

Sharing the costs of training in the newer EU Member States

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VET Financing Policies from Two Points of View



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VET Financing Policies from **Two** Points of View : Slovak Example

First View

Cedefop's study and conference

- cost-sharing approaches
- current crisis impact
- improving existing cost-sharing arrangements
- set priorities for policy and research

Second View

Slovak VET Policy Report (2008)

Thematic overview 2008; Country report 2009 (Refernet)

- Financing detailed descriptions
- **VET financing policy analysis**

<http://www.siov.sk/refernet/en/publikacie.htm>

http://www.cedefop.europa.eu/etv/Information_resources/NationalVet/default.asp

VET financing policy analysis

- VET basics (IVET, CVET, LMT)
- Schemes and instruments (sec. IVET, CVET)
 - Policies development in history
 - Philosophies
 - Lobbying
- Further steps?

Basic information on VET

Education system traditionally secondary education focused

91.3% of aged 20-24 completed ISCED3 in 2007 (EU: 78.1%)

7.2% early school leavers aged 18-24 in 2007 (EU: 14.8%)

27.8% of low achievers in reading (EU:24.1%; PISA2006)

74 % of students in ISCED 3 VET, 46 % in EU27 (UOE, 2006)

*(among EU largest VET streams, **but shift from ISCED 3C to 3A**)*

Dominantly school based secondary VET

Marginal appearance of „apprentices“

Basic information on VET (2)

Tertiary

Recently strong increase in enrolment

43.4% newly enrolled compared to age 19 cohort in 2007

34 019 graduates in 2007 in contrast to 18 516 in 1999, Eurostat

UOE ISCED 5A data

Low share of MST graduates (10,3%),

despite 2006/2000 growth 81.4%

CVET

Vivid not regulated market! Matthew effect

LMT

**Two ALMP tools: Retraining and Graduate Practice
(ESF supported)**

CVET/LMT weak point: Targeting

CVET Matthew effect

Share of trainees increasing with education level

Participation of 25-64 aged

in non-formal education (%)

	ISCED 2	ISCED 3+4	ISCED 5+6
EU25	6.5	16.4	30.9
SK	6.7	19.7	41.2

in formal education (%)

	ISCED 3	ISCED 5+6
EU25	5.2	8.5
SK	0.8	2.9

Source: Eurostat LLL ad hoc module LFS 2005 (reference year 2003)

CVET: 2010 benchmark data carefully observed!

**4.3 %, 4.6 %, 4.1 %, 3.9 %, 3.3 % in 2004-2008 period
(Eurostat, Adult LLL 2010 benchmark)**

- **Financial support of new coming investors**
- **Pro-training attitude of large/rich companies,**
- **ESF**

No increase in a number of trainees!

**38 % enterprises providing CVET courses; below EU27 (49 %)
(2005 CVTS3)**

**2007 Policy paper (Strategy of LLL and LG)
to achieve improvement up to 15 % in 2015.**

Fiscal incentives for individuals and SMEs

Financial Schemes and Instruments

Secondary IVET

Per capita funding introduced 2004

Per class funding since 2001

Historical trends earlier

**Current expenditures „normatives“
consist of**

wage normatives and operational normatives

set for categories of schools **equally,**

regardless the ownership

(for private and church affiliated schools in the same amount)

Selected current expenditures normatives for 2004 (in SKK)

School category	Wage normative	Operational normative		Normative total		out of which for educational process costs
		Minim	Maxim	Minim	Maxim	
Regular Basic schools	16 835	4 041	4 905	20 876	21 740	584
Grammar schools	20 187	4 107	4 971	24 294	25 158	650
SSS	28 096	4 264	5 128	32 360	33 224	807
SSS of Art and Health	32 618	4 353	5 217	36 971	37 835	896
Conservatories	70 295	5 097	5 961	75 392	76 256	1 640
SVS and VS	30 735	4 965	5 829	35 700	36 564	859
Centres of practical training	12 729	3 960	4 824	16 689	17 553	503
Secondary schools for disabled	43 491	5 866	6 730	49 357	50 221	1 111

Source: Ministry of Education SR , taken from Vantuch, J: Financing VET in Slovakia (Table 42)

Note: EUR 1 = SKK 41.16 as of 31 December 2003)

What happened and why?

