

VOCATIONAL EDUCATION AND TRAINING (VET) DECENTRALISATION IN UKRAINE: MOMENTUM FOR ACTION

*A Green Paper to lead discussions on reforms and capacities needed
for an excellent and attractive Ukrainian VET system*

-EXECUTIVE SUMMARY-

Presentation: The GREEN PAPER on the Decentralization of VET in Ukraine

The Green Paper distills a large number of issues raised and feedback provided, by actors and stakeholders of the Vocational Education and Training (VET) system in Ukraine. It is part of an intense working process that has so far involved the drafting inception report on "Challenges of VET Reform in Ukraine 2016", as well as, 25 regional reports on the ETF Torino Process in Ukraine. It draws upon consultations including 7 focus groups held in 5 (pilot) cities, and the results of 2 working group meetings organized by the Ministry of Education and Science on 11 October 2016 and 6 December 2016 plus further consultations with non-state actors (in particular, employer representatives).

The draft law on VET contain many excellent and modern ideas to reform VET in Ukraine. Examining it in the light of recent experience of VET reforms in Europe indicates that more work needs to be done in to clarify issues which could prove barriers to progress if not resolved now. The purpose of the green paper is to highlight those issues that need to be further developed, indicate the options that are available and demonstrate the possibility of supporting this process based on international –good-practice from the EU and elsewhere.

The Green Paper is structured under 4 main headings that emerged from policy discussions among the ETF and Minister of Education and Science of Ukraine-MoES- in February 2016. As a result, the ETF formulated a project named *VET decentralization in Ukraine: momentum for action*. The Green Paper lays out the challenges that are likely to arise as part of the decentralization process. It indicates policy options for dealing with these challenges and provides arguments suggesting which may be the best option to take. Finally it presents a roadmap outlining the main tasks that lie ahead, that require leadership at state, region or school level, and that are required to achieve a successful transition to an effective, excellent, attractive and relevant VET decentralized system in Ukraine.

Introduction: The Key Role of VET in a Modern Economy

Most countries consider VET as a vital component of the drive to enhance productivity, stimulate economic development and competitiveness, to reduce the incidence of unemployment and to lift disadvantaged groups out of poverty. According to Eurostat in 2013 almost half of all upper secondary school pupils in the EU-28 followed VET programmes. In the case of Czech Republic, Croatia, Austria and Finland, the share was 70 % or higher.

When VET is closely aligned with the needs of employers however, trainees have excellent employment prospects and quickly find their way into work. Employers are able to hire staff that is immediately productive and does not require years of extra mentoring and training. Vocational education is also of great importance for the development of entrepreneurship, start-ups and SMEs. It is an important factor for success of the DCFTA. For these reasons, the association agreement specifically encourages cooperation between the EU and Ukraine in the field of VET.

Nevertheless, it is important to understand that the European Union does not see VET as an end in itself. It sees VET as an essential component of broader efforts to stimulate growth and develop the economy. From this perspective, the new VET system should fully align with other efforts to develop the economy, at regional or sectoral level. For example, with efforts to develop foreign direct investment, boost trade in the context of the DCFTA, or develop a pro-active opportunity-driven entrepreneur-led business dynamic. These considerations should have a clear impact on reforms such as the design of a new mechanism for developing state and regional orders, as well as for the strongly needed optimization of regional VET networks.

Immediate Steps to Take

These ideas should be formalized as soon as possible, with the creation of a formal *Vision for the VET system in Ukraine*. This should first be done at state level in a way that involves all stakeholder ministries. These are the ministries for education and science, for the economy, for labour and social policy, as well as finance, regional development and the ministries for sectors such as transport, tourism, agriculture, ICT and defence, all of which have a strategic interest in the further sound development for the VET system. A good way to do this is to create an *inter-ministerial platform for*

dialogue on VET reform. Over the period of transition to a decentralized system, many other issues will require discussion and coordination at state level. Such a platform could be set up for a period of 5 years, enough time to oversee most of the decentralisation process.

In particular, it could oversee the implementation of a *Roadmap* of actions needed to implement the decentralisation process, making sure, that legislation is passed in a timely manner and the ministries concerned systematically solve those problems. It could pilot important new policy tools such as *Foresight* as an aid to its own decision making.

