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International  
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**THE INVOLVEMENT OF EMPLOYER ORGANISATIONS IN THE  
GOVERNANCE OF SKILLS SYSTEMS:  
A LITERATURE REVIEW**

DECEMBER 2018



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## **1. PURPOSE OF LITERATURE REVIEW: BACKGROUND**

The literature review is the first stage of a project which will examine the engagement of employer organisations in skills development, focussing on participation in the governance arrangements of skills systems.

Ultimately the aim of this first and subsequent phases of the project, is to support the development of a guide which sets out how to achieve the more active involvement of employer organisations in skills development issues. The future knowledge products created will contain the outcomes of research (informed by the literature review) along with concise fiches and training materials. It is intended that these will be developed by ILO in conjunction with ITC Turin – information which will, in turn, support representatives of employer organisations. The project represents a collaboration between the International Labour Organization’s (ILO) Skills and Employability Branch and the Bureau for Employers Activities.

Employer involvement in ‘governance of skills systems’ may include participation in the apex, regulatory, quality assurance bodies, as well as in the coordinating bodies at the national, sectoral, or local levels. Increasingly, governance in the global skills system is important – whether focused on national bodies involved in governance of skills migration, mutual recognition of national qualifications, trans-national education or, indeed, the global labour market.

The literature review includes mostly peer-reviewed articles, technical reports (published and soon-to-be published) and a limited number of conference proceedings and background papers. The focus of the electronic search was on recent literature (2013-2017) but also included several, less recent, but frequently cited technical reports. In the literature surveyed, there were numerous descriptive country-level examples of employer organisations involvement in the governance of skills, but a relative dearth of evaluative studies. For the most part, the literature did not focus specifically on national-level employer organisations, but rather on employers more generally.

Accepting that greater employer engagement is underpins good skills governance, this review first examines different definitions of governance, and the features of skills systems which support or hinder greater involvement of employers - including the importance of policy engagement. The shape of employer engagement, the criticality of cooperation and coordination across the system, including supporting mechanisms is the focus of subsequent sections. Specific aspects of the skills system - labour market information and skills forecasting, learning (in and out of the workplace), funding and financing, and quality assurance – are covered in the following sections. In conclusion, a handful of themes which emerged from the literature are presented.

## **2. INTRODUCTION: GOVERNANCE IN SKILLS SYSTEMS**

The 2002 UNESCO and ILO Recommendations for Twenty-first Century TVET emphasise the need for partnerships in the sphere of policy, planning and administration. The recommendations state that “although governments carry the primary responsibility... in a modern market economy...policy design and delivery should be achieved through a new partnership between government, employers and others”. (2002, p. 2)

Amongst the UNESCO and ILO recommendations is the need for partnerships “to create a coherent legislative framework to enable...a national (TVET) strategy” and that the TVET “is an investment, not a cost, with significant returns, including the well-being of workers, enhanced productivity and international competitiveness (and) therefore funding...should be shared to the maximum extent possible”. To achieve this, “it is desirable that governments streamline their own public institutional framework ...to coordinate...(and) create an effective partnership with the private sector”. The recommendations go on to say that “...relevant stakeholders should be actively associated in policy formulation and in the planning process, corresponding structures, both national and local, taking the form of public agencies or consultative or advisory bodies”.

Although there are a range of reasons and ways for employers to be engaged it may be said that ...” the goal of private sector engagement should be to increase the relevance of skills development outcomes while sharing the costs of skills formation” (UNDP, 2017).

While there are many observable and well-documented trends and good practices in TVET/skills systems across the world, ultimately there is no single model which can be overlaid across regions and countries and different national circumstances. Some of these variables may include:

- the degree to which the country operates a centralised or de-centralised public administration system;
- whether the legal framework determines that TVET is a national or state/responsibility;
- social standing of TVET and skills development;
- what the dominant economic sectors within the labour market are;
- the proportion of the formal to informal economy/labour-market;
- demographic trends;
- the extent of social dialogue; and
- whether cross-government approaches underpin system

As the British Council (2016) notes, the “political, economic and societal context in each country is complex and different. While there are many shared challenges and priorities, there are also distinct features and challenges for different countries and parts of the world. What works in Country A today will not necessarily work in Country B. And what works in Country A today, will not necessarily work in that same country in ten years’ time, particularly if that country’s economy is developing fast.”

### ***What is skills governance?***

There is no singular definition of skills governance, but in general terms governance is about the processes by which decisions are made, prioritising a strategic rather than operational approach. In the reviewed literature, there were few instances where “skills governance” was defined.

In an expansive definition, Hawley-Woodhall et. al. (2015) see skills governance as a system aimed at balancing the supply and demand of skills, which provides a basis for further economic development. Stakeholders from the public, private and third sector are involved in implementing and using the skills governance system. It includes planning and controlling - to different degrees- the national, regional and local offer of education and training, and mechanisms for assuring the quality of education and training. Hawley-Woodhall et. al. 2015 go on to define skills governance as seeking “...to build on and optimise the individual competencies of the (future) workforce. It comprises a negotiation perspective,



which represents the needs of employers', (future) employees' and the education system goal, from a short-term" and that "medium term and long term perspectives, cover:

- Skills needs at the entry point into the labour market;
- Future skills needs to support the transformation of the labour market and the employability of the workforce in a life cycle perspective; and
- The labour market destination of graduates and migrants."

A simpler definition - and one that tends to better fit the findings of this literature review – concerns 'multilevel governance'. Through a multilevel lens, it is easier to carve out the employer engagement 'entry points' into the complex global picture of skills systems. According to the European Training Federation (ETF) a working definition of good, multilevel TVET governance model is "TVET policy-making management based on coordinated action to effectively involve TVET public and private stakeholders at all possible levels (international, national, sectoral, regional/local, provider)" (Leney, 2015). Good multilevel governance and the effective development of TVET have significant economic and labour market potential as well as an important social role to fulfil (Leney, 2015).

### 3. SYSTEM SETTINGS

Within the literature, there is a general convergence around the importance of whole-of-government approaches, strong leadership, clear strategies, active partnerships, accurate data, high quality and sufficient funding in order to steer a demand-driven skills and TVET system. Where success has been seen in engaging employers, a high level and long tradition of social dialogue - hence, more meaningful engagement - tends to be an underpinning factor.

Skills have become the global currency of 21st century economies, but this 'currency' can depreciate and so the best returns on investment in skills requires the ability to assess the quality and quantity of skills available in the population, and determine and anticipate the skills required in the labour market (OECD, 2012).

Few skills systems have remained static, with many undergoing significant and fundamental reforms. The Cambridge Report (2015) provides a useful overview of the inventions by Governments to improve the status and relevance of TVET have coalesced around a group of common intervention areas. Engaging employers in each of these areas will help ensure skills system relevance, but also support the shift from supply-led to demand-led systems. The interventions set out in Cambridge (2015) may be summarised thus:

- Reforms to TVET governance and 'institutional architecture', for reasons which include increasing participation and ownership by employers
- Development of a 'national training system', which includes changing the existing institutional architecture to facilitate greater engagement of social partners
- Development of national and regional qualifications frameworks
- Introduction of new quality assurance mechanisms (often taking a collaborative approach)
- Diversification of funding models, including attempts to increase contributions from employers
- Managed autonomy for public training providers and an expansion of private training provision.

