

Best Practice in Sustaining the Financing of Training Through Continuous Improvement of the Levy-Grant System

Technical and vocational education and training (TVET) is very expensive and governments are obliged to explore different sources of funding. If funding is in short supply, it is likely to create a mismatch between the training that the students receive and the needs of industry. Quality TVET is particularly expensive as it needs a relatively low trainee/trainer ratio, workshops of reputable standards, regular investment in new equipment, and the maintenance and repair of existing equipment. Without the necessary funding, it is impossible to sustain quality training, invest in new projects in order to better respond to the needs of industry and to pay competitive salaries to attract suitably qualified teaching staff. So the fundamental question is: **who must pay for this?**

Financing is one of the central issues in any strategy or reform of TVET. It has been argued that the funds devoted to TVET are insignificant compared to the overall budget allocated to education, despite the essential role that TVET plays in promoting economic growth and bringing socio-economic benefits to society in general. In Mauritius, 97% of the government grant for TVET for the financial year 2008/2009 was devoted to staff costs. Hence, the Industrial and Vocational Training Board (IVTB) has had to generate additional revenues to balance its budget.

In 1987, the Mauritius Employers Federation (MEF) decided that training should be discussed at the quarterly meetings held between the private sector and the government. The MEF took the lead and produced a working paper on technical training and the limited availability of finance tabled at a joint public/private sector meeting held in the Prime Minister's Office. The MEF's working paper led to the Industrial and Vocational

Training Act, 1988, which proposed the setting up of an Industrial and Vocational Training Board (IVTB).

The MEF proposed a training levy paid by all employers equivalent to 1% of the wage bill. Having the levy proposed by the stakeholders themselves is the ideal scenario as they might otherwise consider themselves as the "victims". Employers would be refunded a certain percentage of the costs incurred in investing in the training of their own employees. Hence, the necessary regulation was adopted in 1989 to impose a training levy of 1% of the wage bill for all private companies. This grant system has been constantly revisited and improved in the following years. Bold decisions were taken whenever required.

The representative of the MEF on the IVTB Council had to face the misgivings of some industries regarding the payment of the levy. The training levy was meant to enhance employers' interest to invest in the training and development of their own employees in order to enhance



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productivity. Linking the levy and a grant refund together and advocating that it would be better for the companies to make the initial payment encouraged the private sector to propose training programmes for their employees and claim for refunds. The fact that the employers were paying the levy encouraged them to become interested in the outcomes and even the few enterprises that initially opposed the levy eventually became its greatest users. Some cases of abuse were noted as some training institutions now saw training as a lucrative business.

It was decided that the levy was to be paid monthly to the Contributions Section of the Ministry of Social Security, National Solidarity and Reform Institutions. The levy would then be remitted to the IVTB after a deduction of 4% administrative commission.

Various factors have contributed to the success of the Mauritian training levy-grant system, including its ownership by the private sector, the method of collecting income, and the constant monitoring and reviewing of its implementation. This close partnership between the government and the private sector was reinforced through the creation of the Council of the IVTB, where there is parity between public and private membership.

Over the last twenty years, the levy-grant system has made a crucial contribution to the training arena in Mauritius, having made it possible for more than 50% of the Mauritian labour force to benefit from some form of training.

Introduction

Technical and vocational education is used as a comprehensive term referring to those aspects of the educational process involving, in addition to general education, the study of technologies and related sciences, and the acquisition of practical skills, attitudes, understanding and knowledge relating to occupations in various sectors of economic and social life (UNESCO, 2001).

Financing is one of the central issues in any technical and vocational education and training (TVET) strategy or reform being discussed and implemented in any country, and appears on the agenda of any regional/international workshop/conference on TVET. It has been argued that the funds devoted to TVET are insignificant compared to the overall budget allocated to education by various governments, despite the fact that TVET plays an essential role in promoting economic growth and the socio-economic development of countries and has benefits for individuals, their families, local communities and society in general. However, quality TVET is very expensive as it needs workshops of reputable standards and also requires regular investment in new equipment, as well as the maintenance and repair of existing equipment. This demands heavy financial and recurrent capital to respond effectively to the needs of the existing labour market and to the ever-increasing use of technology by industry.

