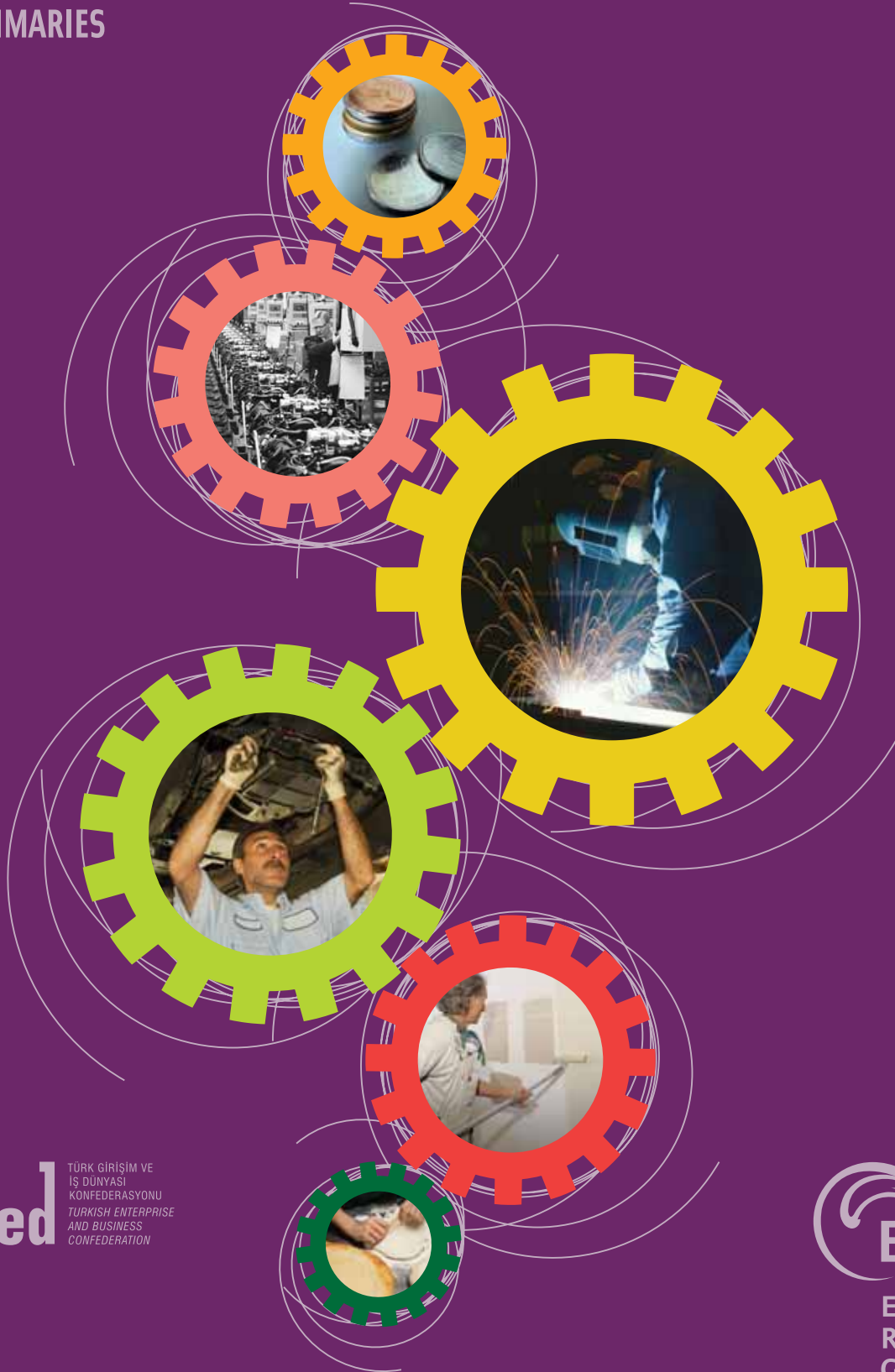


# SKILLS, COMPETENCIES, VOCATIONAL EDUCATION AND TRAINING:

POLICY ANALYSIS AND RECOMMENDATIONS

FINANCING STRUCTURE AND POLICY RECOMMENDATIONS

## EXECUTIVE SUMMARIES



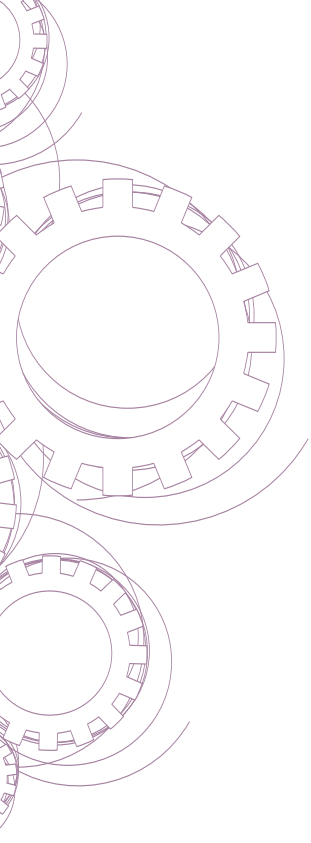
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TÜRK GİRİŞİM VE  
İŞ DÜNYASI  
KONFEDERASYONU  
TURKISH ENTERPRISE  
AND BUSINESS  
CONFEDERATION

ERG

EĞİTİM  
REFORMU  
GİRİŞİMİ





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## **FINANCING STRUCTURE AND POLICY RECOMMENDATIONS**

### **EXECUTIVE SUMMARIES**

# SKILLS, COMPETENCIES, VOCATIONAL EDUCATION AND TRAINING: POLICY ANALYSIS AND RECOMMENDATIONS

Batuhan Aydagül, MA

FINANCING STRUCTURE AND POLICY RECOMMENDATIONS

H. Hakan Yılmaz, PhD

EXECUTIVE SUMMARIES

The translation of **Skills, Competencies, Vocational Education and Training: Policy Analysis and Recommendations** into English was made possible by the generous support of **British Council**.

The translation of **Skills, Competencies, Vocational Education and Training: Financing Structure and Policy Recommendations** into English was made possible by the generous support of **World Bank**.

ERI is supported by Mother Child Education Foundation, Aydın Doğan Foundation, Bahçeşehir University, Enka Foundation, Hedef Alliance, Kadir Has Foundation, Sabancı University, TAV Airports, Vehbi Koç Foundation and Yapı Merkezi Group.

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## **ERI:** EDUCATION REFORM INITIATIVE

Initiated by Istanbul Policy Center of Sabancı University in 2003, ERI's goal is to improve education policy and decision-making through research, advocacy and monitoring activities. ERI also attempts to serve as an example of how policy dialogue should be conducted within a contemporary democratic framework by bringing together concerned civil society groups and relevant state agencies to catalyze an innovative thought process for education reform policy.

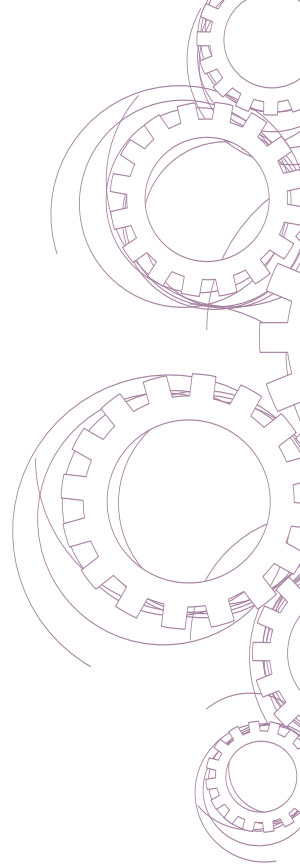
Committed to the ideal of "quality education for all", ERI has defined its program areas in accordance with four major reform priorities: equal access to education, quality and effectiveness of education, governance and resources in education, and education policy culture and practices.

## **TÜRKONFED:** TURKISH ENTERPRISE AND BUSINESS CONFEDERATION

TÜRKONFED was founded entirely on the principle of volunteerism in 2004. Today, it is the largest non-governmental business organization in Turkey, comprising 9 federations, 96 associations, and more than 9.600 businesspeople.

Some of the main objectives of TÜRKONFED are the following: contributing to the development of regional, sectoral, and national economic policies as the collective voice of regional and sectoral industrialists' and business federations; establishing a

common working ground to bring to the attention of public and competent authorities the problems concerning the business world, and possible solutions; facilitating global economic integration and improving competitiveness by creating regional and sectoral visions for development; and supporting the strengthening of civil society and private enterprise. Towards these ends, TÜRKONFED informs the public and initiates discussion platforms on issues of national significance.





## ABOUT THE AUTHORS

### **BATUHAN AYDAGÜL, MA**

Batuhan Aydagül graduated from Marmara University's Business Administration Department in 1994. He then attended courses on management and finance at Harvard University's Extension School. He gained professional experience in finance and private education institutions. In 2002, he received his MA degree from Stanford University in International Education Management and Policy Analysis. In his thesis, he analyzed Turkey's transition to eight-year compulsory education, and the interaction between national and international institutions and trends along this process.

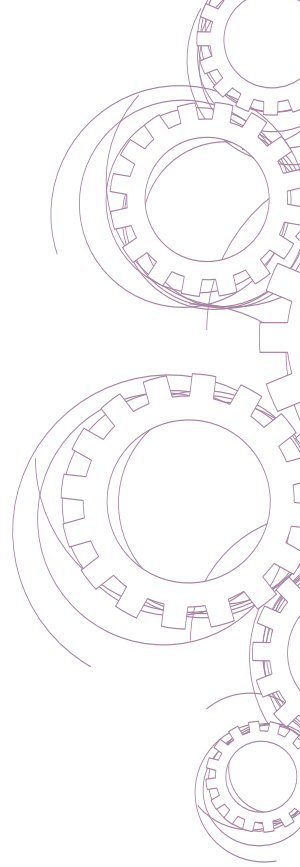
He joined the ERI project team as the Deputy Coordinator in 2003. He was the principal author of the Education and Labor Working Group's report in the IV. Turkish Economics Congress, and played an active role in the preparation of the World Bank's Turkey-Education Sector Study. Aydagül's research interests include gender equality, right to education, education reform in Turkey, and civil society's participation in education policy processes. Since July 2007, Aydagül has been working as a consultant at the Ministry of Education in Liberia.