In any event, the high-level vision for the new VET system should be further elaborated at regional level, to create *regional VET strategies*, built upon the regional development strategies, advancing detailed plans for the optimization of regional VET networks, adapted to regional specificities and aligned with regional plans for growth. These structures could build upon the *Regional Platforms* already created to support the ETF Torino Process 2016.

Finally, it must be noted that the decentralization process is not a simple transfer of power from state level to lower levels of governance. It is a complex redistribution of roles and responsibilities to appropriate levels of governance, accompanied by the adaptation of old mechanisms for rule setting, decision making and financing, as well as the creation of new VET policy coordination mechanisms. This is more complex than it appears at first sight as size and regional and local divisions of Ukraine (oblast, rayon's, and amalgamated gromadas) make this process more challenging indeed. Careful preparation is required if this is to succeed.

A clear way to proceed is to carry out what is known as a *Review of Institutional Arrangements* (RIA), which could be accompanied by the development of an *Analytical Framework for VET governance and financing* in Ukraine. These two actions will enable the development of an *Analytical Framework for VET decentralization*, clarifying *who is doing what, when and how, thus, where* in the new system will be decisions made and how these decisions will be not only made and financed but monitored, evaluated and reviewed. This should be better done identifying the different key VET policy areas (e.g. Qualification and Curricula, Quality Assurance, Skills Matching etc.).

These actions need to be carried out immediately to create adequate conditions for the successful decentralisation of the VET system in Ukraine. Smart Decision on restructuring VET school networks is a key pre-condition for success.

Further, much of the green paper deals with issues that are ambiguous under the last version of VET draft law, and which require further discussion and clarification, leading to improvements in the legal texts or the issuance of guidance in their interpretation. The main points of the Green Paper under each of these 4 headings, not already touched upon above, are summarized in the following sections.

☑ Good Multi-Level Governance to Approache VET Decentralization System in Ukraine

The purpose of VET decentralization is to better adapt –vocational- skills and qualifications to the needs of regions and local economy. Many different actors now drive local development agendas stimulating new labor market demands. Anticipating and responding to these demands will require a series of actions to provide clarity, direction and coordination. This will have an important impact on the construction of the *Regional Order*, as well as on the mechanism regarding VET *School Network Optimization*.

Section 2.2 of the GP deals with the *social role* of the VET System in Ukraine. The current system of *student stipends* is unsustainable. The Ministry of *Labour and Social Policy* should really assume many of the social responsibilities of the VET system. The current approach has unintended consequences in that by monopolising the care of disadvantaged youth it effectively excludes these from access to Higher Education (H.E). It would be useful to create a new *Vision for the Social Role of VET in Ukraine* based on modern concepts of *accessibility* and an *Inclusive Society* that provides equitable access to education, employment and *Life Long Learning* for all citizens regardless of their age or ability.

Section 2.3 discusses the *governance of VET finance* in the context of *decentralization*. There are choices to be made between alternative models of governance for VET finance. These choices have consequences for the establishment of the regional order, for the optimization of VET networks and for the ability of regions to use VET as a tool for growth and development. Should governance be centered on the school or on local government at *region* or *city* level? There are strong arguments that the VET school system should be governed at the level of the region. There is already evidence that some cities have tried, for instance, to restrict profiles taught in city schools to those needed for city jobs, restricting the mobility of individuals and depriving them of opportunities to move into careers for which they feel best suited. The fact remains however that responsibility for financing has in many cases already been delegated to cities of oblast significance.

All this creates a need to clarify *the relationship between the cities and the regions in which they are embedded*, concerning VET governance. While the natural unit for optimization of the VET system is the network of schools within the region, there is uncertainty as to how the region can act in the case of schools subordinated to cities, as well as for schools subordinated to sectors such as agriculture or defense.

VET Schools are not ready to assume full responsibility for their own financing. However, they should have a measure of *discretion over spending*. A good system of governance would ensure that schools are adequately funded, able to adapt to changing needs of the labor market and provide an effective instrument that supports strategies for growth and development. The emerging (*hybrid*) system is based on decentralization to the level of regions and to cities of oblast significance.

Recent changes to the Budget Code have radically altered the finance model of the oblasts, cities, rayon's and the newly formed amalgamated gromadas. This has led to a fragmentation of the VET system into two sectors, one finance from city budgets and one finance from regional budgets, whereby some schools are well funded and others are chronically under-funded. Sections 2.3.1 and 2.3.2 discuss *formula funding* and *multi-channel finance*, *per-capita funding*, *fiscal policies*, *tax-exemptions*, *levies* as well as the need to set up Public Private Partnerships. There is an urgent need for further work on VET financing, in particular an urgent need to engage with the *Ministry of Finance* on these issues. This would be greatly facilitated by the development of an *Analytical Framework for VET financing* described earlier.

