



PRIVATE SECTOR DEVELOPMENT

## Policy Handbook



### ENHANCING SKILLS THROUGH PUBLIC-PRIVATE PARTNERSHIPS IN EDUCATION IN UKRAINE

The Case of  
Agribusiness



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# **PRIVATE SECTOR DEVELOPMENT POLICY HANDBOOK**

## **Enhancing Skills through Public-Private Partnerships in Education in Ukraine: The Case of Agribusiness**

- SECTOR COMPETITIVENESS STRATEGY FOR UKRAINE PHASE II -

NOVEMBER 2012

### **The OECD Eastern Europe and South Caucasus Initiative**

Launched in April 2009, the OECD Eastern Europe and South Caucasus Initiative is part of the OECD Eurasia Competitiveness Programme, which aims to contribute to economic growth in Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. Its objective is to share with the governments of the region the knowledge, experience and good practices of OECD countries to create a sound business climate for investment, enhance productivity and support entrepreneurship, develop the private sector, and build knowledge-based economies to render its sectors more competitive and attractive to foreign investment. Its approach comprises both a regional policy dimension, which entails peer dialogue and capacity building, and a country-specific aspect supporting the implementation of a number of prioritised reforms. A sector analysis is also included, covering the formulation of targeted policies and strategies requested at the industry level. Within the framework of the programme, public authorities, the private sector and civil society within these countries have been engaged in a dialogue and collaborative process to support policy actions and identify key barriers to sectoral competitiveness.

The participation of all stakeholders in the reform process, including foreign investors, is considered to be crucial for guaranteeing the effectiveness and transparency of the recommended policies.

## *Foreword*

*Since 2009, the OECD Eurasia Competitiveness Programme has supported the Government of Ukraine in advancing national economic reform through its “Sector Competitiveness Strategy for Ukraine” project. This handbook contains the conclusions of the second phase of the project. It addresses specific policy barriers to improve competitiveness in one of the sectors with high investment promotion potential identified in the first phase, namely agribusiness, with a focus on skills enhancement.*

*During phase II (2011-12) the OECD worked with the Government of Ukraine, the private sector, international organisations and civil society to advise on how to remove sector-specific policy barriers, exploiting its industry and policy expertise to focus on the most practical and effective measures.*

*The project is conducted in collaboration with the Government of Ukraine and financially supported by the Government of Sweden.*

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## Acronyms and abbreviations

<b>BEEPS</b>	Business Environment and Enterprise Performance Survey
<b>CET</b>	Continuing Education and Training
<b>CCS</b>	Country Capability Survey
<b>EBRD</b>	European Bank of Reconstruction and Development
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>IFC</b>	International Finance Corporation
<b>IMF</b>	International Monetary Fund
<b>MNE</b>	Multinational Enterprise
<b>NUBiP</b>	National University of Life and Environmental Sciences of Ukraine
<b>PES</b>	Public Employment Service
<b>PPP</b>	Public-Private Partnership
<b>SME</b>	Small and Medium Enterprises
<b>SSCU</b>	State Statistics Committee of Ukraine
<b>VET</b>	Vocational Education and Training
<b>WEF</b>	World Economic Forum
<b>WTO</b>	World Trade Organisation

## Executive summary

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*Enhancing skills is a major policy priority for Ukraine's agribusiness sector*

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Enhancing skills in Ukraine's agribusiness sector is a key policy priority to improve productivity and attract more domestic and foreign investment. Ukraine's agribusiness sector has always played an important role in the economy. In 2010, value added in agriculture was 8.2% of GDP. It benefits from several advantages: first, favourable natural endowments, second, significant cost competitiveness in production and, third, proximity to key consumers. For example, the attractiveness of the dairy value chain lies in the cost competitiveness in milk production and the proximity to fast-growing markets where consumption of dairy products is expected to increase (OECD, 2012a).

Nevertheless, the country still faces some challenges to fully exploit its potential and successfully attract higher foreign direct investment (FDI). Despite having a high literacy rate and high enrolment in primary and secondary education, there is evidence of a skills gap in Ukraine (OECD, 2012a). The *OECD Country Capability Survey (CCS)* conducted in Ukraine in 2011 provides evidence of the fact that employers experience difficulties in recruiting adequately skilled technical workers, especially in key sectors, such as agribusiness. When firms are unable to find workers with the right skill sets, their productivity decreases, ultimately hindering their competitiveness. The *Sector Competitiveness Strategy of Ukraine* report (OECD, 2012a) identified the skills gap as an important barrier to investment in agribusiness. Half of the dairy farms surveyed in the CCS highlighted the important role that skills and expertise could play in improving milk quality. This aspect would be particularly important in allowing Ukrainian producers to expand to markets such as the European Union, where quality requirements are higher (OECD, 2012a).