Russell (2015) highlights that “comparative studies around the globe show that size and strength of the private sector is a determining factor in the emergence and consolidation of successful governance reform initiatives for national TVET systems. In low-income countries with a weak private sector representation, the strong role of the government in financing and delivering training suggests that partnerships first needs to be negotiated in order to balance the diverging interests, while in middle-income countries with an emerging industrial sector the private sector can assume a more active role, which can be fuelled by incentives (e.g. to increase workforce productivity).”

In economies with strong industry and service sectors, employers and workers are interested and able to take on a more institutionalised role in sharing strategic and operational responsibility for TVET with the state (Mitchell and Dunbar, in Russell, 2015).

An aspect which is not touched on explicitly elsewhere in the literature, is around the capacity of the skills system itself. The UNDP (2017) notes the skills development system needs to have necessary capacity so that stakeholders are given the opportunity to develop skills to manage, monitor and evaluate new private sector engagement strategies. This system capacity includes the capacity building of policy developers, government administrators and training institutions to manage, analyse and evaluate local private sector engagement.

How to best engage the informal sector in the skills governance arrangements did not emerge as a particular focus in the reviewed literature. The informal sector (unorganised and self-employed) is an important aspect of the skills agenda given that, for example, 90% of India’s workers earn a living this way and in Bangladesh the labour-intensive nature of economic activity means that much of the workforce acquires skills through on-the-job training (The Economist, 2013). The informal sector plays a significant role in many lower income countries, but structural issues will prove challenging. For example, employers role in funding (and influencing) the system through training levies will be hindered through pervasive issues with tax collection in some regions and a large informal sector would inhibit revenues (The Economist, 2013).

### **Policy**

The OECD (2012) encourages a systematic and comprehensive approach to skills policies through the fostering of a whole-of-government approach - particularly if skills are to be developed over a lifetime – and calls to include all relevant stakeholders. The ILO (2010) acknowledges “one of the main challenges of public policy is to foster institutional arrangements through which government departments, employers, workers and training institutions can respond effectively”.

However, effective skills policies require more than co-ordinating different sectors and levels of public administration, but also a broad range of non-governmental actors including employers, professional and industry associations and chambers of commerce, and sector councils among others. (UNDP, 2017). As well, industry engagement initiatives require long-term strategic processes that provide enough time for the projects to succeed (UNDP, 2017).

To improve governance models and processes, there is a need to increase the vertical and horizontal participation of employer organisations at all stages of the policy cycle (Leney, 2015). Strong and effective multi-partner governance throughout the policy cycle is one of a number of important, interlinked priorities that must be tackled if TVET reform is to be successful (UNESCO, in Leney 2015). At the national level, an environment that encourages private sector engagement in skills development

requires a policy framework that fosters consultation, information sharing and capacity-building, but also has a long-term vision for private sector collaboration and ensures adequate funding. (UNDP, 2017)

Various policy domains have a role to play in shaping national skills systems - including education, employment, social welfare, industrial policy, science and technology, innovation migration, taxation and public finance (OECD 2014 in Cambridge Education, 2016).

In the modern market-based global economy the interaction between the various policy domains means that the relationship between the demand and supply of skills is complex, fast moving and dynamic (and)... “the importance of coordination is difficult to understate when coherent skills systems are required to support a multitude of policy arenas and the intersections between them” (Cambridge Education, 2016).

#### **4. ENGAGED EMPLOYERS**

Throughout this literature review, the term ‘employers’ is used to describe a range of enterprises or businesses (small to medium enterprises, large national firms, or multinationals) or employer organisations (such as industry or sector bodies). In the reviewed literature, ‘employers’ were generally and implicitly understood to mean employers in the private sector, and not specifically the public sector (national, regional, local and quasi-) although the latter is often a significant employer.

Many of the benefits of increased involvement in skills development systems, at all levels, by employers are fairly well-understood. As well, several inter-governmental or multilateral organisations have, in recent years, set commitments to better engage employers and business in education and skills systems. The G20’s “commitment on employment and education calls for coordinated action between governments, business and other social partners” (Deloitte, 2017). The Deloitte report (2017) goes on to state that the “...private sector is critical to job creation (and) it is of crucial importance that businesses are closely involved in the establishment and subsequent implementation of policies to meet the identified G20 commitments and targets...(to strengthen)...national employment plans by fully including business, including employers’ federations in their development and revision. (This will) allow for better coordination and facilitate an increased exchange of experiences...”.

The UNDP (2017) says that if employers becoming engaged it will help “build innovation opportunities and improve value chain competitiveness; increase competitiveness; foster comparative advantages through a commitment to inclusive growth; and hire workers with relevant skills”. Whilst evidence of these links does exist at an enterprise level, it is less evident at a sector or national industry level because interventions have not necessarily been evaluated due to the lack of explicit monitoring and evaluation regimes and the fact that many reform initiatives are now considered as orthodox approaches to strengthening skills systems (UNDP, 2017).

It is important that employers are able to locate themselves and their supply chains within a wider skills system (Skills Commission, 2014). Conceptualising themselves in this way will help clarify responsibilities, draw attention to gaps in the system, and present incentives for employers to invest in training. Depending on the nature of the system, there are now multiple ways through which employers can engage in skills development. In the UK, for example, employers are being encouraged to act as school and college governors, deliver outreach work, become active members of Local Enterprise Partnerships, setting priorities and managing budgets, partner with UTCs, and provide work experience, traineeships and apprenticeships among others (Skills Commission, 2014).

As well, employers prefer a strong business environment to act as an incentive for their involvement in the development of skills strategies which may lead to enterprise and job creations, and economic volatility and vulnerability discourage investment in long-term strategies (Dunbar, 2013).

In analysing workforce development systems, Tan et. al (2013) discusses the complexity of stakeholder interests, identifying a range of roles within the system and notes that in “this complex environment, appropriate governance arrangements can help clarify roles, responsibilities, and accountabilities among the stakeholders and enhance the quality of key relationships among them”.

The literature suggests that, for many reasons, the gap between the need and desire for greater employer engagement in the skills system, and the actual interests of most employers, is probably difficult to close completely. Any form of national overarching TVET policy, combined with a national skills development approach, is unlikely to be able to address fully the long-term skill ambitions of government and the short-term skill needs of employers (Johnson, 2014). Therefore, “a compromise needs to be sought that will balance the immediate and specific skills needs of an employer against the long-term ambitions of central policy makers” and “the tension between central policy makers and employers is further demonstrated by the fact that the demand for skills from employers does not tend to be in phase with the vision that central policy makers have” (Johnson, 2014).

Among the key lessons learnt in how to achieve employer partnerships, Dunbar (2013) notes that employer engagement in the development and implementation of national strategies is often difficult to achieve and the use of legislative tools alone is insufficient.

When the environment is not right for employers to engage at the level of strategy and systems, there are other options, most often at the local level, including the governance of institutions (Dunbar, 2013). This type of activity is more dependent on the willingness and skill of employers and TVET institution management to collaborate, rather than on political will and the state of the economy (Dunbar, 2013).

In the discussion on common challenges affecting TVET governance in the Southern and Eastern Mediterranean (SEMED) region, Leney (2015) observes that “employers and the private sector are involved in TVET governance, but this is limited for the most part to broad consultations. Thus practical engagement of employer organisations throughout the policy cycle is not a feature of TVET governance, and is not well-supported. This means that a key weakness of current training systems in the region is that training providers do not meet the skills requirements of the labour market effectively, since there is insufficient liaison between stakeholders on the demand and supply sides”.