On the other hand, human resources with industrial experience are expensive since the training centres seeking to recruit new staff must compete with private industry that has a better capacity to pay these experienced professionals. It must also be emphasized that quality TVET delivery warrants a relatively low trainee/trainer ratio, since high enrolments in intensive practical programmes would compromise the quality of learning outcomes, thereby increasing unit cost.

Only a few governments in Africa and Asia are able to finance TVET at a level that can support quality training. Ethiopia spends only 0.5% of its education and training budget on TVET, while Ghana spends only about 1%. In Sub-Saharan Africa, government investment in TVET is on average between 2 and 6% of the total educational budget. Mali and Gabon spend a relatively higher percentage of the budget on TVET with 10% and 12.7% respectively. Nevertheless, in many countries the grant that the government provides is barely sufficient to pay the salaries of training centre staff, leaving an underfinanced TVET system with practically no funds at all for capital investment and sustained TVET development (Verspoor & Bergman, 2008). In Mauritius, for example, 97% of the grant received from the government for the financial year 2008/2009 was devoted to staff costs. Hence, the Industrial and Vocational Training Board (IVTB) had to generate additional revenues to balance its budget.

Yet, without the necessary funding, it is impossible to sustain quality training and invest in new projects in order to better respond to the needs of industry. This situation is likely to result in creating a mismatch between the training the students receive and the needs of industry. So the fundamental question is: who must pay for training? Is there a single model for funding that can be applied in all countries? The answer is no. There must be a blend of government funding, employer funding, fund-raising, revenue generation, etc., depending upon the different types of training offered. Financial schemes or other forms of assistance vary from country to country (UNESCO-UIS & OECD, 2002).

In Mauritius, a training levy of 1% on basic wage bills in private-sector companies was introduced in the early 1990s to complement the government's financial contribution to the IVTB according to an agreed-upon formula. It was followed by a levy-grant system initiated one year later wherein employers were refunded a certain percentage of the costs incurred in investing in the training of their own employees. This grant system has been constantly revisited and improved to better

respond to the needs of industry and the vision of the Mauritian government. The public/private partnership (PPP) was instrumental in the review decisions and implementation, as well as in the success of the Mauritian levy-grant system.¹

In Tanzania and Malawi, a proposed 2% TVET levy on the total annual wage bill of companies was a source of problems when it was first introduced. The private sector viewed the levy as simply another form of tax. In Malawi, the levy had to be reduced to 1% of the total annual wage bill due to private-sector resistance. In South Africa, it represented 0.55% of total remuneration between 1 April 2000 and 31 March 2001, and 1% from then onwards. In Zimbabwe, it is 1% for all employers with a wage bill of Z\$2000 value per month (Durango, 2002). However, in Malawi, through Information Education and Communication (IEC) campaigns, the number of private companies paying the levy voluntarily is increasing every year as is the total levy. The private sector in general now understands the need to have a fund that is used for training the national workforce.

Despite the fact that, in one way or another, TVET has been very closely correlated with the economic development of Mauritius, serious development in Mauritius did not begin to take place until the creation of the IVTB and the introduction of the training levy, leading to sophisticated financial incentives for the private sector. The levy-grant system has been a success story in Mauritius as, without it, the training of over 50% of the Mauritian labour force would not have been possible and the IVTB, which is considered a model in this part of the world, would not have been able to reach its present high level of development.

Various factors have contributed to the success of the Mauritian training levy-grant system, including its ownership by the private sector, the method of collecting income, and the constant monitoring and reviewing of its implementation. This paper attempts to present as a "best practice" the continuous improvement of the training levy-grant system in Mauritius.

List of Abbreviations

| | |
|--------|---|
| BPO | Business Process Outsourcing |
| CSO | Central Statistic Office, Mauritius |
| CTO | Central Training Office |
| F/Y | Financial Year |
| HRDC | Human Resource Development Council |
| ICT | Information and communication technology |
| IEC | Information Education and Communication |
| ITTC | Industrial Trade Training Centre |
| IVT | Industrial and Vocational Training |
| IVTB | Industrial and Vocational Training Board |
| MEF | Mauritius Employers Federation |
| NTF | National Training Fund |
| OIF | Organisation Internationale de la Francophonie |
| PM | Prime Minister |
| PMO | Prime Minister's office |
| PPP | Public Private Partnership |
| TSMTF | Technical School Management Trust Fund |
| TVET | Technical and Vocational Education and Training |
| UN | United Nations |
| UNESCO | United Nations Educational, Scientific, and Cultural Organization |

¹ Personal communications to the author by the Ex-Chairman and the Director of the Mauritius Employers' Federation (MEF), R. Du Mee and A. Jeetun, November 2009.

