concerned with the role of business as an agent of change in modern society. Improving training is high on the agenda of networks such as the EBNSC and the WBA, alongside the creation of new jobs and businesses, minimizing redundancies and contributing to the social integration of economically depressed areas and marginalized groups. Best practices are studied, information exchanged and attempts made to create greater awareness of the social role of business. While these are very encouraging initiatives, much still remains to be done to create widespread enterprise awareness, change enterprise behaviour and responses, and mobilize enterprise solidarity and commitment, especially in the current business environment.

### ***The strategy***

Equity has three dimensions: whether training relevant to labour market requirements is available, whether these training opportunities are accessible, and whether the individual has the capacity to assimilate and use what is learned. The first dimension relates to the relevance of training systems. The second relates, on the one hand, to the flexibility of the training system and, on the other hand, to the individual's specific constraints, such as an inability to enter training because of poverty and the necessity to earn a livelihood to sustain a family, a lack of transport or of time, or the absence of an adequate educational base. The third is self-evident.

Government-initiated and funded training measures tend to take the form of targeted measures for specific groups. There are good grounds for believing that what is needed in future is a more broad-based approach addressing the question of access to training through

public/private partnerships and in the context of broader employment, labour and investment policies alongside targeted training (box 13).

There are two strategic approaches to the promotion of partnerships for equity in training. The first is the **preventive** and longer term approach, which consists of improving the relevance, flexibility and equity of the training system. The second is **remedial action**, which involves devising specific measures targeted at the marginalized to assist them as far as possible within the training system.

### Box 13

#### Canada: Training of displaced workers

In 1992, when unemployment had risen from 7.5 per cent to 11.8 per cent (the second highest among industrialized countries at the time), a labour force development strategy was formed to promote a better industrial partnership for the development of a training culture. Employers received technical assistance and financial incentives to assume the primary responsibility for training at the workplace. Government assistance to employers and workers encouraged joint research, development and implementation of action plans according to sectoral or local adjustment needs on a cost-sharing basis. Community development programmes aimed to channel assistance to severely affected areas.

The Government assisted retraining and the **Federal Job Development Programme** provided training and work experience to the long-term unemployed. An evaluation in 1988 revealed that 62.1 per cent of the participants were employed or in training after one year and 74 per cent of those employed were using the skills they had acquired. In 1991, 52 per cent of participants were employed three months after the completion of training and did not draw unemployment benefits in the subsequent 12 months, while 50 per cent were able to move to higher skill levels.

The use of unemployment insurance was authorized to fund the development of skills by unemployed workers. The developmental use of the unemployment insurance funds has expanded rapidly and annual funding levels are set for the "developmental uses" of the insurance funds.

The Canadian approach of linking retraining to unemployment insurance and the policy of individual, enterprise and community partnership to create a training culture have been considered effective by the World Bank in addressing the consequent social and skill development needs of a changing economy. The World Bank maintained that a system of labour market information and labour market programmes integrating training, providing income support, and job search assistance with the active involvement of enterprises, workers and the community was a critical foundation for meeting the needs of the unemployed and cost-effective public investment in training.

Source: World Bank, 1993.

Preventive measures aim at minimizing the incidence of exclusion and diminishing the need to resort to emergency measures. Training reforms designed to make mainstream training systems more relevant, flexible and accessible fall within this category. However, it has to be recognized that, no matter how equitable a training system may be, certain persons or types of enterprises will still face specific barriers and disadvantages in gaining access to training opportunities. Policies and measures therefore need to be devised through public/private collaboration to address their specific needs, wherever possible, within the context of mainstream training delivery. A distinction should be made between persons who are in danger of marginalization, those who are already marginalized (such as

the unemployed) and “hard core” groups, such as the long-term unemployed. An illustration of members of the first group is workers who are threatened by redeployment and youth who will be leaving the school system without the necessary basic education and skills to find employment. In order to be effective, proactive preventive measures need to be devised for these groups before they become marginalized (box 14). For instance, workers under threat of losing their jobs as a result of restructuring can prepare themselves if they receive advance notice of the termination of their employment from their employer, as well as training and job support.

