



Federal Ministry
for Economic Cooperation
and Development

STRATEGIES 140

Technical and Vocational Education and Training and the Labour Market in Development Cooperation



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Summary

Unemployment and underemployment are two of the most serious development problems facing the partner countries in which German development cooperation operates. According to the International Labour Organization (ILO), 186 million people worldwide are unemployed. The number of underemployed people in developing countries is estimated to be far higher – as many as 550 million. Facilitating more people's access to productive employment that pays a decent wage, thus giving them a source of income, is a key element of sustainable poverty reduction and the achievement of the Millennium Development Goals. Young people and women must be accorded particular attention in this context. There are already more than 1 billion young people aged between 15 and 29 years living in developing countries. Like women, they account for a disproportionately high percentage of the jobless and underemployed: while the total number of young people in developing countries increased by 12.4% between 1993 and 2003, youth employment rose by just 0.6%. In the coming years, the number of young people coming on to the job market in developing countries will steadily increase. Improving youth employment is defined as an explicit objective in the Millennium Development Goals and the German government's Programme of Action 2015. In terms of conflict prevention, too, increasing (youth) employment is extremely important.

Efforts to improve the employment situation in developing countries focus on

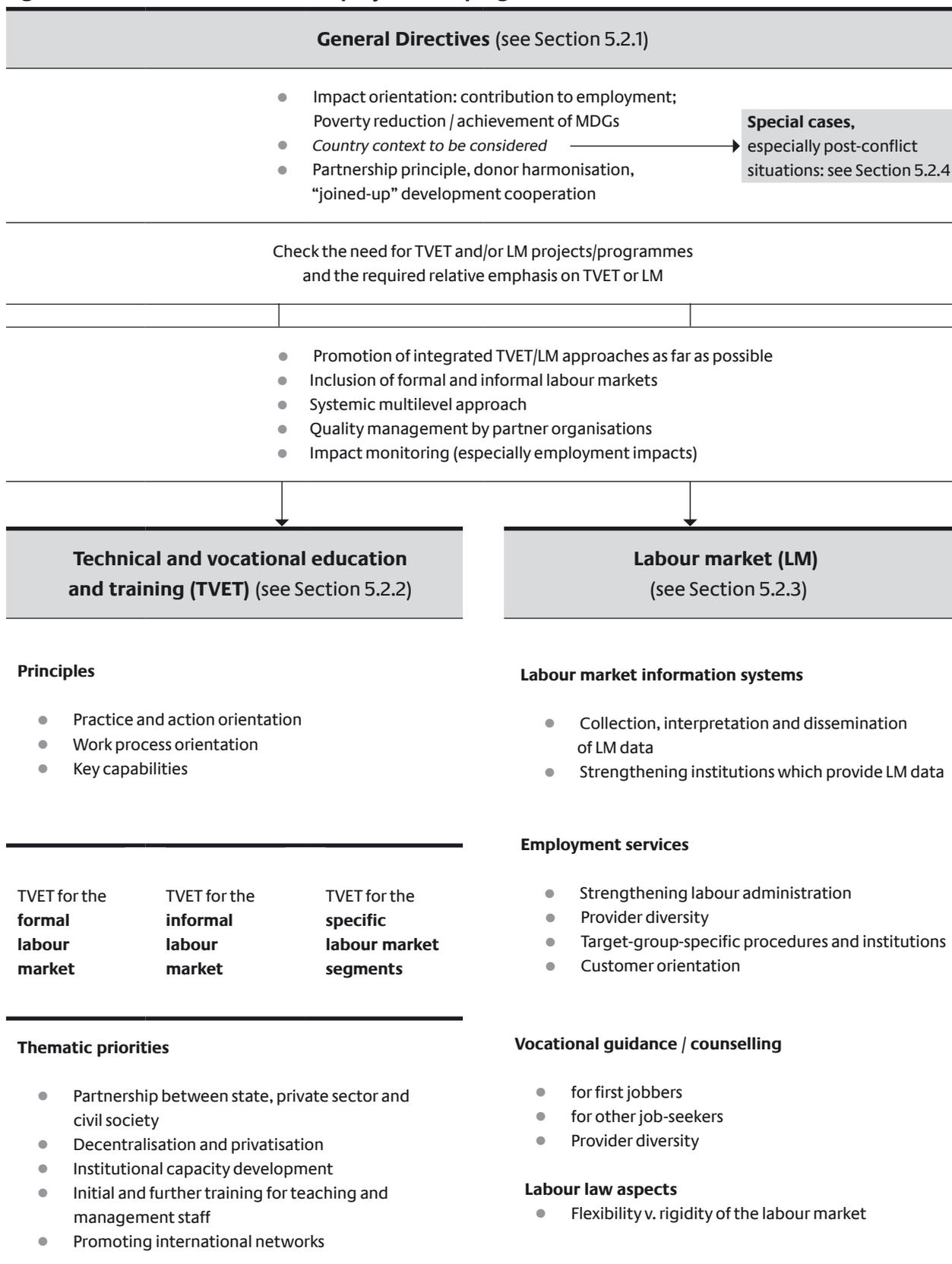
- creating new jobs;
- improving job-seekers' employability;
- better "matching" between supply and demand in the labour market.

Whereas private sector development and financial system development are especially important in creating new jobs, as is discussed in other strategy papers, this Strategy Paper describes the activities to be undertaken in the field of technical and vocational education and training (TVET). It details ways to improve job-seekers' employability, as well as labour market policy measures which perform an intermediary role in the job market and thus achieve better matching between labour supply and demand.

The overall goal of measures undertaken in the area of technical and vocational education and training and the labour market is to help safeguard and increase productive employment in developing, newly industrialising and transition countries. An element of this process is to create synergies and encourage interaction between technical and vocational education and training and labour market policies. Reliable labour market information and the monitoring of employment impacts are extremely important in developing needs-related technical and vocational education and training and labour market policy measures. In some cases, the executing agencies involved in these spheres of activity are one and the same.

The following figure offers an overview of the general and specific directives for projects and programmes in the field of technical and vocational education and training and labour market policy, which are described in detail in Chapter 5.

Figure 1: Overview of directives for projects and programmes in the field of TVET and labour market



1 Fields of application and positioning of the strategy

1.1 Purpose of the Strategy Paper

This Strategy Paper on “Technical and Vocational Education and Training and the Labour Market in Development Cooperation” presents an up-to-date overview of the **conceptual approaches** being pursued by the BMZ in this specific area of work, which is one of four areas of competency within the priority area of sustainable economic development (previously: economic reform and development of the market system – WIRAM). It replaces the BMZ’s *Sector Concept: Vocational Training* of 1992, taking account of the knowledge gained in the intervening period in the field of technical and vocational education and training, linking it to key findings in labour market policy and thereby reflecting the great importance of productive employment in reducing poverty. The labour market orientation of technical and vocational education and training – which is not new in terms of the objectives being set – is established on a more systematic footing. At the same time, this Strategy Paper highlights the importance of labour market policy in mediating between demand and supply in the employment market, and identifies the institutions and mechanisms of relevance in this context¹. By means of the approaches described, it aims to make effective contributions to the overarching goals and guidelines for action on poverty reduction that have been defined at national and international level, especially the Millennium Development

Goals and the German government’s Programme of Action 2015.

The Strategy Paper establishes **programmatic directives for the formulation of Germany’s official development cooperation** in the core competency area of technical and vocational education and training and the labour market and in the priority areas of German development cooperation, in which technical and vocational education and training is a cross-cutting theme. It should be applied, in particular, when producing country-specific priority strategy papers and when selecting, appraising, planning, implementing and evaluating projects/ programmes undertaken by implementing organisations. For the BMZ, it furthermore offers a **thematic basis for policy dialogue** with other ministries, partner countries, donors, EU institutions and international organisations. It is also a guide for non-governmental organisations with an interest in this field.

1.2 Definition of the Strategy Paper’s area of application vis-à-vis other development sectors / sub-sectors

Through their interaction with measures in the other core competency areas within the priority area of sustainable economic development, i.e. the provision of economic policy advice, private sector development and financial system development, measures undertaken in the core competency area of technical and vocational education and training and the labour market promote employment-oriented and socially and ecologically sustainable growth processes in developing, newly industrialising and transition countries

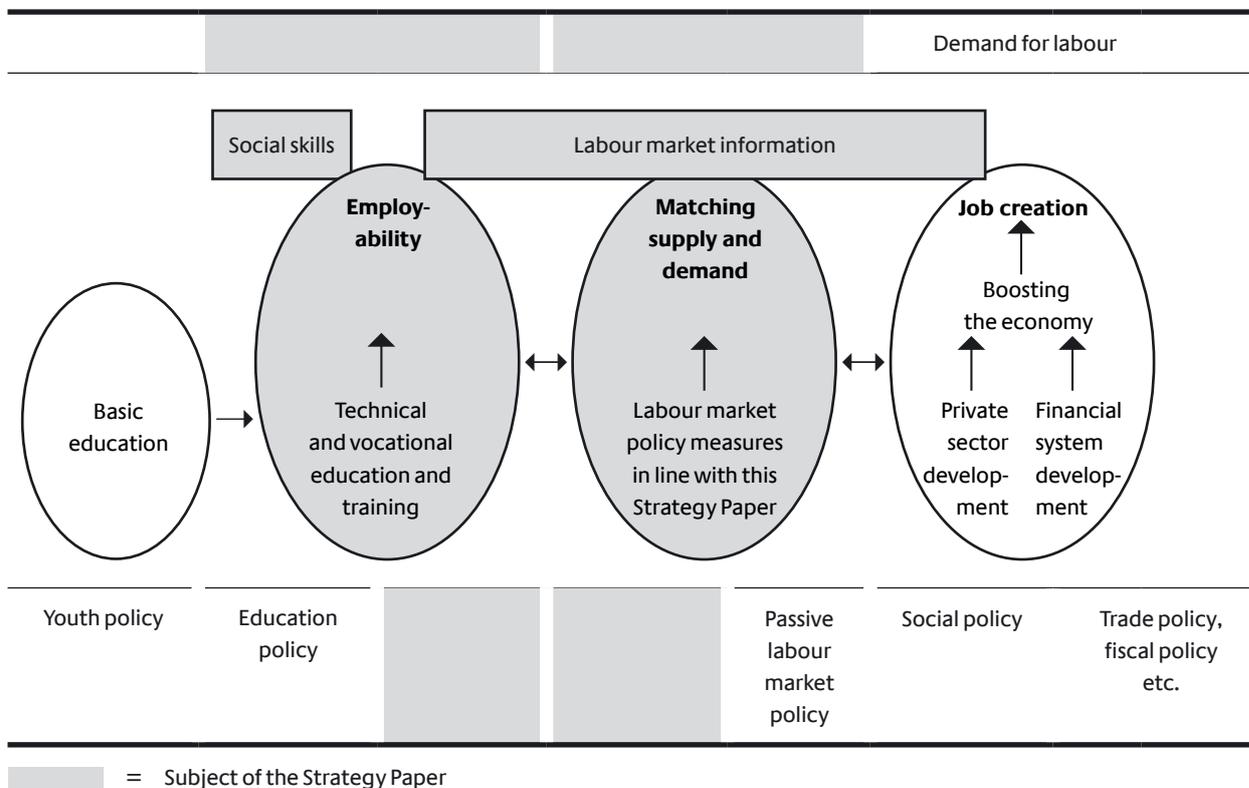
¹ Other aspects of labour market and employment policy are beyond the scope of this Strategy Paper and are therefore not discussed in detail. However, this does not detract from their importance, and the possibility of dealing with them in other strategy papers. For clarification of the terminology used in the labour market and employment policy sector, see Annex 1; terminology used in the technical and vocational education and training sector is defined in Annex 2.

by improving competitiveness. Private sector development and financial system development play an important role in creating jobs and thus stimulating the demand side of the labour market – explicitly or implicitly as an intended outcome of efforts to boost the economy – whereas the **focus of technical and vocational education and training and the labour market as an area of core competency** is on the supply side of the labour market (i.e. the supply of workers) and the intermediation between labour supply and demand. Technical and vocational education and training also performs a social function by empowering people to participate actively in civil society processes.