The Adoption of a Training Levy in Mauritius

Training is very expensive and governments cannot sustain the financing of quality training entirely on their own. Different possible sources of funding should be explored and appropriate decisions taken to adopt alternative sources to the satisfaction of all partners. The best alternative would be to have the proposal come from the main stakeholders and beneficiaries—the private sector.

The decision to adopt and impose the training levy in Mauritius

Training has a very long history in Mauritius dating back to the beginning of the twentieth century. Over the years, many attempts were made to introduce technical and agricultural training, but without success since public perception favoured traditional academic education. The first Industrial Trade Training Centre first saw the light in 1967 as a joint project between the International Labour Organization and the Government of Mauritius. Gradually over the years, a maritime training school was opened in 1970 followed by the first hotel and catering school in 1971. In 1982, the Lycée polytechnique of Flacq was launched with the financial assistance of the French Government. A Central Training Office (CTO) Act was approved in 1984 for training co-ordination in the private and public sectors, but the Act was never proclaimed for one reason or another.² Unfortunately, the training delivered was supply-driven, isolated from industries, insufficient and of poor quality. The result was a labour mismatch and a shortage of the skilled manpower that Mauritius really needed as it embarked on its emerging manufacturing phase—the second cycle of its economic development which focused on the textile sector and related industries.

Poaching of trained labour became rampant with companies recruiting labour already trained by the few competitors who believed and invested in training. This caused a great deal of ill-feelings. The Mauritius Employers Federation (MEF) decided that training should be discussed at the quarterly meetings held between the private sector and the government. The MEF took the lead and produced a working paper on technical

training tabled in 1987 at a joint public/private sector meeting held in the Prime Minister's Office. Here, many issues were raised, including the limited availability of finance for training, and the proposal was tabled to set up a private/public sector joint committee with the objective of re-examining the entire problem of training in Mauritius and to come up with an implementation programme. The MEF's working paper led to the Industrial and Vocational Training (IVT) Act, 1988 (Government of Mauritius, 1988b), which proposed the setting up of an Industrial and Vocational Training Board (IVTB) and allowed the minister responsible for training to make regulations introducing a training levy. In fact, Section 14 of the IVT Act, "Imposition of Levy", states that (Government of Mauritius, 1989a, 1989b): "The Minister may, for the purpose of financing the activities of the Board, impose, after consultation with the Council, such levy on such category of employees as may be prescribed."

The Act itself was drawn up jointly by the public and private sectors and was presented by the then Prime Minister of Mauritius, Sir Aneerood Jugnauth. Jugnauth introduced the Act by saying: "What is equally significant is the unstinting support of private sector employers and businessmen at large. The support of the private sector is no empty promise. It is backed by financial terms and employers will contribute towards the setting up of a levy-grant system which will be backed up by contributions from the government" (Government of Mauritius, 1988a). This close partnership with the private sector was reinforced through the creation of the Council of the IVTB, where there is parity between public and private membership with a view to ensuring maximum co-operation between the government and the private sector. The IVT Act was adopted in April 1988.

From the very first Council meeting, it was again the representative of the MEF who proposed a contribution from all employers (a training levy) equivalent to 1% of the wage bill. The Council agreed to the proposal; a regulation was made to legislate the imposition of the levy in January 1989 and was amended in the following February. The regulation states:

1. Every employer shall, in respect of every employee, other than a household worker, who is an insured person, pay a levy in accordance to paragraph (2)
2. The levy shall be at the rate of one per centum of the employee's total basic wage or salary, excluding overtime, bonuses and allowances (Republic of Mauritius, 1989a, 1989b).