#### **Box 14**

##### **Canada: Youth apprenticeship programmes**

Two Canadian provinces have youth apprenticeship programmes which combine the last two years of high school with a regular apprenticeship programme: the **Secondary School Workplace Apprenticeship Programme (SSWAP)** in Ontario; and the **Registered Apprenticeship Programme (RAP)** in Alberta. SSWAP allows students to work towards a secondary-school diploma while accumulating apprenticeship hours towards a “journey person” certificate.

In Lincoln County, Ontario, RAP allows students to enter a trade through regular “cooperative education” classes at the grade 11 level based on partnership between the educational institute of enterprises. During a probationary period, student and the employer decide whether to continue. Students work through the summer as paid apprentices. A semester of schooling with one trade-related course is followed by a semester at the workplace.

Students receive cooperative education credits, apprenticeship hours and pay. They may return for another year of secondary schooling to earn Ontario academic credits, continue in the apprenticeship, or both. This system gives apprentices the same options as the secondary-school diploma holders.

Source: Canadian Task Force on Transition in Employment, 1994.

### ***Making training systems more accessible***

A number of the measures that can be taken to strengthen training partnerships, which were described earlier, have the effect of improving training systems, including their equity. In the first place, broadening the representation of stakeholders in decision-making in the field of training can often have this effect. One illustration is the Canadian Task Force on Transition into Employment, which is composed of partners from business and labour who are co-chairs of the group as well as representatives from the education and training sector and equity groups (representing women, aboriginal peoples, persons with disabilities and members of visible minorities) (Canadian Task Force Report, 1994). Established in 1991 in response to the growing consensus that the labour market partners should play a greater role in training and human resource development in Canada, the Board’s mission is to work for the creation of a coherent and coordinated system of labour force development that is equitable, effective and efficient. The presence of equity group representatives on the Board allows the direct participation of those concerned.

The decentralization of training governance, the management structures and decision-making power of the training system and the adoption of policies to promote local and regional training initiatives can be a very effective means of mobilizing local potential and

the commitment of the social partners to equity, as well as improving the relevance of training to local needs (box 15).

Training systems can also be reoriented to integrate training for entrepreneurship and self-employment as an alternative to the wage employment that trainees automatically tend to expect. This strategy of equipping individuals with a wider range of choices and developing their entrepreneurial attitudes, which are required by employers in the current work environment, could be a very powerful means in the long term of promoting equity and producing a more flexible workforce. However, this orientation is rare in training policies. One exception is Kenya. Over recent years, entrepreneurship education, including development of an enterprise culture and attitudes, has been systematically included in the courses of Kenya polytechnics. Similar measures are also adopted in Indonesia. This is an aspect of training policy which merits more serious attention than it has received in the past from public and private partners.

### **Box 15**

#### **Canada: Native access to technology and engineering programmes**

In 1992, Lakehead University introduced a **Native Access Programme** to encourage the entry of aboriginal peoples into technology and engineering programmes. It was designed jointly by the **university and the aboriginal community**. Students do not need a high-school diploma to qualify for entry. A summer programme is offered to upgrade students' knowledge of maths, sciences, and communication skills. This is followed by a one-year intensive programme in maths and sciences. At this point, students qualify for the first year of the three-year technology programme. Once they graduate from this programme, they can apply for the two-year post-diploma engineering degree programme. In addition to academic support, counselling is available to help students cope with social and economic issues. Aboriginal peoples are represented in the faculty (programme coordinator, counsellor, and secretary). Funding is provided by Ontario Hydro, Ontario Energy Corporation, and a number of private firms.

Source: Canadian Guidance and Counselling Foundation, Ready for Change — Career counselling in the 90s. Sep. 1992. (Adapted from the Report of the Canadian Task Force on Transition in Employment.)