Macroeconomy dominated over microeconomy :

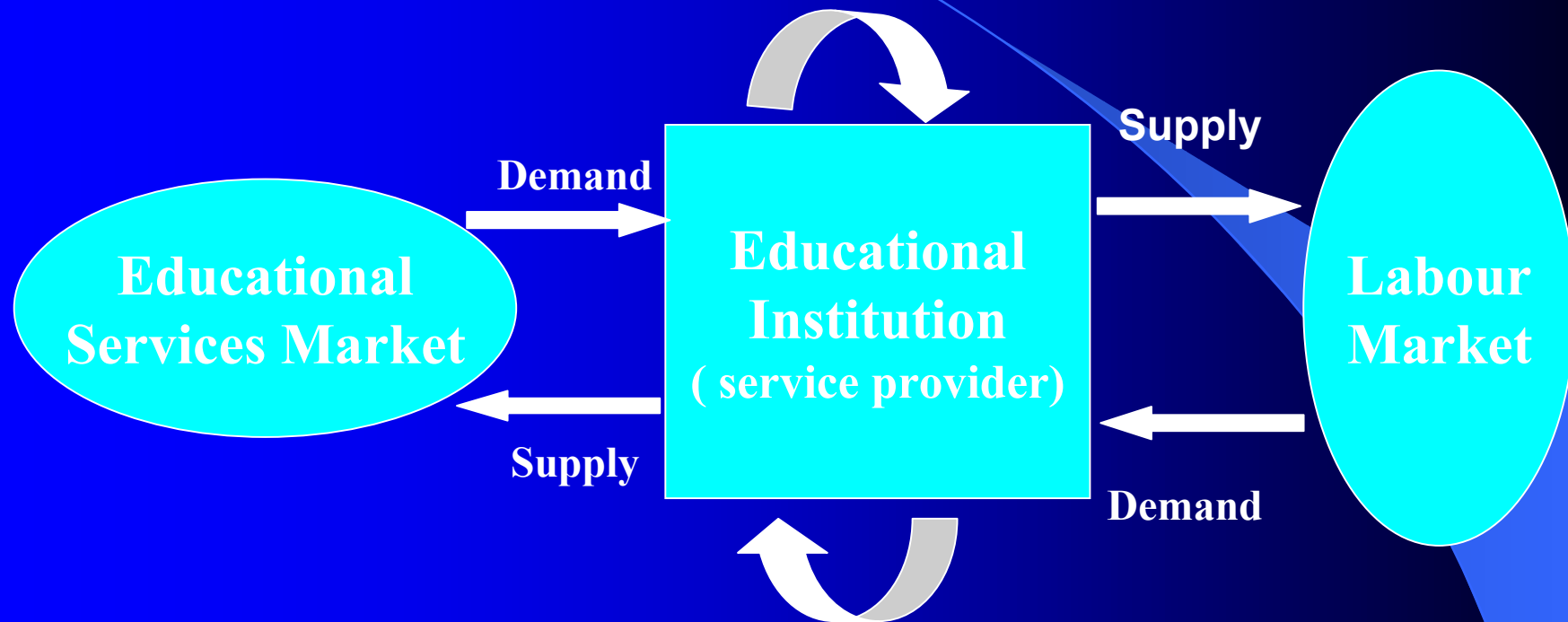
- Schools and their establishers were stimulated to cost saving measures regardless the impact on the quality of their service
- Per capita funding stimulated to maximisation of students enrolment up to the capacity of facility disregarding other factors.
- Schools were stimulated to prefer demand of parents/students over the demand of employers

No efficient quality assurance measure adopted:

- With a weak regulation of quality on output, schools disregarded the quality checking on input (accepted almost everybody to improve their budgets)

Fundamental Dilemma

Schools: Market Driven? Supply or Demand Driven?



Market and Demand Driven!

However ESM not LM driven, in order to survive in biased environment.

„Economism“ (Counter-balancing of per capita funding forgotten)

Impact of the reform

+

- **Hard fiscal constraints**
(no bailing out)

- **Transparency**

- **Efficiency**
„rationalisation“ of
networks of schools and
programmes

-

- **Shift from VET to GEN**

- **Shift from 3C to 3A**
(blue collar to white collar)

- **Decrease of quality**
(in both ISCED 3A GEN/VET)

- **Lack of skilled workers**

Two points of view

Success from macroeconomy point of view (MoF winner:)

Failure from education policy point of view (MoE loser:)

Analysis conclusion

Although financing per capita is a standard measure, implementation without other correcting measures

(stronger quality management, improved guidance and counselling, incentives for cooperation between schools and enterprises, etc.)

turned this measure to an example of ill practice due to incoherence in policies.