Acceptance of the levy by the private sector

No company would welcome the imposition of a training levy that was considered as an additional tax. But if the proposal came from the private sector itself and if it were accompanied by incentives that benefited companies contributing to the levy, it would certainly prove to be less difficult to have the training levy accepted by companies.³

In Mauritius, the representative of the MEF on the IVTB Council had to face the misgivings of some of the board members regarding the payment of the levy.⁴ However, according to this person, he managed to convince them by linking the levy and a grant refund together and advocating that it would be better for the companies to make the initial payment as this would encourage them to propose training programmes for their employees and claim for refunds thereafter. In his words, "it was not difficult to persuade employers and acceptance was almost general. Some of those expressing

² Personal communication to the author by the former Chief Executive of the MEF, Mr Ricaud, November 2009.

³ Personal communication to the author by the ex-Chairman of the MEF, R. Du Mee, November 2009.

⁴ Personal communication to the author by the former President of the MEF, Mr Ricaud, November 2009.

TABLE 1: The levy collected and grants refunded over the years together with the number of trainees benefiting

| | Levy collected | Grant refund | Grant refund as % of levy collected | No of trainees |
|--------------|----------------|--------------|-------------------------------------|----------------|
| 1988/89 | 14.8 | 0.0 | 0.0% | 0 |
| 1989/90 | 39.7 | 0.0 | 0.0% | 0 |
| 1990/91 | 49.3 | 2.4 | 4.9% | 8,507 |
| 1991/92 | 60.9 | 7.2 | 11.8% | 5,510 |
| 1992/93 | 66.5 | 12.9 | 19.4% | 6,020 |
| 1993/94 | 71.6 | 14.0 | 19.6% | 13,903 |
| 1994/95 | 76.9 | 16.6 | 21.6% | 15,006 |
| 1995/96 | 89.3 | 18.8 | 21.1% | 17,515 |
| 1996/97 | 101.5 | 23.0 | 22.7% | 12,525 |
| 1997/98 | 108.2 | 35.3 | 32.6% | 12,500 |
| 1998/99 | 117.8 | 42.1 | 35.7% | 18,001 |
| 1999/00 | 133.0 | 108.7 | 81.7% | 26,020 |
| 2000/01 | 145.2 | 103.2 | 71.1% | 30,182 |
| 2001/02 | 155.9 | 90.6 | 58.1% | 25,506 |
| 2002/03 | 160.5 | 103.5 | 64.5% | 31,424 |
| 2003/04 | 186.3 | 201.3 | 108.1% | 52,700 |
| 2004/05 | 193.1 | 92.9 | 48.1% | 26,217 |
| 2005/06 | 211.6 | 125.0 | 59.1% | 40,740 |
| 2006/07 | 232.9 | 159.0 | 68.3% | 44,855 |
| Total | 2,215 | 1,157 | | 387,131 |

scepticism at the beginning, considering that their employees did not need training, finally became the champions of training for their employees." It is interesting to note that it was the MEF that convinced its members to contribute 1% of their employees' wage bill as a training levy, and in return benefit from a refund of the costs incurred in relevant training of their employees through a scheme to be set up.⁵

Hence, the necessary regulation was adopted in 1989 to impose a training levy of 1% of the wage bill for all private companies except charitable companies (Government of Mauritius, 1989b). During the first financial year, between July 1988 and June 1989, 14.8 millions of Mauritian rupees (Rs14.8m) were collected through the levy, followed by Rs39m in the financial year 1989/1990 and Rs49.3m in 1990/1991. It is evident that the

levy collected over the years increased alongside the number of people employed in the private sector and their salaries (see Table 1).

Collection of the training levy

A crucial decision that would have an impact on the success of the levy was certainly the method of collection. It threatened to be a major administrative hassle and there was also the possibility that firms would find ways to avoid paying the levy. To overcome these difficulties, it was considered advisable to make use of an existing system that had proved itself.

In Mauritius, this matter was also addressed in the regulation. It was decided that the levy was to be paid monthly to the Contributions Section of the Ministry of Social Security, National Solidarity and Reform Institutions.