Finally, another effective training policy measure for equity is the transition from time-based to competency-based training which links non-formal and informal learning into formal training structures and standards. This requires the development of a national standards framework and the recognition of prior learning, such as the one proposed in South Africa. Recognition of prior learning can substantially improve access to training by giving credit for knowledge and skills acquired formally and informally through practical experience. Although commitment to the principle of the recognition of prior learning promotes access to training, mention should also be made of the difficulties of devising processes for the recognition of prior learning and their implementation. In practice, private training providers may be unsure of how to develop procedures and may consider them lengthy and cumbersome. As one training provider in Australia stated, "sometimes recognition is more complex than the training process" (Hall, 1998). Public

action could therefore focus on developing practical and easily manageable processes for implementation by private training providers and enterprises.

### ***Targeted training***

Targeted programmes address the needs of specific groups to avoid marginalization or who face various handicaps and who often have to cope with poverty and the danger of social exclusion. The groups that are targeted range widely, for instance: unemployed youth who have left school without adequate education and skills; the long-term unemployed (usually over 12 months); single-parent families, and particularly women heads of households; women who are re-entering the labour market after a period of absence; older workers; minorities; persons with disabilities; the homeless; persons who work in the informal sector; illiterate workers; workers with low level of literacy, and the landless poor.

Targeted training requires the integration of the economic objectives of training with social constraints. Skill development has to be in demand areas, growth sectors and occupations in which investments are being made. The aim of training is not simply to find a job for the trainee, but in so far as possible to equip the individual to cope with future changes and prevent marginalization. The most critical contribution that business can make in this area is assisting in the development of targeted training that is economically viable. The active involvement of the enterprise sector and the target group directly concerned in seeking solutions to their problems enhances the possibilities of success. To encourage enterprise training for equity, the Government uses financial and other incentives to motivate them to train disadvantaged groups. The training provider is paid if the specified objectives and outputs are achieved, which may be defined in terms of the employment of the trainee and/or the attainment of a specific skill standard (box 16).

#### **Box 16**

##### **United Kingdom: Youth Training Programme**

Zeneca Agrochemicals UK research station employees 800 staff, of whom 600 are scientists including 350 graduates and 150 post-graduates. Zeneca has trained young people as support workers for scientists since 1982. From 1990, a decline in the quality of the job applicants made it more difficult to recruit suitable young workers.

A two-year programme of training was established for early school leavers with no qualifications to gain relevant work and vocational skills and move into permanent employment, either with the research station or with other local enterprises. The company contracts with its local TEC, Thames Valley Enterprise, to deliver training and is paid partly on delivery of training and partly on results when the trainees obtain qualifications. Trainees receive a government training allowance, which is supplemented by an additional payment from Zeneca.

An individual training plan is drawn up with trainees and reviewed every three months which includes a day at college each week and four days at the research station learning the relevant skills, general laboratory duties, the handling of equipment and chemicals, computer literacy and numeracy. Trainees aim to gain a craftsperson or technician-level qualification in science or business.

Source: Crowley-Bainton, 1998.

Targeted training is also often conceived as part of an integrated package of measures and services that increase the success rate of training by addressing the

specific needs of disadvantaged groups through public/private sector cooperation. These include:

- C information on training and job opportunities;
- C occupational guidance and counselling;
- C remedial basic education;
- C vocational training for initial or continuing training;
- C placement services; and
- C various forms of support services.

Enterprises can make valuable inputs to increase the effectiveness of these services, particularly by providing information and guidance on job opportunities and occupational guidance, offering on-the-job training and placement, even temporarily, to give practical work experience which could lead to longer term employment in the same firm or elsewhere.

The current trends towards market-driven training systems and the increased provision of training by enterprises are likely to accentuate existing inequalities. Those outside employment will have no access to the training provided by enterprises. Job-specific training is less likely to lead to worker mobility. In-service training frequently favours managerial staff and male workers unless the enterprise adopts specific equity policies and measures. State intervention is therefore essential to ensure that the equity aspect of training is protected through a variety of policy and regulatory tools and measures to create incentives and disincentives for intermediary providers of training and enterprises. Through incentives to providers and enterprises, the State can create the motivation to train specific groups. It can also provide incentives to individuals, for instance by issuing training vouchers or offering personal loans, as in the United Kingdom and Kenya. Increased provision of training by private providers means that the State in collaboration with business has to ensure that timely and reliable information is available about the labour market and training providers in order to protect users and assist them in making informed choices (box 17).