The section 2.4 guides on how the logic of *Life Long Learning* (LLL) should drive and orient the institutional arrangements that will make up the new decentralized VET system on which both VET and H.E should be seen as parts of single system aimed at human capital and personal development. *Continuing Vocational Training* (CVT) is also key for Ukrainian human capital. The implementation of a *National Qualification Framework* (NQF) and developing a set of *Key Competences* included in – *renewed- VET curricula* might become important milestones to facilitate that *VET follows a LLL logic*.

The Section 2.5 addresses the role of the region and local government in VET governance, in particular the role of the *Regional VET Councils*. The new VET law gives these many powers, but is unclear. In particular, it is not clear how *licensing* will be managed in the new system or what planned system for *Quality Assurance* (Q.A.). The Green paper argues in favor of a *National Agency*, which can be based on institutional models that opted for setting up *APEX bodies* in decentralized contexts.

Section 2.6 of the Green Paper discusses how to improve the *Regional Order*, a procedure established in 1998 to determine budgets, staff and student enrollment levels in the VET system. It is clear to all that the system is outdated and in great need of improvement. A modern *anticipative approach* would provide teachers with opportunities to develop new programs and methods. It would take account of the needs of cities, rayon's, gromadas and amalgamated territories, sectors and regions based on their plans for growth and entrepreneurial development. Ukraine has already been involved in relevant capacity building initiatives such as the *Eastern Europe Partnership Platform*. There is scope for building a new system based on a *Labor Market Observatory* and skills related *Foresight* (and *quantitative Forecast*) *methodologies*.

☑ Regional VET Networks and the Optimization of the VET System

The Green Paper argues that the unit of analysis for decentralization of the VET system should be the *regional VET network*. Many of the questions of governance and optimization should be looked at from the point of view of the regional network of schools and related institutes.

Section 3.1 of the GP looks at the role of *property ownership*. Today buildings and land belong to the state, whereas the schools are administered by the regions, or in some cases by the city. To enable a better governance of the schools the plan is to transfer ownership of school lands and buildings to the region. This has proven to be very complex due to problems with *documentation*, very long and bureaucratic *administrative processes*, and uncertainty over the handling of un-used or un-needed buildings. In particular, the re-assignment of buildings requires work on new VET legislation, to ensure for example that revenues from sale go towards the development of the VET system.

Section 3.2 addresses the optimization of regional networks based on the *closure, merger or creation* of VET schools. This process will be challenged by tensions between *rights of the state* (article 13.1 of the new VET law), the *rights of founders* (article 17.4) and the role of *Regional VET Councils* in formulating recommendations. The new VET law could be improved by indicating a process to clarify how these decisions will be made. Other issues arise due to the uncertain role of the mentioned regional VET Councils, *the reclassification* of VET schools (under articles 25.1 into 4+1 VET school types) new categories. The method for *aligning the new network with the needs of the regional economy* and *the inadequacy of the traditional methods based on the regional order to establish school budgets, staffing and enrollment levels* are other issues to be further clarified.

The execution of a RIA and development of an analytical framework for VET decentralization would help greatly in addressing these problems, by providing a clear basis for dialogue involving all major stakeholders.

Among measures that could be taken to facilitate the transition to a decentralized VET system is the development of *regional guidelines* for the optimizing of VET networks, for example building up the national vision for VET and regional development plans. It appears that, a *region-by-region or city-by-city approach to property ownership* may be required to deal with the specific nature of the problems and challenges that VET budget transfer has provided. It would be useful to develop the concept of VET *Centers of Excellence* as a –institutional- mechanism to help in the optimization of VET school networks based on an initial merger strategy that would create *hubs for collaboration with industry*, and create opportunities to negotiate new forms of PPP. It would be useful to further develop the concept of *management by principle* promoted by the proposed new VET law, to introduce the use of *performance indicators* system as per assessing performance of VET schools to take informed decisions on restructuring networks. It is worth considering how to exploit the *reclassification* process so as to modernize the *names* and *nomenclature* of the VET system to address issues of image and reputation (*attractiveness*).