The levy would then be remitted to the IVTB at such intervals and subject to terms and conditions as agreed upon between the ministry and the IVTB. The decision to use the existing system of the Ministry of Social Security, where all employers must pay a social contribution for their employees, was a wise one. Instead of collecting 6% of the wage bill of each employee as a contribution towards the pension fund from the employer, the ministry now started to collect 7% of the wage bill. At the end of every month, the contribution was transferred to the IVTB after a deduction of 4% commission on the total contribution (Government of Mauritius, 1989b, 1990).

The uniqueness of the Mauritian levy system

Having the levy proposed by the stakeholders themselves is the ideal scenario as they might otherwise consider themselves as the "victims". Hence, there should be a catalyst somewhere that encourages the private sector to come forward with the training levy where appropriate.⁶

The fact that it was the Mauritius Employers' Federation that proposed the imposition of the training levy upon its own members made it unique in its approach. On the contrary, examples from other countries involve the imposition of training or apprenticeship levies by their respective governments. As explained by the then Chairman of the MEF, there was no real resistance to the levy by the members of their board. Even the few enterprises that initially opposed the levy eventually became its greatest users. As an example, the sugar sector representatives that resented the imposition of the levy initially argued that their industry did not need employee training. Some years later, they realized that training was the missing link to increase productivity and competitiveness. They even came up with the Robert Antoine Sugar Industry Training Centre, specialized in training of all categories of employees in the sugar sector, which is now the regional training centre, providing training to people from some forty countries, including Mauritius.⁷

⁵ Personal communication to the author by the Ex-Chairman of the MEF, R. Du Mee, November 2009.

⁶ Personal communication to the author by the Ex-Chairman of the Mauritius Employers' Federation, R. Du Mee, November 2009.

⁷ Personal communication to the author by the Director of the Regional Training Centre, L. Marnet, November 2009

The Training/Levy-Grant System

A refund to employers investing in training

The best way to convince the employers to believe in and pay for the training levy was through the transparent management of levy utilization. A grant scheme where refund of costs incurred in training is made to those employers who invest in the training of their employees, a system designed and managed with the private sector, was an absolute necessity.

In Mauritius, the training levy was meant to enhance employers' interest to invest in the training and development of their own employees in order to enhance productivity. Various schemes were designed together with the representatives of the MEF in an attempt to entice the employers to invest in training, namely (Government of Mauritius, 1989a, 1990, 1991a, 1991b): employers were eligible for a grant refund of up of 75% of the training expenses;

The grant included IVTB reimbursement and/or a tax rebate of 200% on training expenses. The upper grant refund limit was set at twice the annual levy contribution of the employer applicable on training expenses exceeding Rs100,000.

Employers paying the levy then became eligible for different types of refund, according to the above-mentioned schemes that were developed by the IVTB. The grant refund ceiling of 75% was a combination of the corporate tax rate of the company together with the percentage refund by the IVTB. Thus, for a company paying a corporate tax of 35%, the maximum percentage refund it would get from the levy-grant system was 40% of the costs incurred in the training of its employees.

The first grant refund of Rs2.4m was made in the 1990/1991 financial year. The impact was barely noticeable as this refund represented only 5% of the levy contribution already paid by the companies. However, following this lukewarm start, the number of grant applications submitted by companies started to accelerate and the percentage of refund progressed reaching 12% of the levy paid in the following financial

year. By 1995/1996 the number of grant applications submitted and the grant refund to employers reached 2,594 and 21% of the levy paid respectively and the number of employees who benefitted from training rose to some 17,500.

Financing of the IVTB

In a good spirit of public/private partnership, it is important that the private sector is party to any decision that is made with respect to the utilization of the training levy funds. It might be argued that once the levy has been paid by the companies, it became the property of the government or the authority collecting it.

This was the case with Mauritius where, upon the recommendation of the IVTB Council with the full participation of the private sector, the government approved in July 1991 that the financing of the IVTB, including the Siemens Training Programme, be apportioned as shown in Table 2 through the levy system:

TABLE 2: Distribution of government and private income between capital and recurrent expenditure for the IVTB

| | Capital expenditure | Recurrent expenditure |
|--------------------|---------------------|-----------------------|
| Government (grant) | 85% | 50% |
| Government (levy) | 15% | 50% |

This formula ensured that the IVTB had sufficient funding for its various activities. As mentioned above, it is the levy that has enabled the IVTB to invest in many large TVET projects, such as the School of Electronics, or in different domains like jewellery, printing and design, amongst others. Yet, the private sector was not making full use of the levy-grant system to train its employees. One could be tempted to say that the system was not efficient. However, this interpretation overlooks the fact that the rest of the available funding were being invested in IVTB training facilities used to train trainees for employment in the private

sector. Again, it must be emphasized that the private sector was party to all of these decisions.