#### **Box 17**

##### **Canada: Skills clinics**

**Skills clinics**, located in all municipalities and big businesses, offer intake, assessment, referral and career counselling all at the same location, thus reducing the duplication of these services by several providers and significantly reducing the time and effort invested by clients to receive services. Counselling in skills clinics includes:

- C **assessment**: evaluation of prior and current skills, knowledge and interests through educational and occupational assessments as the basis for further education and training including life and literacy skills;
- C **career counselling**: to identify career directions that most appropriately fit interests, abilities, values, provide personal relevance and are self-motivating. These include self-management skills such as job hunting, job retention and coping with job transitions;
- C **referral**: to programmes for education and occupational training, pre-employment, career counselling or job placement.

Source: Report of the Canadian Task Force on Transition in Employment, 1992.

#### ***Small and medium-sized enterprises (SMEs)***

There is growing consensus concerning the important role played by small and medium-sized enterprises (SMEs) in employment generation and economic growth. There is also an increased level of recognition that SMEs face constraints in gaining access to the opportunities and services available to larger enterprises. Even in countries where enterprises are extensively involved in training, a closer look tends to reveal that this involvement is largely confined to larger modern sector firms. In most countries, although small and medium-sized enterprises account for a major part of the private sector, they continue to encounter serious difficulties in the provision of training services, in influencing the development of training policies and systems and in taking advantage of training incentives and opportunities.

The training difficulties that are related to the small size of enterprises have their origins in a number of factors. In the first place, SMEs may find it more difficult than larger firms to set aside the time needed to be able to detach staff from their work for off-the-job training. They may also have inadequate information on the external training opportunities that are available. Their limited internal training capacity and relative inability to finance training may make the cost of developing internal facilities prohibitively expensive, especially where there is a need for a substantial capital investment in equipment, material and trainers. Moreover, the high direct costs of training and the limited economies of scale available to SMEs may be instrumental in deterring them from investing in internal training facilities other than on-the-job training or from collaborating with external training firms. SMEs often have little access to such credit facilities as training loans and are unlikely on their own to possess the expertise required to plan and deliver training to meet their current and future needs. They are also likely to lack the experience and knowledge to be able to identify their training needs and to recognize the relevance of training for the improvement of productivity. The problem is frequently aggravated by a lack of knowledge concerning the specific needs of SMEs on the part of external training providers and the consequent lack of relevance of the training they provide to the requirements of individual firms. The complex and time-consuming bureaucratic procedures involved in taking advantage of the available training opportunities also tend to form a greater barrier to SMEs than to larger firms. Finally, somewhat ironically, as the amount paid by each SME in payroll levies can be very low, the financial incentives offered in the form of exemption from the levy may in practice be too small in relation to the perceived benefits to encourage SMEs to provide training for their workers.

Recognition of these potential difficulties by the social partners, and particularly by employers' organizations, has led to the development of specific policies and measures to promote training opportunities for SMEs (box 18). In India, the cost of apprenticeship training is shared equally between the Government and enterprises employing under 500

workers (Dagaur, 1998). Other measures take the form of direct financial support, such as subsidies and loans, or the provision of technical assistance and expertise. There are also an increasing number of cases in which the access of SMEs to training facilities and equipment is enhanced through private sector initiatives, such as the sharing of training facilities between a group of SMEs or the provision of such facilities by larger enterprises, thereby forging stronger links between large enterprises and SMEs. In Germany, an employers' organization is providing a package of services including training for small enterprises (Lau-Villiger, 1995). In India, once again, the Siemens Training Centre at Andhahi, Bombay, extends its training facilities to SMEs (Dagaur, 1998). These programmes often seek to integrate social and economic objectives, such as in Japan (Hamada, 1998).