An analysis of the Australian experience, being a more mature skills system, describes several persistent barriers to employer engagement. The first barrier is around complexity, as the system is perceived by employers to be overly complicated in both its architecture and activity, compounded by the convergence of various factors such as the sector being governed and funded by multiple jurisdictions (Simons and Harris, 2017). While the other barriers (relevance, paperwork, and employer ‘mindsets’) outlined by Simons and Harris (2017) focus on employer involvement in training aspects rather than governance per se, positive employer experiences with vocational training may well provide a positive ‘gateway’ to engagement in skills governance arrangements.

Whether by default, design, or compulsion, employers are engaged to at least some degree across a few aspects of most skills systems. There can be tension at the governance level between arrangements which involve individual enterprises and those which engage industry, or employer associations. The

differing arrangements will be reflected in the capacity to engage and appropriately represent. Issues of representation also involve questions of enterprise size (balancing the needs of small medium and large enterprises), rural and urban interests, regional representation, and multinational/national firms.

Individual employers' participation can be shaped by their size, the characteristics of the sector in which they operate, and the tradition of engagement and cooperation on skills issues. As well ownership structures, coupled with an organisation's competitive and product market strategies drive behaviours.

In terms of individual firms, geography is also crucial – domestic firms or a multi- or transnational. Residing in a strong business climate which sees sectors of growth and/or where sufficiently scaled companies is conducive to engagement.

## 5. CO-OPERATION AND CO-ORDINATION

Employers can be involved at different 'levels' within skills systems. The type of engagement is optimally supported by several pre-conditions - all within their own regional, national or local contexts and policy settings.

Whatever the system settings, co-operation and co-ordination is at the heart of well-functioning skills systems. By making TVET an effective driver for a country's economic and social development there is a need to expand planning into wider socio-political and economic arenas and have the active involvement of the private sector, requiring new collaborative modes of stakeholder involvement making co-ordination all the more difficult. (Russell, 2015).

Cambridge Education (2016), having reviewed the literature on coordination and governance of skills systems, distilled 10 essential building blocks necessary for leveraging the potential impact of improved coordination.

- Leadership and clarity of purpose across policy domains
- Labour market relevance and demand-driven provision
- Well-functioning partnerships and networks promoting access and equity with partners adequately representing constituents' interests
- High performing, quality training institutions
- Standardised quality assurance mechanisms and portability of qualifications
- Stable and sustained financing
- Well-functioning institutions, incentives and accountability mechanisms
- Public esteem, strong graduation and employment rates
- Availability of accurate data and information including LMI (Labour Market Information)
- Culture of policy learning and continuous improvement

However, Cambridge Education (2016) also goes on to observe that the "recent trend towards the development of more consensual and inclusive governance models... and coordination, (is) based on a belief that it is self-evidently the logical and 'right' thing to do even if there is lack of tangible evidence to support...adoption" and notes that "a review of the literature does not readily provide answers to these questions (of the value of consensual and inclusive models)".

In order for partnerships to be successful with employer organisations, depending on the national context, there may be some need for governments and policy makers to cede space (and power) within the system (Dunbar 2013). “Progress on designing and implementing skills development strategies also depend on governments welcoming the involvement by employers and being prepared to relinquish, at least in part, the central role they have played in supply-driven systems” (Dunbar, 2013).

Cambridge Education (2015) found that following a review of the international literature, there were six broad mechanisms used by governments to coordinate and oversee the range of functions of TVET and skills development. The first four types involved 1) leadership by an education ministry 2) a labour ministry 3) dedicated TVET ministry or 4) a TVET focussed agency or non-departmental public body. The fifth mechanism, which is increasingly common for employer engagement, is through a Coordinating Council or similar body - although in some cases the delivery of skills and TVET may be responsibility of the particular line ministry. Lastly, in some systems responsibility for delivery may be disaggregated across line ministries without a permanent centralised coordination mechanism (Cambridge Education, 2015).

In the UK Skills Commission system review of 2014, it was noted that “...whether a national, geographical, or sector-based approach works best will depend upon the organisational cultures of different businesses and the nature of their work. Industrial partnerships, sector skills councils, professional and trade associations, trade unions, chambers of commerce, local authorities, (and localised initiatives) all have a role to play in identifying and closing gaps in the skills system”. In the UK, employers were keen to see policy-makers acknowledging the diversity of approaches and their different strengths when setting policies. Lessons from the UK included the need for local and sector skills programmes to be complementary, and where existing partnerships and systems are successful, government policy should respect those arrangements (UK Skills Commission, 2014).

### ***Engaging Employers on a Sectoral basis***

There is a growing body of literature on approaches to sector skills development, as well as on the part played by Sector Skills Councils (SSCs) - the majority normally analyse what works best in the context of industrialised/OECD countries, and there have been limited attempts to compare and contrast approaches in different parts of the world. (Powell, 2016).

At the sectoral level, Powell (2016) observes the “effectiveness of the sector skills councils will ultimately depend on their relationship with the TVET infrastructure within which they operate, as well as other relevant structures, especially those concerned with local economic development”. In looking at two sides of the one coin, Powell (2016) also noted SSCs interacted with other structures in the TVET infrastructure. Second, consideration was given to whether the TVET institutions performed their intended functions (or not) and how this impacted on SSCs. In developed countries the articulation of SSCs with the wider TVET infrastructure is normally much more positive and they tend to reinforce each other’s functions. The same could not be always said for SSCs in some low and middle-income countries.

The situation in low and middle-income countries differs considerably, given that they do not normally have a large industrial base. Similarly, public institutions in low and middle-income countries are often not familiar with forging partnerships with the private sector to deliver skills. This raises the question of how the sector-based approach can work in low and middle-income countries and what lessons can be gained from successful industrialised countries, especially as it pertains to employer engagement, public–private partnerships (PPPs) and mechanisms for adjusting supply to changes in demand.

#### **Four 'levels' of employer engagement in skills development mechanisms and coordination bodies**

- 1) The first model for sector skills development is called the advisory approach. Under this approach the sector bodies are expected to perform advisory roles and to provide the basis for employers and stakeholders to input into the skills development process. Examples of such an approach can be found in the SSCs in Mozambique, and the ILBs in Antigua and Barbuda.
- 2) The second approach to sector skills development builds upon the features discussed above. Normally, the structure is more formalised and has underpinning legislation. The SSC would normally perform advisory activities and also focus its efforts on developing occupational standards collaboratively with employers. Typical examples of countries that follow this approach include the ISCs in Bangladesh. This can be regarded as a more sophisticated advisory approach.
- 3) The next model or approach to sector skills development involves a more active role for the SSCs. In addition to the functions mentioned previously, the SSCs focus on accreditation, certification and assessment functions. This approach moves the SSCs away from just being advisory bodies, and towards being more interventionist bodies that influence the quality of supply. In contrast to the previous approaches, there are more opportunities for employers to become involved in skills development and to take ownership. Commonwealth countries that follow this interventionist approach alone include the island economies in the Pacific region.
- 4) The fourth type of approach involves the SSCs managing supply, as well as the other functions outlined above. Normally this would involve the development of a sector skills strategy and an attempt to match the supply identified by the skills system to perceived demand. In most of the case studies this approach does not address demand issues in the labour market and instead focuses only on reforms to the supply-side system. For the effective implementation of such strategies the SSCs normally need appropriate funding or formalised links to other structures in the TVET system. This supply-based approach is probably the most common approach across the Commonwealth and takes place to varying degrees in Botswana, Jamaica, Kenya, India South Africa and the UK.
- 5) The final approach builds on the former model, but the difference is that an SSC gives more attention to factors that influence the demand for skills in the workplace. Emphasis is given to understanding the workplace and how skills development is integrated with other practices, especially around what are called high-performance working practices. This approach moves beyond managing supply and attempts to raise the demand for higher level skills, with the overall goal of raising productivity and supporting moves up the value chain. Examples include Singapore, Canada and possibly Australia. It is also clear that India is moving in this direction. This final model is called the demand-led approach to sector skills development.