☑ VET School Operations in the Context of Decentralizations Dilemmas in Ukraine

VET *School autonomy* is a form of school management where schools are given *decision-making authority* over their operations, for example in relation to *human resources, curricula and finances*, within constraints and policies set out by relevant authorities.

This gives an important role to the *VET school council*, which represents the interests of parents. With this comes *accountability*. To get good results however, you need good staff. Section 4.1 discusses how the autonomy of directors in managing HR is strongly constrained by the regional *staff schedule* which indicates the maximum number of staff that can be employed in a school. *Employing more staff* is considered a *breach of budget discipline*, even when this creates conflict with regulations concerning disadvantaged groups. *Employing fewer staff* is a tactic often used to increase staff salaries, with obvious consequences for the quality of VET service provision. *Firing* is very difficult, as the grounds for dismissal is not clear and attempted dismissal is easily reversed on appeal, but *hiring* is also difficult as salaries are low. If the school director is to be held accountable for results, she or he must be provided with the tools and conditions to manage. Although the new VET law appears to give

much greater powers to school directors, there is a need to improve the text providing further clarifications related to constraints such as the “staff schedule” and other issues related to *pay, bonuses and performance*.

Section 4.2 of the Green Paper deals with the *dilemmas of VET financing*. The very name of the *stabilization dotation* provided by the Ministry of Finance only emphasizes that for now there is no viable VET financing model. It is only an interim solution for a system that does not guarantee the constitutional rights of citizens’ access to education and which has led in the past to distress for both students and teachers due to delayed stipends and salaries.

The draft VET legislation does not deal adequately with *school finances*. It does not allow the school director to charge *fees for services* that the market can bear, and pay staff accordingly. These issues are in effect highly constrained by current legislation. In general, school finance has no link to *strategies for local growth and development* and schools are not allowed to spend any *special funds* they might earn by being more responsive to the needs of the labor market. It is not clear how schools will finance the development of *new courses* needed to fuel regional growth, pay for the *modern equipment* on which they must train, or encourage bright young teachers to enter the profession. Although the general feedback is that schools are not ready to assume full autonomy and that key budget and institutional decisions should be assigned to the region, schools do need greater autonomy than that which they are allowed today, especially in the area of HR.

The Green Paper discusses initiatives that would improve the performance of school management by *replacing the regional order* with more competitive market based alternatives to the *existing staff schedule*, by introducing new practices such as *Quality Assurance, performance measurement* and the practice of *self-assessment*.

☒ **Public-Private Partnership in Ukrainian VET**

The proposed new VET law emphasizes the *principle of partnership* and explicitly refers to *Public-Public Partnership* as key components of the –new- VET system. Ukraine already has some –good- experience with PPP, although mainly in the construction and metallurgic sectors. They usually take the form of a *social partnership* implemented based on councils called *elected collective organs*.. Another common form of PPP in Ukraine is the *sponsor*. This has provided a useful interface with the *shadow economy*, which remains an important source of employment for Ukrainian workers. Currently challenges exist in relation to new administrative units such as the *Amalgamated Gromadas*. For the time being at least, they do not see themselves as having a role in labor market development. It would be useful to formally *evaluate past experience* with PPP to really understand what the benefits have been, what worked and what needs to be improved.

Although the draft VET law gives a lot of importance to PPPs, it provides no guidance on what they might be or how they might operate. There is therefore a need to improve the draft text law in this regard. The current *legal and financial framework* does not facilitate the creation of PPP. PPPs could provide new sources of finance for the development of the VET sector, but funds received by public sector institutions are directly assigned to the *treasury* and become difficult to access. This is only one of several issues that need to be further addressed.

PPPs are practical mechanisms for sharing resources such as equipment, laboratories and workshops as well as for the organizing the development of new VET programs, *on-the-job-training* and *internships*. In principle, they provide mechanisms for *aligning VET strategies with strategies for regional and sectoral development*. Many technical issues need to be examined and initiatives launched to implement the principle of partnership. Can schools create their own *bank accounts* that they can use to receive special funds? Do schools have discretion over the *use* of these funds?

PPPs are not just about employers, they also concern *professional bodies, business associations, and industry federations*. There is clear momentum to revive Social Dialogue in VET whilst profiting existing *council system*. An initiative is required to build upon these traditions to develop a *Strategic framework for VET PPPs* by involving the Social Partners at all levels in strong cooperation with Regional VET Councils.