



## ► Policy Brief

August 2020

### ► The Role of Employers in Skills Development Systems

#### Key points

- The world of work is undergoing transformative change, requiring a reinvigoration of the social contract and tripartite social dialogue on skills development
- Few countries have well-developed legal or regulatory frameworks to coordinate skills systems, and poor skills system coordination is a key challenge for more effective employer engagement.
- Skills development should be recognised as a shared responsibility whereby employers actively support skills systems, policies and programmes.
- The greater the involvement of employer and business member organizations, the greater the opportunity to close skills and labour market gaps.
- Taking a sectoral approach means employers and other stakeholders can come together to address skills requirements based on shared needs.
- Benefits to employers of increased skills engagement include ‘financial returns’ such as increased productivity, efficiency, and business innovation as well as ‘non-financial’ returns such as improved organisational culture, employee motivation and reduced staff turnover.
- The extent of social dialogue traditions and practices in a country impact upon employer participation and influence
- Barriers to greater engagement by employers include their capacity, such as:
  - limited human and financial resources (potentially exacerbated by COVID-19 impacts)
  - available technical expertise
  - access to an evidence-base for advocacy
- Employer and business member organizations should identify priority areas for advocacy and actions for improved:
  - skills policy and strategies
  - coordination mechanisms – national, sectoral, local
  - financing of skills development
  - labour market information and planning
  - staff and enterprise development

## Objective

This policy brief discusses how employers and Employer and Business Membership Organizations (EMBOs) can strengthen their involvement in skills systems, and highlights some of the benefits in doing so. Through consideration of interventions at the national, sectoral and enterprise levels, a range of strategy, policy and operational interventions are highlighted. Drawing on recent research and employer experiences, the policy brief also proposes priority areas for engagement in skills systems.



Photographer: Crozet M.

## Introduction

The 2019 ILO *'Centenary Declaration for the Future of Work'* says we are "at a time of transformative change in the world of work, driven by technological innovations, demographic shifts, environmental and climate change, and globalization, as well as at a time of persistent inequalities, which have profound impacts on the nature and future of work...(p3)". The *'Global Commission on the Future of Work 2019'* advocates for the forging of "...a new path requir(ing) committed action on the part of governments as well as employers' and workers' organizations ... (whom all)... need to reinvigorate the social contract to meet the challenges we will face in the future ..." (ILO, 2019, p10)

These are not new calls to action - the benefits of employer engagement in skills systems has been known for some time. Almost 20 years ago the UNESCO and ILO *'Recommendation for Technical and Vocational Education and Training for the Twenty-first Century'* said that such partnerships are necessary for good policy, planning and administration, and that "although governments carry the primary responsibility... in a modern market economy...policy design and delivery should be achieved through a new partnership between government,

employers and others" (ILO and UNESCO, 2002, p13). The ILO *'Human Resources Development: Education, Training and Lifelong Learning Recommendation 195'* recognised the importance for members to engage social partners/ enterprises across most skill system areas, and prioritised development of "a national strategy for education and training, as well as establishing a guiding framework for training policies at national, regional, local, and sectoral and enterprise levels" (ILO, 2004, Clause 5a) .

Employers, especially through industry skills bodies and representative organisations, can play important coordination, advisory and governance roles. The financing of skills systems through levies, training funds, and public-private partnerships benefit from contributions from employers - in monetary and non-monetary terms. Labour and skills systems rely on employers to obtain good quality data to provide for sound planning, and investments. Workforce planning and skills development in enterprises requires employers to be actively engaged in work-based learning through the conduct of apprenticeships and other initiatives to ensure their staff have the skills required to achieve business strategies. Strong partnerships with training organisations can help deliver this.

## How do employer organizations engage in skills development?

In many countries, employers are engaged in skills systems to varying degrees, although few are comprehensively engaged across all aspects and all levels (national, sectoral, local). This limited engagement is not always due to a lack of will or acknowledged need. Sometimes programs, processes and institutions in skills systems are absent or not fully constituted. The scope of employer influence and engagement tends to align with the extent to which they feel that they are taken seriously as partners in policy formulation or system settings, or whether they act in an advisory capacity only (ILO, 2020a).

TVET reforms generally focus on increasing stakeholder participation in the policy development process - the theory being that the greater the involvement of employers, the greater the provision of more relevant and responsive training, in turn creating a system better able to match the 'supply' of training delivered by the training market to the 'demand' created within the labour market (Leney 2014 et. al., in Dunbar, 2015).

However, at the national level, poor skills system coordination is frequently cited by employer organisations as a challenge for more effective engagement (ILO, 2020a). Formal partnerships - tripartite relationships between governments, employers and workers - provide the architecture for better coordinated, and responsive skills systems.



