



# **EMPLOYER INVESTMENT IN WORKFORCE SKILLS**

## **FINAL REPORT**

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Prepared for:



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## **1. INTRODUCTION**

### **Report Structure**

This report sets out the findings of research into international good practice approaches to increasing the engagement of employers in training their workforce. The report begins by setting out its aims and the policy context of workforce development. Chapter 2 explains the method adopted to scope out potential themes and explains the approach to identifying relevant good practice from outside Wales through the design of a review framework.

Mapped against this framework, Chapter 3 summarises a number of the initiatives from various countries that stood out in terms of their relevance to developments in Wales and/or through their innovative approach to incentivise employer engagement in upskilling their existing workforce. The study team developed a pro-forma for presenting specific case studies, for ease of reference and to enable comparison. Based on these findings Chapter 4 draws some conclusions and recommendations.

### **Aim of Study**

This study does not aspire to uncover ready-made initiatives that can be 'transplanted' in Wales and imposed upon the institutional structures that exist here. There is a range of factors that influence and help shape approaches to workforce development, including economic context, the mechanisms of training provision, administration and governance and, importantly, social and cultural factors. Whilst we cannot borrow situations, we can borrow ideas; herein lies the key to what the study aims to achieve: the research has sought to identify important lessons that can be learned from the implementation and management of workforce development programmes abroad and that can be applied as part of the Action Plan stemming from ELWa's Review of Workplace Learning. This includes innovative approaches to administering and funding employer-led workforce development generally, as well as identifying specific initiatives.

### **Policy Context**

Investment in human capital and raising skill levels contributes to productivity, fosters competitiveness and promotes social cohesion. As such, all parties involved – government, industry and society in general – stand to gain from more robust workforce development programmes. However, ensuring greater and more effective investment in such programmes remains a challenge. The crux of the problem facing policy planners across the EU and farther afield is how to balance the roles, responsibilities and needs of the state and public authorities against those of the private sector, industry and individuals.

## European Employment Strategy

The importance of investing in workforce development is acknowledged at a European level, most notably in the European Employment Strategy and through the work of the European Commission's Employment Taskforce. EC guidelines issued to Member States this year in relation to their employment policies include specific references to the need to invest not just more but more effectively, in human capital and lifelong learning. Member States are required to:

- *Set out ambitious policies for raising levels of human capital and R&D and for promoting entrepreneurial attitudes and skills through education at all levels.*
- *Share costs and responsibilities between public authorities, companies and individuals and review incentives for increasing investment in human resources in enterprises.<sup>1</sup>*

Achieving this in Wales poses particular problems, not least in terms of raising employer demand for skills. It was noted during ELWa's *Review of Workplace Learning* that many employers in Wales are downskilling rather than upskilling their existing workforce. Innovative solutions are required that can succeed in reversing this worrying trend. In the past five years, over 60% of all new jobs across the European Union have been in high-skilled sectors and this percentage is forecast to grow in the coming years. The message is therefore clear: to raise individual companies' growth potential, and to improve Wales' competitiveness on the international stage, we need more skilled people in work, working more productively. A range of approaches – "carrots and sticks" - is needed that can demonstrate to employers that investing in human capital will pay off in the longer term.

The importance of addressing these issues is recognised in the Welsh Assembly Government's *Second Skills and Employment Action Plan (SEAP II) for Wales* – launched in January 2005 – and in ELWa's *Review of Workplace Learning*. It is intended that the findings of this study will provide evidence to support proposals contained in a follow-up Implementation Plan for both SEAPII and the Review.

The case studies identified within this research are included in this report on the basis of their potential for adoption in Wales.

## How Do We Compare?

The Continuing Vocational Training Surveys (CVTS1 and CVTS2), carried out respectively in 1994 and 2000/2001, provided for the first time comparable data

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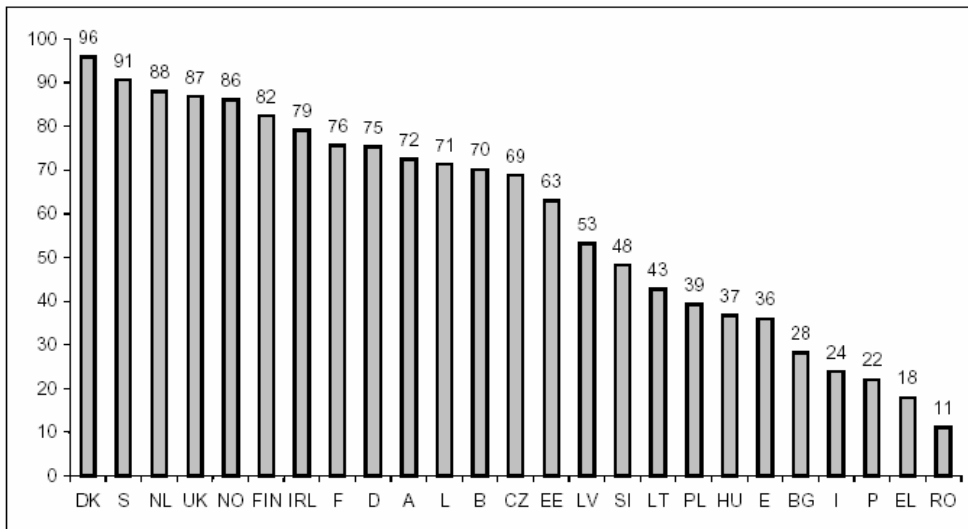
<sup>1</sup> EC, *Communication from the Commission – Strengthening the implementation of the European Employment Strategy, 2004/008*

at a European level on continuing training in enterprises. They are one of the major tools of the EU for the setting up of indicators in this area. The CVTS covered employers with ten or more employees. The first survey was conducted across all of the then 12 EU member states, while the follow-up survey covered 25 European states.

The results of CVTS 2 supply important information regarding the level of investment by European enterprises in human capital and the differences that still exist in the structure of this investment. However, it should be noted that the survey does not provide a regional (Wales) breakdown of data, due to the relatively small sample sizes used in Wales. Some of the key results are summarized below, in order to provide an outline of the UK's performance compared with the other countries surveyed<sup>2</sup>.

- An average of 62% of enterprises in the EU offers continuing vocational training to their workers. The UK performs well in comparison with 87% of companies' surveyed offering training.

**Figure 1: Enterprises offering continuing training as a proportion of all enterprises (% , 1999)**

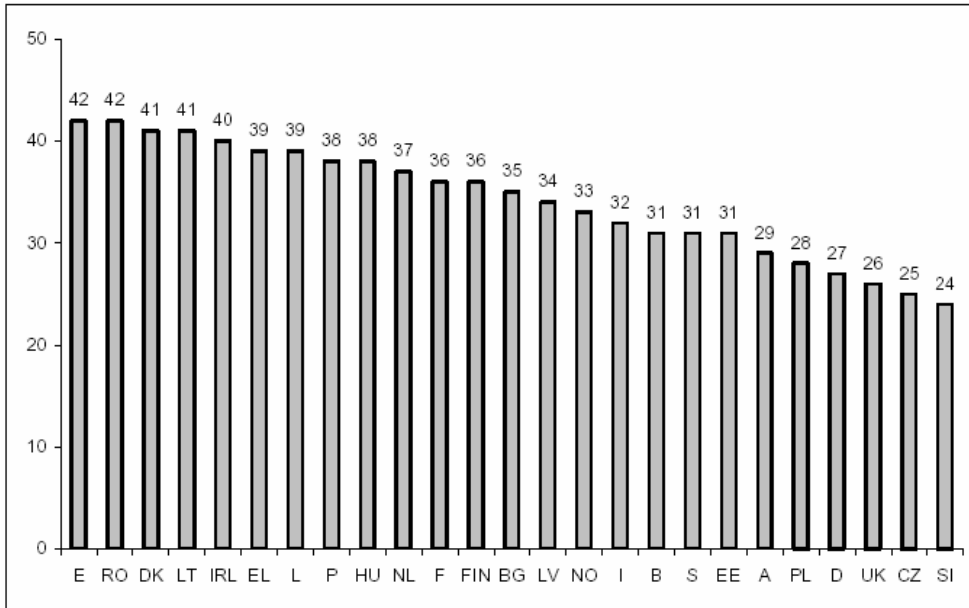


Source: *Continuing Vocational Training Survey II*, [www.europa.eu.int](http://www.europa.eu.int)

<sup>2</sup> Full details of the CVTS II are available on:  
[http://europa.eu.int/comm/education/programmes/leonardo/new/leonardo2/cvts/cvts\\_en.pdf](http://europa.eu.int/comm/education/programmes/leonardo/new/leonardo2/cvts/cvts_en.pdf)

- o However, the amount of time spent on continual vocational training by firms in the UK (26 hours) is lower than the EU average of 31 hours. Spain (42 hours) and Denmark (41 hours) recorded the highest number of hours, while the number of hours in courses was especially low not only in the United Kingdom (26 hours) but also in Germany (27 hours) and Austria (29 hours).

**Figure 2: Participation hours per participant (1999)**



Source: *Continuing Vocational Training Survey II*, [www.europa.eu.int](http://www.europa.eu.int)

- o Research that was carried out by the University of London as part of the CVTS programme found that UK enterprises spend less in financial terms than their European counterparts on training and development, and are also the least likely to offer sufficient career planning to employees<sup>3</sup>. The results of this survey, published in May last year show that, while nearly three-quarters (74%) of UK organisations claim to have a dedicated training budget, the average investment per capita is only €1,625 - representing less than half the amount spent by Germany, the country identified as the heaviest investor in workforce development.
- o The proportion of enterprises which have an operational plan for their continuing training measures offers an insight into the qualitative arrangements for continuing training. With a European average of 30%, such enterprises make up just under a third of enterprises in the European

<sup>3</sup> See: [www.trainingreference.co.uk/news/bp040526.htm](http://www.trainingreference.co.uk/news/bp040526.htm)

Union. Enterprises with a written plan for vocational training within the enterprise are most numerous in the United Kingdom (64%) and Ireland (42%) and least numerous in Greece (11%) and Portugal (9%).