(VET policy report-Slovakia 2008, page 86)

Expenditure on education are very low

✎ Total public expenditure on education in Slovakia is deeply below EU average: 3.79 % in 2006, while 5.02 % in EU27

(according to harmonised Eurostat data, date of extr.: 1/5/09)

✎ Annual expenditure on public and private education institutions per pupil/student compared to GDP per capita is below EU

- 19.6 in contrast to 25.4 for EU 27.
- 17.9 compared to 20.8 for EU27 in ISCED 1
- 16.4 compared to 25.8 for EU27 in ISCED 2-4
- 33.6 compared to 38.1 for EU27 in ISCED 5-6

Expenditure on education* in % of GDP and in % of total public expenditures

	1995	2002	2003	2004	2005	2006	2007	2008
% of GDP	4.75	4.17	4.17	4.03	4.15	4.15	3.89	3.93
% of total public exp.	9.76	9.70	9.90	10.00	10.58	10.80	10.90	9.20

Source: MF

Note: * all expenditures of the government, of municipalities and self-governing regions, including private sources of regional schooling; expenditures of private higher education institutions are not included (they are not available)

Maastricht over Lisbon
Market supporters vs Interventionists
Fiscal incentives: Yes or No?

CVET financing

- No specific scheme till 2008
- Low corporate tax (19%) considered sufficient
- Only one tax related VET incentive accepted:

VET was recognised as tax deductible expense for employees and for IVET students only in case of evidence of additionality of training and no risk of double financing

(respective training goes beyond curricula and therefore it did not fall under financing by contribution from the state budget).

- 2% tax direct allocations for NGO
 - secondary impact on VET

VET financing new developments

2008

- Medical staff specific training cost reduced by about one fifth (recognised tax deductible item -19% income tax exempt)

See Parliament Breaks a Taboo: Tax Incentives for Lifelong Learning.
In: Cedefop Info 1/2008

2009

VET Development Fund to be established
headed by the Minister of Education collecting voluntary
contributions from non-state subjects
(instead of expected “train or pay” principle and levy based
obligatory funding - Fund at risk of illiquidity).

2010?

20% tax deduction for accredited CVET/LLL

Two points of view again- LLL Act conflict

✂ to implement financial tools in support of LLL

GovReg No 382/2007 point B.12. - „LLL strategy“ policy document

- to expand „2008 medical staff measure“
(discrimination of other professions)
- to back LLL Act in parliament (already approved by Gov)

VS

✂ to reject fiscal incentives and to accept

- direct opposition and principal disagreement of employers (RÚZ) qualifying 20% tax relief (bonus) as a non-systemic intervention into tax system
- dissatisfaction of selfgovernments facing decrease of funding from income tax caused tax deductables
- MoF condition of limited support („within budget limits“)

Fiscal decentralisation scheme

Income tax centrally collected and redistributed

For

Municipalities – 70.3%

Selfgoverning regions – 23.5%

State Budget – 6.2%

Corporate tax not applied within this scheme!

Consequence:

Sensitivity on tax incentives (e.g. tax deductibles)

Selfgovernments at risk

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Cedefop's study focus

- **cost-sharing approaches**
- **current crisis impact**
- **improving existing cost-sharing arrangements**
- **set priorities for policy and research**

Slovak example

- **cost-sharing hampered ideologically and structurally**
- **current crisis impact : fiscal austerity, HRD marginalised, increasing unemployment harming IVET co-financing**
- **existing cost-sharing arrangements: non systemic (CVET/LLL discriminatory, VET Fund dead born?)**
- **priorities: depending on point of view**
- **Research might help to solve the dilemma**
When market driven and when intervention based

Further steps

Financing VET must be revisited

- secondary VET “normatives” should be revised in order to guarantee at least standard EU teaching/learning environment; variety of IVET programmes should be reflected within this revision;
- quality assurance must be interlinked with financing to prevent from headhunting for enrolment regardless the quality of graduates;
- fiscal incentives for co-financing VET by businesses should be introduced, in particular to better align IVET to labour market needs;
- projected gradual decline in investment in education reflecting population decline and disregarding from a modernisation debt in education should be rethought while keeping Slovakia's commitment towards the Stability and Growth Pact
- CVET/LLL tax incentives must not be marginalised by „sticking to budget limits“ (however training targeted – but how?)

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Thank you for your attention!



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