*From Powell, M., 2016, 'Mapping sector skills development across the Commonwealth: analysis, lessons and recommendations'*

#### **Box 1: Four 'levels' of employer engagement (Source: Powell 2016)**

In South Africa, a relatively new system of sectoral authorities (Skills Education Training Authorities, or "SETAs), under the aegis of a mainly advisory National Skills Authority, is financed by a common, across-sector payroll levy (Ziderman, 2016).

In a dissertation analysis Malabe (2016), looks at the principal-agent problem and governance of the SETAs.

### Sector Education and Training Authorities in South Africa

The Skills Education Training Authorities (SETAs) are unique because of the multiplicity of its principals, objectives and beneficiaries. According to the Skills Development Act (SDA), Board members are appointed by the Minister of Higher Education and Training, they are nominated and serve because of their affiliation to the constituency they represent such as a union or a business association. Most members of the Board will, therefore, have multiple principals. Every Board member is appointed to serve on his or her own volition based on their skills and experience, and not to serve any vested interests. The challenges for SETAs remain at two levels.

First, for both labour and business, there are challenges that emanates within each of the respective constituencies' principal-agent problem. As members of a SETA Board, individuals 'represent' a constituency (as their principal), but they are required to report to the Minister (another principal), in order to serve the policy beneficiaries (arguably another principal). These members (as agents) are also required to act with autonomy based on their own perceptions and those of the collective interest.

Second, the principal-agent problem manifests itself in the interaction of the Board and its management. In this relationship the SETA governing Board assumes the role of a principal and the SETA management that of the agent. Given the multiplicity of principals and its concomitant challenges, managers have autonomy and discretion that they can use for either private gain or for the collective good. The stakeholders must work together to optimise joint benefits which will temper their temptation to otherwise shirk, free ride or become selfish at the expense of the collective.

In Malabe's analysis of SETAs, based on principal-agent theory and multi-stakeholder governance, Malabe notes that governing Board members of state-owned enterprises and senior managers may use their power to act either in their own interest or in pursuit of the public sector mandate. The analysis leads to three hypotheses - 1) the alignment of SETA strategy with the National Skills Development Strategy depends on the extent of commitment of the social partners to govern in their collective interest 2) SETAs are failing to respond to the collective incentives of the social partners 3) SETA Boards fail to act on behalf of the interests of the social partners because of the breakdown of the agent-principal linkages.

*Reference: Malambe, L., 2016, 'Exploring skills development within the interface of public and private sectors'*

#### Box 2: SETAs in South Africa (Source: Malambe 2016)

Industry sector skills councils in some of the more mature skills systems are changing – such as in United Kingdom, Australia, the Netherlands. This could be attributed to the fact that market-based mechanisms dominate in these systems as well as the fact that they are advanced and mature systems not needing the services typically provided by sector skills councils. Industry services are generally required in the less mature systems as they introduce competency based training and other skills systems reforms. For example, the role of sectoral bodies in the Netherlands has been reviewed.

While there used to be 17 'knowledge centres' responsible for the production of qualifications and assessment criteria, the accreditation of companies and quality assurance for on-the-job training, these are being replaced by more broadly-based sectoral chambers, coordinated under the Cooperation Organization for Vocational Education, Training and the Labour Market (ILO, 2017).



## 6. LABOUR MARKET INFORMATION AND PLANNING

### *Skills Anticipation and Forecasting*

The production of labour market and skills intelligence has a key role in skills governance. In ‘planned’ systems of education and training, the planning process in itself requires forecasting / planning tools. These can be made publicly available to increase transparency of skills planning and also to serve other actors, including those in ‘market’ education and training systems, thus fulfilling a role as a ‘public good’ (Hawley-Woodall et.al, 2015).

In countries with a more fragmented approach, forecasts / intelligence are likely to be produced by different actors but these are not brought together to form a coherent national system and inform planning and resource allocation and a national level. In these countries, the actors planning the forecasting of skills demand may differ from those planning the supply of skills. (Hawley-Woodall et.al, 2015).

Fragmentation of effort may occur for a number of reasons - the way different forecasts are produced and used for the different skills sub-systems can differ between countries. Another reason for fragmentation may be the level of decentralisation around the development of competencies/standards (which may differ in the different subsystems). The question is whether are mechanisms to ensure that the different tools and outcomes are debated or even somehow coordinated amongst stakeholders, including employers. There is a need for dialogue and exchange between the producers and users of data, because the involvement of a broader range of actors can help to achieve a better coordinated forecasting and intelligence system. (Hawley-Woodall et.al, 2015).

There are different methods used in skills anticipation and forecasting, requiring different levels and type of engagement by employers. ILO Guidance (2015) describes the following:

- quantitative employment projections by sector and occupation, based on macroeconomic modelling, referred to as “forecasts”;
- qualitative methods, including focus groups, round tables, expert interviews, foresights and scenario development;
- surveys among employers, i.e. establishments or enterprises;
- tracer studies of school/training graduates and school-to-work transition surveys.

In the discussion on labour market relevance and demand driven provision, Cambridge Education (2016) believes that “in order to ensure that training provision is responsive to the needs of the labour market, governments must either establish a delivery system whereby training institutions are incentivised and empowered to interact with employers and gather local labour market information for which they then develop training provision or they must develop systems to gather and disseminate labour market information to all considered stakeholders.

In practice the most effective systems combine both approaches, incentivising providers to respond to local labour markets whilst carrying out national, regional and sectoral studies to develop strong evidence base for strategic decision-making.”

The ILO guidance (2015) on anticipating and matching skills and jobs notes that:

*“...Social dialogue is a cornerstone of skills needs anticipation: it is critical for the informed decision making as well as for the implementation of findings and recommendations. Therefore, anticipation needs to include appropriate institutional mechanisms and procedures for generating constructive responses on the basis of the information generated. The approach promoted by the ILO is to identify relevant data and tools; translate data into indicators, trends and scenarios; analyse these outputs and prepare strategies in direct interaction with key stakeholders; and establish institutional arrangements that are conducive to matching demand for, and supply of, skills through systematic social dialogue.”*

The 2015 ILO Guidance Note illustrates, through several examples, countries which have established national tripartite bodies to coordinate the whole system of data collection and analysis, and policy formation and implementation, to help align skills demand and supply. As noted some earlier, countries have established sectoral bodies whose overall objectives are to ensure that training in their respective sectors meets the needs of employers, workers and society more generally, and to promote skills development in those sectors.

The ILO also points out that “...in many countries where the tradition of social dialogue is strong (for example, Canada, Germany and the Netherlands), the social partners themselves have initiated the creation of sectoral bodies or assumed some of their functions.”