### **H. HAKAN YILMAZ, PHD**

H. Hakan Yılmaz completed his undergraduate education in 1987 at the Public Finance Department of Gazi University. After attending graduate programs at various universities at home and abroad, he obtained his graduate degree from Columbia University (New York City) in 1998. He received his PhD degree from the Public Finance Department of Hacettepe University in 2006.

He worked as assistant auditor and auditor at the Turkish Court of Accounts from 1988 to 1992, and for the State Planning Organization between the years 1993-2007. He is now Assistant Professor at the Public Finance Department of Ankara University, Faculty of Political Science, teaching courses on budget and fiscal management and local government finance. He is also part time lecturer at the Economics Department of Middle East Technical University.

Public finance, budget, structural reforms concerning the financial system, stability programs and financial adjustment, fiscal transparency, public education and health expenditures, local government finance, and social spending are among his academic and professional interests upon which he had numerous works.







## FOREWORD

On one hand, the unemployment rate for the 15-24 age group is currently up to 20 % and it is predicted to rise in the near future, which could bring about a social crisis in Turkey. On the other hand, the insufficiency of qualified labor force supply threatens Turkey's economic development.

Quality vocational education and training (VET) has the potential to counter the negative effects of rapidly changing sectoral balances, employment structures and job profiles in the global economy. Therefore, it is a must for Turkey to offer VET in both formal and informal education. Effective VET systems will not only support young Turkish people in obtaining the skills necessary to compete in international labor markets but can also maximize benefits from the ongoing demographic transition.

ERI and TÜRKONFED are convinced that there is a need to restructure VET in a way that would contribute to the realization of the potential of the young population, meet the needs of private enterprises and endow Turkey with further advantages in improving its international competitiveness through its young population.

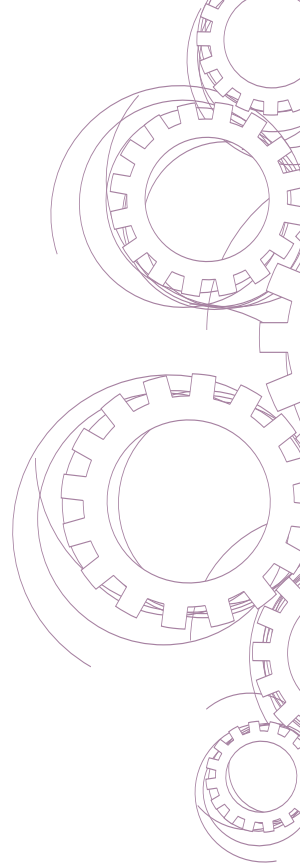
Such restructuring would require an environment of dialogue and cooperation among stakeholders, and joint efforts by business representatives, labor representatives, and representatives from the education sector to develop recommendations and advocate for solutions. These recommendations and solutions must be based on scientific analyses of concrete facts, respond to the needs of different stakeholders, and facilitate Turkey's progress towards European Union membership.

Towards these ends, ERI and TÜRKONFED carried out a series of stakeholder meetings, a symposium and published two reports analyzing the current state of VET in Turkey and providing concrete recommendations.

Authored by Batuhan Aydagül and published in November 2006, **Skills, Competencies, Vocational Education and Training: Policy Analysis and Recommendations**, was based on the discussions at aforementioned stakeholder meetings. The objective of the report was to contribute to the creation of a dialogue platform, to present a critique of VET in Turkey in the context of global trends, give examples of public-private sector cooperation, and present policy recommendations to increase the demand for and enhance the quality of VET, as well as to enable VET to respond to different sectors' needs for intermediary labor.

**Skills, Competencies, Vocational Education and Training: Financing Structure and Policy Recommendations** was authored by H. Hakan Yılmaz and published in April 2007. It complemented the previous report by exploring resource and financing dimensions, and developing alternative financing models for high quality VET, with a focus on informal education.

The present publication brings together the executive summaries of both reports. ERI and TÜRKONFED hereby reiterate their hope that **Skills, Competencies, Vocational Education and Training** reports will contribute to the creation of constructive solutions to the problem of quality in VET, the relationship between employment and education, and the development of financial models to support these objectives.





# SKILLS, COMPETENCIES, VOCATIONAL EDUCATION AND TRAINING: POLICY ANALYSIS AND RECOMMENDATIONS

BATUHAN AYDAGÜL, MA

## EXECUTIVE SUMMARY

### INTRODUCTION

**1.** The first quarter of the 21st century is of critical importance to Turkey. The year 2023, the 100th anniversary of the Republic of Turkey, is a significant date that many institutions have established as a target date to accomplish their various objectives. Meanwhile, the process of full accession to European Union (EU), which had gained pace in 1999 upon the recognition of Turkey's status as a member candidate, reached a critical stage in 2005 with the start of negotiations. Turkey is expected to become a member of the Union within 10 years.

**2.** The high percentage of the 0–15 age group in the total population, increasing life expectancy, and decreasing fertility rates provide Turkey with a window of opportunity. The importance of this window of opportunity in the context of accession to EU is stressed frequently in both national and international media. Nevertheless, it will be gradually closing in years to come. The proportion of working age population to the total population is estimated to reach 69 % in 2020 and to start falling after 2025. Turkey has to provide 12 million young people, who will reach working age before 2020, with quality education, and is running out of time.

**3.** For the period ahead, education is the only common factor that bears the potential of contributing to both Turkey's efforts to take advantage of its young population and the ongoing demographic transition, improvement in human development, and competitiveness of the country. Hence, it has strategic importance for our country. Out of its young population, Turkey should raise citizens qualified to compete not only in Europe but in all international markets and at the same time, capable of contributing to a democratic environment marked by pluralism, freedom of expression and association, political participation and respect for human rights.

**4.** In this wider context, there is a need to introduce new and effective education policies to solve the problems concerning citizens' full realization of their potential, social inclusion and employment.

**5.** Recently, various non-governmental organizations have conducted studies that examine the existing situation and put forward recommendations. Furthermore, European Training Foundation (ETF), with which Turkey has developed affinity as EU puts particular emphasis on vocational education and training (VET), World Bank (WB), where Turkey receives funds for projects in the field of education and training, and Organization for Economic Co-Operation and Development (OECD) have also conducted various analytical and empirical studies on the education sector and VET.

**6.** Researchers come to similar conclusions when it comes to weaknesses of VET. Experts have reached a consensus on the shortage of intermediary skills and the secondary education students' low preference for VET.

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### IT IS ALMOST AGREED BY ANYONE IN OUR COUNTRY THAT THE PRESENT SYSTEM OF VET IS NOT FUNCTIONING.

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This consensus is not limited only to researchers. It also covers public agencies, including State Planning Organization (DPT) and Higher Education Council (YÖK), universities, employers, trade unions, civil society organizations and the public at large.

**7.** However, debates as well as policies designed and implemented so far have all been ineffective in ensuring young people's employment with relevant skills and in responding to different sectors' need for intermediary skills, industry being the foremost. Therefore, it is evident that there is

a need for a paradigm change in the realm of VET.

**8.** Going over policy documents of the last 30-40 years, one can notice two major shortfalls. First of all, efforts for developing solutions are not people-centred. For instance, the objective of “directing 65 % of students to vocational high schools” –an objective that we hear very frequently with respect to secondary education- ignores that students and families are individuals with rational decision-making skills, and treats them as masses subject to central planning. It is clear that this approach has to be debated. Incentive-based, encouraging methods can bring the desired outcomes, not the coercive ones.

**9.** Secondly, in an environment where supply and demand can shift freely and rapidly in the context of a market economy, public-oriented and unwieldy interventions to intermediary labor markets have been designed. It is frequently stated that the private sector and the social partners are a part of the solution. However, it goes unnoticed that they should play a more active, effective and important role than the public sector.

**10.** The present report addresses the need for a change in paradigm within the context of these shortfalls. As such, through its acceptable, applicable and sustainable policy recommendations, the report aims to contribute to the development of formal and informal education and training schemes through which individuals can acquire skills and competencies demanded in labor markets and further improve these skills and competencies in line with the life-long learning perspective.

**11.** Consequently, the objective of the report is to provide a basis for drafting policy recommendations geared towards helping individuals realize their full potential, responding to the needs of the agriculture, industry and service sectors, and enhancing Turkey’ competitiveness.

## NEED FOR CHANGE

**12.** This report examines the state of VET in Turkey in a future-oriented global framework. At this point, the need for change can be summarized as follows:

- a.** Although the issue of VET has always been on the agenda, desired outcomes could not be achieved, and pursued policies have yielded unexpected and unintentional outcomes in certain cases. For example, VET in secondary education could not prevent excessive demand for universities. Higher education is regarded as the only way leading to good jobs and success, and the function of university education is widely misperceived in our society.
- b.** The most important issue worth examining is why VET is not attractive to the young population and how it can be made so. Presently, VET is perceived as an option of lower status, which prepares for a less desirable and less valued economic life.
- c.** The most important prerequisite for making VET attractive to young persons of secondary and higher education age is making it responsive to market conditions.

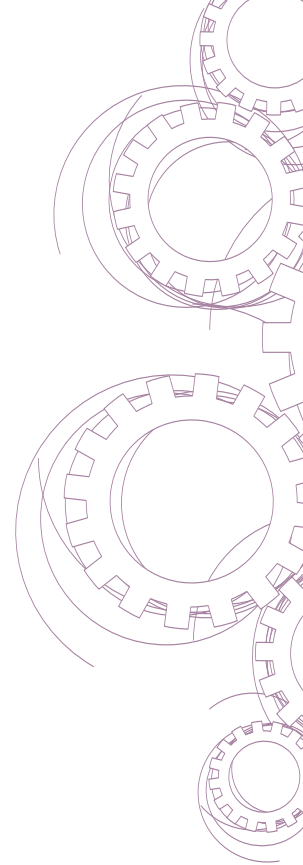
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### THE MOST IMPORTANT FUNCTIONAL QUESTION IS HOW VET WILL ADAPT ITSELF TO THE RAPIDLY CHANGING MARKETS AND TECHNOLOGY.

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In other words, VET should have a “sensitive nose” capable of sensing change. Rendering VET responsive to changing market conditions will constitute an important step towards solving the problem of low demand for VET.

- d.** The problem is structural. What would be a structure sensitive to market conditions? We believe that VET in both secondary and higher education have been seen as an issue of “planning” and projecting “future labor force needs”. Consequently, its structure has been based on rather centralist and bureaucratic grounds. This structure keeps VET from adapting to changing market needs and conditions. The solution is to replace bureaucratic structures engaged in “future projections” by a flexible structure that can be tailored for changing circumstances.