Photographer: ILO/MFA

Sub-nationally, industry skills bodies or sector skills councils provide a platform for coordination and serve as a conduit for information between government, industry and education. They play a role in industry quality assurance, advocacy, technical advice and in the more highly developed skills systems, perform a key role in the governance of skills financing, assessment and certification.

In the financing of TVET, employers can assist with the design of national training funds or levy schemes, as well as play a role in their governance, monitoring and evaluation to increase both relevance and impact. Contributions can also come in the form of Public Private Partnerships - usually at the sectoral or enterprise level - partnering with vocational training institutions through a range of business models.

Working in collaboration with government agencies and other organisations, employers can contribute to the development of labour market information and planning systems. Employer and Business Membership Organizations may take a leadership and coordination role in labour market and skills data collection and analysis – via ‘in-house’ functions, or working with their members. Participation in skills forecasting and skills anticipation activities at the national or sectoral level will help create the necessary feedback loops providing the evidence to inform skills strategies, policies and programmes, including how levies and training funds are deployed.

While much of the conduct of work-based learning and apprenticeships systems happens at the sectoral or enterprise level, employers can also play a role in the establishment and governance of national

apprenticeship systems. The engagement of employers through the entire apprenticeship life cycle helps ensure the system meets the needs of the both employers and apprentices, and employers can play an important role in translating centralised policy objectives into a local reality (ILO and OECD, 2017). Where TVET systems have a well-integrated and effective programme of on- and off-the-job training, these systems tend to be industry-led and driven by the demands of employers (ILO and OECD, 2017).

## Employer involvement in the governance of skill systems

Skills systems are complex and dynamic, requiring effective partnerships and a supporting culture of social dialogue underpinned by strong coordinating mechanisms. TVET and skills development act as a bridge between the world of education and training and the world of work in every sector of the economy, and rely on effective dialogue and interaction between education and training providers, labour market stakeholders including employers, worker representatives, and other stakeholders (Dunbar, 2013).

National Qualifications Frameworks (NQFs) have been a major feature in the reform of TVET and skills system, aimed at supporting better regulation of the provision of training and to provide more transparent information to users of the education and training system (ILO, 2020a). Where employers have been engaged in skills strategy development, reforms to the governance and design of skills systems has in many cases been stimulated by the introduction of NQFs based on occupational standards and competence-based curricula (Dunbar, 2013).

Not many countries have national apprenticeship systems which have institutional structures where social partners are equally involved in the design, implementation, and monitoring of apprenticeship training. Regardless, there are many examples of where formal and informal apprenticeships occur as a result of vocational traditions, local private sector initiatives coordinated by employers, or from initiatives arising from multi-nationals requiring specific skills (ILO, 2020a). These models of delivery highlight the fact that employers can be engaged in both formal and informal apprenticeships at different levels.

Sector skills or industry skills bodies are being established in an increasing number of countries - most frequently aligned with the main economic sectors in that country, and often rolled-out in order of importance to the economy. Employers generally report that these sector bodies are effective coordination mechanisms within a skills system (ILO, 2020a).

At the local and institutional levels, employers can play a role in governance activities – whether through participation in local consultative committees, workforce development boards, or across a range of

TVET institutions. At the institutional level, employers can provide support for more effective leadership, management, funding allocations and organisational policies. They can also assist relationships with local firms, and the application and innovation of TVET curricula (ETF, 2013). Ultimately, the contribution of employers is towards strengthening the linkages between the worlds of education and work in a defined locality or economic sector. These examples of employer involvement in governance arrangements highlight the importance of multi-stakeholder and multi-level engagement in skills systems.

## Partnerships for National Strategy and Policy

Partnerships for skills strategy and skill policy development benefit from a tripartite legal or regulatory framework, one which establishes a system coordination mechanism, and sets out the roles for each partner. Employers frequently report that there is a lack of clarity around leadership within a skills system, or by government agencies, and solutions