The **subject of this area of core competency** can be described as follows:

- As **technical and vocational education and training** helps to maintain and increase employability, it is of key importance, above all, to the **supply side of the labour market**. In this context, a broad definition of technical and vocational education and training must be applied. Technical and vocational education and training promotes the acquisition, maintenance and further development of abilities, skills and attitudes which enable individuals to engage in dependent and non-dependent employment, generate income and benefit from enhanced opportunities for social participation. It is aimed at the comprehensive promotion of the holistic capability to act independently within the scope of and according to the values attached to a skilled

Figure 2: TVET and the Labour Market in Development Cooperation



occupation, which includes methodological and social skills alongside work-related expertise. By acquiring key capabilities, individuals are empowered to shape their own lives and work situation pro-actively.

- **Labour market policy measures, as described in this Strategy Paper**, aim to improve job-seekers' access to the labour market and facilitate the recruitment of workers. This ensures better matching between the **supply** of and **demand** for skilled workers. At the same time, they enhance the impact of technical and vocational education and training on productive employment.

There is major potential to encourage interaction and synergies between technical and vocational education and training and labour market policy: well-prepared and regularly updated labour market information and the monitoring of employment impacts are extremely important in promoting needs-related technical and vocational education and training and labour market policy measures; in some cases, the executing agencies are one and the same. Measures in the area of core competency should not focus solely on formal productive employment but must also involve the **informal sector** – the dominant labour market sector in many of these countries – whose progressive integration into formal business cycles is especially important in boosting economic activity.

This **Strategy Paper does not deal with issues which relate to:**

- the demand side of the labour market (especially job creation in a more dynamic economy),
- targeted improvement of employment quality (e.g. compliance with social standards), or

- instruments and impacts of passive labour market policy or social policy.

These aspects are dealt with in other strategy documents on economic policy advice, private sector development, financial system development, core labour standards and the promotion of social security systems².

Technical and vocational education and training and labour market policy measures, as described in this Strategy Paper, require intensive **interacting with other sectors of German development cooperation** within and outside the scope of the “sustainable economic development” priority area. Attention is drawn to the following intersections as key examples:

- Strategies aimed at local economic or sector-specific development, where it is difficult to make a clear distinction between technological and management advice and technical and vocational education and training measures, are important links between technical and vocational education and training and **private sector development**. The same applies to business start-up programmes which, although relating primarily to the demand side of the labour market and therefore to private sector development, should also be combined with initial and further training measures, advisory and employment services in order to enhance employment impacts.
- **Economic policy advice**, alongside labour market policy measures in line with this Strategy Paper, may also include those labour market policy measures which help

² For example, BMZ: Sectoral Policy Paper on Financial System Development, Bonn, January 2004; BMZ Special: Implementing Core Labour Standards in Developing Countries, Bonn, September 2003; BMZ Special: Promoting Social Security Systems in Developing Countries, Bonn, March 1999. Updated editions of the BMZ's strategy papers for the promotion of the private sector and the provision of economic policy advice are forthcoming.

to safeguard and create jobs (e.g. within the framework of structural or regional policy initiatives).

- As the corollary of greater investment in **basic education**, the question of what will happen to the increasing number of school-leavers is becoming an ever more urgent issue in technical and vocational education and training. Intensive cooperation with stakeholders working in basic education is required in order to provide, on the basis of labour market analyses, adequate capacities in terms of both quantity and quality and to offer career guidance across the board from basic education to technical and vocational education and training, along with training for people who have broken off their basic education³ (school drop-outs).

- Some technical and vocational education and training and labour market policy measures which relate to specialised areas of expertise may also be useful in **other priority areas of German development cooperation** such as health, food security and agriculture, communication and transportation, democracy, civil society and public administration, or water resources and the environment. In each case, it is essential to consider the cross-cutting themes of conflict prevention, gender and especially youth, given the high proportion of young people in the populations of developing countries and their specific difficulties in accessing the labour market.⁴

³ See also BMZ: Basic Education for All as an International Development Goal * A Key Challenge for German Development Policy; BMZ Position Paper, Bonn, August 2004, p. 24-25.

⁴ See also BMZ: Summary of the Series Evaluation "Combating Youth Poverty" – Synthesis Report, Bonn, October 2004. The report identified employment promotion and TVET as areas in which a particularly significant contribution is being made to reducing youth poverty (p. 2).

2 Significance of technical and vocational education and training (TVET) and the labour market in partner countries

2.1 Relevance

Technical and vocational education and training and labour market policy in developing, newly industrialising and transition countries play an important role in reducing **unemployment and underemployment**, which constitute two of the most serious problems facing these countries and are the direct **cause of poverty** among large sections of the population and, in some cases, the cause of conflicts as well. They are also important for competitiveness and economic growth in the partner countries, as well as for pro-poor growth:

- According to statistics published by the International Labour Organization (ILO)⁵, 186 million people are unemployed. The number of people living in developing countries who are affected by underemployment – even if this is merely defined as time-related underemployment – is estimated to be as high as 550 million. The problem of unemployment and underemployment among young people is especially grave. According to the ILO, the total number of young people (in the 15-29 age group) in developing countries increased by 12.4% between 1993 and 2003, but youth employment rose by just 0.6%⁶. Already, young people are 3.5 times more likely to be unemployed than adults⁷. In the com-

ing years, the number of young people coming on to the job market in developing countries will be steadily increasing. By facilitating and promoting job-seekers' access to the formal and informal labour market through its activities in the area of technical and vocational education and training and labour market, German development cooperation is making important contributions to **reducing unemployment and underemployment**. As joblessness and underemployment among large sections of the population also have the potential to fuel conflict, technical and vocational education and training and labour market policy measures can also contribute indirectly to **conflict prevention**.

- A skilled workforce and a functioning labour market are key **location factors**, influencing not only the **competitiveness** of businesses, economic sectors and regions within the country concerned, but also its international competitiveness. This is because competitive advantages are increasingly based on innovation and know-how, and on their dissemination and valorisation in all sectors of the economy and society. Technical and vocational education and training in the broad sense described above (see Section 1.2.) makes key contributions to the dissemination of know-how. A functioning labour market promotes the valorisation of this know-how by establishing the framework for this process and providing the necessary support to

5 ILO, Global Employment Trends (2004), p. 2.

6 Calculation based on ILO, Global Employment Trends for Youth (2004), p. 6.

7 See ILO, Global Employment Trends for Youth (2004), p. 8, Table 4.

enable skilled workers to find suitable jobs and assisting employers to find skilled staff.

- Access to productive employment for as many people as possible is a key factor for income distribution and **participation by broad sections of society in economic growth**⁸. Economic growth can only contribute to poverty reduction and sustainable development if it results in more people, especially the poor, finding productive work which offers a decent wage. Needs-based training is often required in this context. Technical and vocational education and training and labour market measures are therefore key elements of development cooperation aimed at pro-poor growth.

The relevance of technical and vocational education and training and labour market policy measures for the achievement of the **Millennium Development Goals (MDGs)** is especially apparent from the following MDGs and priority areas of action defined in the German government's **Programme of Action 2015**:

- Facilitating more people's access to productive employment and a decent wage plays a key role in achieving **MDG 1, Target 1**⁹. This access, especially for poor and disadvantaged demographic groups, must be improved, firstly through technical and vocational education and training and labour market policy measures, which are dealt with in this Strategy Paper, and secondly by creating new jobs, a topic which is beyond the scope of this paper.

- **MDG 8, Target 16** explicitly calls for the development and implementation of strategies for decent and productive work for youth. Young people's access to productive employment is particularly influenced by technical and vocational education and training and targeted labour market policy parameters and measures.
- In the first of its priority areas of action defined in the **Programme of Action 2015**, the German government emphasises the importance of boosting the economy and enhancing the active participation of the poor. As the action envisaged, the German government will support technical and vocational education and training and employment opportunities for the poor, especially for young people.
- **MDG 3** and the Programme of Action 2015, priority area 15, make it clear that technical and vocational education and training and labour market policy must make a contribution to women and men participating in wage employment on the basis of equality (see MDG 3, Indicator 11: Share of women in wage employment in the non-agricultural sector).
- Core labour standards must be upheld in all labour market policy measures (see Programme of Action 2015, priority area of action 7)¹⁰.
- Better employment and income are also key prerequisites for the sustainable achievement of MDGs 2-7, for only on this

⁸ The World Bank estimates that labour provides between two-thirds and three-quarters of total income of poor households (Pro-Poor Growth in the 1990s: Lessons and Insights from 14 Countries, Operationalizing Pro-Poor Growth research programme, June 2005).

⁹ MDG 1: Eradicate extreme poverty and hunger; Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.

¹⁰ For information on specific measures to promote compliance with core labour standards, see the BMZ Special mentioned in Footnote 2.

basis is it possible to provide sustainable funding for social services, control the spread of diseases such as HIV / AIDS more effectively, and promote environmental protection by curbing the plundering of the planet in the quest for survival.