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- e. The most important reason for recent qualitative and quantitative decrease in the demand for VET is the diminishing economic and social returns of this type of training. The task of policy-makers here is to create conditions conducive to increases in these returns.

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**IT IS VITAL THAT NEW POLICIES AND PRACTICES ARE DEMAND-ORIENTED, HAVE FLEXIBILITY WITH RESPECT TO REGIONAL AND LOCAL CHANGES, AND PROVIDE EMPLOYERS WITH MORE POWER AND SAY.**

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## RECOMMENDATIONS

- 13.** Four key targets and ensuing recommendations have been developed to respond to the need for change.

**TARGET 1:** Providing all graduates with the basic skills from a life-long learning perspective by reducing differences between general education and VET programs in secondary education

**TARGET 2:** Creating conditions in which economic and social returns of VET to individuals are enhanced

**TARGET 3:** Providing open learning environments in line with the life-long learning perspective

**TARGET 4:** Realizing the potential for public-private partnership in the field of VET

- 14.** Below, these targets and recommendations are further elaborated:

**TARGET 1: PROVIDING ALL GRADUATES WITH THE BASIC SKILLS FROM A LIFE-LONG LEARNING PERSPECTIVE BY REDUCING DIFFERENCES BETWEEN GENERAL EDUCATION AND VET PROGRAMS IN SECONDARY EDUCATION**

- 15.** Due to the transformation in the economy and the labor force, the difference between general and vocational skills that individuals are expected to possess is decreasing. Parallel to this, classical rigid demarcation lines between academic and vocational education are softening in many countries. This change is effective particularly in secondary education. Moreover, all students who complete secondary education are expected to possess basic skills necessary for life-long learning. Turkey has to take this transformation into account while restructuring VET for future.

**RECOMMENDATION 1.1:** Extending general education (which focuses on general skills and competencies and is common to all schools in the first grade of secondary school) from one to two years:

- 16.** All secondary school graduates should be equipped with basic skills and competencies in line with the perspective of life-long learning (literacy and numerical skills; mathematics; basic proficiency in sciences and technology; problem solving; critical thinking; fluency in at least one foreign language; effective written and oral communication skills, skills in information and communication technologies, and use of technology; social skills; aptitude for team work; entrepreneurship and general culture). This would be a critical step towards providing the basis required for life-long learning.

- 17.** A critical point here is the use of new teaching methods and assessment tools in imparting basic skills in students. Otherwise, it is not possible to teach these skills (eg. problem solving and teamwork) through old didactic methods. Hence, what needs to be adopted in both curriculum development work carried out by the Board of Education at the Ministry of National Education (MoNE) and Secondary Education Project launched by World Bank, is an approach based on "competencies" rather than "subjects".

- 18.** To fully implement the modular system, the present system of assessment must be reviewed.

**RECOMMENDATION 1.2:** Providing secondary education students who mainly receive academic education with opportunities to take vocational and technical courses:

- 19.** It is an important target for our education system that high school graduates have skills and competencies that facilitate their labor force participation. In a modular system, students may accumulate credits required, and have their competencies certified or they can get instructed in their areas of interest only by taking relevant courses. Such a structuring will help students use their potential better both in university education and in professional life. Relevant competencies include knowledge on information and communication technologies, technical drawing, etc.

**RECOMMENDATION 1.3:** Providing all secondary education students with opportunities for learning outside the classroom:

**20.** Latest research on functioning of the human brain point out the importance of having secondary education students participate in learning environments outside of school and learning by doing. Especially when students in general high schools are concerned, relating academic knowledge to life, gaining hands-on experience and developing thinking and manual skills would prepare them much better for future. In order to realize this, various solutions may be suggested, including the institution of apprenticeship in its broadest and most updated sense, mentorship between adolescents and potential role models in their close proximity, and participation in social responsibility projects.

**RECOMMENDATION 1.4:** Reducing school diversity in secondary education and simplifying the administrative structure:

**21.** Work started by MoNE to reduce school types should continue and the restructuring of the ministerial bureaucracy should be completed. Vocational and technical high schools, presently managed by three different general directorates, should be brought under a single general directorate. Current efforts to reduce the diversity of secondary education institutions are very positive steps.

#### **TARGET 2: CREATING CONDITIONS IN WHICH ECONOMIC AND SOCIAL RETURNS OF VET TO INDIVIDUALS ARE ENHANCED**

**22.** The issue of demand for VET is of critical importance especially at the secondary education level. It is a priority to make VET attractive for students and families by improving the status of this type of education and training. Presently, there are policies and practices that are being developed to this end.

**23.** In our report, recommendations in this area were developed on the basis of a very basic assumption. If VET is to be made attractive, this will happen when students and families perceive and believe that this type of education and training will bring higher gains in terms of income and social status. Consequently, the role of public policies must be geared towards creating environments in which VET actually brings more in terms of

earnings and social status and also towards informing the social actors on the demand side –families, students, consultants, etc. – effectively.

**24.** In the same context it is also necessary to ensure male and female students' equal participation in VET to transform vocational and technical schools from their present status as spaces where traditional gender roles are reproduced with even harsher features.

**RECOMMENDATION 2.1:** Separating the issue of VET from debates on İmam Hatip High Schools (secondary education institutions that provide religious training):

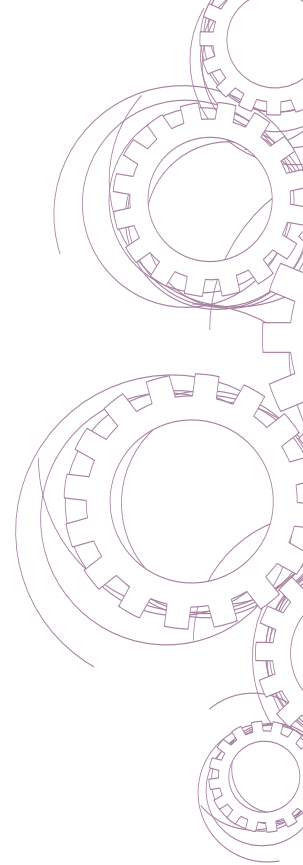
**25.** As mentioned earlier, general and vocational education have different levels of esteem in the eyes of people. This problem of status is universal, not specific to Turkey. However, what further aggravates this situation in Turkey, is that all public debates concerning VET take place in an environment of ideological polarization on the topic of İmam Hatip High Schools. In such an environment, constant perception of VET as a "crisis factor" obstructs the efforts towards solving the problem of status gap. It is the students in these schools and their families who experience this problem most intensely.

**26.** Given the importance and sensitivity of this issue for Turkey, the solution is to discuss religious schools in a participatory and democratic process in the context of need for change in "religion and education", and eventually to reach a social consensus.

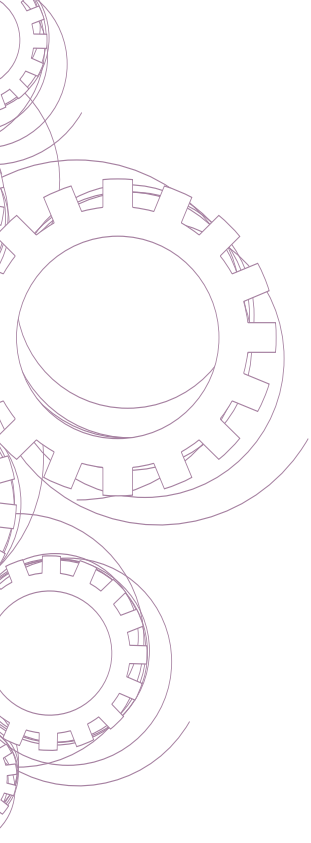
**27.** However, our report was prepared with respect to vocational and technical high schools under the General Directorate of Technical Education for Boys, the General Directorate of Technical Education for Girls and the General Directorate of Trade and Tourism Education. İmam Hatip High Schools, which are managed and supervised by the General Directorate of Religious Education are not considered vocational high schools, and are not part of the "a VET that is responsive to market dynamics" vision of the report.

**RECOMMENDATION 2.2:** Students should be provided with opportunities of vertical and horizontal mobility in VET:

**28.** While individuals and families make their decisions in relation to education and







training, they are driven by prospective economic and social returns. They tend to prefer schools they believe to bring the highest economic and social returns. Given this perspective, it is almost impossible for those schools that do not permit horizontal mobility to other schools and upward mobility to higher education to attract qualified prospective students as they are considered “dead end streets”.

**29.** From another perspective, growing population's increasing demand for education may be seen as a gain. While a part of this demand is met by the existing capacity of higher education, others can be presented alternative opportunities of skill and competence building in formal and non-formal education. Many recommendations in this report have been formulated to make this possible.

**30.** All persons who fulfill the eligibility criteria must be entitled to the right to apply for university under equal conditions. To ensure this, the present practice of coefficients in the ÖSS (Student Selection Exam) must be abandoned. However, as it is done for occupational competencies, competencies for university education must be identified, and a selection system based on these competencies must be designed in the medium term.

**RECOMMENDATION 2.3:** Enhancing the flexibility and quality of VET to enable it to respond to changing needs in the economy and to new advances in science and technology:

**31.** The most important factor that will make VET attractive to secondary and higher level students is to restructure it so that it becomes responsive to market conditions and dynamics. The projects Strengthening the Vocational Education and Training System in Turkey (MEGEP) and Modernisation of Vocational Education and Training in Turkey (MTEM), which have been implemented by MoNE, had the objectives of renewing the curricula, improving the qualifications of the teaching staff and the training materials.

**RECOMMENDATION 2.4:** Supporting VET through information building and communication campaigns:

**32.** Arrangements that would increase the economic and social returns of VET should be

followed by public information and awareness building campaigns. Communication strategies should aim at transforming negative perceptions regarding VET. Good practices and individual success stories, with the support of the media, may be used for this purpose.

**33.** Information building is very important. In this context, there is a need to increase the effectiveness and to expand services of information centers such as Vocational Training Information Centre recently launched in Istanbul, by MEGEP.

### **TARGET 3: CREATING OPEN LEARNING ENVIRONMENTS IN LINE WITH THE LIFE-LONG LEARNING PERSPECTIVE**

**34.** In the process of transition to an information society, access to education and learning should be facilitated and democratized. Horizontal and vertical mobility between programs should be made easier. If individuals want to transfer from one program to another, their earlier work, performance and credits should be transferable too. Life-long learning should be the guiding perspective for teaching vocational skills and competencies in Turkey.