### Box 1: Singapore National Employers Federation (SNEF)

- Singapore operates a well-developed and coordinated tripartite system in TVET and skills development. The Singapore National Employers Federation (SNEF) and other employer organisations play a critical role in shaping skills system strategy and associated policy areas. In 2016, Singapore announced an S\$4.5b five-year industry transformation programme that aimed to integrate different transformational and restructuring efforts by enhancing partnerships among Government, companies, industries, trade associations and labour movement (Goh, 2018). The Future Economy Council (FEC) drives this transformation and it is chaired by Deputy Prime Minister and Minister for Finance, with Council members from government, industry, unions, and educational and training institutions. The FEC oversees the implementation of the recommendations put forth by the Committee on the Future Economy (CFE) and builds on the work of the earlier Council for Skills, Innovation and Productivity, including SkillsFuture initiatives and Industry Transformation Maps (ITMs). By 2018, ITMs were developed for 23 industries under 6 clusters. Together, the 23 industries cover over 80% of Singapore's GDP (Goh, 2018).
- The SNEF assesses its ability to engage in national skills planning as a positive one - "every five years in Singapore does a stocktake of our strategic direction and of our future economy. We have a Committee focused on the future economy. Employer organisations are part of the committee - including our President. There are also business owners who represent different business sectors. Together with the government and the workers union – National Trade Unions Congress – they look at the charter for the next 5-10 years. Looking at what skills sets are needed, what are the challenges in terms of manpower, the business landscapes, reviewing training grants, and necessary subsidies etc. ..."
- SkillsFuture Singapore (SSG) is a statutory board under the Ministry of Education (MOE) which coordinates the implementation of the national SkillsFuture initiatives. The SkillsFuture Singapore Agency Act 2016 (SSG Act), sets out the Board membership, and empowers the SSG Board to form committees (skillsfuture.sg). SNEF notes that being a part of the Singapore tripartite system, means "skills development always constitutes a very large proportion of discussion when it comes to manpower planning. Recently in Singapore there has been some emphasis on developing the skills set of individuals as part of lifelong learning under SkillsFuture. The Government values learning and skills development as a very important factor and allocates large amount of their budget into learning, training and development. When it comes to Human Resources and Industrial Relations, we are the employer organisation which is greatly involved, but at times we work with other Chambers of Industry and other Trade Associations..."

ILO (2020a)

they support sometimes include the establishment of a new specialised skills agency or other coordinating mechanism (ILO, 2020a).

The higher performing and more mature skill systems with strong national level tripartite approaches - underpinned by system-level strategies and coordinating bodies or mechanisms - are better positioned to grapple with complex policy domains in a challenging and interconnected world (ILO, 2020a).

## Financing

A range of mechanisms exist for encouraging and enabling private sector contributions to the cost of training. These include national or sectoral training funds which provide a source of financing outside of normal government budgetary channels, dedicated to developing productive work skills (ILO, 2020c). Training funds can be national or regional covering a range of sectors, or can be sectoral, or industry specific. They can be financed by employer levies, public subsidies or donor financing or a combination of all three. Many funds are managed by statutory, quasi-autonomous bodies under the general umbrella of a government ministry or of management councils and boards with varying degrees of autonomy and stakeholder representation (Ziderman, 2016). Many countries have established sector skills funds or national training funds, with recent estimates suggesting they operate in close to 100 countries (ILO, 2020c).

UNESCO's 2017 report on the private sector contribution to funding skills development outlines the positive externalities of training levies which include creating a means to building human capital in a context of market failure and the under-provision of continuing education. However, UNESCO (2017) also notes the potential distortions which can be found, which include raising the cost of employing people, leading employers to either reduce the number of workers they employ or compensate for the additional cost by paying lower wages. Wherever the evidence lands on the balance between positive externalities of training levies vis-à-vis the potential distortions, having tripartite governance arrangements supporting the design, management and administration would contribute to more effective implementation, helping in ameliorating the potential distortions (ILO, 2020).

Many employers do not have much influence over the direction of funds disbursement nor have enduring oversight - including instances where they participate in the relevant governance body - but they generally have influence over scheme design during the inception phase (ILO, 2020a). Employer concerns also centre on the direct and indirect value they receive from any levy system (ILO, 2020a). Participation in the design and implementation of levies and funds - supported by best evidence - is the optimal approach as all parties need to be clear about the purpose of the funds and the target objectives.



Photographer: Crozet M.

### Box 2: Skills Development Levy Systems in Southern African Development Community (SADC) Countries

- ▶ A recent (2019) ILO review examined levy-financed training funds in eight Southern African Development Community (SADC) countries: Botswana, Malawi, Mauritius, Namibia, South Africa, Tanzania, Zambia and Zimbabwe. In many SADC countries, the main stated objectives of the training funds are not well articulated, and are either not understood, or contradicted by the approved use of the funds. Statements on the main purpose of the levy often do not match with what key national stakeholders perceive the levy to be for, or what the funds actually gets spent on. Given that levy contributions come from employers, the purpose of the levy – and of the training fund itself - should clearly include identify the goal of increasing training in firms or encouraging employers to train their staff.
  - ▶ The majority of training levies in the selected SADC countries are based on payroll, ranging from 0.5% - 4.5%, with the average being 1%. A majority of all selected SADC countries apply a threshold to levy payments, under which employers are not liable to contribute. The national revenue authority is responsible for levy collection in six of the eight selected SADC countries. One of the biggest challenges faced in terms of levy compliance, is that a lack of data on firms means that collection authorities often have great difficulties in establishing who should be paying levy in the first place (and how many are not doing so).
  - ▶ A majority of employers' and workers' organisations in the selected SADC countries perceived the training levy as just another form of taxation. This is particularly the case among small firms. Employers also noted their dissatisfaction with the levy on the basis that there is a lack of clarity, transparency and/or agreement on the allocation of the levy in some cases. There is a strong perception among employers, employers' organisations and workers' organisations that the training funds are subject to political influence. Insufficient transparency in reporting an issue in several of the SADC countries under review, and also the fact that many funds had large unallocated surpluses which contributed to concerns from employers about the levy system governance.
- ILO (2020c)