Developing suitable systems architecture and processes, to facilitate the inputs of employers around skills anticipation and forecasting is also critical to helping closing the gap between labour market/skills supply and demand in countries where there is high reliance on migrant labour. Cambridge Education (2015) cites the UK example of the UK’s Migration Advisory Committee (MAC). This is a small, expert, independent, non-statutory, non-departmental public body which advises the government on migration issues – their key output is a highly detailed skills shortage list updated every 6 months. The UK Commission for Employment and Skills (UKCES) has a representative on MAC, and UKCES “plays an important role in helping gather information through the National Skills Survey and sector specific studies carried out by Sector Skills Councils” (Cambridge Education, 2015).

### **The three models of governance of skills assessment and anticipation exercises**

Three main models of governance of skills assessment and anticipation exercises can be identified: the “independent model”, the “policy model” and the “hybrid model”. In the policy model, the exercises are developed directly by those actors who use the information to develop policies and programmes. In the independent model, they are led and developed by agencies that are independent of the users of the information and any policy objective. Finally, the hybrid model is a mixture of these two models.

In the independent model, the skills assessment and anticipation exercises are typically led and carried out by independent agencies. They are commonly the statistical office (e.g. Norway and Sweden) or universities/research institutes (e.g. ROA in the Netherlands or Denmark’s DREAM model). Statistics Norway leads and carries out two exercises; agencies and stakeholders who finance or use the information from these exercises are members of the advisory board (e.g. Ministries, employer organisations, trade unions). In the Netherlands, although employer organisations would like to be involved in the development of the forecast, they recognise ROA’s independence and the consequent stability in the methods used as an asset of the exercise. As discussed in Chapter 3, one risk with the independent model is that the level of aggregation and characteristics of the output are not necessarily useful for actors interested in using the information for policy-making purposes. For example, the output might be too technical, the level of aggregation not detailed enough at the sector or regional level, or skills definitions not easily translated to policy levers.

In the second approach to governance, the policy model, skills assessment and anticipation exercises are led by the end users of the information. Such exercises include those led by the public employment services. Across Europe, over half of PES monitor the structure of labour demand, skill requirements, mix of job vacancies and how it relates to the composition of jobseekers. The majority of PES in Europe also make an effort to estimate future training needs. In Denmark, the Danish Agency for Labour Market and Recruitment estimates labour mismatches and shortages for over 1 000 occupations across four regions (Manoudi et al., 2014). The PES in Austria, Belgium (Flanders and Wallonia), France, Poland, Sweden and Turkey develop their own skills assessment and anticipation exercises to inform their policies and practices (see Box 4.2 for the role of public employment services in enabling skills assessment and anticipation information to have a positive impact on the labour market).

This model also includes those exercises led by the agencies in charge of vocational education and training (e.g. the National Agency for Qualification and Vocational Education and Training, ANQEP in Portugal), by the agencies developing occupational standards and qualification frameworks (e.g. ChileValora in Chile and Portugal public employment service, IEEP), or by universities seeking to define the number of vacancies to offer in the short- and medium-term (e.g. Austrian and Swedish higher education institutions). In these cases, the exercises are designed to answer very specific policy-related issues and can actively engage and use input from stakeholders around a specific objective. Being so focused on one particular objective, however, may lead exercises under this governance model to lack the flexibility or broadness in scope to be applicable or useful by other actors.

*From: OECD, 2016, Getting Skills Right: Assessing and Anticipating Changing Skill Needs*

Box 3: Governance of Skills Assessment and Anticipation Exercises (Source OECD 2016)

## **7. FUNDING AND FINANCING**

There are numerous models of funding and financing, and an ever demanding and growing need for skills development/TVET. With employers being one of the significant beneficiaries of skills development, evaluating the most effective ways of incentivising (or compelling) employers to contribute to the system is useful. “While services such as basic education and primary health care are widely accepted to be ‘public goods’ which Governments are obliged to deliver directly due to the significant positive externalities associated with provision, the same situation does not apply to TVET and Skills Development. The Case for Government support for TVET...is much less clear-cut due to the

potentially high economic returns to both employers and workers from investing in training” (Cambridge Education, 2015).

Much of literature on employer engagement in the funding of the skills and TVET system set out the need for government intervention and incentives – but also note that employers need a strong business reason to invest. That is, does the expected return of the investment exceed its cost (Nexus Associates, 2017)? This issue will present particular challenges for small and medium enterprises (SMEs). The 2017 study for ILO (Nexus Associates, 2017) of funding schemes for SME training, asserts there are four main reasons SMEs may not invest sufficient resources in training/consultancy. In summary these are due to 1) poaching and other externalities- the benefits are embodied in the employee 2) Incomplete or asymmetric information and the need for efficient markets to have accurate and credible information 3) High transaction costs and 4) Non-availability of services – services needed may not always be readily available in the local market.

In a system review, the United Kingdom’s Skills Commission report (2014) reflects on employers’ experiences of interacting with publicly-funded skills provision and government initiatives and found that SMEs often lacked the capacity to manoeuvre through bureaucratic processes. In some cases, this related to having to go through multiple funding channels during the procurement stage when a unified system could save time and ensure greater clarity. For other employers, they felt they lacked the time and inclination to take complete ownership of funding when it came to apprenticeship payments. The UK Commission (2014) concluded “rationalisation of the processes and greater choice on funding arrangements could clearly encourage greater numbers of employers into the training system.” As well, funding arrangements can exert an influence through channels on both the demand side and supply side, helping narrow gaps and that, in-kind resources, such as employers’ contribution of machinery or staff time for training purposes - often difficult to document - but can be indicator of engagement (Tan et.al, 2013).

Russell (2015) in the discussion on supporting ASEAN Economic Community integration through inclusive and labour market oriented TVET, notes that:

*“there are often conflicting interests and perspectives of the private sector, governments and civil society on focus and benefit of public funding. Industries tend to lobby for resources to be spent on demand-driven formal sector training and skills upgrading of employees through trade specific short-term training. Government mandates extend beyond these specific requirements and include skills development addressing (often) huge informal economic sectors and disadvantaged target groups like the pre-employed and unemployed.”*

In much of the literature, it was clear that the funding of TVET is opaque in many countries. Leney (2015) observed that, broadly speaking, there is “little detailed published data on TVET finance and funding in particular countries, and in some cases the data for training is no distinguishes from the overall education while in others the allocations appear to be a closely guarded secret within finance sections, divisions or ministries. In these cases it is difficult for stakeholders involved in governance to gain accurate information on the important and dynamic aspects of finance and funding, and for researchers and local experts to draw up an authoritative picture”. It is further observed that “greater transparency would be a considerable aid to good governance and to more effective TVET decision making” (Leney, 2015).

### *National Training or Skills Funds*

In an effort to be more responsive to more immediate national labour market needs, many countries have established skills funds or national training funds. And within these systems, “a number of mechanisms exist for raising funds from the private sector towards the cost of skills development and these generally form a national training fund which is a source of financing outside of normal government budgetary channels, dedicated to developing productive work skills”. (Johanson in Dunbar, 2013).

Several countries, such as Brazil, India, Malaysia, Pakistan, the Philippines, Singapore and South Africa, have introduced national or state-based skill funds as mechanisms for encouraging flexible training outside of existing mainstream funding arrangements (UNDP, 2017). Most funds are statutory, quasi-autonomous bodies under a general umbrella of a government ministry and, more immediately, of management councils with varying degrees of stakeholder representation (Ziderman, 2016).

As training funds usually operate outside normal government budgetary channels they are more readily accessed and flexible - although operating as they do under varying degrees of autonomy from government control, a Fund’s freedom of manoeuvre may be constrained (Ziderman, 2016). “Thus in cases where the degree of independence from ministry control is limited, the Funds may often emerge as conservative, reactive bodies, rather than adopting a proactive, independent stance in fund policy and management” (Ziderman, 2016).

