Innovative Financing Models for TVET: Case Studies from Singapore, India, Australia and Malaysia

Sustainable Vocational Training towards Industrial Upgrading and Economic Transformation

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Four Basic Allocation Models

Decentralised market driven Approaches

Centralised (regulated) Approaches

Input Orientation

Outcomes Orientation

International Trend

Performance-based allocation to providers & government

Purpose specific purchasing from providers

Program orientated may support specific targets and groups

Centrally planned allocation to providers & government

Consumer driven requires informed decision making

Student disbursement through vouchers

Contract based requires clear objectives

Budget orientated may be backward looking

Outcomes-oriented allocation motivates VET providers to align closely to industry needs.

Three reform models:
1. Financing of VET programmes (performance-based)
2. Tender-based purchase of VET services
3. Consumer driven financing model

Adapted from Heitmann, W. VET System Financing, GIZ
Engaging employers

Levies

- Use existing systems to collect
- Relatively simple “one shoe fits all”
- Participation may or may not occur
- Training quality may not improve

Incentives

- Proactive participants
- Smaller impact
- Encourages good will
- Behavioural and quality changes

Levies and incentives mix

- Use a mix of collection and monitoring systems
- Relatively simple “one shoe fits all”
- Encourages participation
- Behavioural and quality changes
Singapore Continuing Education and Training

**Workforce Development Agency**

- **Gov’t Funding**
  - Lifelong Learning Endowment Fund
    - Income from protected investment
    - Teacher training, training, infrastructure, admin, etc
  - $3.6 billion

- **Private funding**
  - Skills Development Levy
    - 0.25% all remuneration
    - The collection of SDL and disbursement are managed separately
    - SDL contribution is not limited to the amount of funding the employer can obtain from SDF
  - Skills Development Fund
    - Central Provident Fund
      - Collects for WDA
      - Equally available for public and private training
    - $200 Mil

**TVET System strengthening Incentives**

- Exemptions for employers for students who are on full-time industrial attachments arranged by TVET institutions, universities
- WorkPro encourages recruitment of older workers, back-to-work locals, or employee flexible work arrangements (FWAs)
- Singapore’s Blueprint model of replicating good practice workplace training

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Rapid Capacity development in India
A private training market

Prime Minister’s National Council for Skill Development
Target 500 Million trained workers 2022

Gov’t

Ministry of Finance

Private

National Skill Development Coordination Board

17 Government Ministries involved in TVET

26 SSCs

National Skills Development Corporation
5 Gov’t 9 Private 150 Million target

Approved by NSDC

National Skills Development Fund
100% Gov’t owned

Private Training Providers
Loan or equity
Service tax exempt 75% of costs

Financing and incentives
Developing support services
Creating and shaping a private market

Central Bank of India student loans for NSDC-funded institutions
Developing a training market remote areas of India

ADB

Gov’t

Meghalaya State Employment Promotion Council

Meghalaya Skills Challenge Fund

Gov’t training facilities strengthen, teacher training, incentives for industry partnerships etc

Outcome Employment inside and outside State

Refurbished Gov’t buildings for training

Contracted training inside and outside Meghalaya

• Skills for Work;
• Enterprise Development Skills; and
• Skills for Workforce Growth
Australian Workforce Development Fund

SCOTSESE*

Department of Industry

Workforce Development Fund

SSCs identify high demand areas in their sectors

SSC/ISC

Accredited training qualifications

High demand areas identified with industry

Training
New & existing workers unemployed

Business co-funding
Small 33%
Med 50%
Large 66%

*Standing Committee for Tertiary Education, Skills and Employment
Australia Apprenticeship Incentive Programme
Direct subsidy

The benefits of the AAIP are:
High apprenticeship commencement rates.
High levels of satisfaction.
High rates of progression into employment.

Limited impact on competition between providers. A preference for traditional providers and high costs of market entry limits competition among providers.
Aim to achieve a high income economy based on knowledge and innovation

Human Resources Development Levy 0.5-1%

Collection Public Bank Berhad and RHB Bank Berhad

Employers who paid levy equal to the funds in their levy account

Human Resource Development Fund Malaysia

Recognition of Prior Learning for workers with no formal learning

Overseas training 50%

Future workers 100%

English 100%

Equipment 100%

Functional skills 100%

Reskilling 100%

Cross-skilling 100%

Soft skills 90%

Up-skilling 100%

Training room 100%

Future workers 100%
Efficiency and effectiveness of TVET co-financing policy

- **Efficiency**: Easy to access and choice
- **Effectiveness**: High collaboration with quality built in

Both are needed for sustainable TVET
Thank you for your attention

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