**RECOMMENDATION 3.1:** Urgent establishment of a National Vocational Qualifications System (UMYS):

**35.** The draft law on the Vocational Qualifications Authority (MYK) which is the basic element of the UMYS was adopted by the Grand National Assembly in September 2006. It is a critical factor of success that voluntary civil society organizations of the business and working world are part of UMYS to be able to realize all the recommendations put forward by this report. For improving the effectiveness and efficiency of VET and making it compatible with economic and social objectives, the MYK should closely follow the needs of labor markets and have the dynamism and the flexibility to respond quickly to these needs.

**RECOMMENDATION 3.2:** Diversification of learning opportunities after compulsory education:

**36.** In Turkey, those persons who do not continue their education after compulsory basic education must be provided with opportunities for acquiring skills and

competencies. Considering that the present rigid structure does not allow this, alternatives to universities and higher vocational institutions should be created. In order to render these alternatives attractive, learning should be made certifiable and earned credits should be made transferable to other formal and non-formal training institutions for receiving vocational competency certificate and/ or college degree. In principle, one of the most important features of VET systems in advanced countries is their flexibility to offer each citizen a chance to re-start one's education, regardless of age and level of education.

**37.** With the phasing in of UMYS, private institutions offering vocational training services will be common. However, existing bureaucracy is an obstacle to this trend. Public policies may encourage the creation of education networks by providing a flexible bureaucratic framework and free competition of training institutions accredited by the MYK.

**38.** Vocational colleges need to be restructured to be agile and flexible institutions capable of responding to the needs of local labor markets. These institutions too should be covered by life-long learning networks. They should also be open to competition with other similar institutions so that they feel the continuous need to increase the quality of education they offer. Possible steps include the transfer of public funds on the basis of enrolled students, autonomy in using fees collected from vocational and adult training courses, and including faculties in sharing of returns.

**RECOMMENDATION 3.3:** Continuous and high quality needs-analysis of labor markets:

**39.** Short and long term needs-analyses of labor markets are important instruments for both public and private sectors in service-planning. In Turkey, medium and long term plans are made by the State Planning Organization. Short term analyses are occasionally carried out by Turkish Employment Organization (İŞKUR) and MoNE as individual projects. It is essential, however, that relevant data is collected and analyzed regularly and is reliable for all sectors. Our suggestion is that all stakeholders develop a way of ensuring regular needs-analyses for

labor markets through university-private sector partnerships.

**RECOMMENDATION 3.4:** Support for adults in their efforts to acquire new skills and competencies:

**40.** Public policies can contribute to the creation of life-long learning environments by supporting the demand side. By utilizing funds in the unemployment insurance scheme, and by empowering the individuals under coverage with the right to choose, these individuals can acquire skills and competencies and join the labor market. In any case, this fund was created primarily for offering training services to unemployed people.

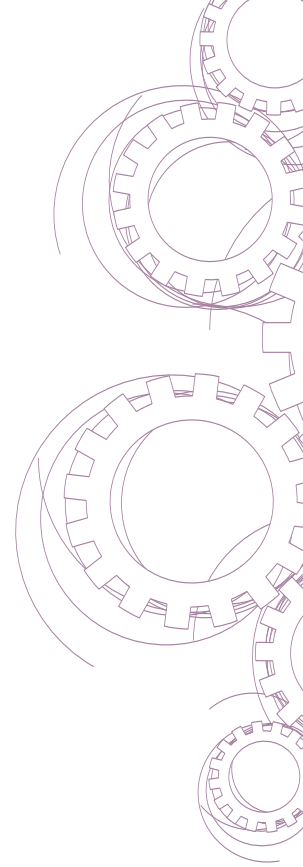
**41.** In order to fulfil this target, available funds can be allocated to the training of persons covered by the scheme in institutions accredited by the MYK. Another important point here is to make the system flexible enough to extend services also to those who are expected to migrate from rural to urban areas in the near future.

**RECOMMENDATION 3.5:** Expanding access to life-long learning by providing information, guidance and recommendations regarding available learning opportunities:

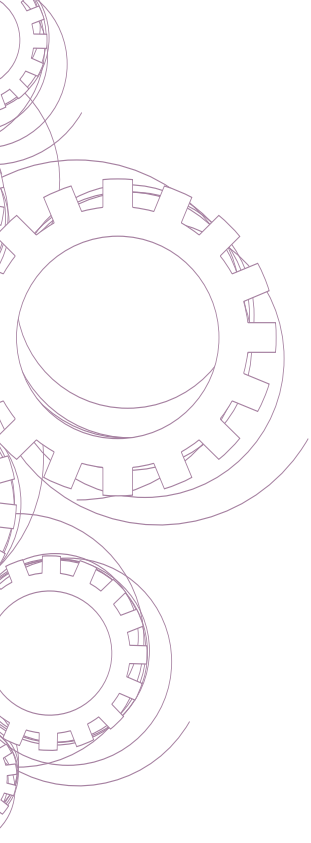
**42.** A completely new situation will emerge in VET upon the creation of UMYS and conditions necessary for the expansion and diversification of supply within the perspective of life-long learning. Informing individuals, companies, trade unions, voluntary and semi-public organizations and universities about these changes and novelties is important for ensuring access. Following the initial information-building and communication campaign, it is imperative that various parties including İŞKUR Service Centers, private employment offices, human resources departments of companies and institutions delivering training services pursue further information and guidance services by using communication and information technologies.

#### **TARGET 4: REALIZING THE POTENTIAL FOR PUBLIC-PRIVATE PARTNERSHIP IN THE FIELD OF VET**

**43.** Three important needs concerning the quality of VET in secondary education are skills compatible with occupational competencies, high quality and up-to-date







technical equipment and qualified technical teachers. Public-private partnerships, which are effectively used in advanced countries, can be encouraged to respond to these basic needs. Sector Committees established within the MYK are critical success factors in finding the right balance between curricula and occupational standards. Meanwhile, qualifications of trainers and quality of technologies are also important. Existing stories of success suggest that current constraints in these areas can be overcome by ensuring the active participation of the private sector in the identification, development and delivery of vocational and technical courses.

**44.** Public-private cooperation requires building awareness in the private sector as well. Successful VET requires both parties to internalize a culture of joint work, and increased awareness on the part of the private sector to be able to contribute more actively to the change.

**RECOMMENDATION 4.1:** Private sector's ownership of Sector Committees formed within the Vocational Qualifications Authority:

**45.** The capacity of vocational training to respond to the needs of labor markets without time lag is essential for the issues addressed in this report. It is erroneous to expect such promptness from heavily public structures. The private sector, driven by competitiveness and profitability, is well positioned to contribute to more rapid and effective solutions. Therefore, the private sector should go beyond its current "social partner" status and have a say in the identification of occupational standards.

**46.** Two important steps may be taken to this end. The first is to enhance the capacity of social partners to ensure their active participation in policy making. Secondly, in order to provide them with opportunities to contribute, the notion of "social partners" may be broadened to include voluntary organizations along with chambers as representatives of the private sector.

**RECOMMENDATION 4.2:** Encouraging the delivery of vocational courses by the private sector:

**47.** In Turkey, there are examples of successful public-private cooperation in

vocational and technical training. These practices, which often develop in three different ways, should be disseminated.

- Vocational and technical schools may cooperate with nearby industrial enterprises and firms in the service sector to have their students take occupational courses in them (e.g. BOSCH in Bursa and Mercedes-Benz in Aksaray).
- In those sectors that are predominantly composed of small and medium size enterprises, this cooperation may be initiated by sector-based organizations and/or organized industrial zones (e.g. BEGEV and İTKİB). Such practices can be further expanded through public arrangements allocating a part of the resources of organized zones for this purpose.
- Enterprises or sector-based organizations may also adopt vocational and technical schools (e.g. the Footwear Sector Research, Development and Training Foundation).

**48.** In addition, private sector staff from those enterprises within the close proximity of companies around vocational and technical schools can be recruited to teach in these schools.

**RECOMMENDATION 4.3:** Opportunities for internship and part-time work in the private sector:

**49.** In vocational training, complementing theoretical background with practical skills is important with regards to competency levels. Currently, neither enterprises nor individuals can benefit sufficiently from existing internship systems. There is a need to review current practices in educational institutions and enterprises and to develop measures to increase the value added of internship for individuals. At the same time, if enterprises show the flexibility to offer students seasonal employment opportunities, the labor supply will become more qualified.

## CONCLUSION AND EVALUATION

**50.** Affected by global factors, the ongoing social and economic change in Turkey has its implications in the field of education as well. Recently, significant reforms have been launched including the curriculum reform. Also in vocational training, needs,

such as training of trainers are being addressed by MoNE through EU supported projects. Programs are being developed to give the system a modular structure, and infrastructure is being built for a National Vocational Qualifications System, which has critical importance as far as life-long learning is concerned. At the same time, as states' monopoly on the design and development of public policies are gradually diminishing, other stakeholders have increasing opportunities to make contributions. Capitalizing on the synergy created by the developments mentioned above, our report intends to contribute to the improvement of the VET system.

**51.** Targets and recommendations in the report derive from three common principles:

- a.** Taking skills and competencies as a basis in future teaching programs, methods, assessments and measurements.
- b.** Designing demand-oriented public policies. Providing individuals with opportunities for quality education and training regardless of their educational preferences, and offering flexibility when they wish to change their earlier preferences.
- c.** Perceiving public-private cooperation as a real partnership where there are equal partners, and making use of this partnership while planning, delivering and evaluating VET.

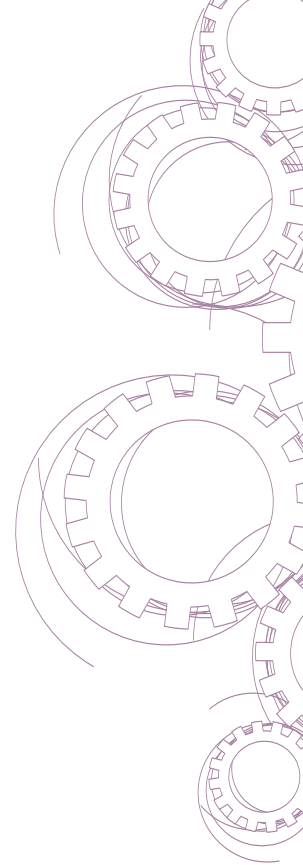
**52.** On this ground, the report addresses skills, competencies and VET as a whole from the life-long learning perspective and articulates targets and recommendations that are complementary to each other. The first and second targets focus on secondary education. because it is crucial for students to acquire life and professional skills at this level, which will soon be incorporated into compulsory education. The third target makes suggestions for the creation of alternative learning environments within the life-long learning perspective. The fourth and final target is intended encourage and institutionalize public-private cooperation in the planning, design and delivery of VET.