Ziderman (2016) compiled many of the key conditions for training fund success – these include substantial board representation, autonomy, sustainable and stable funding, diverse sources of funding, limiting of subsidies among others.

Almost all the sourced literature for this review (which references training funds and levies) ultimately reference a comprehensive 2009 review by Johanson for the World Bank. The Johanson review covered 60 countries that have – or had – pre-employment and enterprise training funds and presented a typology of three main types of training funds by purpose: pre-employment training funds, enterprise training funds and equity training funds. This same review also identified a lack of rigorous evaluation of the impact of training funds on the skills and employability of the workforce in low and middle-income countries.

### ***Governance of National Training Funds: a critical role for stakeholders***

Governance varies considerably across national training funds; yet the efficacy of a training fund will depend on the framework of governance and control within which it functions.

Most training funds are, formally, managed by governing boards with stakeholder representation (and are usually tripartite – government, employers and unions). In practice, though, control may rest with the responsible Minister. Or, because of low representation, the voice of employers may be weak; this could cause conflict, especially when fund income is derived mainly from employer-based training levies.

A distinguishing characteristic of the highly successful Skills Development Fund (SDF) in Singapore is the strong role assigned to employers: seven of the fifteen members of the Singapore Workforce Development Authority – the agency that controls the SDF – represent employers (including the Chair and Vice-Chair of the Authority) and there are four government and three worker representatives. Strong employer representation appears to have been a major factor in enabling the fund to work towards its objective of economic restructuring in Singapore.

In contrast, only two of the eleven members of the Vocational Education and Training Authority (VETA) management board in Tanzania are employer representatives; the dominance of government representation has not served the funding system well. Social dialogue between the main stakeholders in the stages leading to the establishment of training funds may be critical both to stakeholder buy-in and to active and positive participation. But even this process may not lead to a satisfactory outcome.

A case in point is the social dialogue that ensued prior to the finance and governance reform of the training system in South Africa. Discussions within NEDLAC (the National Economic Development and Labour Council - a tripartite forum for reaching consensus on national economic issues) on the structure and mission of the new National Skills Authority (NSA) did not lead to an agreed outcome. The government then moved forward in setting up the new NSA, but with an advisory role only, to the minister; it thereby denied employer and union stakeholders any central role in the governance and direction of the new national training system. However, a stronger, more effective role was assigned to employer representatives on the 25 sectoral councils (SETAs).

**From Ziderman, A., (2016) 'Funding Mechanisms for Financing Vocational Training: An Analytical Framework.'**

Box 4: Governance of National Training Funds (Source: Ziderman 2016)

### ***Sectoral funds***

“Sectoral (industry-based) training funds offer an alternative to the national, centralized, funding model. In some countries sectoral training funds, based on training levies, have been introduced in one or two sectors only, particularly in the absence of a national training system able to cater for the needs of a strong and growing economic sector” (Ziderman, 2016).

A national system of sectoral funds offers the advantages of flexibility and the ability to focus more directly on the particular, often differing, sectoral training needs. They may be more acceptable to employers because of a greater industry-specific orientation, less bureaucracy and greater sense of ‘ownership’. But the model has not been widely adopted. (Ziderman, 2016).

“The main arguments against sectoral funds are that they may duplicate training efforts, fail to develop common core skills that are transferable across industries and are not readily adapted to regional needs. On balance, national training funds are preferable in (low and middle-income) countries as they foster an integrated, national approach to skills development. The development of training funds in particular

sectors might be appropriate in those country settings where financing mechanisms are in their infancy and are being developed on a piecemeal basis". (Ziderman, 2016).

### **Public Private Partnerships (PPPs)**

Skills development PPPs are operating globally. In low and middle-income countries, donor agencies tend to play a key role in this shift to greater private sector involvement in national skills system through PPPs.

Dunbar (2013) notes that some PPP models involve the use of public money to purchase training services from the private sector in order to enlarge the volume of skills development provision beyond that which state facilities can provide, but they can also involve more strategic activities such as the identification of occupational standards, governance of training institutions and development of training programmes.

With specific reference to Sector Skills Councils (and similar organisations), Powell (2016) examined the evidence from the different country case studies. These highlighted that PPPs consist of a number of formal or informal arrangements between the SSCs and representatives from the private sector, and involved a number of different initiatives that could occur at a variety of levels, ranging from the policy to the operational and delivery levels, as well as in the area of funding. The evidence revealed that

*"SSCs experienced limited difficulties in the setting up of PPPs. What is more difficult is for SSCs to establish PPPs that are effective and sustainable. The key to developing an effective PPP is to provide autonomy for employers involved with SSCs and to ensure that they take a lead on all issues surrounding skills development. In order to ensure that this happens there is a need to establish institutional structures and provide the necessary incentives to make sure that the private sector takes the lead on any initiative that involves an SSC."*

India's National Skills Development Council (NSDC) is the oft-cited example of a PPP (51% industry owned and 49% government). NSDC is illustrative of the role donor agencies have had in skills capacity building across the developing world, and a structural mechanism through which employers are engaged. However Dunbar (2013) notes that while the NSDC promotes employer engagement - through the set-up of Sector Skills Councils, occupational standards and competence-based curricula - employers have had to be cajoled and persuaded to participate and that the initiative itself is strongly underpinned by donors (eg. EU and ADB), in turn raising questions of financial sustainability following seed funding.

There are numerous examples of employers engaged in skills development PPPs cited the literature, but these were much less frequently focused on participation in skills governance, but on programmes where multinational companies co-invest to skill the local labour force and governments to boost national productivity or competitiveness at the enterprise level.

## 8. LEARNING

### *In-Work and Workplace learning*

As long as a strong learning environment is evident, then workplace training has many advantages – to employer and employee. “The training needs to be of high quality and employers need to be willing to provide it. This means good quality assurance mechanisms, balanced by effective incentives for employers. Despite the many advantages of workplace training, a number of challenges are common across countries. One particular challenge relates to finding adequate incentives for employers’ engagement – and country responses typically comprise the provision of financial incentives, including direct subsidies, special tax breaks and arrangements to share the burden of training between groups of enterprises”. (OECD, 2015)

A common concern among employers is where there is a “fundamental distinction between...on-the-job training that give(s) rise to transferable skills and those where the skills are firm-specific” (Becker in Lam and Marsden, 2017). “Sometimes employer collective action and industrial governance arrangements can facilitate employer investment in transferable skills” (and)...“collective action can overcome free-rider problems if the group benefits from a strong coordinating body, or alternatively it comprises a small clique of powerful members” (Olsen in Lam and Marsden, 2017). Lam and Marsden further illustrate citing studies where it was found that employer-funded transferable skill systems developed when sectors benefitted from employer coordination, and when they were dominated by a clique of large firms.

In a discussion on access to in-work training and skill formation Unwin (2017) states that the “actions and pronouncements of governments and supra-national agencies...do have an impact on employers’ behaviour. At the national level, the use of training levies, tax credits, and requirements for workers in certain occupations to acquire a ‘license to practice’ and/or formally record...skills...as a part of, for example a nationally regulated system of apprenticeship or national skills strategy will all help to stimulate both off-the-job and in-work training”. Such “external forces play a key role in the productive systems within which workplaces are nested” and “institutions and groups that exercise high levels of overall control within the structures and stages of productive systems may seek to monopolize or contain key skills and forms of knowledge. As a result, critical organizational competencies may be highly concentrated within particular parts of the productive system” (Felstead et.al. in Unwin, 2016).