Thus, in summary: whilst the UK fares well in terms of the numbers of companies who undertake training and who have plans, they fare less well in terms of the numbers of hours training and the amount of money spent on training.

### **Factors contributing to employer engagement in continuing training**

Our review of the CVTS, and other documentation during the early stages of this research, illustrated that the degree to which employers are engaged in workplace training initiatives depends on a number of factors. The key determinants are:

- *Sector and Company Size*

The company's economic activity influences the intensity and content of continuing training practices. A Europe-wide study by Aventur and Möbus<sup>4</sup> in 1999 found that the most training-oriented sectors have an activity characterised by high capital intensity, state-of-the-art technology and/or highly skilled labour. These include the telecommunications industries, banks and insurance companies and energy. Conversely, textile/clothing manufacture, construction, metal-working and metal products are amongst the least training oriented. The size of the company also plays a role insofar as this determines the financial means that will be accorded to continuing training as well as the possibilities for capitalising on training efforts (the company's 'internal market').

- *National Vocational Training System*

Employer-initiated continuing training practices must also be situated in the context of national forms of organising initial vocational training. These two levels work together to generate the qualifications and skills of the labour force and there is a strong degree of interdependence between them.

- *Regulation of Continuing Vocational Training*

Several forms of regulation involving government authorities and/or labour and management are at work in different countries and can heavily influence employer involvement in practices and programmes to develop the workforce.

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<sup>4</sup> Aventur, F. and M. Möbus (eds.), 1999. *Formation professionnelle initiale et continue en Europe, édition enrichie*. [Initial and Continuing Vocational Training in Europe, expanded edition.]

For example, in France there is a well-established legal requirement for employers to contribute towards the costs of training the workforce. In the UK, employers are free to decide how in-company training is to be regulated and funded. There is also a range of different approaches to providing state-funded financial incentives, often targeted at different priority areas, from upskilling the unemployed population, to supporting the growth of SMEs. Clearly, the way in which training, and financial support for training, is organised within a country or region will influence the extent of employers' own engagement and investment in workforce development.



## 2. APPROACH

### Overview

Initial scoping research was undertaken via discussions with the client based around Wales' policies and ELWa's strategies on workforce development. The outcomes were also influenced by an initial literature review to see whether other countries were looking at similar approaches to workforce development as those considered by Wales and the UK.

These outcomes then set the parameters for the general themes under which information relating to international examples were pursued, collected and presented in this report.

### Initial discussions between client and study team

**Wales' Policy Priorities** - Early discussions with ELWa helped to scope out the parameters of workforce development and identified a number of possible aspects of employer investment on which to focus. These emerged both from ELWa's Workplace Learning Review and from the International Policy Priorities identified within the literature review (see below), which sought to identify common themes and areas of interest that should be explored.

Some of the initial areas that the client expressed interest in exploring during the project's inception phase were as follows:

- Networking arrangements, including cluster and supply-chain models, to encourage small businesses to engage in skills development.
- Workforce development accounts as tools to stimulate demand.
- Workforce development plans drawn up by employers within the context of their wider business development plans, and the extent to which these have been drawn up following consultation with organisations on the supply side.
- Specific funding programmes designed to promote workforce development plans.
- Management and leadership skills development.
- Information and advice: programmes that are aimed at improving employer awareness about the quality, accessibility, funding and benefits of training and about the range of available provision that can help meet their needs.
- Other innovative programmes to 'incentivise' employer engagement in workforce development.

## **Initial literature review – sources and findings**

The initial scoping process paid close attention to lessons gained from previous best practice reviews of this nature, most notably *Ashton 2003*. The method adopted ensured that the study drew on workforce development themes and objectives from other countries that were potentially relevant to Wales but which did not necessarily form part of current plans and programmes.

The research reviewed previous studies undertaken by European-wide organisations, including the European Commission's Employment and Social Affairs Directorate, CEDEFOP<sup>5</sup> publications and the results from the second European Continuing Vocational Training Survey (CVTS)<sup>6</sup>. The study has also been informed by reviewing European Training Foundation and OECD publications.

The preliminary desk research identified a number of approaches relating to workforce development, ranging from national policies to individual company-led initiatives. These are summarised in Annex 1.

## **Review and Prioritisation of Themes**

The themes identified during initial discussions and literature review were revised and refined during further discussions and consultations with the client. This resulted in the following list of 5 prioritised themes.

- 1. Stimulating workforce development demand within prioritised sectors or businesses**
- 2. Empowering employers to influence the demand for workforce development through funding accounts**
- 3. Stimulating demand through networks, clusters and centres of excellence**
- 4. Integrating training within wider business development plans**
- 5. Increasing the demand for leadership and management training**

Identifying these 5 prioritised themes ensured that the research focused attention on programmes and initiatives that were most suitable for adaptation and adoption in Wales. They bear in mind factors such as institutional structure, the socio-economic profile of countries and regions, and common aims.

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<sup>5</sup> CEDEFOP: The European Centre for the Development of Vocational Training, established in 1975, is a European agency that helps promote and develop vocational education and training in the European Union. It serves as the EU's reference centre for vocational education and training.

<sup>6</sup> [http://europa.eu.int/comm/education/programmes/leonardo/new/leonardo2/cvts/cvts\\_en.pdf](http://europa.eu.int/comm/education/programmes/leonardo/new/leonardo2/cvts/cvts_en.pdf)

The review of international initiatives and practices paid close heed to these priority themes and only initiatives that related to one or more of them have been adopted for inclusion within this report (and the themes highlighted). The initiatives chosen are not presented under specific priority areas as a number of them fall across more than one theme.

Policies and initiatives examined as part of this study aim to, in many cases, go beyond merely increasing employers' investment in skills and demand for workforce development training *per se*. Each case study identifies not only the priority theme(s) which it addresses but also what objectives each initiative is pursuing e.g. improving productivity, increasing adjusting to the introduction of new technology etc. This is an important distinction: whilst the same thematic approach may be undertaken across different initiatives, the desired outcome may differ considerably. What may work well in pursuit of one specific goal may not necessarily be appropriate to achieve others.

Where possible, evaluation reports of the initiatives have been drawn upon so that the degree to which the initiatives successfully achieved their objectives can be measured. However, in many cases such information is not available or at least the information available is not adequately objective to make an informed assessment of its success.

### 3. CASE STUDIES

#### Case Study 1: Deutsche Shell AG Collective Agreement (Germany)

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<b>Name of the Programme</b>	Deutsche Shell AG Collective Agreement (Working Time Accounts)
<b>Country</b>	Germany
<b>Target group</b>	All Deutsche Shell AG employees
<b>Financing arrangements</b>	<ul style="list-style-type: none"> <li>o Employer covers costs of training</li> <li>o Employees invest time</li> </ul>
<b>Pros</b>	Flexible and progressive training packages are agreed for employees that offer the potential to develop skills beyond their immediate sphere of responsibility.
<b>Cons</b>	As with any voluntary programme, there are barriers in terms of motivating individuals to participate, particularly when required to invest what would otherwise be free time in a training account.
<b>Web link and further information</b>	<a href="http://www.diezeitschrift.de/22004/wurzburg04_01.htm">http://www.diezeitschrift.de/22004/wurzburg04_01.htm</a>
<b>Relevant themes</b>	Theme 1: Stimulating workforce development demand within prioritised sectors or businesses Theme 4: Integrating training within wider business development plans

## **AIM**

This enterprise agreement, set up in 1988, provides the opportunity for employees to use free time resulting from a reduction in working hours to participate in continuing training in order to enhance their personal and work-related skills. Whilst the initiative has evolved over time, the overarching aim remains the same – to improve the range of skills within the workforce by promoting further training opportunities for staff within the company.

## **OUTCOME OBJECTIVES**

This initiative focuses on raising skills levels of all company employees. In line with trends in many sectors, the production and sale of mineral oils and petroleum has seen increased competition and strict cost reductions in recent years. This has largely been driven by alliances and mergers within the automotive industry that have had a knock-on effect on supply chains. As a result Deutsche Shell AG has, over a period of time, been looking to offer a wider range of services in an attempt to diversify sales, which has required investment in further staff training.

## **DESCRIPTION AND PROCESSES**

In 1988, regular working hours were reduced from 38 hours to 37½ hours per week. Following this, a decision was taken to offer staff the option of using the additional free time for further training as a joint ‘investment’ to be made by the company and its staff. Employees are given the option of setting up **working time accounts** and can **invest time accrued through overtime hours** worked in these accounts, which they can then use to engage **in training**. Therefore, while employees invest time they have previously saved in working time accounts, the company’s investment consists of bearing the costs of delivering the training and occasionally awarding grants towards any necessary materials or equipment. It should be noted that this is all done on a voluntary basis.

## **KEY SUCCESS FACTORS AND ISSUES**

This type of collective agreement was unique at the time of its inception in 1988, and was established initially as a pilot programme. The fact that it has developed and is still in existence today is a measure of its success. It suggests that both the enterprise and employees are persuaded of the mutual benefits that the programme delivers.

The programme did not only provide job-specific training but combined this with provision of more general training. This allows employees the opportunity to use the collective agreement initiative to enhance their career prospects in other fields and is considered instrumental in stimulating interest from employees in the programme.

A detailed training programme and range of courses is agreed between the company's personnel department and the works council (an internal body representative of the entire workforce and charged with overseeing all matters relating to the organisation and working conditions of employees).