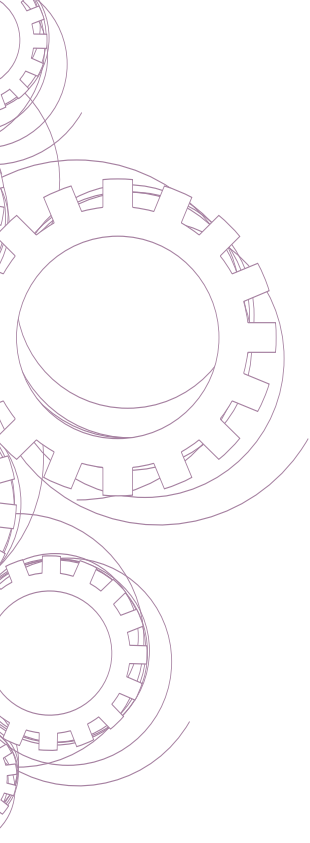
**53.** Three issues come to the fore as critical success factors. Policies and practices associated with the issues below are particularly important:

- a.** Making sure that MYK has the capacity and flexibility to perform duties expected from it and to respond to the needs of the labor markets.
- b.** Putting an end to power monopolies and struggles, the biggest obstacles to cooperation between private and public sectors.
- c.** Improving the status and quality standards of VET at all levels.

**54.** While developing recommendations, we avoided casting new burdens on public finance. In fact, the only recommendation with implications on public finance is related to the use of Unemployment Insurance Fund, which, in any case, is obligated to deliver training by law.

**55.** In the report, recommendations concerning vocational colleges, which constitute a very important part of VET, are limited. While drafting the report, there were opinions stating that it was not correct to place vocational colleges within the YÖK scheme. Nevertheless, for any re-evaluation and restructuring of these institutions, we suggest waiting for the outcomes of ongoing studies and research.





## GOALS, TARGETS AND RECOMMENDATIONS

**GOAL:** To contribute to the realization of young population's potential, to meet the needs for intermediary labor in the agriculture, industry and service sectors, and to endow Turkey with further advantages in its efforts to improve its international competitiveness.

**TARGET 1:** PROVIDING ALL GRADUATES WITH THE BASIC SKILLS FROM A LIFE-LONG LEARNING PERSPECTIVE BY REDUCING DIFFERENCES BETWEEN GENERAL EDUCATION AND VET PROGRAMS IN SECONDARY EDUCATION

**RECOMMENDATION 1.1:** Extending general education (which focuses on general skills and competencies and is common to all schools in the first grade of secondary school) from one to two years

**RECOMMENDATION 1.2:** Providing secondary education students who mainly receive general education with opportunities to take vocational and technical courses

**RECOMMENDATION 1.3:** Providing all secondary education students with opportunities for learning outside the classroom

**RECOMMENDATION 1.4:** Reducing school diversity in secondary education and simplifying the administrative structure

**TARGET 2:** CREATING CONDITIONS IN WHICH ECONOMIC AND SOCIAL RETURNS OF VET TO INDIVIDUALS ARE ENHANCED

**RECOMMENDATION 2.1:** Separating the issue of VET from debates on İmam Hatip High Schools (secondary education institutions that provide religious training)

**RECOMMENDATION 2.2:** Students should be provided with opportunities of vertical and horizontal mobility in VET

**RECOMMENDATION 2.3:** Enhancing the flexibility and quality of VET to enable it to respond to changing needs in the economy and to new advances in science and technology

**RECOMMENDATION 2.4:** Supporting VET through information building and communication campaigns

**TARGET 3:** CREATING OPEN LEARNING ENVIRONMENTS IN LINE WITH THE LIFE- LONG LEARNING PERSPECTIVE

**RECOMMENDATION 3.1:** Urgent establishment of a National Vocational Qualifications System (UMYS)

**RECOMMENDATION 3.2:** Diversification of learning opportunities after compulsory education

**RECOMMENDATION 3.3:** Continuous and high quality needs-analysis of labor markets

**RECOMMENDATION 3.4:** Support for adults in their efforts to acquire new skills and competencies

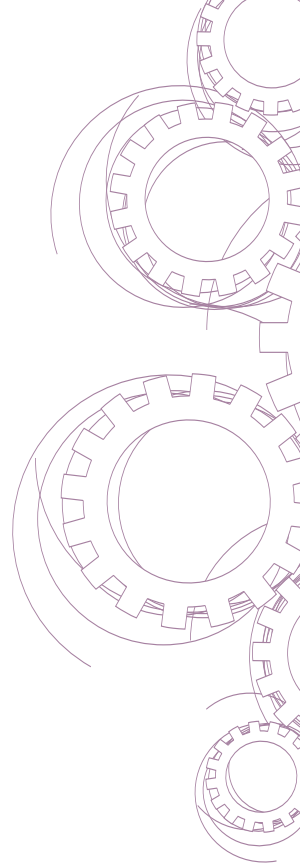
**RECOMMENDATION 3.5:** Expanding access to life-long learning by providing information, guidance and recommendations regarding available learning opportunities

**TARGET 4:** REALIZING THE POTENTIAL FOR PUBLIC-PRIVATE PARTNERSHIP IN THE FIELD OF VET

**RECOMMENDATION 4.1:** Private sector's ownership of Sector Committees formed within the Vocational Qualifications Authority

**RECOMMENDATION 4.2:** Encouraging the delivery of vocational courses by the private sector

**RECOMMENDATION 4.3:** Opportunities for internship and part-time work in the private sector





# SKILLS, COMPETENCIES, VOCATIONAL EDUCATION AND TRAINING: FINANCING STRUCTURE AND POLICY RECOMMENDATIONS

H. HAKAN YILMAZ, PhD

## EXECUTIVE SUMMARY

### INTRODUCTION

Economic problems of a developing country and the economic programs implemented to address these problems directly influence the structure and amount of resources allocated to the education sector. Measures that restrict public spending to achieve financial performance targets inevitably affect the education sector, which has a significant share in public spending. In this context, existence of well-designed medium term policies and implementation strategies becomes even more important. A government's haphazard approach to public policies and practices that falls short of setting clear priorities in the education sector present risks for the future of a country.

One of the structural differences that differentiate the education sector from other social sectors is the fact that approximately 90 % of the funds allocated to this sector come from the public budget. As a result, financial discipline policies have direct implications on the education sector in Turkey. This is also visible in the recent changes in public spending on education. During the implementation of stability programs, share of public spending on education in the GDP, contrary to spending on health, decreased in real terms.

The relationship between education spending and productivity in the economy has been set forth by many empirical studies. Rise in education spending increases the productivity of the labor force, which in turn improves growth rate. The basic questions here are: (i) to what extent alternative costs, which arise when resources in the economy are channeled to education instead of other sectors, are taken into account in policy-making; (ii) to what extent productivity is

taken into account in the allocation of resources between different levels of education; (iii) to what extent education expenditure is financed by public versus private sources. In fact, answers to all these questions are important in calculating the macroeconomic returns of education, and they have a major impact on public policy-making processes.<sup>1</sup>

Contrary to expectations, Turkey ranks surprisingly high in international comparisons in terms of the share of total education spending in GDP, mainly because of the relatively large size of non-public sources financing education. While 62 % of the total spending on education is financed by public sources, 35 % is financed by private sources and the remaining 3 % by international sources.<sup>2</sup> Even though education spending is high as percentage of GDP in Turkey, spending per student is low. This can be explained by the large number of students and the relatively low level of additional per capita value generated by the economy.

Turkey, together with Mexico, ranks at the bottom among OECD countries in terms of education spending per capita. Turkey's per student spending is approximately one third of the OECD average and drops down to one sixteenth of the OECD average at the pre-school level.

### FORMAL VOCATIONAL EDUCATION AND TRAINING

According to 2002 data, approximately 11,2 % of the total education resources were allocated to vocational education. 95 % of spending on vocational education and training (VET) goes to education provided by public institutions.<sup>3</sup> Approximately 70 % of the VET spending comes from the Ministry of National Education (MoNE). Between 2002-2006, public resources allocated to formal and

<sup>1</sup> (Yilmaz, 2006)

<sup>2</sup> (World Bank, 2005)

<sup>3</sup> (DiE, 2004; Yilmaz, 2006)

non-formal VET was about 0.48 % of GDP on average. An upward trend, reaching 0.50 % in 2006, was observed mostly as a result of the increase in the funds allocated to vocational secondary education by MoNE.<sup>4</sup> MoNE's total budget in the same period was 2.75 % of GDP on average. Therefore, it can be concluded that approximately 18.2 % of MoNE's budget was allocated to VET (according to the adjusted MoNE budget).

Over 3.2 million students attended secondary education in the 2005–2006 academic year. 36.3 % of them were enrolled in VET schools while the remaining 63.7 % were enrolled in general education schools.<sup>5</sup>

The downward trend in the proportion of students attending vocational secondary education had accelerated after 1998 but it seems to have come to an end by mid-2000's. Excluding the students enrolled in distant education programs, students receiving vocational secondary education constituted about 43.4 % of all secondary education students in 1999–2000. The same rate was 35.8 % in 2002–2003 and 38.2 % in 2006–2007 academic year.<sup>6</sup>

43 % of students in secondary VET attend men's technical high schools; 25 % attend trade and tourism high schools; and 18.7 % attend women's technical high schools. Even though the number of students attending Imam Hatip High Schools (secondary education institutions providing religious training) has increased at a faster rate than the average, it remains below 10 % of the total number of students in secondary schools offering VET.<sup>7</sup>

The state spends almost twice as much for the students receiving VET than it does for those in general secondary education.<sup>8</sup> Significant differences also exist among different VET institutions in terms of spending per student. Calculated in 2006 prices, average annual spending per student in vocational secondary education for the 2002–2006 period is 2,279 YTL. Per student

spending is highest for medical vocational high schools, and is equal to 3,334 YTL. The high level of spending per student in medical vocational high schools is mainly caused by a decrease in the number of students rather than an increase in overall spending. The second highest per student spending is in Imam Hatip High Schools; 3,037 YTL spent per student. The lowest per student spending is in trade and tourism vocational high schools, and is equal to 1,434 YTL per student.<sup>9</sup>

### NON-FORMAL VOCATIONAL EDUCATION AND TRAINING

Approximately 4 million people in Turkey attend non-formal education. More than half of them (52.3 %) are enrolled in private non-formal education institutions, whereas the rest are enrolled in public institutions.<sup>10</sup>

Using the existing non-formal education data, it is estimated that approximately 30–35 % of the students receiving non-formal education attend vocational education courses and programs.