Another positive consequence of the existence of the levy is that it helped the IVTB to secure loans:

- > The World Bank provided further investment in various training centres that needed capacity-building; and
- > the Agence française de développement invested in the IVTB Hotel School in order to bring it up to international standards. A new Hotel School was constructed, including technical assistance from the best French schools.

The levy was seen to be a sustainable source of funds for the IVTB and it served as a warranty for the secured loans. However, the above formula was discontinued in 1996 and the government decided to grant the IVTB a fixed sum for the next four consecutive financial years. The result was a declining share of the government's grant contribution to the IVTB from 1996 to 2000, leaving the IVTB's budget to be increasingly funded from the levy. However, subsequently, the government decided to increase the IVTB grant again, but it was still not sufficient and the remaining balance still had to be financed from the levy.

The fact that the employers were paying the levy encouraged them to become interested in the outcomes. As a result, they became very involved at all levels of the IVTB, from policy decisions at the Council level to the delivery of training at the operational level. The amount of funding for training increased substantially, investment in infrastructure and state-of-the-art equipment became a reality and the training delivered by the IVTB became demand-driven and satisfied the labour market. However, in November 2003, the Human Resource Development Council (HRDC) was set up, inter alia, to convert the economic objectives of the government into training objectives and to undertake sectoral training needs analysis. Under the same HRDC Act, a National Training Fund was set up under the HRDC to take over the management of the training levy from the IVTB (Republic of Mauritius, 2003a).

Continuous Improvement in the Levy-Grant System

A training levy-grant system must be dynamic and continuously monitored and managed by a joint public and private sector committee. Essential action should be taken to ensure its continuous efficient and effective impact.



Students of the École hôtelière Sir Gaëtan Duval

While the IVTB was managing the levy-grant system, the whole process was continuously monitored by a sub-committee comprising the director and staff of the IVTB and the director and members of the MEF. This group met regularly to monitor the progress of the levy-grant scheme and reported to the monthly Council meeting for the necessary decisions. As a result, the system experienced a continuous series of revisions aimed at making it more

effective throughout the twenty years of its existence. More than 50% of the present labour force has benefited from some form of training under the levy-grant system. Would so many Mauritians have been sponsored for training if there had been no levy-grant system? Again, it has to be underlined that the close public/private partnership prevailing at the IVTB Council was instrumental in the process of reviewing and agreeing different financial incentive formulae.

The first major changes in the refund formula

As mentioned in the section on the levy grant, the grant refund formula underwent a continuous series of revisions aimed at making it more effective throughout its twenty years of existence, most particularly since in 1996 the government decided to remove the 200% tax rebate on the training levy and for income tax purposes the training expenses were treated as all other expenses (Republic of Mauritius, 1996).

Since the companies could no longer claim any tax rebate for training expenses incurred, the only benefit they could obtain was through the grant refund. In order to avoid discouraging employers from continuing their training investment in their employees, it was decided to revise the benefit given to employers by reviewing the ceiling of grant refund to a maximum of 60% of the training cost incurred. However, no significant impact was noticed during 1996/1997 as the percentage of grant refund to levy paid remained more or less the same as that of the previous year (Republic of Mauritius, 1996).



Mechanical engineering students



Students of the École hôtelière Sir Gaëtan Duval

Training voucher schemes for micro-enterprises

Micro-enterprises, on the other hand, were not receiving any advantage from the levy-grant system. For the purpose of analysis, the enterprises were classified according to the amount of levy paid to the IVTB. It was noted that only 2% of the companies paying up to Rs10,000 of levy per year were training their employees. Yet they constituted the majority of companies paying training levy and their contribution amounted to 11% of the total levy collected annually. On the contrary, the biggest companies paying over Rs500,000 of levy annually were taking full advantage of the levy-grant system. Following discussions in October 1996, it was decided to introduce training voucher schemes for micro-enterprises paying up to Rs10,000 per year. They were provided with training vouchers having a face value of Rs1,000 each for every Rs2,000 of levy paid per year. Hence, they could have up to a maximum of four vouchers annually to purchase training for their employees. But out of about 9,000 micro-enterprises, only some 200 made use of these voucher schemes and this scheme was discontinued in 2001.