While employers may finance skills systems in measurable ways through national or sectoral levies and funds, employer contributions to on-the-job training through work-based learning components are also quantifiable (although less easily so). Likewise, there are

returns to employers from investments in training and work-based learning more broadly, including through apprenticeships and internships. However, measuring returns can be complex, as highlighted in Box 3.

### Box 3: Measuring Costs and Benefits of Apprenticeships for Enterprises

- ▶ **Measuring Costs:** At the enterprise level, the most important cost factors are: apprentice wages; social security contributions; wages of dedicated training staff and the costs associated with the use of machinery and materials used for training. Other costs could include examination fees, costs of administration and the cost of external and internal courses. All these factors are relatively easy to measure. Difficulties arise however when all aspects of apprentice training are considered (such as coaching and mentoring by different staff); or in service sectors such as tourism and hospitality where equipment costs are difficult to measure; or when effort is made to determine the relative productivity of trained staff and apprentices (due to the lack of available data).
- ▶ **Measuring Benefits:** The main determinant of financial benefit is the productivity of apprentices. Apprentice productivity rises during the training process, so initial losses incurred are compensated for over the life of the program. This is the core argument for why it is attractive for enterprises to train apprentices. But there are others. Cost benefit calculations at the enterprise level usually focus on the net short term (i.e. the value of an apprentice's productive work during the apprenticeship period) and less on the long term benefits that accrue when the company employs the apprentice after the training period. In this scenario, benefits include lower costs for future recruitment of skilled workers, less attrition, and higher productivity compared to a new recruit. Furthermore, there is evidence that non-monetary benefits also accrue to enterprises that take on apprentices. These include improved work climate including (job satisfaction, team spirit, training culture, commitment to work and attitude of the staff); improved employee retention (less absenteeism and staff turnover); improved innovation and work processes as a result of the new knowledge brought by apprentices; and improved public image and reputation for the firm from taking on apprentices.

ILO (2019d)

## Labour Market Information and Planning

The production of labour market and skills intelligence plays a fundamental role in an effective skills system, although institutional arrangements vary markedly between countries (ILO, 2020a). Most commonly the government agency responsible for national statistics collects at least some labour market data. Frequently though, there are a multiplicity of government agencies, and a range of other actors including higher education institutions and employer organisations.

The absence of a comprehensive Labour Market Information System is one of the key frustrations for many employer organisations (ILO, 2020a). In the absence of such systems, the most common activity employer organisations carry out is coordinating and encouraging their members to collect and provide data which they would synthesise periodically, or in the commissioning of sectoral or other research - usually on an ad hoc basis (ILO, 2020a).

Ensuring effective skills anticipation is a long-term process, often requiring adjustment to national data collection and analysis arrangements and institutional structures. If done well, it provides the means to identify future imbalances, and brings together key actors in addressing them (ILO et.al., 2017). In theory, both individuals and firms can then take informed decisions

efficiently, while education policy can be implemented, grounded in (empirical) evidence that takes the future direction into account (ILO et.al., 2017). The different methods used range from analysis of labour market trends, to analysis of gaps, and then policy responses such as fostering cooperation and interaction between firms and education and training institutions, although the link between data and the implementation of policy and practice remains the most difficult aspect to get right (ILO et.al., 2017).

Sectoral approaches to gathering labour and skills information encompass a range of different tools and methodologies, both quantitative and qualitative, although the emphasis tends to be on the latter (ILO et al. 2016). Sectoral approaches to skills anticipation are an important part of the 'toolkit' linking economic and skills development, but are best undertaken as part of a larger whole - taking an holistic view of the issues involved in economic development and linking that with skill needs at the sectoral level (ILO et. al., 2016).

Insufficient or inaccurate data about skills and the labour market means skills system decision-making is done in the absence of a strong evidence-base. Whether conducted as part of a holistic programme or focused more narrowly, the main rationale for this sectoral work is that market failures in skills development help make a case for government interventions (ILO et. al., 2016). Understanding technologies and markets at the detailed



Photographer: Crozet M.

sectoral level and involving representatives of employers and workers at that level, are crucial (ILO et. al., 2016).