As far as results are concerned, figures for 2001 reveal that continuing training undertaken amounted to a total of 7 days per staff member. Of these 7 days, some 2 ½ days were used for "inter functional" training, which refers to soft skills that aren't directly related to specific specialisms. The majority of such training was undertaken as part of the collective agreement.

No further evaluation findings were identified for this project.

### **RELEVANCE TO WALES**

We consider that this case study provides a good example of promoting customised skills development through dialogue ('**collective agreement**') between employers, employees and their representative bodies. Parallels can be drawn with the Wales Union Learning Fund (WULF). The Shell programme emphasises the importance of **cooperation** between management and employees in devising effective training programmes.

Significantly, the scheme operates on a **voluntary** basis, which is in line with policy preference across the UK for voluntary rather than compulsory involvement in workforce development.

The scheme also demonstrates far-sightedness from the employers (albeit driven by an economic imperative to remain competitive) by providing **training beyond current jobs** as a means of developing a flexible workforce. One important consideration here is the issue of whether such practice would be easily transferable and applied to smaller companies. That said, the trading in of employees' own overtime may offset employer concerns over loss of valuable staff time to training. The problem may lie in the willingness of staff in Wales (who are not subject to a reduction in working hours) to give up their free time to training instead of overtime pay or time off in lieu.

One key element in the Welsh context that does not present itself in this case study (mainly because it was unnecessary due to the initiative shown by a large private enterprise) is the role of public agencies in facilitating such cooperation. This is evidently a key function of ELWa and represents a wide range of responsibilities, encompassing programme design and implementation, facilitating the kind of employer/employee cooperation outlined above and raising awareness of the benefits of greater employer engagement in workforce development.

Furthermore, there is a need to promote the benefits of developing generic and transferable skills, in addition to job-specific training to help a company develop adaptable and flexible workers. It must be acknowledged that this message is more likely to be acted upon by enlightened, larger firms operating in a globally competitive market. Convincing smaller firms presents greater challenges and requires innovation and persistence. Similarly, employees would need to be convinced of the benefits of training in their own time.

**Case study 2: Training Voucher Scheme for Employers (Belgium)**

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<b>Name of the Programme</b>	Training Voucher Scheme for Employers and employees
<b>Country</b>	Belgium
<b>Coverage</b>	Wallonia (Regional initiative)
<b>Target group</b>	Employees within SMEs
<b>Financing arrangements</b>	<ul style="list-style-type: none"> <li>o 50% employers</li> <li>o 50% state funding</li> </ul>
<b>Pros</b>	<ul style="list-style-type: none"> <li>o Empowers employers and employees to purchase relevant training at a subsidised rate</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>o Restricted access to training – employers and workers can only increase their demand for learning from pre approved and accredited training providers</li> <li>o Bureaucratic process</li> </ul>
<b>Web link and further information</b>	<ul style="list-style-type: none"> <li>o <a href="http://www.cinop.nl/projecten/leerrekening/docs/wallonie.doc">www.cinop.nl/projecten/leerrekening/docs/wallonie.doc</a></li> <li>o <a href="http://www2.trainingvillage.gr/download/Cinfo/Cinfo22002/C22N1EN.html">www2.trainingvillage.gr/download/Cinfo/Cinfo22002/C22N1EN.html</a></li> <li>o <a href="http://www.2.vlaanderen.be/ned/sites/werk/documenten/Engelstalig.VLAP.pdf">www.2.vlaanderen.be/ned/sites/werk/documenten/Engelstalig.VLAP.pdf</a></li> </ul>
<b>Relevant themes</b>	Theme 2: Empowering employers to influence the demand for workforce development through funding accounts



## **AIM**

The Walloon Training Voucher Scheme is a regional initiative that was implemented at the end of 1998. The initiative aims to increase the training participation of workers in the Wallonia region to 20 hours per year by offering subsidised training administered through training vouchers. It aims to achieve this by stimulating demand for training via a simple, flexible and efficient incentive mechanism. It also aims to inform enterprises of training opportunities in a transparent way, and to ensure the highest quality of training.

## **OUTCOME OBJECTIVES**

This initiative is geared towards addressing economic performance on a regional basis as the programme specifically targets employers across all sectors within the French-speaking part of Wallonia. The rationale for this has been the fact that the region has particularly low training participation rates per worker.

Research had shown that many previous initiatives favoured large companies, and that excessively bureaucratic application processes were beyond the means of interest of small enterprise. As a consequence, it was considered that small enterprises were excluding themselves from training investment opportunities - and it is this group of smaller firms (employing fewer than 50 individuals) that the initiative aims to address.

## **SECONDARY OBJECTIVES**

The overarching objective of the initiative is to enable employers within the region to become aware of the need to invest in training in order to maintain competitiveness and to enable them to respond to technological change. However, the nature and specific area of training was not unduly prescriptive and allowed employers the discretion to invest in training most suited to their needs.

## **DESCRIPTION**

Study findings revealed that Belgian companies providing continuing training on a systematic basis offered workers on average 18 hours of training per year compared to 8 hours for all Belgian companies surveyed. In Wallonia the amount of training per worker offered by companies was even less than the average 8 hours across Belgium as a whole. It was, therefore, in the context of an apparent under investment in workforce development training in Wallonia that the above incentive was developed.

Employers purchase training vouchers for approximately €15 but have a face value of €30. The face value of the voucher corresponds to the price of **one** training hour, based on a formula that relates to an average hourly salary (approximately €20) and the cost of 1 hour's training (approximately €10). The

cost of releasing staff from the workplace as well as the actual cost of the training is shared 50:50 between the employer and the Government

The training voucher can only be used if the worker attends training during normal working hours and is paid for the hours spent on training. The voucher cannot be used in conjunction with any other training funding support from the Walloon Region for the same training. If the employers meet the above criteria and purchase a training voucher, the voucher can only be used to purchase training from an accredited training provider. This is to ensure that the provision is of sufficient quality and meets the needs of the employer and the workers.

The voucher scheme is run on behalf of the government of the Walloon by the Employment and Vocational Training Service (FOREM). This organisation acts as a facilitator to enable SMEs to meet their training needs and also serves as an interface between SMEs and training providers.

### PROCESS

The basic principle of the process is as follows: the employer purchases the voucher from the administering company. The employer then hands the vouchers over to the employees attending the course who, in turn, offer them to the accredited training provider. Once the training is completed the training provider invoices the voucher administrators for the training and the voucher administrators in turn pay the full face value of the voucher to the training providers. Net differences in the value of the vouchers surrendered by the participants and the amount invoiced for by training providers are either paid by or back to the employer. A more detailed breakdown of the process is provided at the end of this example.

Within FOREM's structure a taskforce has been established to oversee the operation of the voucher scheme, called *Cellule Chèque-Formation*. This has been established in order to:

- inform small enterprises of the training courses available;
- provide assistance in assessing training needs;
- draw up agreements with the organisation that administers the training vouchers;
- promote, coordinate and supervise the training voucher scheme;
- inform joint bodies, trade union delegations and other relevant stakeholders of the voucher subsidies available to small enterprises.

FOREM is a training provider itself and in order to maintain an independent viewpoint it does not run any of the courses available within the voucher scheme and is not involved in the issuing and processing of training vouchers. This has been awarded to an independent company (Sodexho Pass) following a competitive tendering process.

1. The enterprise orders the vouchers from Sodexo Pass (the company issuing the training vouchers) via a form available from Sodexo Pass and FOREM.
2. Sodexo Pass checks whether the company meets the eligibility criteria and if so invoices the company for €15 per voucher ordered.
3. Sodexo Pass sends the numbered vouchers with the name and address of the company printed on them within 5 working days of receiving payments
4. The employers give the training vouchers to the workers to attend the training courses which they have enrolled.
5. The worker signs the number of training vouchers corresponding to the training hours (s)he has attended after each training session.
6. The worker hands over the dated and signed vouchers to the accredited training provider.
7. The training provider indicates his identity on the back of the voucher (a seal).
8. The training provider sends the original of invoice to the employer in question. The invoice contains details of the training course, including the course title, the duration, dates and training hours, the list of participants, and the number of training vouchers handed over by the trainees. If the invoice is surplus to the value of the vouchers the employer will pay the difference. If on the other hand the value of the invoice is less than the value of the vouchers, the employer receives a rebate.
9. The training provider sends a copy of the invoice to Sodexo Pass and attaches all the vouchers handed in by the participants.
10. Sodexo Pass checks whether the training provider has been accredited for the training courses mentioned on the invoice. Once this has been confirmed, it pays the training provider an amount equal to the value of the vouchers.
11. Each month, Sodexo Pass sends its invoice together with the statistical data of the previous month to FOREM.

Although the initiative aims to increase the investment of small employers in the region as much as possible – to ensure that costs are maintained within budgetary parameters a ceiling of 400 vouchers per organisation per year has been placed upon it.

## KEY SUCCESS FACTORS AND ISSUES

Anecdotal evidence available suggests that the programme has been successful in achieving many of its objectives and that training participation amongst workers in the region has increased as a consequence. The evidence that is available also suggests that the scheme encouraged a high degree of additional learning, and therefore relatively little displacement or deadweight. This has been mainly due to the fact that workforce training participation levels in Wallonia were at a low base level at the time when the initiative was implemented. Firm evidence based on evaluation findings is not available at this stage. However, monitoring data has been collected by the *Cellule Chèque-Formation* via interviews with the key individuals including those closely involved in setting up the training voucher system at policy level.

Although one of the fundamental features of the training vouchers is to ensure that the process is relatively bureaucracy free, the complete process from purchase of vouchers to the delivery of training remains relatively long winded. This raises questions as to its suitability for smaller firms – the very problem the initiative was set up to overcome.

## RELEVANCE TO WALES

This initiative may help inform the development of “Learning Accounts” in Wales for workforce development. It demonstrates how learning accounts can be **geographically targeted** at areas with low take-up of learning.