Increasing the refund ceiling and introduction of new incentives

In spite of the various training schemes, a mere 23% of the grant was refunded with respect to the levy collected in the financial year 1996/1997. The decision was taken to:

- > Increase the grant refund limit from 60% to 75% of training costs;
- > Maintain the ceiling of levy paid for training costs beyond Rs100,000.

Since there was a need for employees to study overseas or bring in resources from overseas for certain forms of specialized training, a further incentive was introduced as follows:

- > 50% of the airfare would be refunded up to a maximum of Rs15,000 per trainee;
- > The course fee would be refunded for a maximum of two weeks of study; and

- > For foreign expertise, private registered training institutions would benefit up to 50% of the expenses, up to a ceiling of Rs100,000 per week. However, this was applicable only for scarcity areas.

This resulted in an increase in the refund to 33% in 1997/1998 (Republic of Mauritius, 1996).

Waiving of refund ceiling to create a training culture

Bold decisions must be taken whenever required. Companies were still hesitating to invest in the training of their employees and the percentage of money refunded was still low. The decision was then taken to waive the ceiling of grant refund as of July 1997 with a view to encouraging companies that were willing to invest further in the training of their employees. The ultimate aim was to develop a learning culture in Mauritian companies. Contrary to those that were not interested at all, some companies wanted to invest more in the training of their employees but were not eligible for additional grant refund since they had exceeded the limits. The result of this policy decision was instantaneous. The number of grant refund applications increased, as well as a corresponding increase in grant refunds to 83% over two years (from Rs23.0m for 1996/1997 to Rs42.1m for 1998/1999). It was therefore decided to further extend the no-ceiling refund by a further year, i.e. to the 1999/2000 financial year (Republic of Mauritius, 1999, 2000a, 2000b).



Students of the jewellery training programme

Reinstating a ceiling for the refund

Some cases of abuse were noted as some training institutions now saw training as a lucrative business. Others wanted to treat consultancy and the sale of software as training expenses and wanted to be refunded for them. Excessive trainers' fees were claimed for certain courses and some companies were guilty of defrauding the system.

Hence, the ceiling was reinstated as from the 2001/2002 financial year and the effects were that the grant refund ratio dropped from 71.1% to 58.1% and the number of people benefitting from trainings fell by 17%. However, the fact that the ceiling was waived for some two years had acted as a catalyst to make many more employers aware of the levy-grant training system and ever since this moment the number of people trained has been on the high side (Republic of Mauritius, 2001a, 2001b).

Strategic orientation of the levy-grant scheme

In the context of continuous improvement, the levy-grant system was again revisited in the 2002/2003 financial year and the refund was made more discriminating depending upon sectors that were advocated by the government to be more important, such as export-led sectors, hospitality and tourism, business process outsourcing (BPO), etc. The emphasis was placed on:

1. Assisting companies in providing training, upgrading and re-skilling of their employees;
2. Assisting companies in identifying their training needs and preparing their annual or multi-annual training plans to make training more responsive and effective (a grant of 10% up to Rs75,000 was made available to them);
3. Assisting registered training centres in the modernization of their delivery systems through investment in multimedia facilities (50% of the expenses up to Rs100,000 were provided); and



Students of the school dressing and beauty care

4. Encouraging more employees, more specifically the middle cadres, to upgrade their qualifications by providing them with seed funding for masters degree courses (10% of the fees were payable from the levy), with a view to enhancing their management acumen (Republic of Mauritius, 2003b).