Besides gearing projects/programmes in the field of technical and vocational education and training and labour market policy towards the MDGs mentioned above, other aspects are also important in the work undertaken with **more advanced partner countries**. These are countries which play a key role in regional economic development. In addition to vast poverty regions, they often have a number of industrial growth centres as well as centres of innovation of international importance. Here, the BMZ Position Paper on future development cooperation with “anchor countries” discusses the cooperative endeavours in development cooperation with these countries in more detail, referring specifically to access to scientific and technological knowledge and networking with industrialised countries¹¹.

The relevance of technical and vocational education and training and productive employment is underlined in other international commitments besides the MDGs: in the Declaration adopted at the **World Summit on Sustainable Development in Johannesburg**, the United Nations pledged to work together to help one another gain access to resources for technology transfer, human resource development, education and training¹². The **Monterrey Consensus** also explicitly refers to technical and vocational education and training and the transition to productive employment, assigning an important role to support for developing and transition countries in

building capacity for the development of human resources¹³. The German government was a fervent champion of both these declarations.

2.2 Starting conditions in partner countries

The **dialogue on redefining the roles of the state, the private sector and civil society**, which has arisen as a corollary of globalisation, has in many places proved to be a driving force for reform endeavours in the area of technical and vocational education and training and the labour market as well. The debate about the progressive reduction of the state’s role to regulatory functions, the involvement of the social partners and civil society groups in implementing technical and vocational education and training and labour market policy (e.g. in national technical and vocational education and training and employment agencies with stakeholder representation on the basis of parity) and compliance with the principle of subsidiarity in the state’s actions are all gathering pace in many partner countries. The recognition that labour market policy measures are required in some scenarios in order to **bridge the gap between employability and productive employment**, and that these measures should not only take account of formal employment, is reflected in a growing demand for integrated support in this area.

In implementing these reforms, technical and vocational education and training systems and active labour market policy face a problem: to contribute to reducing unemployment and underemployment, to satisfy the high social demand for technical and vocational education and training, and to respond adequately to the

11 BMZ Position Paper: “Anchor Countries – Partners for Global Development”, December 2004, p. 1 and 9.

12 United Nations: Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August – 4 September 2002, p. 3.

13 United Nations: Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002, p. 7.

rapidly growing demands of modern economic sectors. In many cases, these countries face **structural challenges** as well:

- In most partner countries of German development cooperation, a key feature of the labour markets is **segmentation** between urban and rural, modern and traditional, and formal and informal sectors. There is little transparency for job-seekers or employers.
- The steadily increasing number of young people reaching working age, shrinking employment opportunities in the public sector, intensifying competition for jobs in stagnating organised labour markets and, in some cases, over-regulation in the formal sector mean that **a growing number of people** are working on a self-employed or employed basis **in the informal sector**, and in insecure employment conditions here and elsewhere.
- In some partner countries, disproportionately high growth in modern labour market segments has generated a demand for highly skilled workers which often cannot be satisfied. Furthermore, in countries with little or no employment growth, a **substitution of low-skilled workers** by better qualified staff can be observed. Low-skilled and informal-sector workers are more exposed to cyclical changes and often have no resources or access to funding for upskilling. In some Asian countries in particular, **labour migration** models are increasingly being debated at political level, the aim being to reduce the burden on the national labour markets through the “export” of skilled workers.
- **Labour market information systems** and information about informal labour markets often do not exist or are inadequate. Structures and mechanisms which regulate

or support the transition from vocational training into productive employment are – where they exist – often inefficient. **Employment and advisory organisations** often lack any service orientation or customer focus. There are still labour supply and demand gaps, and analysis of both sides is poor; the result is a lack of efficiency in the placement services.

- Often, only **initial vocational training** is subsumed within the technical and vocational education and training system. In many cases, it is primarily geared towards achieving or cementing a social status for the **trainees** and their families and towards accessing tertiary education. Access to productive employment is not a priority. Rigid entry conditions and inflexible learning locations and times create barriers to access for marginalised social groups. Funding for this type of training has become a problem in many places.
- **Continuing professional development/ upskilling** is often only provided by major companies for their own purposes. Very few countries perform any functions in this area which could enhance transparency (e.g. comparability of qualifications) and quality assurance. The same applies to retraining. The importance of lifelong learning for participation in the knowledge society and for the labour market’s changing needs is only gradually being recognised.
- The **overlap of institutional competencies**¹⁴ which can sometimes be observed offers potential for efficient linkage between technical and vocational educa-

¹⁴ In a number of countries, the ministry of labour, which is generally responsible for labour market policy, is also responsible for non-formal vocational training, whereas the responsibility for formal technical and vocational education and training often lies with the education ministry.

tion and training and labour market policy measures at various levels. In most cases, however, a lack of human and financial capacities and inflexible structures prevent this potential from being tapped. The situation is exacerbated by the fact that in many partner countries, **constrained public budgets** slow down adaptation processes,

especially at times when there is great pressure to reform. This has an impact on the funding of services whose delivery is the responsibility of the state. At the same time, reforms geared towards the decentralisation or privatisation of services run the risk of failure as the resources required for this process are not secure.

3 Objectives

The overarching goal of German development cooperation is sustainable poverty reduction and the achievement of the MDGs. **The objective of all measures undertaken in the area of technical and vocational education and training and the labour market** is to make a measurable contribution to safeguarding and increasing productive pro-poor employment in developing, newly industrialising and transition countries. To this end, interaction and synergies between labour market policy and technical and vocational education and training should be utilised in a targeted way. Improving the employability and income situation of poor social groups and

improving their access to formal business cycles are priorities in this context.

This defined objective directly reflects the important role played by productive employment and therefore income security in successful poverty reduction, in line with the MDGs and the Programme of Action 2015 (see Section 2.1 for a more detailed discussion). It also conforms with the criterion of strengthening employment-oriented growth processes by improving competitiveness in partner countries, which applies to the priority area of sustainable economic development as a whole.

4 Experiences and opportunities

4.1 Cooperation at multilateral and EU level ¹⁵

Most donors' **programmatic statements** focus either on technical and vocational education and training (often as a component of education in a general sense) or on labour market policy measures. By contrast, the International Labour Organization (ILO) promotes a holistic view, for its recommendations link support for the reform of national technical and vocational education and training systems with employment and labour market policy measures. The OECD Jobs Strategy adopted by the Organisation for Economic Cooperation and Development (OECD) and the Employment Guidelines established by the European Union (EU) also emphasise the importance of labour market and education policy measures.

Technical and vocational education and training

There has been a **shift of perspective** in the development cooperation undertaken in the field of technical and vocational education and training in recent decades: a more input-oriented stance on the part of donors – involving substantial investment in infrastructure or curriculum development, for example – has now given way to a greater focus on the impact of technical and vocational education and training on dependent and non-dependent employment. In addition, target groups in the informal sector, a broader range of partner organisations, and non-formal types of vocational training provision are now included. The Working Group for International Cooperation in Skills Development (see Annex 4), set up in 1996, has held regular consultations on aspects of technical and vocational education and training reform, thus facilitating a **convergence of views** at programmatic level on key issues,

including: a recognition of technical and vocational education and training as a component of lifelong learning; need for permeability in all training courses; needs orientation, employment relevance and access for all; importance of vocational training for a strong civil society; involvement of key civil society actors in decision-making processes; and an increasing role for private vocational training providers. However, although consensus has been reached at programmatic level, further harmonisation is required in the context of implementation.

Controversy surrounds the debate about the extent to which technical and vocational education and training is a **public good**. In contrast to the policy approach adopted by the World Bank, which presupposes the superiority of market forces in resource allocation, in technical and vocational education and training and education, German development cooperation – mindful of the contribution made by technical and vocational education and training to a strong civil society – regards both initial vocational training and some aspects of non-formal vocational training as a public good.

Labour market policy

The **ILO Conventions and Recommendations** constitute the most important raft of international rules for formal labour markets.

So far, however, many of the labour market policy recommendations adopted by the ILO and other multilateral organisations have only been implemented to a limited extent in the developing countries due to a lack of institutional capacities. The Poverty Reduction Strategy process, launched in the late 1990s in the context of the debt relief initiative (HIPC Initiative), only touched on the link between poverty and employment at first: labour market measures were mainly confined to

¹⁵ For a more detailed overview, see Annex 4.

their (passive) function of social protection. However, the **following common trends can now be observed in the policies pursued by multilateral donors**: recognition of the importance of labour market institutions for effective matching or intermediation between labour supply and demand; need to collect, collate and evaluate labour market information; involvement of the informal sector and the promotion of self-employment; decentralisation of labour market policy tasks; need for more intensive monitoring of employment impacts; involvement of the social partners in developing and implementing labour market policies.

4.2 German bilateral cooperation

Technical and vocational education and training

For many years, German development cooperation has pursued a systemic **multilevel approach** to development cooperation in the field of technical and vocational education and training, linking it – depending on conditions in the cooperation country – with measures in the areas of basic education, economic development or financial services, for example. Despite the relatively low volume of funding available to German development cooperation compared with some multilateral donors, it has thus positioned itself as a **pioneer**, in conceptual terms, in the multilateral and bilateral donor community. Among the bilateral donors, Germany leads the field with its technical and vocational education and training portfolio, and has done so for many years. Key factors determining its pioneer role include:

- broad experience in the provision of advice on policy formulation, policy implementation through strategies aimed at systemic reform, and feeding the experience gained at target group level into policies and strategies,
- supporting partnerships between the state, the private sector and civil society through mediation aimed at clarifying roles and through organisational development in stakeholder institutions,
- an understanding of “technical and vocational education and training as a service” and the embedding of the subsidiarity principle in technical and vocational education and training systems,
- linkage between technical and vocational education and training and technology transfer in the modern and the traditional sector,
- inclusion of non-formal vocational training strategies as well as strategies aimed at informal-sector target groups, and work at the interface with the informal sector in order to formalise vocational training (e.g. through recognition of informally acquired skills and abilities).

Initially, German development cooperation was closely modelled on the structural features of Germany’s dual system of technical and vocational education and training. However, the necessary parameters (e.g. a strong economic system; scope to plan long-term investments in training, and thus the business sector’s willingness to take on responsibility and make its contribution to technical and vocational education and training) do not exist in this form in most partner countries and are almost impossible to establish. In order to fulfil the requirements for pro-poor growth and sustainability, German development cooperation in the area of technical and vocational education and training therefore explicitly builds on the systems and parameters already in place and relies on progressive optimisation of existing structures through the gradual incorporation of key attributes of the German reference system. They include structural aspects such as

models of mixed financing and cooperative decision-making between the state and the private sector at national, regional and/or local level, but also methodological and didactic aspects such as work process orientation and the integrative development of key capabilities. Since the early days of development cooperation in the field of technical and vocational education and training, studies have regularly been carried out to track the career development of former trainees. Such studies are a key instrument in **monitoring the employment impact** of technical and vocational education and training. This instrument has proved suitable for data collection and analysis in cases of moderate complexity. In many cases, however, there may be a gap in the information needed to determine the precise correlation between increased employability and actual employment, e.g. if political or economic conditions dramatically change. To enhance its effectiveness, this form of impact monitoring must therefore be embedded in a more comprehensive strategy for labour market analysis and must include findings on the impacts on different target groups, e.g. men, women, the poor.