Notably, the voucher scheme does offer funding support not only to address the direct cost of training but also the **replacement cost** of releasing staff for training – a significant issue for smaller firms in Wales. In this respect, this bears similarities with measures piloted in Wales and other European regions through the JobRotation scheme (and which features as a specific action in ELWa’s Workforce Development Strategy Action Plan).

The initiative is a good example of **shared responsibility for training** with costs split between the government and employers, although no financial costs are placed upon the employees themselves.

Evaluation findings are not publicly available at this stage but should be available in the near future (see website addresses above). It will be interesting to draw further comparisons to assess its relevance to Wales, particularly in terms of whether the scheme had similar issues to those found in the Future Skills Wales survey, i.e. whether the vouchers were used by employers for employees who were already well skilled/in higher level jobs.

It would also be interesting to establish the extent to which employees considered that the training was genuinely broader than their current job

requirements and that they had been actively engaged in identifying their training needs.

Finally, some comfort can be taken in recognising that other countries outside the UK struggle with excessively bureaucratic processes for such schemes.

**Case study 3: The New Apprenticeships’ Incentives Programme (Australia)**



<b>Name of the Programme</b>	New Apprenticeships’ Incentives Programme
<b>Country</b>	Australia
<b>Coverage</b>	All Australian States
<b>Target group</b>	Current employees of any size company (private and public sector) as well as the unemployed
<b>Financing arrangements</b>	The Australian Government provides a sliding scale of financial incentives to subsidise apprenticeship training. The level of financial subsidy is dependent on the level of qualification aimed for.
<b>Pros</b>	<ul style="list-style-type: none"> <li>o New Apprenticeships are competency based and therefore individuals can complete their training sooner than previous system, if they reach required skill level</li> <li>o Flexibility of programme – qualification can be achieved via on-the-job training, off-the-job training or a combination</li> <li>o New Apprentices earn a wage while they train</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>o Requirement for employers to enter into ‘Contracts of Training’ with beneficiaries could act as a disincentive for some companies to engage in the programme</li> </ul>
<b>Web links</b>	<a href="http://www.newapprenticeships.gov.au/rural_regional/employer/award.asp">http://www.newapprenticeships.gov.au/rural_regional/employer/award.asp</a>
<b>Relevant themes</b>	<p>Theme 1: Stimulating workforce development demand within prioritised sectors or businesses</p> <p>Theme 2: Empowering employers to influence the demand for workforce development through funding accounts.</p>

## **AIM**

New Apprenticeships were introduced in Australia in 1998. They combine practical work with structured training to give a nationally recognised qualification with relevant work experience.

The general aim of the New Apprenticeships' Incentives Programme is to develop a more skilled Australian workforce that delivers long-term benefits for Australia and its international competitiveness. This is achieved by encouraging employers, through financial incentives provided by the Australian Government, to open up genuine opportunities for skill-based training of their employees.

## **OUTCOME OBJECTIVES**

New Apprenticeships are viewed by the Australian government as the best way to combine training and employment. The objectives of the training outcomes are aimed at improving the bottom line profit margins of individual businesses. In order to achieve this, in light of the recognition that no two businesses are the same, the programme is designed to be as flexible as possible.

## **SECONDARY OBJECTIVE**

As well creating training opportunities for existing workers, the programme aims to increase the employment opportunities of those currently unemployed. New Apprenticeships combine practical work with structured training to give people a nationally recognised qualification as well as the experience to get a job.

## **DESCRIPTION**

New Apprenticeships are available in over 500 occupations in a broad range of industries: from traditional trades like cabinet maker, motor mechanic, electrician and plumber; to areas of innovation like electro-technology and aviation. They combine practical work with quality structured training to give beneficiaries a nationally recognised qualification. Traditionally, apprenticeships took 3 to 4 years to complete and a traineeship lasted for 1 to 2 years. New Apprenticeships are competency-based, meaning that it is possible for participants to complete their training sooner if they have reached the required skill level.

## **PROCESS**

New Apprenticeships target a broad range of individuals ranging from mature aged workers and women in non traditional trades to individuals seeking to gain skills classified as being 'in shortage' in rural and regional Australia. The Australian Government offer employers financial incentives (the commencement incentive) in return for a contractual agreement (similar to Wales MA Learning Agreement) which requires the employer to provide training and the employee /

trainee to participate in an approved apprenticeship training course. The following requirements and procedures apply in all cases:

- There is a three month waiting period before an employer can apply for an Australian Government Commencement Incentive for a New Apprentice.
- The Apprenticeship/Traineeship Training Contract must be formally approved.
- The New Apprentice must still be employed by the same employer and must have commenced training in accordance with the approved Training Program.
- The employer should submit a claim to the New Apprenticeships Centre at the end of the three month waiting period, and within the required time limit.

From 1 January 2003 two new incentives have been made available to employers of School based New Apprentices. A commencement incentive of \$825 will be paid to employers who commence a New Apprentice who is school based in addition to the standard commencement incentives. In addition, a retention incentive of \$825 will be paid to employers who employ their School based New Apprentice within six months after they have completed Year 12.

### **KEY SUCCESS FACTORS AND ISSUES**

New Apprenticeships have been successful in offering new training opportunities in more industries than existed prior to their implementation as well as offering new support service arrangements, through the New Apprenticeships Centres as well as increase the flexibility of training provision.

The latest figures from the National Centre for Vocational Education Research (NCVER) show there are now over 400,000 people training through New Apprenticeships, an increase of 149% since 1996.

Data obtained from the NCVER also highlights that take up of New Apprenticeships in trades and related occupations have increased by 18%, with an estimated 66,900 commencements in the 12 months to 30 June 2004. Particular increases of New Apprentices across the trades and related occupational areas have been recorded in:

- |  |          |
|--|----------|
| • Electro-technology                             | – up 21% |
| • Construction                                   | – up 15% |
| • Automotive industry retail, service and repair | – up 12% |
| • Hairdressing                                   | – up 23% |

Latest estimates indicate that the number of young people commencing a New Apprenticeship continues to rise. The programme is also clearly very attractive for young workers with 106,200 of the commencements (41%) being within the 19



years and under age group, despite the fact that the initiative is not specifically targeted towards this age group.

Completions have also been on the rise, with 133,000 completions in the 12 months to June 2004, up 12% from the previous year. No baseline data on the actual level of completions before the introduction of the New Apprenticeships were introduced is available although the information available indicates that completion rates and participation rates were an issue prior to the programme, mainly as a consequence of the length of time it took to complete traditional apprenticeships.

In the 2004/05 financial year, the Australian Government is expected to spend \$725.5 million on New Apprenticeships and a further \$1.06 billion over four years has been announced for initiatives aimed at increasing skill development in key trades.

The most notable feature of this programme is that the financial incentives available to employers vary to help the government prioritise certain levels of training and qualifications, and target certain categories of individuals and geographical areas. The incentives range from \$1,100 special incentive for Rural and Regional New Apprenticeships where the New Apprentice commences Certificate III or IV training in an occupation identified as a skill shortage in a non-metropolitan area; to \$2,750 incentive for employers of New Apprentices who successfully complete Certificate III or IV. In these cases the New Apprentice must have been employed as a New Apprentice by that employer for at least 3 calendar months before completion<sup>7</sup>.

## RELEVANCE TO WALES

The Australian New Apprentices programme shares many common features with the Apprenticeship programmes in Wales (MA and FMA), as well as similar pros and cons. However, distinguishing features of relevance to Wales are:

The inclusion in the Australian programme of shorter, vocational training courses. These **shorter** courses appear to have had a significant influence to date on the take-up and completion rates. Findings from previous studies in Wales, such as the Learning Workers Programme evaluation and the Skills for Business/Employment evaluation, suggest the same preference by employers in Wales for such courses.

The Australian programme offers a **sliding scale of incentives**, which can be adjusted to prioritise individual areas, sectors, occupations and categories of people. This offers a degree of flexibility to reflect regional and industry-level

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<sup>7</sup> Further details relating to the scale and nature of incentives available can be found on [http://www.newapprenticeships.gov.au/rural\\_regional/employer/incentives.asp](http://www.newapprenticeships.gov.au/rural_regional/employer/incentives.asp)

labour market trends and needs. This model offers potentially valuable lessons for ELWa's funding and prioritisation of its own apprenticeships. The model could be used to reinforce efforts to integrate planning and funding through ELWa's Regional Statements of Needs and Priorities (RSNPs) and, ultimately, through ELWa's national planning framework and funding system (NPFS). This element will also be of interest to the Sector Skills Councils in Wales in the development of Sector Skills Agreements on priority training needs.

**Case Study 4: Learning Accounts (Austria)**



<b>Name of the Programme</b>	Learning Accounts / Training Vouchers
<b>Country</b>	Austria
<b>Coverage</b>	Regional – administered by individual federal states in Austria
<b>Target group</b>	Employed people with low qualification levels. The programme also targets unemployed people.
<b>Financing arrangements</b>	<ul style="list-style-type: none"> <li>o 50% state</li> <li>o 50% employees</li> </ul>
<b>Pros</b>	These initiatives target those who are in greatest need of support and those who can potentially make the greatest difference to the skills of the workforce.
<b>Cons</b>	Relatively restrictive in how they can be used: because these subsidies are paid by the <i>Länder</i> to their citizens, they are not effective for individuals who want to move to another <i>Land</i> to take advantage of education and training there.
<b>Weblink and further information</b>	<a href="http://www.oecd.org/dataoecd/31/19/32303060.pdf">http://www.oecd.org/dataoecd/31/19/32303060.pdf</a>
<b>Relevant themes</b>	Theme 1: Stimulating workforce development demand within prioritised sectors or businesses

## AIM

Since the mid 1990s, a number of the Austrian federal states have developed programmes and initiatives designed to increase participation in further training, both for those already in employment and people who are currently excluded from the labour market. These operate under a variety of different names - for example the "learning account" scheme in Upper Austria and the "training voucher" scheme in Styria. Both of these programmes aim to offer assistance to individuals with low qualification levels.