As such, employers have a key role to play in the collection, analysis and reporting of labour market information. Failure to participate and articulate their needs may leave employer and business membership organisations open to criticism when they highlight the failure of education and training systems to meet industry skill demands.

## Sectoral Approaches

Taking a sectoral approach means that a clear set of stakeholders can come together to analyse skills requirements based on shared needs in a specific sector (ILO, 2017b). A sectoral focus is also a useful organising structure as employers' organizations, faculties or departments of education, research institutions, development agencies and regulatory bodies often take this approach in dealing with industry workforce needs (ILO, 2017b). There are several models of industry or sector skills bodies - from skills advisory committees within peak industry bodies, to separate industry skills entities, such as sector skills councils, operating under a broader umbrella skills agency (ILO, 2020a). Whatever the terminology and precise functions, "successful sectoral approaches are demand-led as they increase

the participation of firms, associations and other key stakeholders with representation in the industry sector" (ILO, 2017b).

Depending on the responsibilities negotiated with government, sector bodies may have a range of roles and functions within a skills system. Some sector bodies have only an advisory role while others have far more developed management and regulatory functions that carry substantial responsibility in some national systems. In general, the more extensive the role and greater the responsibilities, the more likely it is that meaningful and high-level industry engagement will occur.

Several factors influence sectoral priorities, including:

- ▶ recent and projected employment growth: sectors with growing employment will need more workers with appropriate skills.
- ▶ the impact of new laws, regulations or trading arrangements: sectors adopting new regulatory frameworks or market requirements often require new skills and have to meet new training standards.
- ▶ the impact of digitalisation, new technology and innovative work practices: sectors adopting new equipment, software and work processes require people with different or completely new skills (ILO, 2017b),

### Box 4: Sector Skills Councils in Hungary

Seeking to improve coordination across the skills and TVET system, Hungary set up a coordinating mechanism with broad membership focused on innovation, as well as several coordinating bodies at the sectoral level. Firstly, an amended Act on Vocational and Adult Training opened the way for establishing sectoral skills councils (SSCs) in Hungary in 2017. A sectoral skills council can be considered representative in Hungary if at least 51% of its members are economic stakeholders working in the same sector. SSCs establish their own procedures and are coordinated by the Hungarian Chamber of Commerce and Industry (and the Hungarian Chamber for Agriculture for its own sectors). There is a plan for 20 sectoral skills councils to be set up for 41 economic sectors – at least half a dozen had been set up or were in train during 2018. (Cedefop 2018)

To address system-wide coordination needs, Hungary also set up a VET Innovation Council (SZIT) (Cedefop, 2018) which has wide ranging membership including governmental bodies, VET institutions, teachers; chambers of commerce and industry, employer/business associations, trade unions; and representatives of large companies and advocacy bodies. The mission of the Council is as a debating and advisory body, and in cooperation with the main VET advocacy bodies, it is expected to support demand-driven transformation of the VET system. It will formulate proposals for policy decision-making and support implementation of initiatives in VET and adult learning.

The Hungarian Hospitality Employers' Association (VIMOSZ), one of the participants of the Council observed that, "... employers are involved in the working group meetings of the Vocational Innovation Council. These meetings focus on specific areas of vocational education, and the Hungarian Industry Association (Business Hungary) has put forward delegates. Our association sent delegates in three of these groups. There seems to be very good coordination via these groups. These are always headed at the General Manager level of the Ministries, or by someone in charge of the focal area. The meetings are usually very informative with around 25 experts gathered... (and) ...after exchanging in 3-5 meetings, we seem to have become very efficient. The people around the table - including representatives of vocational schools, private schools, and big companies like Audi - have a lot of knowledge with wide-ranging expertise. The contributions of employers and practitioners mean that the solutions are more practical than they otherwise might have been. Sometimes the Secretary (of the Ministry) joins the working groups and so there is an opportunity to have very direct and efficient engagement..."

ILO (2020a)



Photographer: Crozet M.

One of the challenges for the sector skills bodies model, especially within a siloed wider system, is to effectively address the more complex cross-sector skills development issues. The 2019 ILO report on 'Skills for a Greener Future...', notes for example that "...policy-making structures and processes are not designed by default to deal with cross-sectoral topics. Ministries dealing with the workforce and its training often tend to be excluded from decision-making, while the incorporation of social partners and other stakeholders depends greatly on the general degree of their engagement in policy-making, and in most developing countries there is need for improvement" (ILO, 2019f, p190). The active involvement of social partners is needed to accelerate a 'just transition' and "national or sectoral skills councils can play a central role not only in driving well-informed policy- and decision-making in greening economies, but also in developing and designing appropriate and effective measures to reduce skills shortages and gaps" (ILO, 2019f, p190). However "some countries also have transversal bodies— industry-led organizations that work across a group of sectors or on cross-cutting themes, such as managerial skills, innovation and information and communication technology " (UNDP, 2017, p44) which can take on these challenges when other mechanisms fail.