Even though the number of students attending private non-formal education institutions exceeds the number of those going to public non-formal education institutions, only 10–12 % of the students who receive VET attend private institutions. Resources from the private sector are primarily spent on non-formal education other than VET.

Non-formal education has particular significance in Turkey because of the immediate need to improve the quality of the existing labor force. Insufficiency of in-service training opportunities, when coupled with the quality issues in the formal education system, undermines the quality of the labor force. New models and approaches in non-formal education that offer professional and vocational development opportunities could contribute to higher productivity in the service sector and industrial production.

<sup>4</sup> (DİE, 2004; Yılmaz, 2006)

<sup>5</sup> (MoNE, 2006)

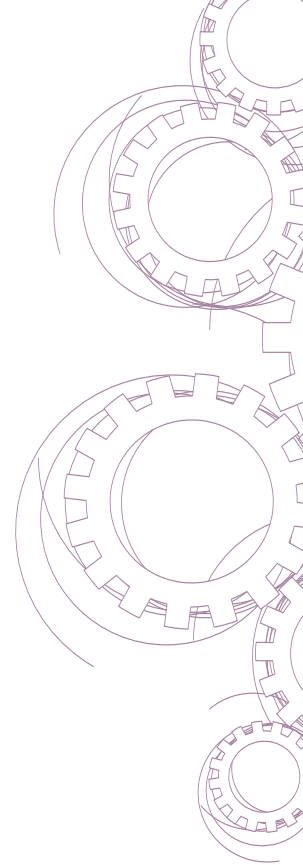
<sup>6</sup> (MoNE, 2006)

<sup>7</sup> (MoNE, 2006)

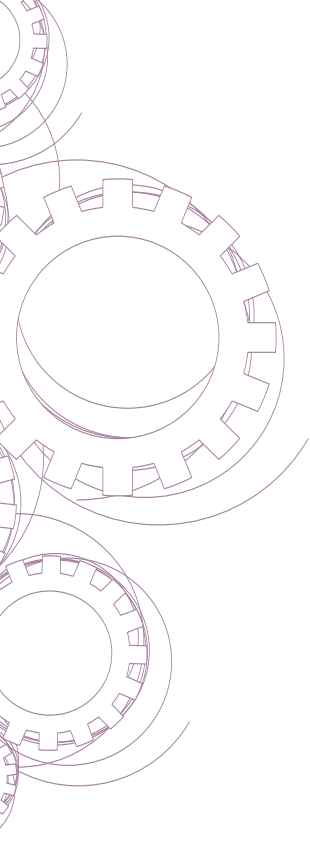
<sup>8</sup> See the second appendix in the main report for sources and methods used by the author to calculate this number.

<sup>9</sup> See the second appendix in the main report for sources and methods used by the author to calculate these figures.

<sup>10</sup> (2004–2005 data of MoNE)







According to the 2002 data, total expenditure for non-formal VET constituted 1.86 % of the total education expenditure while public expenditure for non-formal VET constituted 1.77 % of the total public education expenditure. Given the cost efficiency argument for non-formal VET and the fact that MoNE funds 56 % of the total non-formal education spending, it could be argued that these percentages are relatively low.<sup>11</sup>

There was a significant decrease in the share of non-formal VET in both total VET spending and MoNE's budget. The share of non-formal VET in total VET spending decreased from 16 % in 2002 to 14.6 % in 2006, and to 13.5 % in 2007.<sup>12</sup> The total amount of resources allocated to non-formal education in the MoNE budget did not increase in real terms during the same period, possibly reflecting limited prioritization of non-formal education by the government.

#### MAIN FINDINGS OF THE REPORT:

- a. Vocational secondary education is more costly than general secondary education.
- b. Per student spending in public vocational secondary education schools is 76 % higher than that of general secondary education schools on average.
- c. Per student spending differs significantly across different types of vocational secondary education institutions.
- d. The way in which vocational high schools allocate resources to different inputs is not compatible with the requirements of the services produced.
- e. MoNE's decision to extend the duration of secondary education to four years will entail a significant rise in costs.
- f. Number of students per classroom in VET secondary schools differ greatly across provinces, creating different levels of need for investment in classrooms.
- g. Unemployment rates for graduates of general high schools and graduates of vocational high schools are quite close.

## POLICY RECOMMENDATIONS

Problems related to the quality of education in vocational high schools have multiple ramifications, including the low market demand for graduates and graduates' relatively low professional success when compared with general high schools graduates.

The problem of quality in vocational high schools cannot be explained solely by insufficient public resources allocated to education. The problem also has a structural dimension. Current ways of resource allocation across different levels of education and different provinces are part of the structural dimension. In this sense, budget and financing cannot solve all the problems by themselves; rather, they are instruments through which policies can be realized.

As a follow-up to "Skills, Competencies, Vocational Education and Training: Policy Analysis and Recommendations" report, this study introduces policy recommendations for the financing of VET in the light of the above-mentioned findings and analyses of the main report.

#### 1. While formulating policies to increase the number of VET students in secondary education, policy makers should take into account issues of quality, additional costs, and returns to education, and policies should be designed with a clear time frame in mind.

Decision makers should consider the following two options:

- If additional funds are available, in the short run, they should be used to improve the quality of the existing VET rather than increasing the student capacity of vocational high schools.
- In medium and long terms, in addition to improving the demand for secondary education and its quality, the relative size of the student body in VET high schools should be increased. Such change would necessitate the elimination of psychological barriers that prevent primary school graduates from choosing VET high schools.

<sup>11</sup> (DIE, 2004; World Bank, 2005).

<sup>12</sup> See the second appendix in the main report for sources and methods used by the author to calculate these figures.

## **2. Policies should be put in place so that higher funds to VET does not come at the expense of funds allocated to general secondary education.**

Increases in public expenditure for vocational secondary education entail a pressure on the public expenditure for general secondary education. The failure to set forth the priorities related to VET properly and to build upon the experiences of countries where strong cooperation between the public and the private sectors exists, limit the funds allocated to general secondary education, and diminish its quality. It is necessary to establish a funding structure for VET that facilitates a more efficient use of existing resources and more active participation of private actors in financing VET in a way that the financial burden on MoNE's budget is reduced.

## **3. The budget structure of VET should be modified to improve the quality of education.**

Limited resources inevitably cause the expenditures to be allocated mostly for personnel expenses. The share of the personnel costs in the total expenditures of VET schools is around 80 %. Operational expenditures and expenditures related to practice materials, maintenance and equipment, which directly affect the quality of education, are inadequate. Inadequacy of resources allocated to these inputs also prevents efficient utilization of existing assets, including the personnel.

MoNE should consider alternatives to the budget allocation formula used by the Ministry of Finance. Currently, MoNE prioritizes conforming to the budget allocation formula. It should instead consider policies that would increase budget flexibility, improve efficient distribution of international project loans, and enhance cooperation between private and public sectors, with a focus on local administrations.

## **4. The decision to extend the duration of secondary education to four years should have been reconsidered.**

MoNE's decision to extend the duration of secondary education to four years bears significant costs. The question should have been to what the extent this costly policy

would be able to raise the quality of education. The fact that available resources have been used to extend the duration of education rather than to improve its quality, points at a problem of policy preferences. A better way to spend available resources would be to address teacher shortages in VET programs and provide new equipment and services for these programs.

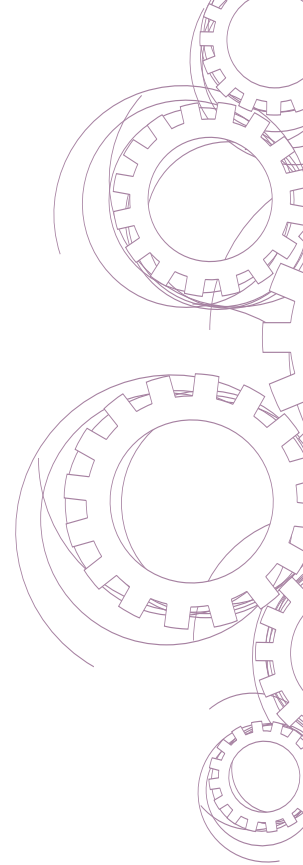
## **5. The links between new policies and funding should be strengthened, and budget should be made flexible so that changes in the priorities can be reflected in the allocation of resources.**

New policies are not backed-up by resources necessary for implementation. When priorities shift between different types of vocational high schools or when student preferences between vocational and general high schools change, public spending should be able to respond to these changes in priorities and preferences. An analysis of MoNE's budget for secondary education in the last six years indicates limited flexibility.

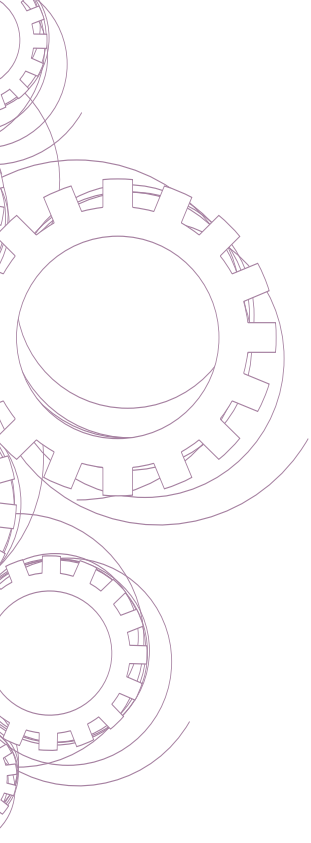
Limited flexibility is displayed also by resources allocated to İmam Hatip High Schools by MoNE. As a result of the transition to eight years of compulsory education in 1997, and the university entrance policies introduced in 1998 that limit the chances of graduates of vocational high schools, the number of students in İmam Hatip High Schools has been decreasing. However, an adjustment in the resources allocated to these schools did not come along. Spending per student in İmam Hatip High Schools is approximately 2.5 times higher than that of general secondary education and about 1.4 times more than the average per student spending in vocational high schools. Inflexibility in the allocation of resources inevitably raises issues of inefficiency

## **6. There is a decrease in the resources allocated to non-formal education in MoNE's budget. MoNE should reconsider this trend. Moreover, resources allocated to non-formal education should be utilized without being transferred to future fiscal years.**

Different country experiences show that non-formal education is a cost-effective option for VET. Offering short-term, targeted courses in the non-formal education system is







a more cost-effective method than using the formal education system. Therefore, MoNE should be more persistent in its endeavors to be able to use the revenues from external sources, such as the special revenues originating from Law no 3308, for improving and expanding non-formal VET options. It is also necessary to review the current financing structure of non-formal education programs. In terms of public funds allocated to non-formal education, funds from public sources other than MoNE budget should be increased. More specifically, new policies should be put in place that would allow for the utilization of unemployment funds, funds from Organized Industrial Zones (OIZ) and funds from non-governmental organizations and charities for non-formal VET programs. Possible models are discussed in more detail in section 12 of the executive summary.