## OUTCOME OBJECTIVES

The primary objective of these Individual learning Accounts is to encourage increased participation in training amongst lower skilled workers. As secondary objectives the accounts aim to encourage business growth and increase individual business productivity.

## DESCRIPTION

The earliest programme of this kind to be introduced in Austria was the "learning account" scheme introduced in 1994 in the Upper Austria region (the region surrounding the city of Linz), offering employees financial incentives to take part in further training. It could be said that the initiative is something of a misnomer in that it does not involve "accounts" in the strict sense of the word, but rather subsidies from the federal state that are given this title.

## PROCESS

The idea of the learning account is to offer assistance to employees or unemployed persons with qualification levels at apprenticeship-level or lower. Applications for funding can therefore only be made by such individuals and 50% of their expenses for vocational further training at a recognised training institution can be reimbursed. There are two types of learning account:

- The *general learning account* reimburses 50% of the cost of courses (up to a maximum of €726) leading to recognised and professionally useful additional qualifications. Participants must provide proof of attendance.
- The *special learning account*, on the other hand, provides funding for training that leads to a recognised qualification (for example for individuals wishing to complete apprenticeship or "master craftsman" exams). Subject to exams being passed, up to 1,450 € can be reimbursed. In order to ensure the quality of the training on offer, funding is only available for courses run by providers who are registered and recognised in the region.

The training voucher scheme in another *Land*, Styria, has a similar structure, the principal difference being the way in which the scheme is administered: three

different kinds of voucher can be applied for through the federal state authorities and handed over to a training provider:

- Training vouchers for business start-ups,
  - a. to prepare individuals for applying for a commercial licence (50% of course costs up to a maximum of 436 €), and
  - b. further training in business management, marketing and accountancy. (50% of course costs up to a maximum of €290).  
The courses must fulfil the following quality criteria: duration at least 80 hours; certificate of successful completion awarded.
- Training vouchers for individuals who have completed an apprenticeship, to promote vocational further training over a period of five years after the apprenticeship (50% of course costs up to a maximum of €290 or €363 for apprentices who have been graded "excellent" in their exam.). The courses must fulfil the following quality criteria: duration at least 80 hours; final examination.
- Training vouchers for special qualifications: these remain valid for up to 10 years after completion of an apprenticeship and can be used for training in the fields of computers, CAD/CAM and marketing. 50% of course costs are met, up to a maximum of €726. Here, too, the courses must be of at least 80 hours duration and terminate with an examination.

In all three cases it is only possible to select recognised providers within Styria.

### KEY SUCCESS FACTORS AND ISSUES

The experience of the first four years indicates that the programme in Upper Austria proved very popular as a way of engaging individuals to 'upgrade training'. It is interesting to note that only a very small percentage of participants had no qualifications at all before participating on the programme. Those that already had apprenticeships took advantage of the opportunity to update skills in specific areas. 60% of beneficiaries took the route of the *special learning account* to fund training that leads to a recognised qualification.

A further success factor that merits attention is that the programmes operate effectively as part of the broader national framework of education and training provision in Austria.

During this research an earlier case study, undertaken by the OECD<sup>8</sup>, was discovered which looked at how one company in Styria makes use of a number of different sources of training for its workforce and works closely with the providers to ensure the employers' needs are met. Through its knowledge of the various training and workforce development 'pathways' the company is able to ensure it accesses the skills it requires as quickly and efficiently as possible,

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<sup>8</sup> Included in 'Thematic Review of Adult Education: Country Note, Austria (June 2004)  
<http://www.oecd.org/dataoecd/31/19/32303060.pdf>

whilst also maintaining an appropriate balance of skills across the company. As can be seen in the list below, the company accesses more specialist and technical skills through higher education and apprenticeships, but also works with the federal employment service to train unemployed people and prepare them for the workplace.

The company, Magna Steyr, has a workforce of some 6,500 and manufactures cars for a number of companies including BMW, Mercedes, Chrysler, and Saab. The firm has begun to move into the development of the cars themselves; it therefore employs a large number of skilled technicians, engineers, and designers as well as production-line workers. The company uses a number of sources of education and training for its workforce:

- (1) About half of its production-line workers come from the Austrian apprenticeship program; at any one time there are about 200 apprentices at the company, mostly in technical areas rather than white-collar jobs.
- (2) About 2,500 employees come from the local university or the FHS (fachhochschule ~ polytechnic/technical university); the company participates in the development of the curriculum to make sure graduates have the requisite competencies.
- (3) Magna-Steyr cooperates with the Public Employment Service (AMS) in training unemployed clients, where the AMS selects individuals with appropriate characteristics; the company then places them in a company-based training programme.
- (4) On its own the firm trains non-skilled workers for skilled positions, particularly by taking individuals with skills but lacking formal qualifications; this program lasts perhaps 14 – 16 months. Individuals then get the *Facharbeiter* qualification (the qualification that an individual usually receives after completing an apprenticeship program) and earn the higher wages of a *Facharbeiter*.
- (5) All employees within the firm receive an average of 4.5 training days per year. The company maintains a catalogue of training opportunities, and local suppliers of training can apply to provide the more general types of training, while the employer provides firm-specific training.
- (6) Workers can, on their own time, take courses in English and in German (for immigrants); all other training is provided on company time.
- (7) The company will pay up to 50% of fees at the University or FHS, depending on how important the training is for the company. The firm has participated in developing training programmes at the FHS, and the company's trainers also teach at the FHS. In addition, there is a kind of "dual" FHS study- programme, where individuals spend half their time at the FHS and half at the firm, in internships.

Overall, there are no shortages of education and training, partly because of the multiple sources of expertise at the University, the FHS, and in the apprenticeship system, and partly because of the large amounts of training the company provides partly with subsidies from the AMS.

## RELEVANCE TO WALES

This scheme emphasises the importance for policy makers of ensuring such initiatives, which vary from one region to another in terms of eligibility and targeting, demonstrate **complementarity** and fit clearly within the wider national education and training framework. This is particularly relevant for ELWa in its development of Learning Accounts for businesses, its wider Skills for Business Agenda and its workbased learning programmes.

Programmes such as the Learning Account scheme in Upper Austria provide a number of **flexible options**, catering for individuals who want to improve generic or essential skills for the workplace but also offering opportunities to achieve specialist 'craftsman' status within a given trade or profession. This type of flexible approach to workforce development is something that policy makers and employers alike have increasingly come to value in many parts of Europe.

Research for Future Skills Wales has reported that it is individuals with low or no qualifications that are often overlooked by employers in relation to learning and training opportunities, whilst those with level 3 or 4 qualifications often benefit from accessing further training. A scheme such as this, therefore, needs to be carefully positioned as an **'upskilling' programme**, alongside other workforce development programmes which target those with lower skills, for instance.

**Case Study 5 - Skillnets Ltd Training Networks (Ireland)**

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<b>Name of the Programme</b>	Skillnets Ltd Training Networks
<b>Country</b>	Ireland
<b>Coverage</b>	All of Ireland
<b>Target group</b>	Enterprise networks
<b>Financing arrangements</b>	The networks are funded under the National Training Fund through the Department of Enterprise by means of a public/private co-investment, as opposed to grant aid
<b>Pros</b>	Facilitates and supports company-led networks to identify workforce skills issues and help formulate solutions to address training needs.
<b>Cons</b>	<ul style="list-style-type: none"> <li>Expensive programme to administer. Under Irish model, companies contributed an average of just 32% of costs of training, meaning the programme was heavily state subsidised.</li> </ul>
<b>Web links and further information</b>	<a href="http://www.skillnets.com">www.skillnets.com</a> <a href="http://www.claneire.com/connected/default.asp?com=ifaskillnet&amp;org=&amp;id=14&amp;mnu=14">www.claneire.com/connected/default.asp?com=ifaskillnet&amp;org=&amp;id=14&amp;mnu=14</a>
<b>Relevant themes</b>	<p><b>Theme 1:</b> Stimulating workforce development demand within prioritised sectors or businesses</p> <p><b>Theme 2:</b> Stimulating demand through networks clusters and centres of excellence</p> <p><b>Theme 3:</b> Increasing the demand for leadership and management training</p>



## **AIM**

Skillnets Ltd is an independent private company established in November 1998. It was set up to mobilise and support groups of enterprises to find strategic answers to their training needs through the establishment of Training Networks.

Skillnets primarily facilitates an enterprise-led approach to training and development through supporting the development of flexible and effective training delivery methods amongst those enterprises that previously had difficulty in accessing or benefiting from training. It also aims to address the lack of investment in Human Resource Development and training by business through tackling some of the real and perceived barriers to training.

## **OUTCOME OBJECTIVES**

Skillnets' primary objective is to ensure that Irish businesses remain competitive and adapt to change by training existing staff in established enterprises.

The formation of Skillnets was driven by the awareness that Irish enterprises faced real challenges in terms of labour supply and skills shortages in an increasingly competitive global market. Irish firms had been investing on average 1.5% of payroll costs in training and development while the best international competitors were investing 3-5% of payroll in people development. It appeared therefore that there was a clear need for an immediate major industry based training and development drive.

## **SECONDARY OBJECTIVES**

Although Skillnets is not a training provider it does facilitate enterprises to pilot and test innovative and effective approaches to training. It sponsors research into training and related areas and undertakes a supportive role in the development and dissemination of training tools, materials and resources and actively promotes examples of best practice in relation to enterprise-led training initiatives.

## **DESCRIPTION**

Skillnets supports 55 training networks, each of which has its own management structure. In each training network, companies come together to decide what training they need, how, where and when it will be delivered. This approach is particularly appropriate for small and medium sized businesses that may lack the time, expertise or money to develop training customised to their specific needs and directly relevant to their size and industry sector. Many of the networks are sector-based.