Labour market policy

Unlike technical and vocational education and training, **labour market policy** currently does not exist as a separately defined field of assistance in German development cooperation. Nonetheless, a number of labour market policy projects have been implemented, primarily in the transition countries of South-East Europe and Central Asia. In thematic terms, these projects can generally be **divided into three project/programme types**:

- (1) Promoting institutional reforms, especially the development of labour administrations/employment services, decentralisation of labour market organisations, and staff training;
- (2) Supporting the formulation and development of labour market policy instruments, especially in the fields of advisory and employment services, including vocational guidance, further training and retraining, support for business start-ups, and employment promotion;
- (3) Focussing the assistance approaches described under (1) and (2) on specific target groups, especially women, young people and informal-sector workers.

Based on the experience gained in implementing these projects, a number of **best practices** can be defined, including in particular:

- a comprehensive multilevel approach;
- integrated, i.e. joined-up, service provision (advisory and employment services, etc.);
- target-group-oriented and situation-specific approaches such as job fairs/brokerages, youth employment services, mobile advisory services;
- a combination of employment promotion and training, e.g. within the framework of employment programmes;
- regional employment dialogues with representatives of the local authorities, labour administration, vocational training providers and private companies in the region.

Despite these positive experiences, the **impact** of the labour market measures supported by the projects and programmes has been **limited**. This was primarily due to a lack of will to embark on reforms on the part of partner governments, financial constraints, and the weak position of the ministries of labour and their subordinate structures. The situation was exacerbated by inadequate demand for labour – especially when the

creation of new jobs cannot compensate for the loss of old jobs, as is still the case in many transition countries.

Within the framework of the priority area of sustainable economic development, pro-poor growth and therefore employment impacts are key indicators of competitiveness. A comprehensive approach assigns **an intermediary function to labour market policy measures**, between technical and vocational education and training and the private sector, in order to safeguard employment impacts, especially in light of previous experience.

Linkage of technical and vocational education and training and labour market policy measures:

In the past, numerous technical and vocational education and training projects/programmes

have carried out structured training needs analyses or undertaken studies to track former trainees' career development. Some have included elements of vocational guidance or counselling, generally delivered by technical and vocational education and training agencies. Conversely, training measures have also been integrated into labour market policy projects. In the majority of cases **to date**, this has merely entailed the – not always systematic – **integration of individual instruments** from one assistance approach into the other. These experiences form the basis for a more far-reaching systematic linkage between strategies and measures pursued in the development cooperation undertaken in technical and vocational education and training with those being undertaken in active labour market policy, as advocated in this Strategy Paper and described in detail in Section 5.2.1.

5 Implementation of the Strategy Paper

5.1 Target groups and partners

The target groups at individual level are:

- school-leavers and school drop-outs;
- job-seekers and the underemployed;
- poorly skilled workers in the formal and informal sectors;
- owners of micro, small and medium-sized enterprises (MSMEs) in particular.

Special priority must be given to young people, women and poor demographic groups. The principle of non-discrimination must always be respected, also in relation to minorities and persons with limited capacity to earn a living.

Target groups at institutional level are management staff and subject specialists in the intermediary and partner organisations listed below. The aim is to enable them, through the provision of appropriate further training and advisory services, to perform their functions more effectively, drive forward processes of change pro-actively, and act as multipliers.

Intermediary and partner organisations are:

- at governmental level, the relevant line ministries, generally the education ministry and/or labour ministry, and their subordinate structures (see footnote 14);
- at regional and local level, the various local authorities, provided that they are equipped with appropriate competencies and have the financial scope to implement the measures;

- institutions involving the social partners with representation on the basis of parity, e.g. national technical and vocational education and training and employment agencies;
- business organisations such as the chambers of commerce and associations whose involvement and support help ensure that training meets the needs of the private sector;
- private, public-sector and semi-autonomous institutions, vocational training providers and employment and advisory services in the labour market;
- companies as stakeholders in the delivery of vocational training.

In general, cooperation is undertaken with the group of intermediaries. Direct cooperation with the target groups at individual level takes place in some cases in labour market policy projects and in pilot projects set up to trial training strategies.

5.2 Strategies and instruments

5.2.1 General directives

The following **principles and approaches** guide action in this area:

- **Impact orientation:** strategies and projects should make a direct or indirect contribution – verifiable on the basis of experience, at the least – to safeguarding and increasing productive employment and thus to reducing poverty in line with the MDGs and the Programme of Action 2015 (see 2.1).

- **Partnership principle; donor harmonisation; “joined-up development cooperation”:** in line with the principles established in the *Paris Declaration on Aid Effectiveness*¹⁶, donors must align their support, their strategies and programmes with the partner countries’ national development strategies and coordinate their actions. As part of “joined-up development cooperation”, the German implementing agencies cooperate intensively, each bringing their comparative strengths to bear.
- During the **planning processes** (appraisal of new projects/phases), it must generally be ascertained, together with the partner,
 - whether technical and vocational education and training and/or labour market projects are most appropriate in terms of this Strategy Paper;
 - which relative weight is to be assigned to each of these two areas (TVET and labour market) and what should be their particular focus;
 - which MDG-relevant results can and should be achieved.

The following **thematic directives** are of general importance for the area of technical and vocational education and training and labour market and must be taken into consideration and applied as appropriate¹⁷:

Here, the full range of strategies and instruments described in 5.2 should be outlined to the partner.

Table 1: Criteria for Appraisal:¹⁸

	Regular case: Partner is interested in cooperation in the areas of technical and vocational education and training (TVET) and/or labour market policy (LMP)						Partner is interested in cooperation in areas other than sustainable economic development, or in <i>occasional</i> cooperation on specific aspects of TVET or LMP
	(1)	(2)	(3)	4)	5)	(6)	
Appraisal to identify (gender-differentiated) information on:	Stocktaking on unemployment/under-employment and labour laws and regulations	Labour supply/skills level	Functionality of „matching“ between supply and demand	Demand of enterprises for skilled workers	Assessment of institutional potential [unless already covered in (3)]	Strengths/weaknesses of existing TVET systems/components	Relevant information from (1) to (6), industry-/sector-specific if appropriate

¹⁶ Declaration by 90 countries, the European Commission and 26 multilateral organisations and civil society organisations; the outcome of the High Level Forum on “Joint Progress toward Enhanced Aid Effectiveness - Harmonisation, Alignment, and Results” (Paris, 28 February – 2 March 2005).

¹⁷ For post-conflict situations and natural disasters, different directives may apply; see Section 5.2.4.

¹⁸ The thematic scope, methodology and expenditure involved in the appraisal vary:

- nationally or regionally, depending on the scope of the planned projects;
- quantitative analysis, where data are available; otherwise, qualitative analysis or a combination (e.g. documented surveys of companies, vocational training providers and labour market institutions);
- spending must be in proportion to the planned project volume.

The data situation in the partner countries and the time available for project planning often do not permit any comprehensive analyses to be carried out during the planning phase. In this case, during the ongoing project, conditions should be put in place for more precise analyses as the basis for the evaluation of impacts already achieved and planning of any follow-up phases.

- Depending on other results of this appraisal, in the area of core competency, the aim should be to adopt a **systematic multilevel approach** as well as **approaches which integrate technical and vocational education and training and labour market policy**. According to the needs and interests of the cooperation country and the suitability of the partner structures, labour market policy measures should be embedded in development cooperation in the area of technical and vocational education and training, or education and training measures embedded in labour market policy projects.
- Alongside the formal labour market, **informal labour markets** should be **integrated** and poor and disadvantaged target groups specifically catered for.
- Great importance is attached to **coordination between technical and vocational education and training policy and labour market policy**, but also with other relevant policy areas, e.g. general education policy, employment and economic policy. The social partners should be involved as far as possible.
- Consideration must be given to concepts of **quality management by partner organisations**. The provision of support to establish or reinforce the organisational and personnel capacities required for efficient quality management should be an integral element of every measure.
- **Impact monitoring** which has informative value, but which is also tailored to the available resources, must be integrated into all projects. This applies to the monitoring of employment impacts overall – especially as regards the goal of safeguarding and increasing productive employment through all measures undertaken in the core competency area (see Chapter 3) – and the impacts of individual components of the measures. Partner institutions should be supported in establishing monitoring systems to ensure that these systems are relevant, beyond the project level, to the work of the institutions as a whole. The impact monitoring should provide for gender differentiation, and it should also consider how changes in employment and income impact on poverty reduction and the achievement of the MDGs.
- Targeted efforts must be made to promote access for young people and equal access for women to productive employment and a decent wage, especially in the non-agricultural sector.
- Other cross-sectoral themes such as the dissemination of information and ideas on changing behaviour in the context of HIV / AIDS and towards an environmentally sustainable economy, as well as crisis prevention and peace building, must be taken into account in the analysis, planning, implementation and impact monitoring of technical and vocational education and training and labour market policy measures.

5.2.2 Strategies and instruments for cooperation in the area of technical and vocational education and training¹⁹

The development cooperation undertaken by Germany in the area of technical and vocational education and training is based on the lifelong learning approach. Building on its experience and international reputation, Germany intends

¹⁹ For further information, see the BMZ Position Paper “Berufsbildung in der EZ” (Technical and vocational education and training in development cooperation), Bonn, March 2005.

to deepen its activities in the following areas in future:

- **Technical and vocational education and training for the formal sector:** this comprises initial vocational training, post-secondary training relevant to and related to the workplace, further training and retraining. It may also include vocational preparation via the general education system if this is not already being delivered by other actors. It also takes account of the need for permeability within the system for people who have acquired knowledge, skills and abilities on an informal basis, but who would not gain access to the formal labour market without certification.
- **Vocational training for the informal labour market:** women and men who have to earn a living in the informal sector require training services which are precisely tailored to their circumstances and sphere of life, as well as appropriate guidance and counselling. The inclusion of the target groups at the planning stage and a focus on disadvantaged groups and on micro, small and medium-sized enterprises (MSMEs) require a tailor-made approach. For informal markets in particular, training should not only aim to prepare workers for dependent employment; it should also facilitate a move into self-employment. In this context, the linkage of training with business start-up advice and an appropriate range of financial services (microfinancing) are prerequisites for the employment relevance of the training measures. Here too, besides safeguarding and increasing income, technical and vocational education and training contributes to the empowerment of these target groups as part of civil society.
- **Technical and vocational education and training for specific segments of the labour market:** specific situations require tailor-made strategies. Development cooperation in the field of technical and vocational education and training takes this into account, e.g. in its projects in rural regions. Here, what is needed are strategies which specifically respond to the living conditions of the subsistence farming communities; these conditions include seasonally varied but generally low mobility, especially among women, sparse population density in some cases, poor access to basic education, and remoteness from economic growth centres. Technical and vocational education and training and counselling must provide support in order to help connect the rural regions to industrial growth centres. In buoyant economic sectors and regions, development cooperation in the area of technical and vocational education and training prioritises technology transfer. Training strategies are developed in other priority areas of German development cooperation (e.g. health, or water resources and environment) as required.