### *Apprenticeships and Apprenticeship Councils*

A key area of on-the-job training which is linked to the governance of skills systems is the area of apprenticeships. A commitment to making apprenticeships more attractive to employers was among the three key outcomes of the 2<sup>nd</sup> G20-OECD conference on quality apprenticeships. The OECD (2015) notes that

*“...engagement of employers is a crucial element for the success of an apprenticeship system. Apprenticeships cannot expand and become a recognised pathway from school to work without the strong involvement of employers. In many countries, the main challenge is not necessarily in the provision of quality training facilities but to obtain sufficient apprenticeship places with employers. For employers, the key barriers to taking on apprenticeships include: a fixed length of training (often too long and with rigid start- and end-dates) that does not take into account the actual progress of apprentices in obtaining the required competences; off-the-job training that is ill-adapted to the needs of employers; and high effective wage and non-wage costs*



*associated with taking on apprentices, despite the fact that financial incentives are usually in place to reduce these costs.”*

While beyond the scope of this literature review, how employers may be best engaged in the governance system of apprenticeships could be usefully framed by the new ILO (2017) Guide to Quality Apprenticeships. This guide sets out six key building blocks:

- Meaningful social dialogue
- A robust regulatory framework
- Clear roles and responsibilities
- Equitable funding arrangements
- Strong labour market relevance
- Inclusiveness

Steedman (2014) observes that “international experience shows that, once legal safeguards are in place, employer engagement and constructive dialogue with employee representatives is the most fundamental condition for a successful apprenticeship system.” Evident in the literature, however, is the desirability of going beyond representation in and of itself, as “genuine employer engagement is not secured simply through employer representation on official bodies set up by government” (Steedman, 2014). Such an approach may not be the only obstacle to better employer engagement, as at least one critique of the English system, for example, would attest (as per below).

In a brief survey (ILO, 2017) of employer organisations formally engaged in the governance aspects of the national apprenticeship systems, it was found that most countries in Europe had institutional structures which allowed for equal representation in such organisations focused on policy design and implementation of apprenticeship training. Employers were formal members of Apprenticeship Boards or Councils in Cyprus and Ireland, and in several other countries they were formal members in of Councils for Vocational Training (or similar). In other parts of the world, India and the Dominican Republic also offered experience of employers having representation on Boards or Councils focussed on national apprenticeship systems.

## Employers and the Governance of Apprenticeships

In Keep and Rally's critique (2016) of the recent introduction of a UK-wide apprenticeship levy to support a plan for an additional 3 million apprenticeships, the authors note that "despite the usual rhetoric about apprenticeships needing to become 'employer-led'", the government set targets without prior consultation.

Although the state desires a general step-change in training investment by employers, it could be argued that in order for a levy to work, there needs to be a widely perceived (not least by employers) skills crisis for it to be seen as justified. The 'crisis' is one for government, one that centres on how to pay for expanded provision and encourage enough employers to participate – but it's not a crisis for most employers.

"Indeed, one of the central barriers to...a high-quality apprenticeship system in England has been the attitude of the majority of employers, who have proved indifferent to appeals for them to offer greater buy-in and leadership".

The authors also note the failure of successive governments' reforms the past 20 years to establish well-founded sectoral or occupational institutions to regulate and improve apprenticeship provision.

The emphasis on "market-based transactional relationships as the means of delivering efficient and effective skills outcomes...and to view apprenticeship as something that can be delivered through transitory contractual relationships" between employers and training providers.

The authors also observed that the "distinctive English approaches" are in contrast to more successful overseas models delivered within "a system set of longer term relationships underpinned by institutional governance arrangements that can support collective employer action...configured to deliver quality through cooperation, the building of trust, and via mutual sets of obligations between the various parties".

By contrast, German or Swiss employers would not normally see themselves as customers in an apprenticeship market but providers and partners with an apprenticeship system.

From: Keep, E., and Rally, S.J., 2016, *Employers and meeting the Government's target: what could possibly go wrong?*, in 'Where to next for apprenticeships?', CIPD, August.

Box 5: Employers and the Governance of Apprenticeships (Source: Keep & Rally 2016)

## 9. QUALITY ASSURANCE

### *National and Regional Qualification Frameworks*

A major trend in the reform of TVET and skills systems has been the introduction of National Qualification Frameworks (NQFs) which aim to better regulate the provision of training and provide more transparent information to users of the education and training system. NQFs are an opportunity to demonstrate to industry that its viewpoint matters, in turn creating goodwill and sending a message that government is committed to involving the private sector in decision-making (UNDP, 2017). The move to involve employers to play a role in skills strategy development, governance and the design of skills system has in many cases been stimulated by the introduction of NQFs based on occupational standards and competence-based curricula (Dunbar, 2013).

In a 16-country study of NQFs, Alias (2010) notes that increasingly that qualifications frameworks have been seen as a useful policy tool for many countries to try and improve the relationships between education and training systems on one hand, and labour markets on the other. Although that same

2010 report was “able to cite some positive examples of employer engagement with framework development, it also reports ‘serious difficulties’ in some countries with employers being described as ‘passive’ or unwilling to be involved, lacking expertise and knowledge in specific fields and unable to articulate what skills they require now and in the future” (Dunbar, 2013). Overall, the study “found little evidence that NQFs have substantially improved communication between education and training systems and labour markets” (Alias, 2010).

“Developing a standardised quality framework is seen as one means of enabling governments to strike a balance between the development of nationwide standards whilst allowing sufficient flexibility at local institutional levels to respond to emerging needs” (Cambridge Education, 2016).

In their discussion on transnational TVET and global standards, Rahimi and Smith (2017) note that there has been a growing recognition of the need for skills policies and mechanisms to enable a globally mobile labour force to access quality training and recognition in multi-regulatory jurisdictions. One case study in Rahimi and Smith (2017) describes a global skills organisation (World Skills) which has “moved into the global skills standards space through the development of specifications for all 50 skill areas represented at the biennial WorldSkills International Competition” and “WorldSkills is supported by major global corporations and industry associations”. “WorldSkills Standards Specification for each skill has been developed in close consultation with leading industry associations and enterprises” (Rahimi and Smith, 2017).

However, it may also be noted that creating multilateral frameworks for skills recognition is complex and arduous work (Russell, 2015). Russell (2015) observes that a key success factor, apart from strong commitments required from multiple stakeholders at national levels, is an effective and efficient multi-level governance structure, which may, as in the EU, follow the subsidiary principle but exceeds that required on national levels by its scope and complexity. This has considerable implications on advisory and monitoring tasks, management capacities, and sustained financial needs (Russell, 2015).

## 10. GLOBALISATION

The governance of national or regional skills systems cannot operate in isolation, as ever greater globalisation has created integration across, between and within skills systems in all countries. This is primarily through migration which can be temporary, for the purposes of sending remittances to the home country; or permanent, to meet country skills shortages; or forced, due to conflict; or circular where the workforce regularly moves between countries. Multinational and transnational corporations operate across borders and both contribute to, and need access to, a skilled workforce. As well, there is the growing and evolving business of cross-border education services or ‘export education’ - in the home country for foreigners, across two or more countries, or sold on-line. In the case of migration, there is a growing move to involve employers in the governance of skills migration regimes linked to the identification of skills in demand or the negotiation of transnational sector-based skills recognition systems.