58 networks have been developed throughout Ireland, based on specific industry sectors, geographical regions or small business interests. 3,800 companies and

12,800 employees have addressed their workforce development training needs through these networks. Of the 58 networks 32 are associated with the manufacturing industry, 2 with the construction industry 12 with the service industry and 12 representing a mix of sectors. Other networks are made up of local companies getting together to bring training into their area and make it accessible to the local industry.

Skillnets' company directors are primarily drawn from industry and represent employer interests from IBEC (Irish Business and Employers Confederation), the CCI (Chambers of Commerce of Ireland), the CIF (Construction Industry Federation), the SFA (Small Firms Association) and employee/trade union representatives from the ICTU (Irish Congress of Trade Unions), along with a number of persons appointed by the Minister for Enterprise, Trade and Employment from both the public and private sector.

### **PROCESS**

Skillnets is funded under the National Training Fund through the Department of Enterprise, Trade and Employment. The networks are financed through a co-investment, as opposed to grant aid. The public/private funding level is agreed for each individual network and significant funding support was provided at the early development stages of the networks. In the first phase of the initiative, companies contributed an average of 32% of network costs. However, the contribution of companies will increase once networks become more established.

The networks are led by companies themselves, as well as representatives from trade associations, industry federations, chambers of commerce, trade unions, and enterprise bodies. The governance of the networks lies in the hands of the member companies that decide on management and decision-making processes, training needs, methodologies, training providers and delivery systems.

The role of Skillnets is to provide a framework for technical support, advisory services, linkages and guidance to networks wherever they are sought. Skillnets also facilitates transparency, accountability and the appropriate monitoring and control systems to ensure the proper management of public funds.

The processes associated with individual networks are varied and too many exist to offer even a summary list of all the processes adopted at this level. However examples include the first Polymer Training Skillnet focussed specifically at the plastics industry. This was formed following a range of industry-wide consultative meetings which placed a new impetus on training needs. Other examples include networked groups of staff across a range of companies in CLE (Publishers Association) which formed a 'skillnet' to examine specific skill sets and design and develop specific training resource packs.

## KEY SUCCESS FACTORS AND ISSUES

One of Skillnets' main successes to date has been its ability to demonstrate some of the principles and processes by which employers can, and will, take the lead in workforce training and development.

Skillnets was set up initially as a three year pilot initiative to support and mobilise groups of businesses to develop strategic approaches to their joint training needs by establishing training networks. As highlighted earlier, up to the end of 2001, 58 networks had been created.

Outcomes outlined in the Skillnets final report (1999 – 2002)<sup>9</sup> illustrate that networks vary in size from eight businesses to five hundred. The majority of networks include between ten and thirty businesses with almost three quarters (73%) made up of businesses employing fewer than 50 workers.

Networks questioned within a satisfaction survey responded very positively. The vast majority (94%) were of the opinion that they considered the training networks programme to be an effective model for the delivery of training in businesses and that the enterprise led to training was more effective than alternative approaches.

Success factors identified during the review of Skillnets include a need for a high level of interaction between the member businesses within each network at all levels, not just between management. Successful networks are also based on agreed formal structures, operating procedures and agreed norms of behaviour. In addition, the facilitation of the establishment of networks undertaken by the network coordinator has to be at the highest possible level to ensure that initial resistance between firms and barriers created by a lack of trust are overcome quickly.

## RELEVANCE TO WALES

The success of Skillnets Ltd in Ireland has relevance to Wales in a number of ways. Firstly, it informs and builds further on some pilot initiatives undertaken in Wales e.g. the Gwynedd Skills Circle, to tackle **time and funding barriers** to training, which are most acutely felt by smaller firms.

It also offers examples of good practice of **partnership working** at various levels, particularly between public and private organisations. Valuable lessons can be learned from this for ELWa's Workplace Learning plans to develop networks, e.g. Mid Wales Manufacturing Group, the shared apprenticeship model and other voluntary partnership arrangements in Wales. It could also provide an example of good practice in Employer Forum type initiatives and Sector Skills

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<sup>9</sup> Skillnets Final Report – Training Networks Programme -

Agreements between Sector Skills Councils (SSCs) for the development of joint approaches to meeting training needs.

Skillnets is of particular relevance for ELWa and the WDA in supporting businesses in rural Wales. Skillnets has successfully facilitated the development of networks that enable **geographically remote businesses** and employers, mainly in rural areas, to access and influence training provision in a way that would not have otherwise been possible.

Improving the collective understanding of demand for skills in Wales is key to ensuring that the supply of training can better meet economic needs and this is something that has been addressed successfully through the Skillnets approach. This could also provide impetus to the development of integrated training provider networks on a **sectoral level**. As such, it has relevance for the CCETs and Sector Skills Councils, as well as ELWa initiatives such as Geographical and Sectoral Pathfinders, and collaborative marketing with providers.

**Case Study 6: The Vocational Ability Development Programme (VADP)  
(South Korea)**



<b>Name of the Programme</b>	Vocational Ability Development Programme (VADP)
<b>Country</b>	South Korea
<b>Coverage</b>	National Korean Programme
<b>Target group</b>	Employers (with 10+ employees)
<b>Financing arrangements</b>	Participating employers pay a premium rate into a social insurance fund in return for financial incentives and support to develop the vocational skills of workers.
<b>Pros</b>	Encourages voluntary increases in employers' investment in workforce development
<b>Cons</b>	Funds have to be managed carefully to ensure that revenue does not exceed expenditure.
<b>Information link</b>	<a href="http://www.logos-net.net/ilo/150_base/en/init/kor_4.htm">http://www.logos-net.net/ilo/150_base/en/init/kor_4.htm</a>

## **AIM**

The general aim of the programme is to support vocational training within the workplace. VADP seeks to achieve this by providing incentives and support to ensure the continued development of the vocational abilities of employees across all sectors and industries.

The primary principle of VADP is that it regards the workplace not only as a place of work but also as a place of learning to ensure the continuous development of the vocational abilities of workers.

## **OUTCOME OBJECTIVES**

The primary objectives of the programme are to:

- Increase productivity;
- Increase the wage levels of workers;
- Strengthen the competitiveness of businesses.

## **SECONDARY OBJECTIVE**

As a secondary objective the programme aims to provide full support to individuals specifically seeking job-conversion training and re-training in order to provide workers with opportunities to move occupations and seek the career path they desire.

## **DESCRIPTION**

The VADP is one of three programmes that form the 'Employment Insurance to Develop Workers' scheme in Korea. Employment Insurance is a social insurance system which aims to alleviate unemployment and promote the vocational ability of Korean workers. The three programmes that form the Employment Insurance scheme are:

- The Employment Security Programme
- The Vocational Ability Development Programme (VADP)
- Unemployment Support

This case study focuses on the VADP programme which offers assistance to employers who offer training and education to their employees. Eligible employers contribute voluntarily to the insurance scheme at set premium rates.

Among the benefits that employers and employees can then draw from the central funds collected is support and incentives for workforce vocational training. The programme was implemented in 1995. At that time the programme was limited only to full time workers employed in companies and organisations that

employed more than 30 workers. In January 1998 eligibility was expanded to include companies that employed 10 or more.

VADPs are broken down into:

- programmes for employers who provide training to their workers; (The eventual target group of such programmes is still the employees)
- programmes for workers;
- programmes for unemployed workers.

### PROCESS

On a general level the process itself is relatively straightforward. Eligible employers pay an insurance premium in return for the provision of subsidised support for vocational training for their workers. The premium rate paid varies according to the size of the business. Larger companies pay more as they get the largest benefit from the programme. The premium rate applied varies from 0.1% to 0.7% of a company's total wage bill. The rate depends on the number of full time workers and whether the company is a priority support business<sup>10</sup>.

#### VADP premium rates for employers

Business Description	Rate
Business employing less than 150	0.1%
Priority support businesses employing more than 150	0.3%
Non Priority support businesses hiring between 150 and 1,000	0.5%
Businesses hiring more than 1,000: projects directly run by the government or local governments	0.7%

Responsibility for the management of VADP funds is shared between government representatives, employer representatives, training centres and financial institutions. It is the financial institutions which are responsible for administering loans to beneficiaries (workers), depending on the sub programme in question. The nature and level of support available from VADP is dependent on the nature of the training being developed, as well as the size and nature of the workplace in question.

For example:

- An employer who offers his/her workers vocational training provided by the organisation itself may have part or the whole vocational training

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<sup>10</sup> Priority support businesses have been identified as the ones that require additional support these include mining businesses hiring less than 300; manufacturing businesses hiring less than 300; manufacturing businesses employing less than 500 and construction businesses employing fewer than 300 employees.

subsidised: 80% in case of in-plant training and 100% for the preferentially supported enterprises.

- An employer who offers his/her employees vocational training provided by commissioned external training providers may be subsidised for up to 70% of the cost; 100% for the preferentially supported enterprises and 100% in case of job-conversion training regardless of the size of business.
- An employer, who enrolls his /her employees on a 2-year junior college or higher-level educational institution or to the educational institutes designated by the Ministry of labour, will be reimbursed 70% of the training costs.
- An employer who provides 30 days of paid education/training leave to an employee, who has been in employment for 1 year or longer, and offer him/her commissioned vocational training, will receive a subsidy up to 70% of the vocational training expense plus a wage compensation (90% in case of preferentially supported enterprises).
- An employer who conducts on-site training may receive a low interest loan for installing and purchasing facilities and equipment needed for training (at an annual interest rate of 1-2.5%).
- An employer or an organisation of employers that intend to install vocational training facilities and equipment may be given a financial assistance (up to 50% of the expense within the limit of 2 billion Won).