Close coordination mechanisms between employers and public-sector and private training providers reinforce the trends that emerge from the monitoring of (partial) labour markets, and facilitate swift and often decentralised adaptation of training services to the needs of the economy (see Annex 3 on the **training market**).

In this context, German development cooperation does not pursue one specific systemic approach. Its measures take account of the strengths of existing national technical and vocational education and training systems and the needs arising from their integration into the regional context.

Principles

The following principles are fundamental for German development cooperation:

- Practice and action orientation through linkage between school-based, in-company and other real-world learning locations, and the integration of the social partners into the development of standards, curricula and the examination system.
- Work process orientation of technical and vocational education and training measures, enabling learners to assess the relevance of their actions to production or service processes, develop responsibility and contribute to quality assurance.
- Promoting key capabilities, enabling the individual to take control of their own work situation and participate actively in social processes.

In countries and regions with a strong focus on competence-based modular training systems, it is especially important to incorporate these features into the training systems.

Priorities

When setting priorities for cooperation in the area of technical and vocational education and training, it is possible to select from the following: policy formulation and regulatory instruments, training frameworks (standards, occupational profiles, curricula, certification, and accreditation of implementing organisations) and their practical application in education and training measures. Other issues include the roles and forms of cooperation undertaken by various actors and their training and further training, research in the field of technical and vocational education and training, appropriate and if necessary gender-differentiated infrastructure, and

development of teaching/learning materials, as well as issues relating to the funding of technical and vocational education and training. Bilateral German development cooperation specialises mainly in those spheres of international technical and vocational education and training cooperation where there is a high demand for sharing experience of the German system and where the bilateral character of cooperation is maintained. These include, in particular:

- **linkage of policy formulation with the establishment of frameworks** at the meso level, with the results of **pilot projects** feeding into the policy and normative level.
- **Partnerships between the state, the private sector and civil society.** Many years of experience with cooperative training models for the formal and informal sector mean that German development cooperation is ideally situated to integrate the private sector at all levels, from political and strategic decision-making to technical and vocational education and training delivery. This guarantees that training is closely aligned to the needs of the labour market, ensures the efficient use of resources, and facilitates the expansion of the resource base. The participation of civil society (local authorities, parents, trainees of both sexes) in decisions on the form and content of technical and vocational education and training helps establish a balance between economic and social interests and supports the state in maintaining technical and vocational education and training – especially initial vocational training – as a public good.
- Supporting **decentralisation and privatisation** and, as a corollary, the state's withdrawal from the practical delivery and, to some extent, the structural development of technical and vocational education and

training (e.g. standards, curricula, certification), focussing instead on regulatory functions and the allocation of funding. The aim of these reform processes is to increase the internal and external efficiency of the system. However, a key factor in defining the state's responsibilities is also the recognition that the market is unable to regulate technical and vocational education and training adequately. The state thus has a responsibility, within the framework of the social value system (e.g. "equal access for all"), to compensate for the failings of the market and safeguard quality.

- **Strengthening newly emerging institutions**, or institutions entrusted with new responsibilities, as part of the reform processes: this applies both to new national technical and vocational education and training agencies – which are increasingly being appointed from the public and the private sectors – at steering level, and to institutions at meso level (such as those responsible for standard/curriculum development or quality assurance) but also to bodies representing the interests of the private sector, whose needs are the key driving force in the shaping of technical and vocational education and training, or to training agencies whose remit is changing as a result of decentralisation and privatisation processes.
- **Training and further training for teaching and management staff:** reform processes can only be successful if they are accompanied by training for the actors involved. Measures range from the **adaptation training** required in the short term as systems change, to the development and embedding of long-term training strategies and services for teaching staff in technical and vocational education and training and tertiary education systems.

- Promoting **international networks** for knowledge transfer: electronic media facilitate simple and affordable access to research processes and findings, experience and methodologies which can thus be utilised sustainably for developing countries as well. Forms of eLearning are becoming increasingly important in technical and vocational education and training and should be supported.

Instruments

This holistic approach, combined with prioritisation, requires a **flexible mix of instruments**, with specialist advice, advice on organisational development and the training and further training of multipliers at meso and macro level being especially important in this context. The provision of advice at micro level in pilot projects or measures which target specific segments of the labour market plays a supplementary role. Financial contributions and local subsidies are useful where partner institutions show that they have, or can soon develop, the capacities to administer them, and where knowledge transfer can be organised in the country or region. Public-private partnerships can expand the knowledge and resource basis, especially where a transfer of knowledge about modern technologies is required.

Here, Germany's "**joined-up development cooperation**" means utilising TC (technical cooperation) instruments in the wider sense, i.e. those offered by CIM, DED and InWEnt, alongside technical cooperation (TC) in the narrower sense and financial cooperation (FC). Implementing organisations operating close to the grass-roots level must cooperate closely with agencies whose strengths lie in the provision of advice and the promotion of organisational development at meso and macro level. Both must coordinate with those specialising in multiplier training, the promotion of international networks and virtual knowledge transfer. There is a demand for a com-

bination of TC and FC where it is necessary, first of all, to improve the infrastructure in order to create the preconditions for technical and vocational education and training measures, or where, for example, innovative approaches to the funding of technical and vocational education and training as a public good require start-up financing (e.g. stipends, funds, voucher systems). FC contributions through programme-oriented joint financing (e.g. basket financing) should be considered in cases where the sectoral focus adequately complies with the principles set out in this Strategy Paper.

5.2.3 Strategies and instruments for cooperation in the area of labour market policy

Labour market information systems

Labour market analyses and forecasts are a prerequisite for the development of policy decisions aimed at promoting sustainable employment and thus reducing poverty. Labour market information systems should therefore be integrated in PRS processes to a greater extent than before.

Comprehensive and unified **labour market statistics** as an element of information systems – preferably broken down by industry/sector and by gender – allow firm conclusions to be drawn about demand trends, employment potential, and the need for initial vocational training, further training, or retraining. The standard methods adopted in this context are household surveys and – if possible – labour force and company surveys as well as studies tracking the career development of former trainees. With the assistance of the collated labour market data, key information can be derived about the employment impact of specific labour market policy measures which in turn forms a key basis for decisions on the selection of future measures.

The **institution responsible** for labour market information systems at national level is usually

the ministry of labour or national employment agencies. It may be helpful to supplement the labour market information system existing at national level through the collection and evaluation of additional data at regional or local level, which can then be used in the development of regional policy decisions.

The collection and evaluation of data on **informal labour markets** requires appropriately adapted approaches. They include training and the integration of target groups and intermediaries from the informal sector, especially job-seekers, workers and company owners as well as grassroots organisations, into data collection, and their involvement in methodologies (e.g. based on Participatory Rapid Rural Appraisal methodology), which can be applied by this group.

Given the shortage of labour market information systems in many partner countries of German development cooperation, the provision of **advisory and support services** should consist of the following:

- support and advice for the responsible institutions in the collection of labour market data (with gender differentiation), including the introduction of a unified system for labour market monitoring, database development, and the necessary networking and clarification of stakeholders' roles;
- provision of support for processing and technical analysis of data, on the one hand, and the interpretation, publication and active dissemination of the information, on the other;
- promoting inter-institutional cooperation between governmental and non-governmental actors (e.g. labour administration, ministries responsible for technical and vocational education and training, statis-

tical office; employers' associations, the chambers, trade unions and training providers) at national and, if appropriate, at regional level (e.g. regional employment dialogues);

- training and further training of specialists at national and, if appropriate, at regional level in data collection and evaluation, and in analytical and forecasting techniques;
- advising on the development and use of Management Information Systems (MIS) for decision-makers in ministries and other institutions.

Employment services and counselling

The employment services aim at significantly speeding up and improving the quality of matching in the labour market. This reduces the average period of unemployment and, if the placement services are of good quality, makes employment relationships more stable. Employment services are one of the core functions of **governments' labour administrations**, where they exist; however, they can and should be complemented by **semi-autonomous or private service providers**. As with data collection, grassroots organisations play a key role in this context, especially in the work undertaken with the informal sector.

Employment services tend to be concentrated in urban centres and rarely extend to the **rural regions**. Where appropriate demand exists, mobile advisory services should be established here, also offering an integrated range of counselling, placement services and vocational guidance.

The provision of **advice and support** to establish and develop efficient and modern employment services should comprise the **following elements**:

- support and advice for governments' labour administrations – where they exist – at national, regional and local level in establishing customer-oriented integrated placement and advisory services, including public relations and customer care, and target-group-specific instruments, especially for young people of both sexes (e.g. youth employment services); complementing or as an alternative to this, the promotion of non-governmental actors, e.g. job fairs/brokerages, personnel agencies, information and advice centres;
- support for human resource and organisational development in the relevant institutions;
- training and further training of personnel (placement staff) and management;
- advice on the development of monitoring and evaluation concepts and procedures to determine the success of the employment services on an ongoing basis.

Vocational guidance and counselling

As part of the **guidance and counselling provided for first jobbers**, school students, school-leavers and also drop-outs should receive support aimed at identifying their skills and suitable occupations and in preparing applications. Better information can help them to avoid making the wrong decisions, which are personally frustrating and economically expensive. The benefit of vocational guidance for young people is apparent from the greater success achieved in selecting a career which matches their potential (the benchmark being lower drop-out rates) and better matching with the needs of the economy. Vocational guidance is therefore also intended to help prevent or reduce youth unemployment and skills shortages.

In view of the rapidly and constantly changing demands of the labour market, **vocational counselling for other job-seekers and workers** is also important; a priority, in this context, is the provision of advice and information (on a gender-specific basis in each case) on retraining / further training opportunities and training for job-seekers. In this context, it may be beneficial to link the provision of vocational counselling and training advice directly with the employment services in order to increase the employment impact of both services.