### Box 18

#### SMEs in the United Kingdom

The rapid growth of SMEs and recognition of their importance for the British economy (their numbers grew by 900,000 between 1979 and 1991) have led the Government to highlight training investment in small enterprises through specific programmes.

Typical barriers experienced by SMEs include training costs and the absence of trainers for off-the-job training. It is therefore necessary to seek cheaper alternatives to off-the-job training, ensure that SMEs are aware of these alternatives and encourage them to take them up. These alternatives include collaborative partnerships among SMEs and between large and small firms.

A **Small Firms Training Challenge** aims at funding innovative ideas and demonstrating best practice through collaborative projects set up by groups of small enterprises. It is seen as a tool for the development of ideas which can be disseminated to others.

Source: Crowley-Bainton, 1998.

## Summary and conclusions

The current changes that are taking place at the workplace, under the combined impact of globalization, liberalization and innovations in technology and communications are elevating the role of human knowledge and creativity in the production process, but are also increasing the vulnerability of those who have limited access to learning. The knowledge society requires a different type of learning on a continuing basis aimed at enhancing worker employability, enterprise competitiveness and national growth with equity. It is also placing increased pressure on governments, enterprises and individuals to respond to changing skill requirements at a time of severe resource constraints. This is the driving force behind efforts to explore ways of mobilizing a collective effort in the field of training and increasing the role of the private sector.

This movement has generally focused on public/private alliances in fields of strategic importance to economic and social development and attempted to enlist the efforts of private actors in training such as individual private training providers, voluntary agencies and the community. The emerging overall picture of training partnerships is highly dynamic and ranges over a broad spectrum from training policy and system reform, the financing of training and skill development in growth or declining sectors to targeted training delivery. Alliances are formed at the national, sectoral, local and enterprise levels,

with one party providing inputs into the training efforts of another or as joint action. Alliances can also be tripartite involving all the social partners, bipartite at the enterprise level, or multipartite involving the civil society. They may develop in a structured policy environment, such as the German dual system, or in a highly unstructured, decentralized, flexible and local environment, such as in the United States. They may be voluntary or regulated. This paper demonstrates a wide variety of alliances through case studies and seeks to identify certain options that can help create a favourable policy environment for public/private training alliances.

The following are some of the characteristics of a policy environment that would appear to enhance the development of State/enterprise training alliances:

- C **a specific policy promoting public/private training alliances.** Some countries have introduced the partnership concept as a national training policy objective, supported by specific strategies and incentives;
- C **a participative approach to the governance of training.** On the one hand, this involves allowing wider and more effective inputs by stakeholders, including equity groups, such as in the case of Canada. This in turn is closely linked to the existence of a partnership culture and trust and a perception of collaboration as being mutually beneficial. Cases of reluctance or open resistance by public or private partners are not rare and take time and effort to overcome. On the other hand, the decentralization of the governance structures of training and the mobilization of local potential, which also increase the relevance of training to local needs, is a principal policy measure to create an environment that is conducive to the creation of varied and dynamic local partnerships. Such partnerships are particularly effective in revitalizing declining sectors and deprived regions by providing new skills in growth occupations. A local approach also offers significant potential for partnerships which promote equity in access to training;
- C **partnership mechanisms.** Although a variety of mechanisms exist, ranging from national and sectoral boards to collective bargaining, one of the most forceful examples is that of intermediary mechanisms which stimulate enterprise training by acting as training brokers in a variety of ways, such as the linking of government and private training providers, including enterprises. The Government therefore delegates the maximum amount of training delivery to private providers and confines its role to providing financing. Intermediate agencies provide the linkage between the Government and enterprises, often on a contract basis, with payment being based on a specified output or performance linked to the placement of trainees or their attainment of a certain skill standard. The State plays a regulatory role by providing incentives and ensuring that training attains certain objectives and target groups, such as equity groups and those outside employment;

- C a culture of learning and participation** is possibly the most important factor in enhancing public/private training partnerships. Such a culture requires recognition of the complementary roles of the various actors in order to be able to capitalize on their relative strengths and the recognition of long-term mutual benefits. It also calls for a good understanding of the issues involved and a change in attitudes in order to create a commitment to training. Enterprise involvement in training should also encourage a learning culture in enterprises and an enterprise culture in training institutions, thereby benefiting both parties. The role of the individual in this environment has also become vital in learning how to learn, managing self-learning and investing in personal growth. In this new environment, the current position of workers' organizations with regard to training seems to be relatively weaker and needs to be strengthened urgently.