The OECD (2012) advises that a skills strategy which is systematic and comprehensive in approach, given the growing interdependence among countries’ economies, requires a global perspective on how the talent pool of skills is developing and deployed is essential. This is particularly relevant within regions where there is significant labour (and education) mobility such as Europe, ASEAN countries, or between South Asia and the Gulf States, for example.

In moves to bridge the skills demand and supply gap, many countries with skill shortages seek skilled migrants – there are various policy interventions and supporting programmes. The reviewed literature was light in this area, but the OECD (2012) advises its list of key policy lessons the “need to foster international mobility of skilled people to fill skills gaps”. This includes – facilitating entry for skilled migrants; designing policies that encourage international students to remain after their studies; and making it easier for skill migrants to return to their country of origin. The other key policy lesson is the promotion of cross-border skills policies, by investing in skills abroad and encouraging cross-border higher education.

Perhaps a product of its time (2002) the UNESCO and ILO recommendations for international cooperation generally focus on capacity building activities, exchange of good practices, and technical assistance – with specific mention of systems of assessment/evaluation; occupational qualifications/certification and qualifications equivalency. The recommendations are silent on the employer organisation role in international cooperation, but it may be said that employer organisations, particularly those with transnational and multinational interests, have a stake in participating in global or regional skills systems.

The importance of remittances to economic development has become an important consideration in the design and development of national skills systems in some countries. Migrant labour is an important pillar in many of the countries in South Asia (among others) given the economic gains from remittances, and that training in the services sector to compete in the global market is now a component of the skills agenda for many countries (The Economist, 2013). The Economist (2013) sees that the skills challenges will be to ensure alignment of investment and initiatives with national policy directives.

In their analysis of national skills systems strategies and design, Almond et. al. (2017) noted the struggle between locations to attract and retain jobs within global networks of the production and exploitation of value, and how this shapes the governance of business and employment systems. Lucci (in Dunbar 2013) notes that the importance of multinational corporations is more than just the fact they transcend national boundaries, but that their supply chains can have significant impacts as well the corporations being in a good position to diffuse best practice and promote good standards.

Transnational alliances supporting cross-border sector development (particularly workforce issues) are another observable trend, particularly supported by development agencies. Dunbar (2013) notes that in the case of USAID, it has been very active in creating such global alliances often formed around efforts to improve the competitiveness of a cluster of firms or an entire industry by upgrading the skills of its workers. Dunbar (2013) describes a range of initiatives from tourism to insurance, logistics to textiles, and noting at the conclusion of the list just how many of the initiatives focus just one or two sectors. This highlights the role that globalisation is having on the governance of skills systems and also raises questions about the place of multinational corporations in national governance arrangements.

One of the emerging challenges – albeit lightly touched on in the literature – is the tension between the demands of economic globalisation, cross-border labour mobility and the ability of national skills systems to adequately respond.

## 11. CONCLUSION - SOME THEMES FROM THE LITERATURE

There are several questions outstanding in the literature about the benefits and challenges of greater engagement of employer organisations in the skills systems – considering the relative dearth of impact evaluation studies focussed squarely on governance structures and participation. However, a few themes emerged through the literature – some of the key ones are below.

### *Difficulty of getting employers involved*

- Particular, and significant challenges for Small and Medium Enterprises to engage.
- Ascending level of difficulty of engaging employers depending on the part of the skills system involved - 1) policy and strategy development; 2) design and delivery of programs; and 3) funding contributions. (Keep, 2015)
- Difficulty shifting the view which dominates amongst employers – seeing themselves as consumers of skills/TVET system, not as actors (Keep, 2015)
- Countries with significant-sized informal sectors have limited pathways to engage in skills systems and governance arrangements

### *Capacity issues and constraints*

- Limited or mis-matched available technical expertise of employer organisations/employers
- Having the appropriate representation in employer organisations or sectoral bodies (cross-sector, different sectors, type of employer)
- National skills systems themselves which have capacity constraints to support greater employer organisation engagement

### *Importance of sectoral approaches*

- Strong role played by industry as national skills development systems undergo major reforms, but as systems mature, their role may change or diminish.

### *Impacts of a traditional of social dialogue*

- Those countries with a long and strong tradition of social dialogue (such as those in Europe) provide a solid basis upon which to advance, and those whom don't may struggle.

### *New governance roles – the state and the market*

- How do governments define new governance roles and strengthen their governance capacities without being trapped by the dichotomy of state interventionism vs. neo-liberal laissez-faire (Russell, 2015)? Contemporary economic globalisation has gone hand-in-hand with changes in thinking on the function and forms of states - their role as economic coordinators (Almond et.al., 2017) vis-à-vis the market.
- Evidence of the creation of a low trust governance environment typical of countries with new public management models that rely on competition, marketisation and high-stakes performance management and inspection regimes that deliver punitive outcomes for failure. (Keep, 2015) These tensions are evident in the governance of skills systems which are increasingly relying on market-based mechanisms to manage and implement skills development programs.

### *Challenges of state interests vis a vis increasing globalisation and mobility of skills*

- Policy and systems settings will need to deal with ever increasing complexity and national or regional strategies.
- Tension between interests of the state (national, local) vis a vis employers' global interests and/or transnational presence are likely to become more acute in the governance of skills systems.

Finally, a useful summary from Russell (2015) who suggests there are five major factors affecting the ongoing development of governance arrangements in TVET and skill systems.

#### ***Five theses (and corresponding questions) on the issue of TVET governance***

1. The impact of globalisation on the socio-economic development of countries sharpens the focus on the roles of governments within national, sub-national and regional settings. A question arising in this context is: How can governments define new governance roles and strengthen their governance capacities without being trapped by the unhelpful dichotomy of state interventionism vs. neo-liberal laissez-faire regimen?

2. Making TVET an effective driver for a country's economic and social development requires an expansion of its planning into wider socio-political and economic arenas and active involvement of the private sector. While this requires new collaborative modes of stakeholder involvement it also makes co-ordination all the more difficult. This raises several questions: How can the networked complexity of contemporary planning processes and other multi-level governance areas in TVET be reconciled with a need for greater efficiency and accountability? What speaks pro and contra the subsidiary principle? Which role play comprehensive and reliable management information (and information management) systems?

3. TVET reforms need to focus on the creation of new political and administrative bodies within existing legislative and executive environments. How can a national TVET agency be negotiated and established as a viable "meso level" for TVET governance that is, among other things, endowed with the fiscal autonomy and political authority required to effectively assume decision-making and implementation responsibilities, in particular, with regard to National Qualification Frameworks, quality assurance and financing arrangements?

4. No discussion about TVET governance is complete without a focus on the role of the state as a provider of basic conditions of action and of incentives for stakeholder participation. How can the role of the state and its relations to stakeholders on vertical and horizontal levels be enhanced so as to improve prospects for effective TVET management and financing?

5. Related to the above, debates on TVET reforms shed light on the role of institutions as well as their significance in affecting stakeholder commitment and accountability. With this regard decision-making processes are as important as institutionalised structures of governance. However, path dependencies and informal rules that influence these decision-making processes are often more important and rather less easily modified than formal rules. How can confidence in institutionalisation of new TVET governance structures be promoted and which basic constraints need to be overcome for this?

**Russel, T., 2015, 'Background Paper – TVET Governance' for the Regional TVET Conference Supporting AEC Integration through Inclusive and Labour Market Oriented TVET, 14-15 December.**

Box 6: Five Key Issues in TVET Governance (Source: Russel 2015)

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