### **KEY SUCCESS FACTORS AND ISSUES**

The programme has successfully increased the levels of voluntary investment by employers and participation by workers in vocational training by offering financial assistance to employers and workers through the Employment Insurance Fund. The programme has also extended the vocational training system, which previously centred on workforce development in the manufacturing sector, to cover a wider base of sectors including agriculture and fisheries, finance and insurance, transportation and storage, communications, medical service, office work, as well as other services.

In the early stages of implementation (1995 – 1997) the programme was not widely used. However, from 1998 the number of companies and workers involved in the programme, and the amount of financial support given increased dramatically. In 2001 alone 80,860 companies and 1.5 million workers obtained financial support from the Vocational Ability Development Programme.

Since participation in the programme - and therefore contributions to the scheme - is voluntary, it cannot be regarded as a tax or levy. It does however, encourage additional training investment from employers, as well as encouraging employers to factor training provision within their overall businesses planning. The programme also offers opportunities to prioritise individual sectors - either those that require additional help and support for survival or those earmarked for rapid growth and development.



Many employers associate general training of this nature with risks of having their key employees poached or incurring high staff turnover rates. Within a centralised funding system of this nature however, such investment ‘risks’ are distributed more evenly amongst participating employers.

The success of the programme weighs heavily on the ability to manage it well on a strategic level. Also, experience in Korea has illustrated that during periods of economic downturn employers have a tendency to draw greater support from the VADP funds. If this is coupled with higher unemployment rates (or lower employment rates) then funds contributed also decrease and as a result there is an increased risk that expenditure will exceed available funds. No results are available, however, which measure the deadweight or the added value of the fund.

### **RELEVANCE TO WALES**

Wales, in line with all other UK regions, operates a voluntary workforce training participation policy, whereby decisions to invest in workforce development training or not, are not (with a few exceptions) influenced by regulatory requirements. While this UK system offers sufficient autonomy for employers and workers alike to choose the optimum workforce development route to suit their needs, there is also a strong argument to suggest that such a voluntarist, system fails to overcome training market failures<sup>11</sup>, resulting in underinvestment in areas of training, particularly general, non job-specific training.

The VADP model implemented in Korea offers the opportunity to overcome some of these market failures, increase the overall level of workforce development training investment and yet maintain a **voluntarist** system.

Furthermore, the programme encourages employers to **incorporate training**, planning and expenditure **within their overall business planning process** – recognised by ELWa as a key principle in the development of its Business Skills programmes.

The Korean case study also demonstrates how such funding can be successfully varied to support a country’s policy on business and sector **prioritisation** again, an area that is particularly relevant to Wales.

Sector Skills Councils may find it a useful tool to encourage employers in Wales to contribute voluntarily to such insurance schemes and extend the number of **sectors** actively engaged in workforce development.

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<sup>11</sup> Created from the variability of future values of skills and a mismatch of costs and returns owing to worker mobility

The support offered under VADP varied according to the nature of training pursued. This approach offers lessons to the development of an overarching Learning Account for workforce development, which would enable ELW<sub>a</sub> to play a greater steering role in responding to labour market signals such as skills gaps and shortages.

In general, the programme suggests that the **pooling of contributions** ('centralised funding system') helps to overcome employer resistance to providing general, non-technical skills. Valuable lessons could therefore be learnt from this in relation to programmes which seek to increase employer engagement in workforce training, such as Skills for Business/Employment, which intended to provide this broader training to meet the needs of individuals but which, in some cases, were restricted to technical, job-specific training.

## 4. CONCLUSIONS AND RECOMMENDATIONS FOR NEXT STEPS

### INTRODUCTION

This study has attempted to identify good practice from other countries which can be drawn on to help stimulate demand from employers in Wales. This may be via demand-led approaches such as marketing through to supply-side initiatives such as more tailored provision to address those demands. This chapter draws out conclusions from the case studies and proposes specific actions which can be taken by ELWa and partners within the framework of both the Skills and Employment Action Plan 2 (SEAP2) and the Action Plan on Workplace Learning.

It is proposed that a range of ELWa staff consider the messages and lessons arising from this study for their own areas of work. This may include members of the Strategy and Skills Directorate – the Business Skills team, the Intelligence and Marketing team, and the Workplace Learning Team – as well as ELWa staff working on the National Planning and Funding System (NPFS), and policy and operational staff working on apprenticeships. It may also be considered beneficial to invite external stakeholders such as Sector Skills Councils, the Employer Forum and/or providers to consider the implications.

### **CONCLUSIONS: *Mutual Benefits And Cooperation***

A key feature of a number of the case studies is the level of cooperation and dialogue between management and employees. They highlight the importance of ensuring that employees' own perspectives about their training needs are incorporated into training plans or programmes. Initiatives appear to be most effective when there are mutual benefits to be gained by both parties, and when these benefits are clearly understood by both sides. Awareness raising of the possible benefits for both employer and employee seems to be the key.

Some of the initiatives we have encountered depend upon employers assuming a degree of ownership and responsibility for developing their workforce. This, in turn, is dependent on the employer having a good understanding of the company's training needs, and how training can affect the business' performance, be it in terms of higher skills or more motivated staff. Some companies in Wales are still sceptical about the benefits. The case studies provide ideas for overcoming the psychological barriers. In particular, we recommend:-

**RECOMMENDATIONS: *Marketing And Programme Design***

There is a clear need in the design of programme and marketing initiatives to carefully think through and 'sell' incentives for both sides. There is a large amount of information arising from research and surveys such as Future Skills Wales research and the Customer Research Strategy, which needs to be fully exploited by ELWa staff to translate employer and employee needs into programme design and marketing messages. Perhaps a useful 'strapline' to borrow is that from Skandia Initiative (see below):

*"If you think competence is expensive – try incompetence"<sup>12</sup>*

It seems equally important that, wherever possible, both employers and employees discuss the training needs of the company, the content and preferred delivery styles of the programme. This could be achieved via effective diagnostic tools, Training Needs Analyses and training plans which are integral to the overall business plans. In addition, both sides must feel fully engaged and 'own' their training, rather than having a programme imposed upon them.

With specific regard to apprenticeships, ELWa (the SSC team and other staff involved in apprenticeships) should consider work being undertaken by the Apprentices Task Force (ATF). The ATF is an independent group in the UK which aims to promote apprenticeships by engaging businesses and responding to the changing needs of employers and young people. They recently released an interim report which includes details of the ATF's work with a number of SSCs in engaging employers and tackling some of the main skills issues<sup>13</sup>. The final report will be published in June 2005. The Learning and Skills Council has acknowledged that its marketing activity needs to improve its appeal and is formulating a marketing campaign to improve the way in which apprenticeships are marketed to employers.

**CONCLUSIONS: *Networks, Shared Employer Contributions***

In addition to psychological barriers to training, many companies cite practical barriers such as those cost of releasing staff. All the case studies offer ideas (ranging from vouchers and 'time accounts' to employer contributions – voluntary or compulsory) for tackling these barriers.

The Skillnets programme in Ireland provides an excellent example of how employer networks can be used to provide a cost-effective way of bringing

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<sup>12</sup> See: [//www.union-network.org/uniflashes.nsf/2c8c0184e55e3d98c1256872003e613e/5ae0f2e00bd88d2ec1256cfb003a9d05](http://www.union-network.org/uniflashes.nsf/2c8c0184e55e3d98c1256872003e613e/5ae0f2e00bd88d2ec1256cfb003a9d05)

<sup>13</sup> The interim report is available on the following website address:  
[http://www.employersforapprentices.gov.uk/docs/research/Research\\_1\\_236.pdf](http://www.employersforapprentices.gov.uk/docs/research/Research_1_236.pdf)

businesses together to consider their workforce development issues, as well as thinking of innovative ways to collaborate to meet their training needs.

Furthermore, Skillnets has achieved networking across the full range of sectors in both urban and rural areas. Notably, the emphasis has been on encouraging employers themselves to come up with training solutions, rather than imposing predetermined training packages on them. This echoes the view from employers in Wales that they favour customised and personalised training, and are more responsive when directly involved in shaping provision.

The South Korean programme seems to have overcome the fear of poaching and through the introduction of central funds collected from employers and redistributed for workforce development. Barriers such as release of staff are tackled by Deutsche Shell through working time accounts. Belgium has used a voucher scheme specifically designed for smaller companies, which tend to underinvest in training, as well as covering costs of replacing staff during training.

### **RECOMMENDATIONS: *Further Investigation & Piloting***

Stimulating demand through employer networks and clusters is a theme that ELWa is already involved in but is explicitly seeking to expand and improve. Skillnets has over 5 years of experience in the practicalities of assembling groups of employers to discuss workforce development issues and work together to tackle skills gaps. There are also similarities in terms of geography and economic profile between many parts of Ireland and Wales. This report recommends that ELWa investigates in greater depth the numerous forms of Skillnets networks to pinpoint good practice. Lessons can be built on in Wales through ELWa and WDA's work on business/sector priorities, and its joint work on business support. Lessons may also be useful for ELWa staff in the regions tasked with supporting businesses in the more rural areas of Wales.

The other schemes noted above also merit further investigation by the Business Skills, Workplace Learning and SSC teams, to identify specific success factors. These should be mapped against past and current ELWa initiatives to establish if and how they can be improved through piloting.

### **CONCLUSIONS: *Financial Incentives; Skill Mix***

Skandia, the Swedish insurance company, successfully established a strong lifelong learning culture within the organisation through the introduction of a 'Competence Account', paid into by employee and employer alike. The success of the scheme rests largely on the belief that competence is key to competition. (see Appendix for further details) – taking us back to the first recommendation about marketing and awareness raising.