While the trend towards demand-driven training centred on enterprise needs is gaining ground, the supply aspect of training also has to be safeguarded. Enterprise-driven training should improve the effectiveness, efficiency, relevance and rapidity of response to market requirements. Enterprises, however, tend to have a short-term vision of human resource development and favour job-specific training to meet their immediate and foreseeable needs. This needs to be counter-balanced by government's role of bringing a long-term perspective to the development of national skilled manpower, with emphasis on broader, multiple skills to enhance worker employability and equity.

As the participation of enterprises in training increases, the role of government changes and becomes more important. The Government assumes the role of catalyst, promoter, supporter, motivator, financier and regulator, providing the overall policy framework for training, sharing these tasks with the private partners to varying degrees while leaving training delivery to the private sector as far as possible. This sharing of responsibility depends on the extent to which the Government is ready to delegate its traditional authority of being the principal actor and provider of training to enterprises, as well as to the extent to which enterprises are able and willing to assume this delegated authority. This is where the provision of financial incentives by the State comes into play.

The trend towards strategic public/private training alliances is irreversible. Rapid and continuous changes at the workplace which require "lifelong" learning in turn imply the continuous adaptation and renewal of national training systems in close partnership with all the stakeholders. The path forward, however, is not clearly charted and there are no exact models to follow in view of the current uncertain and rapidly changing work environment. Policy options and strategies need to be continuously explored, devised and adapted to the varying circumstances of each country. What is needed is systematic analysis focused on specific training aspects, as well as the dissemination to the social partners and to other stakeholders of trends, innovations and best practices that cut across

regional and language barriers in order to germinate new and innovative approaches to training through collective effort.

Effective partnerships require both the development of a favourable policy environment and a capacity building of the partners, particularly in the case of workers' and employers' organizations. This means strengthening employer/worker perspectives, policies and strategies on training in order to enable employers'/workers' organizations to participate more effectively in the governance structures of training and to provide services which help their affiliates at the enterprise level become "learning organizations". To do this, it is necessary to facilitate the exchange of experience among workers' and employers' organizations. And, above all, greater social dialogue is required on training between the social partners and others concerned to create a greater awareness and commitment to the development of skilled manpower through collective effort.

Training on its own cannot solve the current ills of society. However, it is a critical and urgently needed instrument of active labour market policy and can be implemented in such a way that through collective effort it is possible to ensure that competitiveness and growth are achieved in an equitable society.