## Staff and enterprise development

In many middle and high income countries, the ageing of the workforce is a feature, while in lower income countries, there tends to be high youth unemployment and high degrees of economic informality (2020b). Planning strategically to upskill, reskill and redeploy workers, as well as planning succession in key functions is a key challenge for the HR function in enterprises (2020b). Small-to-medium enterprises (SMEs) in particular, frequently do not possess the capacity to guarantee sustainability of business or to manage steady expansion in line with a strategic business vision, and may have low levels of readiness to deal with external disruptions to their activity (2020b). More than that, they need to adopt a strategic posture towards the management and development of their employees, which reflects long-term concerns linked to business sustainability, diversification and expansion i.e. a clear business strategy. Current realities in low-and-medium income countries display precisely the opposite situation, in which survival and short-term concerns dominate business operations where the link between skills, productivity and business strategy are poorly understood (ILO, 2020b).

Employers invest in skills development to build opportunities for innovation and to improve value chain competitiveness through the hiring of workers with relevant skills - leading to increased productivity, a reduction in recruitment costs, and reduced staff turnover (OECD, 2017). The OECD's Survey of Adult Skills confirms that "the way skills are used in the workplace is a key determinant of labour productivity: for example, differences in the average use of reading skills explain around 30% of the variation in labour productivity across countries, even after taking the actual skills possessed by the workforce into account" (OECD, 2017, p15).

The Global Competitiveness Report for 2019 noted "that 10 years on from the financial crisis ... productivity-enhancing investments such as new infrastructure, R&D and skills development in the current and future workforce have been suboptimal. ...(It) is crucial for economies ... to allocate more resources towards the full range of factors of productivity to fully leverage the new opportunities provided by the Fourth Industrial Revolution" (WEF, 2019, pV). While the impacts of COVID-19 are still unfolding, as well as the responses to it, the importance of skills as a factor in productivity remains both an opportunity and a challenge.

Taking a methodical, strategic and sectoral approach to workforce development needs a range of strong partnerships with government, training providers and other enterprises to create highly skilled employees through apprenticeship and other work-based learning activities. "Workforce development and industry clusters have also become a focus in skills development initiatives and often incorporate the clusters' value

chain, which may form part of another industry sector, yet contain roles vital to the functioning of the target sector" (UNDP, 2017, p44).

## Public-Private Partnerships in Skills

In general terms, Public Private Partnerships (PPP) are an important means of establishing linkages with the private sector in moving towards a more 'demand-driven' skills system (ILO, 2019b). They can take many forms but include training partnerships with TVET institutes where industry gains access to industry-ready job seekers, through the training of workplace trainers and through support for other workforce development and human resources initiatives (ILO, 2019b). These benefits are above and beyond the benefits to enterprises provided by their participation in Corporate Social Responsibility initiatives. In other words, PPPs in skills development make good business sense.

However, there is no 'one size fits all' template for planning and implementing a successful PPP (ILO, 2019b). Regardless, trainers and managers, within training institutions, work with industry by forming partnerships and developing networks and as in any partnership, roles and responsibilities of each party should be clearly determined from the outset (UNDP, 2017). An agreement should set out the roles and responsibilities of the institutes and enterprises such as the sharing of infrastructure, equipment and raw materials; teaching staff; training facilities; placement possibilities for students as well as for exposure to industry through visits and attachments (ILO, 2019b).

### Box 5: Bangladesh Skills for Employment and Productivity Pilot Projects

The ILO Bangladesh Skills for Employment and Productivity (B-SEP) project piloted PPPs in 2014 and 2015. As part of the pilot, the project introduced five partnerships between public sector training institutes (i.e. TVET institutions) under the Directorate of Technical Education and selected private sector enterprises to test and demonstrate different models of PPP and varied ways to leverage private investments for promoting skills linked to local labour market needs. Industry partners supported the pilot by contributing:

- Industry experts who trained students in the latest techniques and help update practical skills of teaching staff.
  - Work placements for students for hands-on experience and industry tours for familiarization
  - Job placements for successful graduates
  - Training materials, consumables and infrastructure to augment those available at the public institutes for training.
  - Whilst recognised a success by the Bangladesh Employers Federation (BEF), a review of the pilot initiatives identified some challenges and lessons:
  - The need for adequate staff capacity to manage the on-the-job placements and industry linkages.
  - The need to link PPP training with the regular training of an institute, avoiding additional responsibilities for existing staff.
  - The desirability of sustainable funding arrangements for PPP implementation and activities
  - Ensuring more flexibility so that decision-making is not a lengthy process due administrative rules and procedures.
- ILO (2019b)

## Work-based learning and apprenticeships

Work-based learning refers to all forms of learning that takes place in a real or simulated work environment. Apprenticeships (both formal and informal), internships, traineeships and on-the-job training are the most common types of work-based learning. These types usually – but not always – combine elements of learning in the workplace with classroom-based learning and it demands close collaboration between social partners, enterprises, public authorities and TVET institutions.