The **institutional responsibility** for vocational counselling generally lies with the ministries of labour; in some countries, the labour administration is responsible for delivering these services; in others, this role is performed by non-governmental organisations, such as information and advice centres, and/or by training providers themselves.

The range of **advisory services** provided by German development cooperation in this area should include the following:

- support for the country-wide establishment of vocational guidance and counselling systems in the labour administration or by other suitable service providers, including non-governmental agencies;
- training and further training for vocational advisors;
- support for target-group-specific production, compilation and exchange of information materials, including ICT-based media;
- support for teaching staff in schools, e.g. in developing activities that provide career information.

Legal framework

To the extent necessary and when requested by the partner, German development cooperation

should also provide advice on labour law issues. This applies especially to legislation governing protection from dismissal and fixed-term employment (flexibility v. rigidity in the labour market). The aim should be to facilitate the transition from informal to formal employment and to enable workers to remain in productive employment which pays a decent wage. In this context, social minimum standards, especially core labour standards, must always be upheld.

Instruments

As with technical and vocational education and training, for the labour market policy measures described above, a flexible mix of instruments is required, including technical cooperation (TC) in the narrower sense, TC instruments in the wider sense, i.e. those offered by CIM, DED and InWent, and, if appropriate, financial cooperation (FC). The provision of policy advice by international experts at governmental level is always required when it is a matter of strengthening the labour ministries' responsibilities in the field of labour law and the formulation of labour market policy. Technical advice and organisational development can be usefully combined with training and further training for local experts as part of institution-building for labour market information systems, employment services and vocational counselling. Direct contact with the customers benefiting from the services being provided – especially by implementing organisations working at the grassroots – is especially important; this can be trialled in pilot projects and, if implementation is successful, introduced across the board.

FC contributions through programme-oriented joint financing (e.g. basket financing) should be considered in cases where the sectoral focus adequately complies with the principles set out in this Strategy Paper.

5.2.4 Directives for post-conflict situations and situations following natural disasters

Post-conflict situations, including the immediate post-conflict phase, and post-disaster management may in some cases require action to be taken in line with different principles from those described in the above sections.

- In the immediate post-conflict phase or directly after a natural disaster, **measures to safeguard the survival of the target groups** and the direct alleviation of life-threatening conditions on the ground must take absolute priority. Here, training takes place in the context of measures to reconstruct basic infrastructure. During this phase, the provision of comprehensive or full funding is essential in most cases. Principles such as sustainability are therefore less of a priority than the need to safeguard as many people's survival as quickly as possible while boosting their self-esteem and skills through active involvement in reconstruction measures.
- At an early stage, other technical and vocational education and training and labour market measures must be geared towards **granting access to longer-term employment** and income generation **for as many men and women as possible**. In terms of conflict prevention, it is important to focus especially on ex-combatants as a target

group (although in some situations, the victims of violence should also be involved). In this context, positive experience has been gained with projects working closely with future employers to offer training measures and employment services in response to local demand for labour; this is combined with incentives for new business start-ups and the recruitment of workers by micro and small enterprises. During this phase, the structuring of training measures (e.g. certification) or the establishment of employment and advisory services becomes more important, and sustainability issues must be considered to a greater extent, e.g. through the staged reduction of subsidies or through institution-building on the partners' side.

Experience with these and other conceptual approaches must be established on a more systematic basis and properly evaluated. In every case, it is important to facilitate the transition from emergency relief criteria to those described in Section 5.2.1, which govern development cooperation in the core competency area. In particular, measures based on comprehensive or full financial support and projects which, due to the specific conditions prevailing in the reconstruction situation, temporarily assume the tasks of non-functioning local institutions, must include a strategy to establish them on a sustainable footing.

Annex 1

Labour market and employment policy:

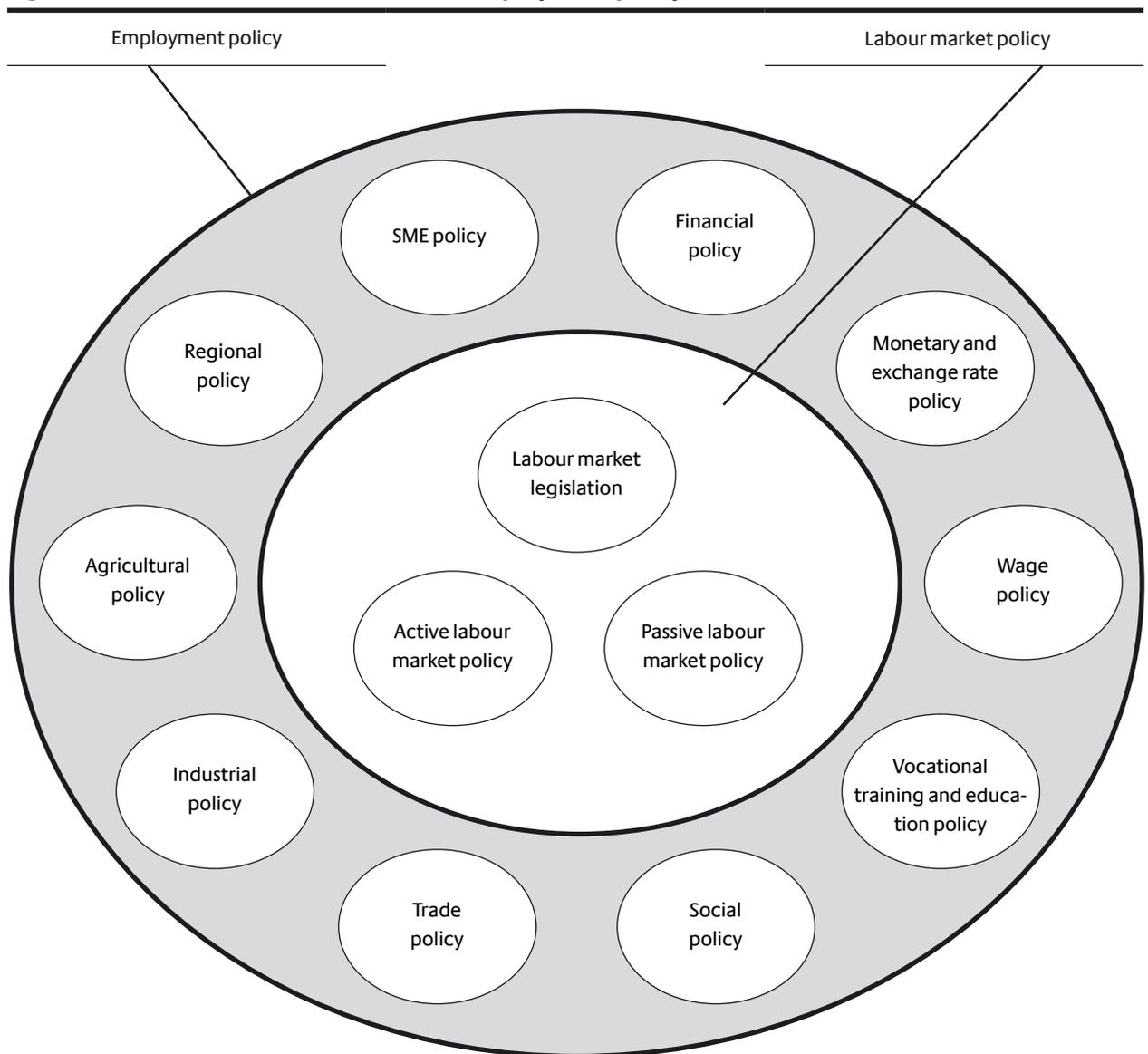
Clarification of terminology and correlations

Labour market policy: Denotes all measures aimed at influencing the labour market in such a way that employment, in line with their interests and abilities, is safeguarded for all persons able and willing to work. **Active labour market policy** aims to improve access to employment through the provision of advisory and employment services, and may encompass measures both on the supply side (further training and retraining) and on the demand side (employment programmes, wage subsidies, support for business start-ups) of the labour market. **Passive labour market policy** comprises all payments of wage replacement benefits, such as unemployment benefit, redundancy payments, etc.

The **labour market policy measures described in this Strategy Paper** aim to improve job-seekers' access to the labour market and facilitate the recruitment of workers, especially through the provision of better labour market information, counselling, vocational guidance and employment services, and through appropriate provi-

sions in labour law. This Strategy Paper deals with technical and vocational education and training measures to improve the employability of workers and the self-employed. The labour market activities considered here therefore constitute only one element of the active labour market policy measures described above.

Employment policy denotes all policy areas which have a direct or indirect effect, in terms of employment impacts, on labour as a production factor (see figure below). This encompasses aggregated employment (represented by volume of work, number of workers, employment rate/labour force participation rate) and the employment prospects of individual labour market participants. Particular emphasis is placed on the role of financial policy (taxes, subsidies, public investment), monetary policy (interest rates, money supply) and exchange rate policy, wage policy and foreign trade policy as the key regulatory and macroeconomic spheres of economic policy, and on the sectoral policy areas of education and vocational training policy, social, trade, industrial and agricultural policy, and regional policy and policies to support SMEs.

Figure 3: Overview of labour market and employment policy

The outcomes of these policies establish the parameters for the national labour markets. They crucially influence the current situation in these markets, their adaptability and efficiency, and therefore the climate for maintaining jobs and creating new employment. The resulting **policy mix** can vary widely, depending on the problems facing a country's labour market. It is influenced by the economic policy priorities set, the willingness to reform, and the level of importance that the country's government attaches to employment. Other factors relate to institutional capaci-

ties, including the political expectations and preferences of the governmental and non-governmental actors involved, who crucially determine the direction, implementation and outcomes of employment policy.

Unemployment and underemployment denote a lack of productive and appropriate work and thus a lack of income for some members of the workforce who are able and willing to work. Depending on the causes, a distinction is made between the following forms of unemployment:

cyclical unemployment, which is the result of business cycle fluctuations; seasonal unemployment, which is caused by fluctuations in production and demand in certain economic sectors; structural unemployment, which is the result of changes in the structure of the economy (e.g. decline of certain economic sectors, reduction in the number of state-owned companies); and frictional unemployment, which results from short-term adjustment difficulties, a change of job or retraining (also described as natural unemployment).

Underemployment has various aspects and so various definitions are applied:

- Time-related underemployment means that the worker is employed for less than 40 hours a week but would like to work more.
- If income sinks below a certain level (this may be the minimum wage, the cost of a minimum basket of goods, or the poverty line), but the worker is employed for more than 40 hours a week, this is also defined as underemployment.
- Underemployment is also deemed to exist if the quality of employment is not appropriate, i.e. if it does not match the worker's skills and interests or does not conform to the ILO's Decent Work Agenda (especially non-discrimination and acceptable working conditions).