## Bibliography and references

- AFL-CIO Human Resources Development Institute: *Changing work: A union guide to workplace change*, Washington, 1994.
- ANC: *The reconstruction and development programme*, a policy framework, Umananyono Publications, Pretoria, 1994.
- Canadian Task Force Report on Transition into Employment to the Canadian Labour Force Development Board: *Putting the pieces together: Towards a coherent transition system for Canada's labour force*, Ottawa, Ontario, 1994.
- CBI News: *Investors in people nears target*, Oct. 1995, CEDEFOP, INFO 1/1996.
- CEDEFOP, INFO 1/1996.
- Coldrick, A.: *Ireland: State/enterprise interface*, ILO, Geneva, 1998.
- Consultative Business Movement: *Building a winning nation*, "Companies and the RDP", Raven Press, Johannesburg, 1994.
- Crowley-Bainton, T.: *United Kingdom: Encouraging employer investment*, ILO, Geneva, 1998.
- Dagaur, D. S.: *India: Enterprise participation in training*, ILO, Geneva, 1998.
- European Business Network for Social Cohesion: *Corporate initiatives putting into practice the European Declaration of Business against Exclusion*, EBSNC, King Baudouin Foundation, Brussels, 1996.
- European Commission, Consultative Group on Competitiveness: *Improving European competitiveness*, Third Report of the President of the Commission to Heads of State and of Government, Brussels, June 1996.
- : *Growth, competitiveness, employment: The challenges and ways forward into the 21st century*, White Paper, Luxembourg, Office for Official Publications of the European Communities, 1994.
- European Declaration of Businesses against Exclusion*. Document prepared on the basis of the contributions of an informal group of representatives of businesses and business organizations, with the assistance of the European Commission, London, 1995.
- Hall, W.C.: *Australia in transition*, ILO, Geneva, 1998.
- Hamada, M.: *Japan: A public/private initiative to train information engineers*, ILO, Geneva, 1998.
- Herschbach, D.: *United States: Local training networks*, ILO, Geneva, 1998.
- ILO: *Diversifying sources of financing*, currently under preparation by the Training Policies and Systems Branch, Geneva, 1995.
- : Enterprise Forum (Geneva, 8-9 November 1996), *Summary of proceedings*, Geneva, 1997.
- : *Enterprise strategy*, Working paper by the ILO's Enterprise Task Force, Geneva, 1996.
- : Gasskov, V.: (ed.): *Alternative schemes of financing training*, Geneva, 1994.
- , International Institute for Labour Studies: *Is the single firm vanishing? Inter-enterprise networks, labour and labour institutions*, Forum Series on Labour in a Changing World Economy, No. 1, Geneva, 1992.
- : *Recent developments affecting salaried employers and professional workers*, Report I, 10th Session of the Committee on Salaried Employers and Professional Workers, Geneva, 1994.
- : *Skills, training and retraining required to match the new occupational profiles in commerce and offices*, Report II, 10th Session of the Committee on Salaried Employees and Professional Workers, Geneva 1994.
- : *World employment: National policies in a global context*, Geneva, 1996/97.
- Kiong, W.Y.: *Malaysia: Skills for global competitiveness*, ILO, Geneva, 1998.
- Kolodner, E.: *Transnational corporations: Impediments or catalysts of social development?* United Nations Research Institute for Social Development, Occasional paper No. 5, World Summit for Social Development, Geneva, Nov. 1994.
- Lau-Villiger, D.: *Enterprise and State seek strategic partnerships: The case of Germany*, ILO, Geneva, 1995 (unpublished).
- Martinez Espinoza, E.: *Chile: Experiences in a market-oriented training system*, ILO, Geneva, 1998.
- Marylebone Press Ltd: *National training awards in training officer*, Vol. 3/No. 1, Jan./Feb. 1995, UK.