‘Quality Apprenticeship’ training systems are where the employers play a leading role in their development and implementation (ILO, 2017a), and such systems cannot expand and become a recognised pathway from school to work without the strong involvement of employers (OECD, 2015).

### Box 6: Quality Apprenticeships

‘Quality Apprenticeship’ training systems can involve the following roles and responsibilities for employers:

- Engaging in social dialogue and actively participating in policymaking regarding apprenticeships, particularly at the sectoral level through sector skills councils;
- Building confidence and trust among stakeholders;
- Providing advice to policymakers and assisting member enterprises;
- Informing and encouraging other enterprises to offer apprenticeship positions;
- Where appropriate, incorporating apprenticeships into the agenda of collective bargaining and collective agreements;
- Supporting the design, implementation, monitoring and evaluation of programmes;
- Contributing to the development of occupational competency and qualification standards;
- Participating in assessment certification procedures; and
- Providing training for enterprises so that they can deliver quality on-the-job training.

ILO (2017a)

Employers can take a leadership role in steering apprenticeship programmes at the national, sectoral and local levels. An increasing number of companies are taking a more active role by directly partnering with schools, non-profits and governments to directly improve educational outcomes through apprenticeships and other work-based learning programs (ILO and OECD, 2017). Employers can also play a role in raising awareness about work-based training opportunities to students at the secondary level, developing integrated pathways and partnerships between workplaces and secondary education to improve the ‘talent pipeline’ (ILO and OECD 2017).

Employers are also able to help ensure curricula and competencies remain up to date with the needs of the labour market, which can in turn improve the value and employment prospects associated with apprenticeship programmes (ILO and OECD, 2017). The strongest models of work-based learning are based on the sustained efforts and active collaboration between governments, employers and workers at all levels.

Although it remains an under studied field, the overall consensus is that apprenticeships bring value to enterprises across different trades, sectors and regions - even if there is a higher cost at the beginning or during the apprenticeship the benefits even out over time (ILO, 2018b). “How quickly net benefits are generated depends on the company size, sector, duration of training, the extent to which apprentices are engaged in real work/production processes and whether apprenticeships are subsidized” (ILO, 2019c). Employer Organizations can play a major role in promoting apprenticeships and work-based learning in enterprises, setting out the positive impacts they can have on productivity and human resource development, ideally using real data on returns where it exists (ILO, 2019c).

In some apprenticeships systems, intermediary organisations support employers and facilitate apprenticeships schemes and training. Typically, these organizations undertake one or more of the following activities:

- employ apprentices as a third-party employer;
- train apprentices as part of a specific arrangement with groups of employers;
- undertake other apprentice support activities on behalf of an employer or a specified group of employers (ILO, 2019c).

Box 7 highlights the roles played by intermediary organisations in the apprenticeship system in the USA.

### Box 7: Intermediaries

There are seven ways in which intermediaries assist with apprenticeships in one particular programme (the “IMT model” in the United States) which managed by a private organization in conjunction with a number of stakeholders in eight States:

1. connecting business and industry groups to organized labour partners;
2. aggregating the needs of small employers within industry sectors;
3. conducting industry engagement and outreach;
4. supporting apprentices’ progress;
5. building relationships with community colleges;
6. sponsoring apprenticeships (obviating the need for government approval for each apprentice);
7. researching and documenting promising practices

ILO, 2019c

Intermediary organizations provide a useful conduit for the dissemination of information, encouraging employers to recruit and to improve apprentice retention and completion rates, and often possess expertise in matters specific to young people and to disadvantaged groups (ILO, 2019c).

### Barriers to engagement

While there are many barriers to greater and more effective employer engagement in skills systems, there are a few intractable challenges – and not just related to skills development. As such, engagement strategies need to factor in ways to minimise or mitigate the challenges where feasible.