In addition, the structure of the grant refund was changed and different refund ceilings introduced, depending upon the size of the company and the type of business in which it was operating. Thus, a ceiling refund was introduced of up to ten times the levy paid in any financial year for micro-enterprises to twice the levy paid for large companies. For companies in the hotel and tourism, financial services and IT sectors and for export-oriented companies the grant refund ceiling was set at three times the levy paid by large companies. This decision was taken to make the levy-grant system more strategic in its implementation. And when Mauritius was marketed as a BPO destination in 2004, a pre-operational training incentive plan was introduced to attract companies to operate in the BPO. The plan was to allow a company that had not yet started its operations to benefit from a soft loan from the levy-grant system and invest in the training of its operators to work in the BPO and to refund the loan during the next seven

years of its operation, with a one-year moratorium. The idea was for the company to recruit potential employees, and train them in BPO and employ them at the end of the training; as such training did not then exist in Mauritius (Republic of Mauritius, 2003b).

The take-over by the Human Resource Development Council

In line with the evolution taking place in the Mauritian training sector, a new organization, the Human Resource Development Council (HRDC) was created in November 2003 and the management of the levy-grant system was transferred to it. A new review has been undertaken and the scheme is now being used to finance targeted trainings. Examples are major projects of the IVTB, training of social careers, including elderly care and placement of secondary students in industries, amongst others.

It must be underlined that, in spite of some weaknesses, altogether nearly 400,000 people, more than 50% of the Mauritian labour force, have today benefited from training under the levy-grant system. Suffice it to say that without the levy-grant scheme enterprise-based training would have been in dire straits.

Lessons Learnt

Over the last twenty years, the levy-grant system has made a crucial contribution to the training arena in Mauritius, having made it possible for more than 50% of the Mauritian labour force to benefit from some form of training. It may safely be said that the success of the Mauritian levy-grant system lies on a series of contributing factors, as follows:

- > If the main stakeholders are at the base of the introduction of the levy, the buying in of the employers would not pose any major problems as testified by the then chairman of the MEF in Mauritius.
- > The private sector should be privy to all decisions related to the utilization of the levy and contribute actively to the review of the grant system.
- > There should be a strong private sector base so that the amount of levy collected is sufficient to make an impact.
- > The levy must have a legal status ensuring that all private companies pay the levy.
- > The collection of the levy must be made by an existing system that has proved itself, otherwise it could cause major administrative hassles thereby making the system inefficient and ineffective.
- > There should be a constant monitoring of the use of the levy by a joint public/private sector committee to ensure its efficient and effective utilization, and bold decisions to review the formulae whenever necessary. For example, the decision to waive the ceiling of grant refund was a bold one.
- > Targeted training can be funded from the levy, e.g. financing of the small and medium enterprises.



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Conclusion and Recommendations

Conclusion

Many countries rely on the levy to partly (or fully) finance their TVET activities.

Many countries rely on the levy to partly (or fully) finance their TVET activities. The case of Mauritius is rather unique in the sense that it was the private sector that was instrumental in introducing the training levy. It has suffered from some abuse on the way, but overall its contribution to the training of employees of the private sector has been determinant. Without the levy-grant system, it is doubtful whether so many members of the labour force would have benefitted from some form of training. At a meeting with the Director of the Singapore Employers Federation a few years ago, the latter concurred that without the training levy in Singapore training of employees would not have played such an important role. The only concern about the levy system was with respect to small enterprises that have not taken advantage of the levy grant despite additional measures, such as the training vouchers made available to them. The reasons they put forward were that: (a) they could not release their employees as it would have a negative effect on their production; (b) once trained, the employees would ask for a salary increase; or (c) would leave to work for competitors. After various discussions, a mentoring process has been put in place to visit them directly on site to identify and address their specific problems.

It is interesting to note that some countries have enacted the levy system but have not been able to implement it so far—one example is Mali. The way of collecting the levy and its appellation also varies from country to country. Some call it a training levy, others call it an apprenticeship levy. At the Organisation internationale de la francophonie (OIF) workshop held in Tunis in November 2009, the members present displayed a great deal of confusion regarding the levy system, including its appellation, introduction, implementation, collection and use. At the present time, no study has been carried out to analyse and compare the different levy systems in force in different countries.

Recommendations

There is a need to carry out a study of the various levy systems being implemented in different countries in order to benchmark these systems and possibly learn from the best practice, as is the case here.

It is important for the private sector to become involved when instituting a training levy system as their participation is fundamental to its success.

The use of the levy collected should be carefully thought out and tight monitoring ensured in order to identify any possible abuse of the system.