**7. The obligation to restructure the revolving funds by the end of 2007 presents an opportunity to improve the existing revolving fund schemes of VET institutions.**

Vocational high schools should consider adopting new revolving fund schemes. Since public funding will not be adequate to provide the necessary operational and equipment-related expenses that could improve the quality of education in the short term, revolving funds could be a mechanism through which private firms that demand services from VET institutions could contribute financially to the institutions.

**8. It is crucial to clearly define powers and responsibilities of different institutions in relation to non-formal VET.**

All vocational secondary education institutions have recently been placed under MoNE's structure and responsibility. On the other hand, Vocational Qualifications Authority was established under the Ministry of Labor. It is likely that there will be an overlap between the powers and responsibilities of MoNE and the Authority concerning curriculum development, certification and accreditation of non-formal education. Overlapping responsibilities and powers usually generate complex bureaucratic obstacles and might hinder the development of non-formal VET in Turkey.

**9. Cooperation between public institutions offering and purchasing VET services should be strengthened.**

Establishing close ties between public institutions offering VET and institutions that demand their graduates is necessary in order to ensure that the education provided is of high quality and adequate demand exists for VET graduates.

**10. Decisions about establishing new VET institutions and programs must take into account regional and provincial differences in terms of labor market demands and the current economic structure.**

Currently, there are major disparities across regions and provinces in terms of the number of students per classroom and hence the need for investing in constructing additional classrooms. Overcoming such disparities requires both a more efficient use of existing physical capacities and a more objective criteria for investment decisions. New physical investments for VET must take into account the demand in the local labor market.

**11. As part of the efforts to strengthen the cooperation between VET institutions and the industrial sector, Organized Industrial Zones' (OIZ) resources could be used for improving and expanding VET programs.**

A concrete and necessary step for improving VET in the short term is formulating action plans to strengthen the cooperation between VET institutions and the industrial sector. Current demands from the industrial sector for better quality VET should be supported with financial contributions. Financial contributions would also give the industry a stronger voice and facilitate their active involvement in VET institutions. A possible scheme is the utilization of OIZ funds for VET. It is more likely that OIZ funds would be used for targeted, short term and cost-efficient non-formal VET programs. However, each OIZ should be allowed to make decisions in line with its own VET preferences. The legal framework that will be created for regulating OIZs' contributions to VET should also allow for other local actors' involvement and contributions.

## 12. The Unemployment Insurance Fund could be used to support models to improve quality of VET in ways that would not contradict with the Fund's original purpose.

It is not possible to improve the quality of VET with the current level and allocation of resources. An alternative source of funding could be the Unemployment Insurance Fund.

The report recommends three models for utilizing the Unemployment Insurance Fund in VET financing. The general framework and the basic principles of the three models are presented below. The overall objective is to increase the quality of VET given existing limitations and priorities. When assessing each model, one should keep in mind that a more detailed design and an action plan that takes into account possible variations in implementation is necessary.

### THE FIRST MODEL (Figure 1)

In the first model, the unemployment insurance premium paid by enterprises is linked with the services they will receive from VET institutions. The goal is to create a demand from private and public enterprises for primarily formal VET institutions. The source of funding would be the Fund revenues created for these purposes. Concurrently, mechanisms would be established to ensure close cooperation between the industry and education.

In the first step of the model, enterprises request training services from VET institutions for their personnel. The institutions provide the requested services, and the payment is received from the Fund. If and when the price

for the services exceed the predetermined ceiling, the enterprise compensates for the difference.

The predetermined ceiling is set by the unemployment insurance premium paid by the enterprise on an annual basis. In this model, while the premium revenues of the Fund do not decrease, there is an increase in the Fund's expenses, which is equal to the amount paid for VET. This model also overcomes several administrative, financial, and technical problems encountered in converting the revenues of the Fund into expenditures.

### THE SECOND MODEL

In the second model, a certain percentage of the sum of annual premium revenues and interest revenues collected by the Fund would be transferred to VET institutions as a direct cash flow to be used for the operational expenses and machinery-equipment expenses that originate directly from the services provided. Here, the purpose is to create additional resources to improve the quality of VET services and to increase investments for productive equipment purchases.

The model suggests that the resources are to be collected initially in a pool and then transferred to VET institutions, following a certain distribution criteria. Such a pool may be designed in three different forms:

#### A – CENTRAL POOL (Figure 2)

4 % of the contributions flowing to the Fund is collected in a pool. Four basic distribution criteria may be used in transferring the resources collected in the pool to the VET institutions.

FIGURE 1

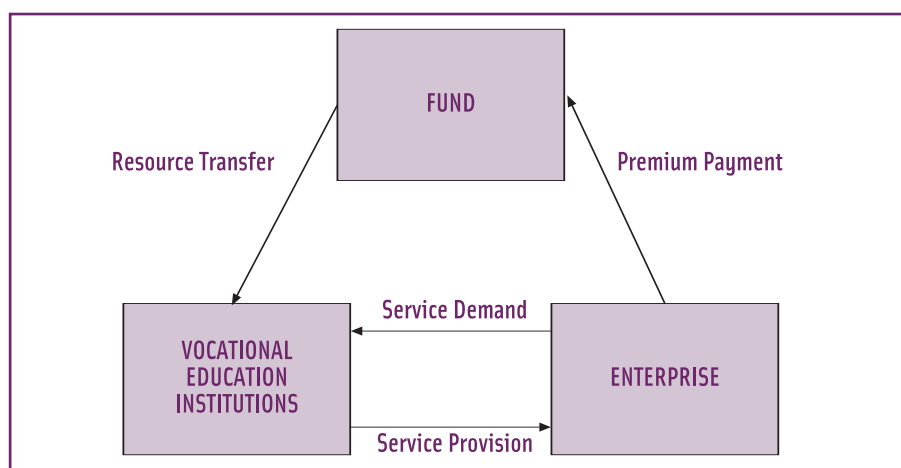


FIGURE 2

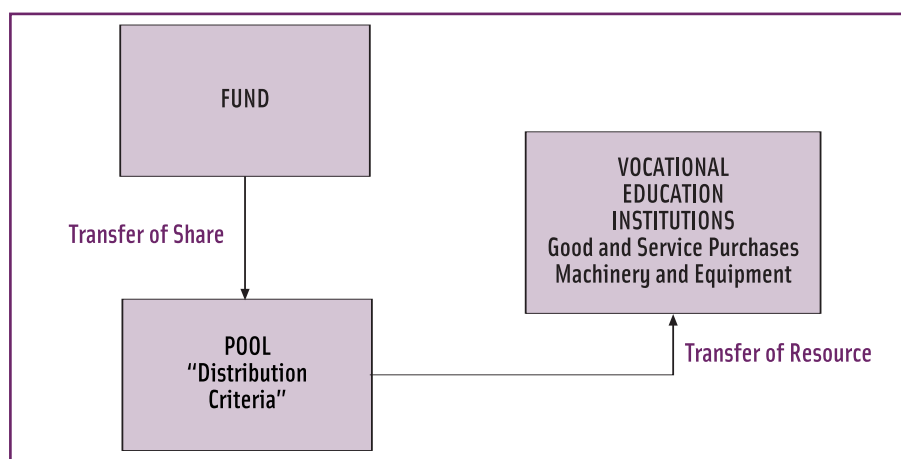
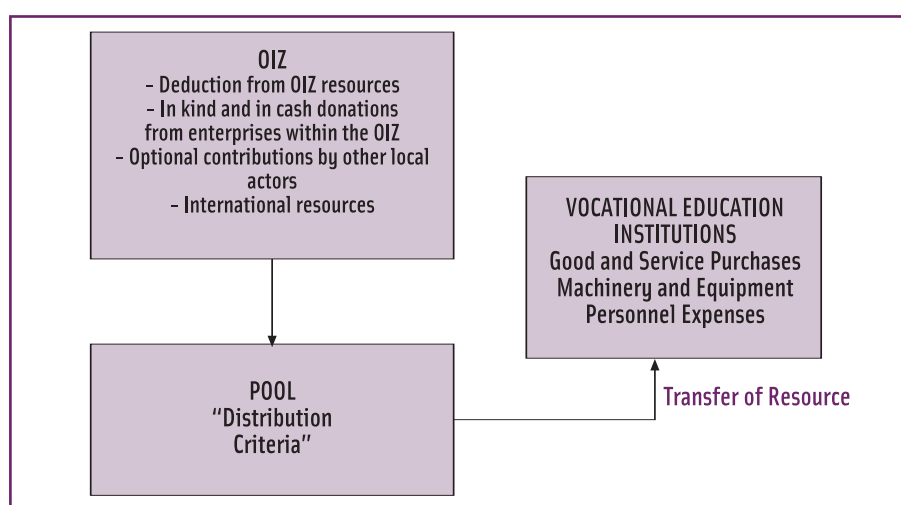


FIGURE 3



These are:

- The number of students,
- The employment rate of graduate students,
- The contribution made by the subject province to the pool,
- Education protocols made with enterprises.

The number of criteria may be increased and/or their proportional weights may be altered. The model increases operational and equipment-related spending of VET institutions significantly, which in turn raises the quality of the services and strengthens the cooperation between VET institutions and private enterprises.

#### B – LOCAL POOL (Figure 3)

The local pool model is based on a general distribution system. This model is planned to be strengthened with local contributions. These contributions may be used in other local pools to be created in addition to and/or

independent from the general pool described above. This carries importance in terms of developing local ownership and converting the local demand into resources.