Annex 2

Technical and Vocational Education and Training (TVET): Clarification of terminology and correlations in the EU context

Preliminary note: *The international debate about technical and vocational education and training issues does not use terminology consistently. The terminology is often adopted in the national context; a particularly striking example is the unclear use of the words “standards” or “competencies”. This section, which aims to clarify terminology and correlations, therefore does not contain definitions of any terms. In order to promote a general understanding of the Strategy Paper, also among non-experts, it uses the debate in the EU as a starting point from which to outline some of the correlations of relevance to bilateral cooperation in the area of technical and vocational education and training. The terminology is explained as part of this process.*

In line with the discussion within the EU²⁰ and the Strategy for Lifelong Learning in the Federal Republic of Germany²¹, the BMZ bases this Strategy Paper on the **lifelong learning** approach. This approach rests on the recognition that people’s willingness to learn on an ongoing basis and embrace change is the foundation stone for individual self-direction and regional or national development. “Lifelong learning is no longer simply one aspect of education and training; rather, it must become a fundamental principle guiding supply and demand in every learning context”²². **“Employability** – in other words, the ability to

find employment, to utilise the necessary skills, and to remain in employment – is not only a central dimension of active citizenship; it is also a key prerequisite for full employment (and) boosting competitiveness (...)”²³. The European Commission therefore defines employability not just as an individual characteristic; it makes it a basic principle of technical and vocational education and training and relates it to the economy’s demand for workers with the knowledge and skills to help safeguard competitiveness. This definition is also in line with the Employment Strategy adopted by the European Council²⁴: it is based on four pillars, i.e. employability, entrepreneurship, adaptability and equal opportunities. This expectation that people will be willing to learn must be matched by appropriate learning opportunities – and this has implications for the development of technical and vocational education and training systems.

Technical and vocational education and training systems which merely regulate and deliver **initial vocational training** – i.e. equipping people, mainly the young, with the skills to enter working life – are not enough.

Further training – i.e. the continuation or resumption of planned learning such as that offered in general and initial vocational training – plays a key role in this context. If the provision of initial training is inadequate, further training can play a compensatory role; in line with the principle of lifelong learning, it often promotes adaptation to changed conditions or fosters competi-

20 European Memorandum on Lifelong Learning, European Commission, Brussels, 30 October 2000.

21 Bund-Länder Commission for Educational Planning and Research Promotion (BLK), Volume 115, Bonn 2004.

22 *ibid.*, p. 3.

23 *ibid.*, p. 6.

24 European Council: European Employment Strategy, Luxembourg, November 1997.

tiveness, thereby assisting individuals to generate income or enabling them to progress to more skilled work.

Retraining as part of further training is required where a new vocational direction must be achieved through training. This is the case, for example, when structural changes in the economy or health problems make it impossible for a worker or workers to remain in employment in a particular sector or activity. Retraining also plays a role in reintegration – e.g. of women – into working life and in resocialisation.

Whereas in the past, initial vocational training was regarded as comprising **formal vocational training** with state-regulated and accredited certification procedures, further training was described as **non-formal vocational training**; in other words, it is not subject to standardised rules. **Informal vocational training**, i.e. the unsystematic and often unintended acquisition of skills and abilities, is becoming increasingly important. For people with this type of qualification, it is important for these skills and abilities to be certified (recognition of informally acquired skills and abilities) if they want to progress in the formal economic sector. The lifelong dimension of learning illustrates the complementarity of formal, non-formal and informal vocational training.

Lifelong learning breaks down the barriers in the rigid conventional education structures and overcomes the division of a person's education into regimented sections. It encompasses all aspects of formal, non-formal and informal learning at various locations from early childhood up to and including retirement. "Learning" is understood to mean the constructive conversion of information and experience into knowledge, insights and skills²⁵. Lifelong learning links the hitherto highly segmented education sectors and integrates

vocational training and continuous professional development into a coherent, i.e. mutually reinforcing and, above all, permeable education landscape²⁶.

The boundaries between formal and non-formal vocational training are therefore fluid, depending on the structure of the technical and vocational education and training system and the country in question, and are constantly being redrawn within technical and vocational education and training **frameworks**. These frameworks include the compilation of occupational profiles, the definition of standards which serve as benchmarks for the achievement of educational goals, curricula which map out the route towards these standards, the examination system and the certification of exam candidates. The accreditation (recognition) of training agencies responsible for course delivery is often included as well.

Vocational training systems which focus to a greater extent on initial training for **occupations**, which means that they provide broad-based training for activities relating to the production of a "product" (e.g. the carpentry skills necessary to build a house), and which generally entail long-term training, traditionally view initial training as the core of formal vocational training. This applied in the past to Germany and to other Central and Eastern European countries as well. By contrast, systems influenced by the Anglo-Saxon approach have for many years followed a modular approach to the acquisition of vocational competencies, which gives learners greater flexibility to structure their time. Learners can undergo certification in these competencies, put together an individual "palette" of skills, collect "credits" from different courses, and thus dictate the pace of their own learning and the level that they wish to reach.

25 BLK, Volume 115, p. 13.

26 *ibid.*; see Development Focuses, especially „fair access“, p. 16.

The European Memorandum on Lifelong Learning with its six key messages focuses, among other things, on the need for physically and financially accessible systems with permeable sectors and levels for everyone, in which teachers and trainers become advisors, mentors and mediators. Flexibility is thus a fundamental principle in facilitating lifelong learning, with modularisation being one means of delivery. Methods to measure participation in, and the outcomes of, learning must be geared towards the inclusion of marginalised groups (e.g. through the recognition of informally acquired skills and abilities) and make their knowledge and expertise quantifiable for the demand side of the labour market²⁷. Many EU Member States are increasingly developing modular, skills-based vocational training systems, albeit with different formats, so that here too, terminology is not consistently applied.

Within the European debate, German technical and vocational education and training is also increasingly oriented towards greater flexibility in the system and systematic and systemic provision of lifelong learning. In doing so, it is seeking to avoid the risk of “Taylorisation” of competencies which is inherent in the Anglo-Saxon system (i.e. narrow qualifications which, for example, only equip the individual to perform specific work processes), as this restricts the mobility of all persons who have acquired these limited skills. The major strengths of the German technical and vocational education and training system must be maintained. They include:

- a focus on the so-called “Berufsprinzip”, which is based on the didactic principle of instilling the holistic capability to **act independently** within the scope of and according to the values attached to a skilled occupation. The focus on the development of key capabilities and work process orienta-

tion are elements of this process and are essential to foster the capability to master complex situations;

- development of **key capabilities**. This includes skills, knowledge and abilities which can be used in many occupational tasks. They also facilitate the expansion of existing skills and the acquisition of new skills and abilities and form the basis for action as an active citizen. They include communication skills, the ability to work independently, self-motivation, teamwork, learning skills, flexibility and management skills;
- **work process orientation**. This comprises the organisation of learning in line with work processes. A key element is the mix of **learning locations** (in-company training, practice-related theory lessons at school, and additional use of other learning contexts such as virtual access to information or work in research centres). The basic principle is a holistic understanding of the production of a product or service, enabling the trainee to determine his/her relevance to the process.

The European Union is increasingly demanding **compliance with the subsidiarity principle** in the implementation of framework provisions²⁸: while technical and vocational education and training policy, the regulatory framework (including the decision on comprehensive quality assurance systems) and the funding of technical and vocational education and training are viewed as a public good and hence the responsibility of the state, there is scope for private actors in those areas where they can develop frameworks and deliver technical and vocational education and training more efficiently and effectively.

²⁷ European Memorandum on Lifelong Learning, European Commission, Brussels, p. 12 ff.

²⁸ See, for example, Presidency Conclusions, Lisbon European Council, 23-24 March 2000.

Besides the systemic element of frameworks, mentioned above, other elements of technical and vocational education and training systems include:

- policy formulation and regulatory instruments,
- research into technical and vocational education and training, the establishment / maintenance of international research networks, and education economics, which supplies cost-benefit analyses as the basis for planning the system,
- ensuring conformity between the roles and cooperation modalities of various actors (the state, decentralised organisational structures such as municipalities and districts, social partners, private training providers, non-governmental organisations, and parents),
- training and further training for these actors, so that they can perform their roles in the system,
- the provision of infrastructure for the delivery of technical and vocational education and training by various actors,
- development of teaching and learning materials,
- funding of technical and vocational education and training, especially identifying and negotiating a “funding mix” in line with the capacities of the actors in the system.

Annex 3

Technical and vocational education and training provision

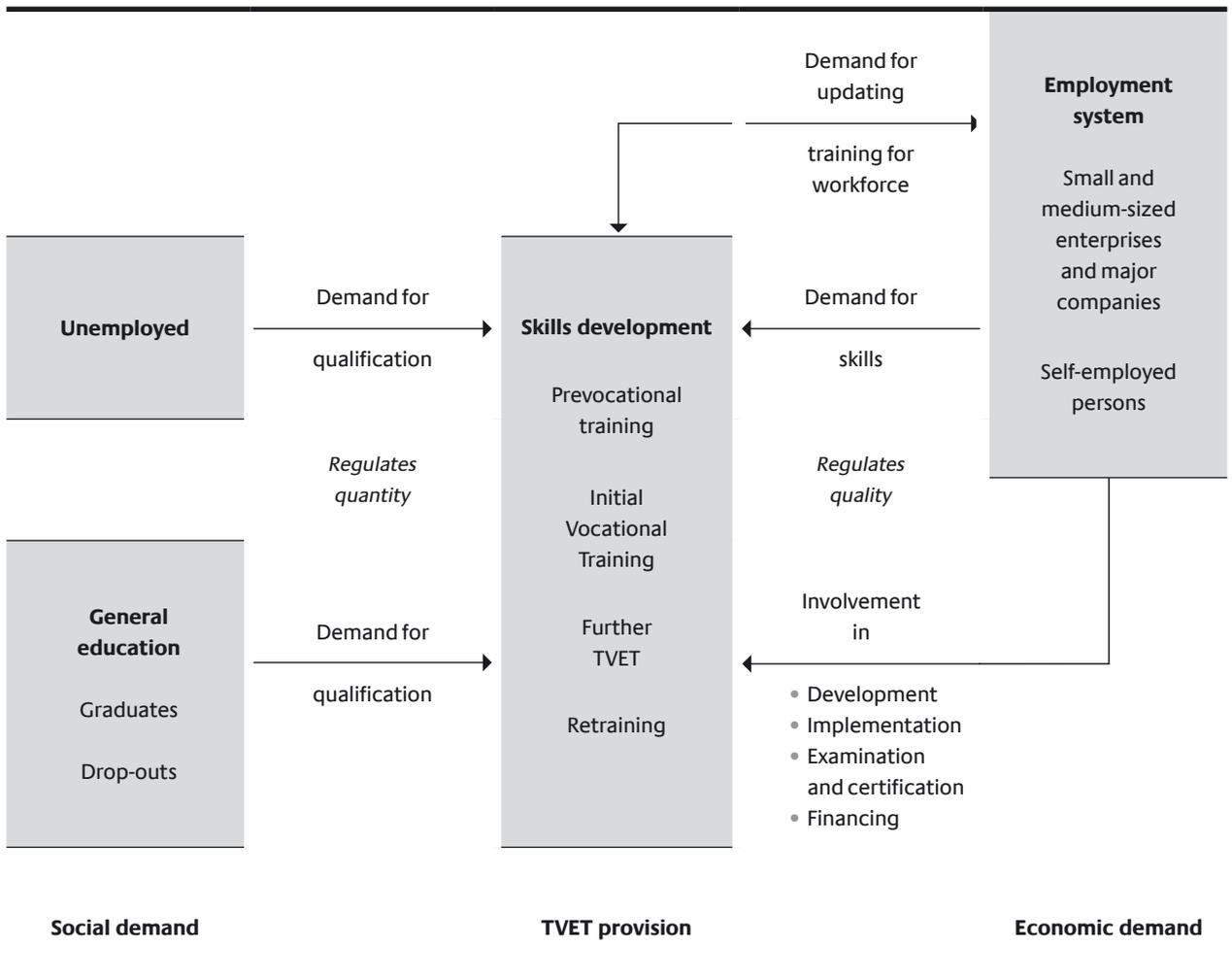
More detailed explanation of Section 5.2.2 of the Strategy Paper:

Close and comprehensive coordination mechanisms between the companies requiring workers (demand side) and public and private training providers (supply side) reinforce the trends

that emerge from the monitoring of (partial) labour markets. In this way, the training system's response times to changes in the employment system can be reduced, facilitating swift and often decentralised adaptation of training provision to the needs of the economy.

The training market thus becomes established as a complementary coordination mechanism between supply and demand in the labour market:

Figure 4: The training market as an adjustment mechanism between labour market supply and demand



Annex 4

Multilateral and European cooperation in the technical and vocational education and training and labour market sector

Long version of the statements summarised in Section 4.1

Most donors' **programmatic statements** focus either on technical and vocational education and training (often as a component of education in a general sense) or on labour market policy measures. As a consequence, specialised competencies and responsibilities for implementation are dispersed among separate organisational units of the agencies concerned. By contrast, the International Labour Organization (**ILO**), in its recommendations to members, presents a holistic view: it combines support for the reform of national technical and vocational education and training systems with employment and labour market policy measures and defines increased competitiveness of the national economies, employment growth and poverty reduction as objectives²⁹. The ILO and the United Nations Educational, Scientific and Cultural Organization (**UNESCO**) also emphasise the need to supplement technical and vocational education and training projects with vocational counselling³⁰.

The Organisation for Economic Cooperation and Development (**OECD**) bases its reworking of its Jobs Strategy on an approach which relies on interaction and synergies between the policy

areas concerned. Besides recommendations which prioritise economic and employment policy to a greater extent, attention is clearly drawn to the need for labour market and education policy measures. These primarily aim to strengthen employment through the active involvement of job-seekers in (re-)integration into the labour market and through lifelong learning to improve employment prospects³¹. The content of the Employment Guidelines adopted by the European Union (EU) is similar. Here, employability is equated with the supply side of the labour market and involves active labour market measures as well as training through lifelong learning³².

In the 1980s and 1990s, a **shift of perspective in international cooperation in the area of technical and vocational education and training** occurred. A more input-oriented stance on the part of donors – involving substantial investment in infrastructure or curriculum development, for example – gave way to a greater focus on the impact of technical and vocational education and training on dependent and non-dependent employment. In addition, the debate about “elite v. mass training” led to a greater emphasis on target groups in the informal sector and, as a result, on non-formal types of training provision and a broader range of partner organisations.

The Working Group for International Cooperation in Skills Development is an informal group of 12 multilateral and 19 bilateral donor agencies,

29 ILO: International Labour Conference 92nd Session 2004: Report on Human Resources Development and Training, fourth item on the agenda. ILO Committee on Employment and Social Policy (ESP): 288th Session, Active Labour Market Policies, Geneva 2003.

30 UNESCO, ILO: Revised Recommendations concerning Technical and Vocational Education, 2001.

31 OECD: Editorial, Reassessing the OECD Jobs Strategy, OECD Employment Outlook 2004.

32 The EU identifies four pillars of its labour market and employment policy, i.e. employability, entrepreneurship, adaptability and equal opportunities. EU: European Employment Strategy (EES), 1997, and Commission of the European Communities: Strengthening the implementation of the EES, Brussels 2004.

launched in 1996. The multilateral organisations involved include the OECD's Development Assistance Committee (DAC), the European Commission, the ILO and major UN organisations, as well as the World Bank Group and the Inter-American Development Bank. The BMZ is one of the bilateral members. Regular consultations are held on aspects of technical and vocational education and training reform, leading to a **convergence of views** at programmatic level in the following key areas³³:

- Technical and vocational education and training is an integral element of lifelong learning in the knowledge society and makes a significant contribution to learning in its own right. The inclusion of information and communication technology (ICT) skills in technical and vocational education and training programmes is encouraged.
- The lifelong learning approach gives rise to a need for permeability which – in practice – bridges the gap between vocational training for the formal and informal sectors and makes the boundaries between formal and informal vocational training fluid.
- The importance of technical and vocational education and training for poverty reduction is reflected in its implementation criteria. Needs orientation, employment relevance and broad access based on equal opportunities for women and men are priorities. The different approaches to the development of the various elements³⁴ of the TVET system promoted by the various donor organisations and countries must conform with these criteria.

- By conveying key capabilities, technical and vocational education and training supports the emergence of a strong civil society.
- At the same time, civil society, together with the private sector, plays an essential role in development at all levels. Private vocational training providers are becoming increasingly important. The subsidiarity principle is regarded as a key element in safeguarding the employment relevance of training courses and accessing additional resources.
- This links in with the demand for the diversification of funding for technical and vocational education and training: alongside the state, the beneficiaries, i.e. the companies and, in line with their possibilities, the trainees should be involved in the funding of training.

Aside from this, the various organisations attach different priority to promoting technical and vocational education and training, and their focus also varies in this context. The consensus at programmatic level must also be backed by further harmonisation in implementation.

A major difference lies in the **divergent policy approaches** adopted by the World Bank, on the one hand, and various continental European donors and implementing organisations on the other: while the World Bank's pro-poor growth approach presupposes the superiority of market forces in resource allocation, also in education (which includes technical and vocational education and training), continental European donors attach greater priority to public-sector measures in case the market does not function effectively. Controversy surrounds the debate about the extent to which technical and vocational education and training is a public good. German development cooperation is participating actively in this debate, especially in light of its own structural

³³ The key bases for the development of this convergence were the World Bank's recommendations in its Education Policy Paper and the recommendations made by UNESCO and the ILO in their Revised Recommendations concerning Technical and Vocational Education.

³⁴ For example, a greater focus on Competency-Based Modular Training (CBT) or on an occupation-oriented training approach.

reforms in this area, and champions the principles of a social market economy on the basis that technical and vocational education and training – in addition to its service function on the supply side of the labour market – plays a key role in promoting an active civil society. From a German perspective, not only initial vocational training but also some areas of non-formal vocational training, especially for disadvantaged groups, are a public good.

In the context of **labour market policy**³⁵, the **ILO Conventions and Recommendations** constitute the most important raft of international rules for formal labour markets. As yet, however, they have had little influence on the informal economy, which is often the dominant sector in developing countries. In the late 1990s, the ILO adopted its **Decent Work Agenda** as a new programmatic priority intended to encompass both the quantitative and the qualitative dimension of employment³⁶.

In view of the ever more acute employment problem in industrialised and developing countries alike, labour market strategies and measures have increasingly become the focus of attention in the economic and development policy debate in other multilateral organisations as well. The first policy documents to reflect this were the OECD Jobs Strategy (1994) and the Employment Guidelines adopted by the EU (1997), which have already been mentioned. However, one of the key problems arising in relation to these international development approaches became apparent at the same time: many of the recommendations, especially those relating to the labour

market, cannot be implemented, or can only be implemented to a limited extent, in the developing countries due to a lack of institutional capacities. The fact that the Poverty Reduction Strategy process, launched in the late 1990s in the context of the debt relief initiative (HIPC Initiative) and heavily influenced by multilateral donors, only touched on the **link between poverty and employment** at first must be seen in this context. Labour market measures were mainly confined to their (passive) function of social protection³⁷.

Although the weighting of labour market policy measures and their practical implementation in the context of poverty reduction and pro-poor growth still vary very widely among the multilateral donors³⁸, the following **common trends** can be observed:

- recognition of the importance of labour market institutions for effective matching or intermediation between labour supply and demand;
- need for the collection, processing and analysis of data on current and future labour market trends using modern labour market information systems, which are viewed as a key prerequisite for more effective employment service provision;
- adoption of labour market policy measures for the informal sector too, e.g. through training provision to increase the productivity of informal-sector workers, the extension of employment services to the informal sector, and the promotion of self-employment;

35 The following positions of the multilateral donors are based on a labour market concept which includes both the supply and the demand side. Both sides are presented wherever this is necessary in order to enhance understanding.

36 They include four strategic and closely interlinked goals: (1) core labour standards, (2) the promotion of employment and income generation opportunities, (3) social protection, and (4) social dialogue. Somavia, Juan: Decent work and poverty reduction in the global economy, ILO, Geneva 2000.

37 See the first versions of the Poverty Reduction Strategy Sourcebook, World Bank 2000.

38 Whereas the regional development banks, especially the IDB and ADB, are already supporting the implementation of promising approaches, e.g. in relation to employment services or modernisation of labour market statistics, the World Bank is currently prioritising the development of a new labour market strategy. See World Bank: HDNSP, Labour Market Research Strategy, April 2005; ADB: Labor Market Policies – Theoretical Background, 2001; IDB: Labour Intermediation Services: A Review for Latin America and Caribbean Countries.

- support for the decentralisation of labour market policy, i.e. the transfer of labour market policy tasks to local administrations or other decentralised agencies in order to achieve better service impact;
- need for more intensive monitoring of employment impacts both in terms of sustainable poverty reduction and more effective

development and selection of labour market policy measures (also in light of limited financial and human resources).

Moreover, the ILO in particular, as well as other multilateral donors such as the OECD and the EU, are working for the active involvement of the social partners in the development and implementation of labour market policies.

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