An extension on the use of financial incentives is the use of them for targeting and prioritising, be it people, companies, sectors or geographical areas. The New Apprenticeships programme in Australia operates a sliding scale of payments according to the level of training and whether training is undertaken in an occupation identified as being a skill shortage area. Allocating more resources towards meeting need in shortage areas/or towards sectors which can demonstrate greatest growth potential is an area which requires very careful planning and administration and relies on high quality labour market intelligence.

The Voucher Scheme in Belgium is another example of where financial incentives have been used to target – in this case small companies in Wallonia, which, according to labour market information, was underinvesting in its workforce. Austria operates 3 different kinds of vouchers to support the states' priorities of business start-up; further vocational training; ICT and marketing training – again, informed by labour market information on skills shortages and gaps. The South Korean VADP operates a similar scale of financial incentives according to the type and level of training supported.

Another apparently important success factor is the provision of flexible training programmes that employers can utilise in ways which best suit their needs. The best programmes combine the development of generic and transferable skills along with higher level, specialist skills. Maximising choice and flexibility in offering or gaining these skills is an issue that ELWa is currently taking forward within the context of the Credit and Qualification Framework.

### **RECOMMENDATIONS: *NPFS; Programme Design (CQFW)***

ELWa's Planning and Funding team should take note of the Austrian, Australian and Belgian initiatives in the development of ELWa's Planning Framework and Funding System. These case studies demonstrate practically how planning based on labour market and performance information can be used to vary funding and thus as a tool to prioritise Wales' sectors, regions and target groups.

ELWa's SSC team and Business Skills team may also want to investigate the project further to understand how exactly the incentives are linked to priority sectors and businesses.

Similarly, those involved in the design of workforce training should investigate exactly how programmes such as the Korean VADP have achieved the embedding of training in companies' wider business plans. These lessons should also be fed into work by ELWa and partners on management development and on the impact of management training on a business.

In terms of skills mix, the Australian and the Austrian case studies reinforce the messages which emerged from the Future Skills Wales research regarding the importance of both generic and specific skills. Such messages need to be

translated into curriculum and individual programme development by ELWa and its partners.

**NEXT STEPS**

We suggest that a series of meetings be arranged in February and March, which would result in a co-ordinated action plan by Easter 2005. This would demonstrate how the recommendations in this report are being taken forward by different teams within ELWa, and could be monitored as part of the Workplace Learning Implementation Plan. These actions could take the form of further research, influencing marketing campaigns and the operational development of learning accounts for businesses and the workforce in Wales.

## ANNEX 1: FINDINGS OF THE INITIAL REVIEW

### NATIONAL WORKFORCE DEVELOPMENT POLICIES AND STRATEGIES

Government strategies and policies adopted by areas such as Singapore, Taiwan and South Korea have focused on moving away from the dependence of low value-added to high value-added forms of production. Such strategies may hold particular relevance for Wales, given the Welsh Assembly Government's *Winning Wales* strategy, which seeks to move our economy in a similar direction.

Early research within this study revealed the diverse approaches to planning and delivering workforce development programmes at the national level. One popular approach is that of apprenticeship-type training. Different legislative and funding arrangements are deployed to overcome obstacles for individuals and enterprises to invest in this form of training.

### APPRENTICESHIPS – LEVIES AND REGULATIONS

In **France**, private enterprises with more than 10 employees contribute 1.5% of the total wage bill to a training levy (those with less than 10 contribute 0.25%). The wage costs for apprentices are covered by this levy on employers, which is then used to reimburse enterprises (a percentage of the levy may also be used to contribute to budgets for training institutions and other allowances to the apprentice).

It is unlikely, however, in the current political climate to adopt or extend the levy system in Wales beyond any developments likely to be influenced by the Sector Skills Councils.

**Denmark** has reorganised its initial training provision and has reformed the way its Collective Employer Fund is financed. All enterprises contribute to this fund, proportionate to employee numbers, and the public subsidy that used to be allocated to the fund is being phased out. Costs incurred through work placements and apprenticeships are reimbursed through this fund, which is also used to finance practical training in colleges for those without a work placement. Organised in this way, the aim is to encourage employers to want to draw benefits from the fund to which they are contributing. It should be noted, however, that social partnerships in Wales are not as strong as they are in other countries and, therefore, it is debatable to what extent it would be possible to replicate such an initiative in Wales.

In **Germany**, the public sector covers the costs of the school-based element while enterprises meet the costs of work placements. However, in Germany there is no formalised fund to reimburse these costs.



In **Italy**, legislation introduced in 1997 established that apprentices in the age group 16-26 should participate in training activities outside the workplace for at least 240 hours a year, in accordance with procedures defined in national collective agreements. The obligation to attend education or training up to the age of 18 may be fulfilled at school, in vocational training or in apprenticeship.

Based on research undertaken in this field, there is merit investigating other examples of regulatory policies that aim to increase workforce development training but which are not based upon taxation.

## **SOCIAL PARTNER AGREEMENTS**

Ireland has been cited by CEDEFOP as an area that demonstrates examples of good practice in promoting continuing training in the workplace through dialogue, collective bargaining and agreements. A new agreement between Government and the Social Partners built upon previous agreements of this nature and included a strong vocational training element and a specific programme for greater social inclusion.

The development of new business-led approaches to company training is accompanied by a requirement that all company applications for any form of state aid must be accompanied by a training plan. A commitment to lifelong learning from Government and the Social Partners; support for individuals investing in their own training, and the introduction of a "National Traineeship Programme and Certification" are also proposed.

The third area of national-level involvement is through state-led schemes such as time off for training (see below).

## **FLEXIBLE WORKING ARRANGEMENTS**

The leave arrangements for workforce training currently in operation throughout the EU Member States vary a great deal in terms of target groups and/or sectors, eligibility criteria, types of training covered as well as the regulatory and fiscal framework (some schemes provide payment to an individual taking leave whereas others do not). Most also cover both public and private sector employees although there may be more than one scheme targeted at different categories of employees.

For example, in Germany employees in most *Länder* (~states) are legally entitled to paid educational leave. Luxembourg has a separate scheme for civil servants.

Portugal operates different schemes for student workers and teachers. Some are open only to permanent employees whereas others are available to temporary

workers (e.g. Finland), fixed term contractors (e.g. France) and part-time workers (e.g. Spain).

Countries which have paid educational leave schemes have a variety of funding arrangements for the paid element. In Austria, Belgium and the Netherlands, enterprises are supported for some of the costs of training leave if they replace the employee taking the leave with an unemployed person (job rotation schemes).

## **COMPANY-LED INITIATIVES**

In addition to national policies and programmes, a number of specific programmes were encountered which were run by individual companies. Understandably, these vary in terms of approach and methods employed but proved valuable in shaping our framework.

## **COMPETENCE DEVELOPMENT SCHEMES FOR EMPLOYEES**

More and more companies are running competence development schemes for their employees. One such example is the **Skandia Competence Insurance Scheme**, that has been run by the Swedish company since 1999. Skandia offers a competence insurance account to its employees. This provides the opportunity for joint investment by both the employee and employer towards the costs of agreed study. Account holders are supported by a website that also provides them with information about their savings and allows access to information on training opportunities. Other companies are now adopting this model for supporting the development of their staff.

## **HIGHER LEVEL SKILLS AND MOBILITY WITHIN ENTERPRISES**

**The Corporate University of the Deutsche Bank (e-dbu)** was conceived as a response to the training needs of the organisation. It was initiated as a system that would integrate education in the workplace and is the over-arching structure for all activities in further education and training in the bank. Its creation was heavily influenced by American corporate thinking, which has, in recent years, led to the establishment of similar company universities in a number of large US firms. The philosophy behind the Corporate University is the notion of an individual becoming progressively mobile within the enterprise.

This model is based on the idea of moving away from the 'entitlement culture' towards new flexible forms of learning based on self-responsibility of the

employees and on the readiness of the organisation and its workers to embrace the idea of lifelong learning. This concept is very different from the current

German system, which is characterised by being certification-orientated rather than skills-orientated. However, the benefits of the e-dbu have been quicker response times in filling skills gaps and a more flexible workforce throughout the organisation.

## **NETWORKS, CLUSTERS AND CENTRES OF EXCELLENCE**

Examples of centres of excellence and networks of excellence were also noted as areas of best practice by Ashton *et al* during their research. Although Wales already has a number of successful examples of its own of implementing such initiatives this study sought to uncover further international practices of this nature and as such it forms part of the study framework.

Further examples have been uncovered during the course of this study to date in Ireland based around **Skillnets Ltd**<sup>14</sup>. Skillnets supports some 58 training networks, each of which has its own management structure and suite of training plans focused on the network's specific needs. Skillnets funds a percentage of the cost of running each individual network and the training provided by those networks. The Training Networks Programme enables companies to overcome many of the barriers that they have previously experienced in developing effective training for their companies. Further details on this programme are included in Chapter 4: Case studies.

## **NON TAX REGULATION**

The use of tax or levies as a means to drive up the demand for workforce development training will not fall within the remit of this study as neither ELWA nor the Welsh Assembly Government have tax raising powers. However, recognised national awards similar to the Business Excellence Award in Singapore, are an area which could be boosted in Wales as an incentive to drive up demand for investment and training in the workforce.

## **INTEGRATING TRAINING WITHIN WIDER BUSINESS DEVELOPMENT PLANS**

Ensuring that employers recognise training as an essential investment area in achieving their business performance goals forms a vital part of increasing the overall training culture within the workplace.

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<sup>14</sup> this example is illustrated in more detail within case studies included within this report.

Singapore has been cited as country within which initiatives have been developed that encourage employers to include training as an integral part of

addressing and improving their overall business performance<sup>15</sup>. Supporting business to value training as an essential element of their business performance will inevitably not only increase current demand for training but should also ensure the sustainability of the demand. Examples of similar practices are also offered in Finland and Ireland.

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<sup>15</sup> *International Best Practice on Workforce Development*, Ashton, Brown and Lauder, (February 2003)

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