Today, there are approximately 80 OIZs actively operating throughout Turkey. Additional local pools can help VET institutions within the scope of work of OIZs, eliminate the problem of inadequate working capital and ensure a more predictable funding structure.

The resource structure of the proposed model can be summarized as follows:

- Transfer of at least 5 % of the total annual revenue of the OIZ legal entity into a pool every year to be spent on VET services provided within the OIZ,
- In kind and cash contributions from the enterprises in the OIZ into this pool,
- Optional contributions of other local actors,

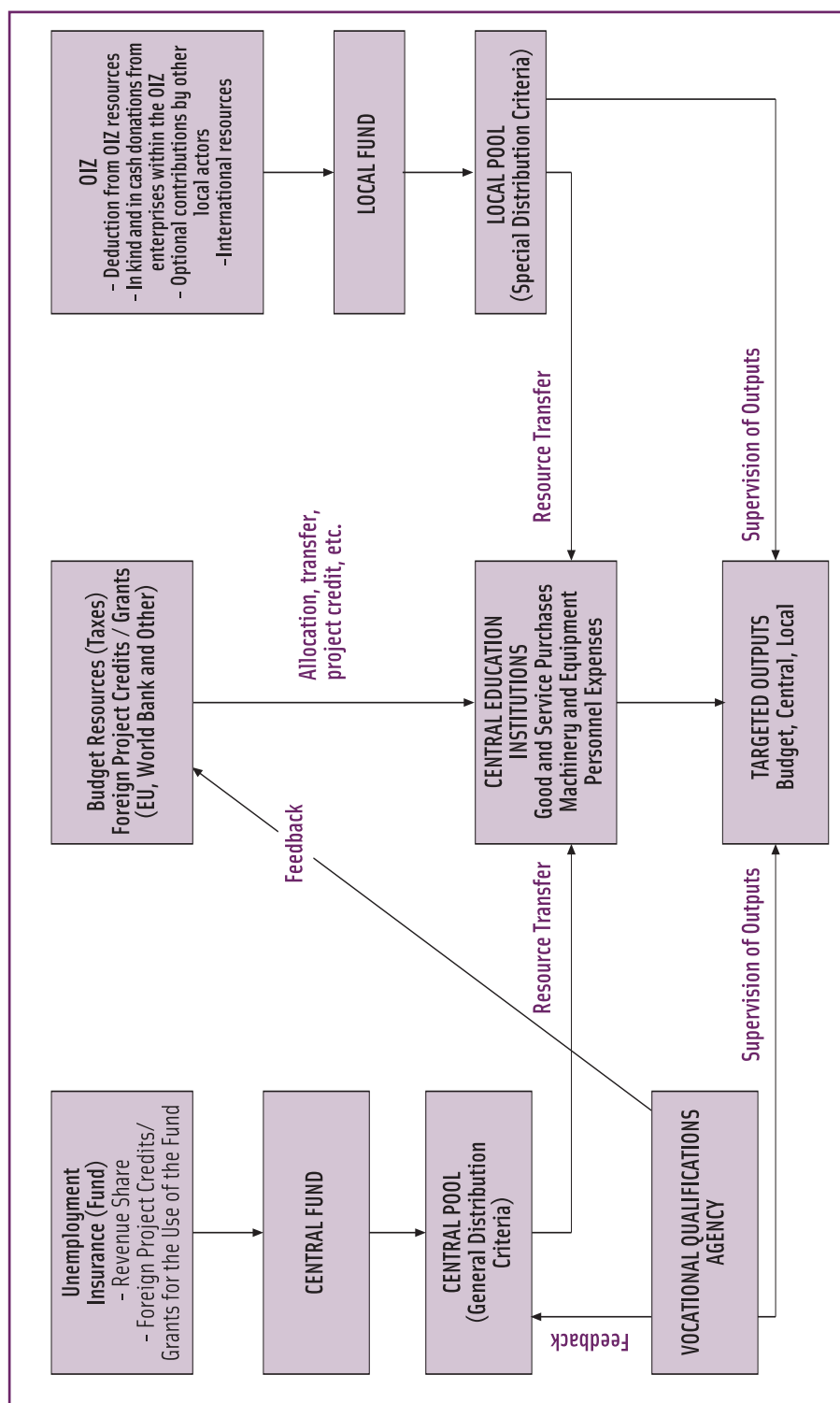
- Contributions of public agencies such as municipalities, the provincial branch of general administration, and state economic enterprises,
- International resources (grants, credits), coming primarily from EU.

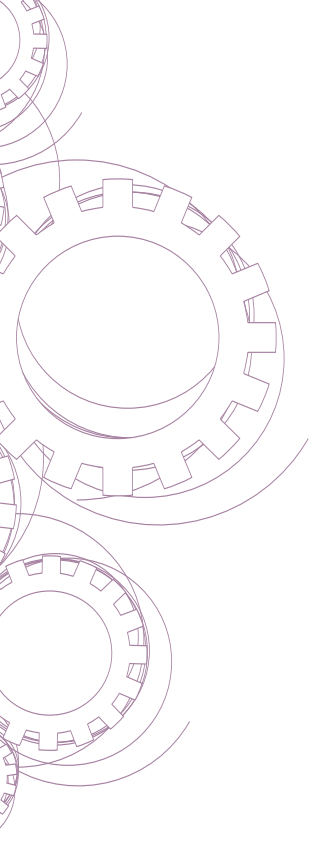
The funds collected in the pool would be made available to institutions in accordance with the distribution criteria based on predetermined

principles and procedures. Each OIZ will determine the principles and procedures concerning the criteria by themselves. In addition, it is recommended that the operational expenditures of VET institutions are given priority while allocating resources among different inputs.

Tax advantages should be granted to enterprises contributing to the pool.

FIGURE 4





A legal framework allowing for the deduction of in kind and cash contributions provided to VET institutions, covering foundations and associations established with the aim of offering VET programs in the OIZ, from commercial earnings should be introduced. Variations of this model could also consider exemption of VET institutions supported by OIZs from indirect taxes such as Value Added Tax and Private Consumption Tax.

#### C – CENTRAL AND LOCAL POOLS TOGETHER (Figure 4)

The resources that will be transferred to VET institutions may be shown as a whole by adding the budget resources to the central or local resources. This includes the budget resources (if any), the unemployment insurance fund resources (central), and local resources, primarily those of the OIZs. The structure and functioning of these resources will exhibit differences depending on whether they are directed to formal VET or to life-long vocational education.

#### THE THIRD MODEL (Figure 5)

In this model, enterprises are exempt from paying the unemployment insurance payments during the first year. In addition they make partial payments in the second and third years. In return, they are required to use the exempted amount to pay for the students they initially employ as interns and later as full-time employees. Exemption from premiums is linked directly to internships and labor contracts.

Depending on the efficiency of the outcomes, this practice may be partially extended to social security premiums, excluding health. Various limitations, such as the total number of personnel employed by the enterprise, the number of personnel covered, etc., must be taken into account. The overall objective of this model is to make VET institutions more

attractive to students. Incentives are put in place for enterprises to hire interns and employees from VET institutions, which in turn makes these institutions a more attractive choice for students.

#### CONCLUSION AND EVALUATION

Because of the fiscal pressures created by the economic programs and the closing window of demographic opportunity, it is more important today than ever to ensure the efficient allocation of education spending in accordance with strategic priorities.

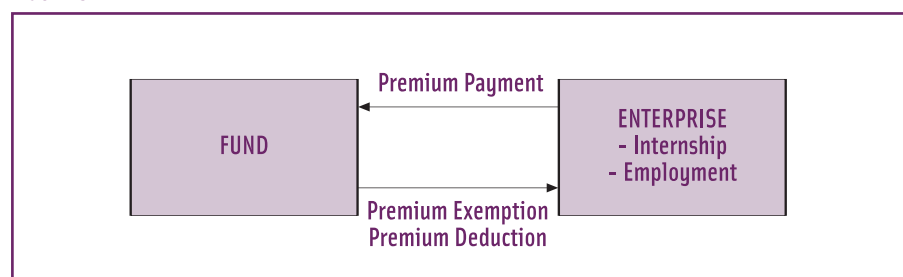
In 2002, the total amount of resources allocated to VET in Turkey was 1.4 billion US dollars and its share in the GDP was 0.76 %. In other words, approximately 11.2 % of the total education resources are spent on VET, excluding VET at the tertiary level.

VET continues to be among the hottest debate topics with respect to education policies in Turkey. One of the fundamental problems of vocational education is the quality of the services offered. With the existing resource distribution and utilization, it is not possible to say that the assets owned by VET institutions are used efficiently.

Non-formal education is a cost efficient method for acquiring professional skills particularly in VET. Non-formal VET institutions should be developed and this field should be given priority in the allocation of public resources. In the allocation of VET resources, the preferences of the actors who demand VET services should be taken into account, and they should also contribute to the provision of education services. This will bring an improvement in the cost structures of schools, and subsequently in quality.

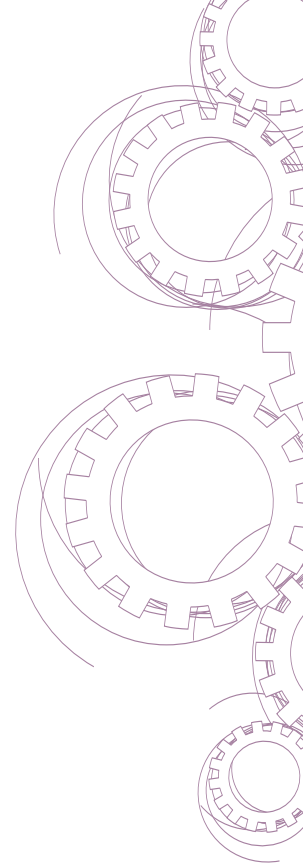
In addition, the resources collected in the Unemployment Insurance Fund should be

FIGURE 5



allowed to be used for ensuring improved quality. Policy makers should establish concrete and comprehensive medium and long term education policies. This would also entail strengthening the links between new policies, plans and programs to implement these policies, and the budget.

The need to make use of the resources of OIZs for improvement in VET is a major recommendation put forward by this study. Furthermore, within the framework of the three models presented, the resources collected in the Fund are recommended to be employed for enhancing the quality of VET in Turkey. Models differ from each other depending on whether they are central or local, and their managerial differences. However, the implementation of the proposed models should be considered as a whole and the models should be evaluated from this perspective.



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