- Middleton, John, Ziderman Adrien & Van Adams Avril, World Bank: *Skills for productivity: "Vocational Education and Training in Developing Countries"*, Oxford University Press 1993.
- National Training Board: *A discussion document on a national training strategy initiative*, South Africa, Pretoria, Apr. 1994.
- , Department of Labour: *Summary of the Green Paper on the Skills Development Strategy in South Africa*, 1997.
- , Department of Labour: *Green Paper: Skills development strategy for economic and employment growth in South Africa*, March 1997.
- Nel, P. S.: *South Africa: Experience of the building industry*, ILO, Geneva, 1998.
- Niango, A.: *L'organisation de la formation professionnelle en Côte d'Ivoire: Les rapports entre l'Etat et les entreprises*, ILO, Geneva, 1998.
- Olesen, K.: *Denmark: The role of social partners*, ILO, Geneva, 1998.
- Pinaud, H.: (CNRS Centre nationale de recherche scientifique): *Etude de l'OIT sur la recherche de partenariat stratégiques en matière de formation entre l'entreprise et l'Etat* — "Les tendances de la négociation collective en France description et comparatif Pays Bas et pays nordiques", ILO, Geneva, 1998.
- Reich, Robert R.: *The work of nations: A blueprint for the future*, London, Simon & Schuster, 1991.
- Sallé, A.: ENRED Consultant, *Formación continua en España: La concertación como fundamento del sistema*, ILO, Geneva, 1998.
- Schmidt, H.: *Bundesinstitut für — Berufsbildung BIBB* "Qualifying the workforce: Education and training for an age of uncertainty", Secretary-General, Bonn/Berlin 1994.
- UNCTAD, United Nations Conference on Trade and Development: *Science and technology issues, emerging forms of technological cooperation: The case for technology partnership*, 1996.
- , United Nations Conference on Trade and Development: *Exchanging experiences of technology partnerships: The Helsinki Meeting of Experts*, New York and Geneva, 1996.
- UNESCO, International Institute for Educational Planning (IIEP), Industrial and Vocational Training Board (IVTB), Mauritius, *The financing and management of vocational education and training in eastern and southern Africa*. Report of a subregional workshop, edited by David Atchoarena, Paris, 1997.
- Union of Industrial and Employers' Confederations of Europe (UNICE): *Objectives and strategy in education and training: UNICE position paper*, Brussels, 1996.
- United Kingdom Department of Employment: *TECs towards 2000: The Government's strategic guidance to TECs*, Employment Department, May 1994.
- United Nations: *Report of the World Summit for Social Development*, Copenhagen, 6-12 March 1995, New York, doc. No. a/CONF.166/9, 19 Apr. 1995.
- Vasquez, O.C. and Peluffo, M.B.: *A privatisation of vocational training in Chile: A decentralised and market oriented system*, Training Policy Studies No. 11, ILO, Geneva, 1994.
- World Bank: China — *New skills for economic development: The employment and training implications of enterprise reform*, Human Resource Operations Division, China and Mongolia Department, East Asia and Pacific Regional Office, 1993, Washington, DC.
- World Economic Forum: *Sustaining globalization*, 1996 Annual Meeting, Davos, 1-6 Feb. 1996.

# **List of papers on public/private training partnerships**

## **Training Policies and Systems Branch**

### **Papers from the study on “Strategic training partnerships between the State and enterprises”**

- Strategic training partnerships between the State and enterprises, Ayse G. Mitchell, 1998.
- Experiences in strategic partnerships between the State and enterprises, E. Martinez Espinoza, 1998.
- Training partnerships — Australia in transition, W.C. Hall, 1998.
- Training partnerships — Chile: Experiences in a market-oriented training system, E. Martinez Espinoza, 1998.
- Training partnerships — Côte d’Ivoire: Relations between the State and enterprises in organizing vocational training, A. Niango, 1998.
- Training partnerships — Denmark: The role of social partners, K. Olesen, 1998.
- Training partnerships — France: Collective bargaining trends in France in comparison with the Netherlands and Nordic countries, H. Pinaud, A. Taillandier, 1998.
- Training partnerships — India: Enterprise participation in training, D.S. Dagaur, 1998.
- Training partnerships — Ireland: State/enterprise interface, A. Coldrick, 1998.
- Training partnerships — Japan: A public/private initiative to train information engineers, M. Hamada, 1998.
- Training partnerships — Malaysia: Skills for global competitiveness, W.Y. Kiong, 1998.
- Training partnerships — South Africa: Experience of the building industry, P. S. Nel, 1998.
- Training partnerships — Spain: Building a system for continuing education, A. Sallé, 1998.
- Training partnerships — United Kingdom: Encouraging employer investment, T. Crowley-Bainton, 1998.
- Training partnerships — United States: Local training networks, D. Herschbach, 1998.

### **Other papers relevant to public/private training partnerships**

- Training for employability, M.A. Ducci, 1998.
- The roles of the State and the private sector in training, M.A. Ducci, 1998.
- Bridging schools and factories — dream or reality?, C. de Moura Castro, 1998.

The papers are available in English, French and Spanish from the:

Training Policies and Systems Branch/Employment and Training Department  
International Labour Office  
4 route des Morillons  
CH 1211 Geneva 22  
Switzerland