### Employer capacity

**Financial and Human Resources:** Many micro, smaller and medium enterprises lack sufficient funds to meet operational costs and often do not have a dedicated human resource management function. The economic and other effects of COVID-19 will also continue to put pressure on these organisations’ positions and willingness to participate in skills development, in particular at the enterprise level. They may be understaffed, with limited ability to assess the needs



Photographer: Crozet M.

and priorities of themselves or their membership. This situation may be exacerbated by employers who do not have engagement strategies.

Carving out time is necessary to engage in skills systems – whether that is through a busy period of skills system reform or routine activities - time, which is usually direct competition with an employer’s business-as-usual activities.

**Creation of an evidence base:** EMBOs sometimes lack the capacity to do research or conduct membership surveys etc to collect information and data. Where data exists, the capacity to analyze or convert analytical results into advocacy may be limited.

**Technical expertise:** Lack of readily available technical expertise within EMBOs particularly (but also enterprises) also constrains capacity to engage. Although wider networks and employer membership organizations may be tapped, the reliance on consistent volunteer contributions can be high.

**Advocacy at the political and administrative levels:** In some countries, the ability for EMBOs to engage and advocate on skills issues – even with a modest evidence-based advocacy programme – can be disrupted due to changes of government or Ministerial leadership. These changes produce high transaction costs and discourage ongoing involvement.

**Skills development issues are not high priority:** Not all EMBOs and enterprises attach adequate importance to the issue of skills development due to weak human resource management systems and limited understanding of the link between productivity and skills.

## Social dialogue

Limited or no tradition of social dialogue: In many countries, governments still do not see EMBOs as sharing leadership responsibilities in skills systems. As such, limited meaningful opportunities are provided for employer engagement which reinforces mutual distrust and limits the potential for increased engagement. Such arrangements act as a disincentive for employers to become involved, creating a negative feedback loop that benefits no one.

## Priority Areas

To advance engagement in skills development EMBOs – and enterprises, as relevant, should consider the following priority areas:

### General

- **Prioritise skills development**, recognising it is a shared responsibility whereby employers support and contribute to more effective development and

utilisation of skills through their active engagement in skills systems, policies and programmes.

- Analyse **capacity requirements** of employer and business member organisations for more effective engagement and advocacy across the various domains of skills systems and TVET.
- Deliver an **advocacy programme** aimed at governments and other stakeholders which address the gap areas in skills system coordination; financing; labour market information and planning; and staff and enterprise development.

## Skills Systems Coordination

### Partnerships for Policy and Strategy:

- Advocate for the employers’ role to be clearly established when legal or regulatory frameworks, tripartite agreements or national skills policies are being developed. The process of creating these frameworks and policies should include employers.
- Develop options for new and/or improved coordination mechanisms, at all levels, which may be explored with relevant government agencies, and advocate involvement in existing or new coordination measures to ensure skills development is addressed at different levels and in different forums.
- Advocate for social dialogue arrangements or collective bargaining agreements to include issues related to skills development.
- Advocate and identify opportunities to create sectoral approaches to skills development to improve how employers and training systems address skills issues in priority sectors.

## Financing

**Levies and training funds:** Advocate for a significant role in governance arrangements of levy-based training funds and in the design, development, development and performance review of other financing mechanisms and incentives.

## Labour Market Information and Planning

**Labour Market Information Systems:** Engage with government to contribute to the strengthening of LMIS systems for skills development and to ensure that effective coordination mechanisms are established involving employers.

**Employer Surveys:** EMBOs should encourage and support enterprises to participate in research and monitoring of skill needs and related policy and program labour market issues

## Staff and enterprise development

**Work-based learning and apprenticeships:** Advocate for 'Quality Apprenticeship' systems where employers are involved with government(s) to lead efforts to implement work-based learning arrangements for their members/employers.

**Strategic human resource development:** Employer and business member organisation should encourage and support enterprises to give greater priorities to strategic human resource management and to increase investment in skills development of their staff and improve the utilisation of skills in enterprises

## Conclusion

Skills development in the current context of transformative global economic and environmental change requires a reinvigoration of the social contract through strong tripartite social dialogue.

Better coordinated skills systems - through appropriate legal or regulatory frameworks - encourage the greater

involvement of employer and business member organizations and enterprises, and a sense of shared responsibility. Bringing skills and the labour market closer together is a key goal and deploying sectoral approaches may help in doing so.

The main skills engagement areas for employers centre on system coordination mechanisms/frameworks, financing, labour market information, and staff and enterprise development.

Increased engagement by employers sees 'financial returns' through gains in productivity, efficiency, and business innovation, as well as 'non-financial' returns through improved organisational culture, employee motivation and reduced staff turnover.

Notwithstanding the potential barriers around social dialogue traditions in a country, and employer capacity to engage the need to develop skills strategies and action plans at all levels – national, sectoral and enterprise – is clear.



Photographer: Crozet M.

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