This assessment is based on the *Policy Framework for Investment* and the *Policy Framework for Investment in Agriculture*. Improvements in human capital could support competitiveness in the agribusiness sector (OECD, 2012a). As the *Policy Framework for Investment* highlights, a highly skilled workforce can contribute to an environment that is attractive to domestic and foreign investors (OECD, 2006). Furthermore, the *Policy Framework for Investment in Agriculture* identifies human capital development as a key policy area in this specific sector (OECD, 2012b).

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*Different policy barriers affect skills enhancement in Ukraine's agribusiness sector*

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Several factors contribute to the skills gap in Ukraine's agribusiness sector. First, the education system focuses mainly on theory. Curricula provide theoretical learning but lack preparation for a labour market that requires strong applied practical experience. The skills that are required by employers have also evolved over time while curricula still carry a strong legacy from Soviet times. Second, private sector participation in education is limited. Third, when practical training is available it usually takes place within university-run farms (in the form of *praktika*) and not within private firms. Employers are not involved in designing the content of practical courses. Fourth, matching workers and jobs presents difficulties due to high transaction costs. Universities' career services are not properly developed and information on job vacancies and required skills are not communicated effectively to the pool of potential candidates. While the government has recognised the importance of removing these hurdles, challenges remain.

Currently the role of the public sector in Ukraine's education system is dominant and the private sector is not yet fully involved. Private firms do not take part in university research projects and they are not consulted on the educational aspects of the training programmes conducted within university-run farms. They rarely have the opportunity to share their knowledge of the industry with policy makers. Students are not exposed to the challenges of searching for internships and on-the-job experiences. Agricultural universities have limited placement/career services and do not facilitate the job-hunting process.

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*Internship schemes are an example of PPPs in education that Ukraine could improve in the short term, leveraging the experience from OECD countries*

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Different sets of policy initiatives could be considered to address these policy barriers and will often work in a complementary way. For example, the government could update the curricula to meet current standards and labour market needs. Also, the government could develop vocational education and training (VET) or continuing education and training (CET). These job-related programmes allow students and workers who would normally be unskilled to gain competencies and smooth their transition to the labour market. In addition, the government could establish more advanced collaboration schemes such as Public-Private Partnerships (PPPs) in education to leverage private capacity and specialised expertise while sharing costs. For example, in OECD countries, private participation in education has grown and this trend is expected to increase due to shrinking government budgets. PPPs can include the participation of private firms in classroom training or internship schemes to more sophisticated solutions such as the setting up of specialised schools.

This report focuses on one application, the improvement of internship schemes in Ukraine's agricultural universities. This is an example of PPPs in education which could fit the Ukrainian country-specific context and, if properly managed, could offer recognised benefits and increase private involvement in education. This policy option could be implemented in the short term while more sophisticated forms of PPPs, such as specialised schools, could be developed in the longer run.

Internship schemes allow students who are still completing their degree to work for firms operating in their field of expertise for a short period of time at limited cost to the company. There is evidence that this practical experience combined with study may improve labour market outcomes, particularly if work is limited in duration and related to the field of study. Businesses can profit from less-expensive labour while evaluating potential employees, an element that reduces transaction costs in recruiting. Furthermore, universities receive feedback on educational outcomes and can establish closer relationships with the private sector.

Ukraine could leverage the experience of OECD countries which have implemented internship schemes, consider their key success factors and learn from their shortcomings. Through a review of the literature and of some case studies, this report outlines six elements to properly implemented internship schemes: legal framework, incentives, establishment of a network of professional contacts, matching the demand and supply of interns, monitoring and feedback system, and establishment of skills councils.

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*To improve internship schemes, Ukraine should strengthen the legal framework, align incentives, engage private players in the existing praktika and set up a skills council*

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Based on the analysis of Ukraine's baseline situation and the good practices observed in OECD countries, Ukraine could improve its system of internship schemes by acting in the short term on the following aspects:

### ***Legal framework***

- Provide a legal framework for the establishment of internship schemes and make them a compulsory component of university curricula. Since internship schemes do not fall under current labour market legislation, appropriate changes in legislation would be needed to provide a framework favourable to their development. Also, it is recommended that internship schemes are made a compulsory part of degree programmes. The internship convention could be introduced as a contract between the parties regulating important aspects of the scheme (*e.g.* insurance, roles and responsibilities).

### ***Incentives***

- Align incentives of different stakeholders by finding an agreement on aspects such as the duration of the scheme, eligibility criteria and remuneration. Since multiple stakeholders will have different incentives it is important to reach agreement on the most relevant aspects. First, it is recommended that universities recognise credits from internship schemes. Second, the maximum duration of an internship should be fixed by law (*e.g.* 12, 18 months). Finally, minimum compensation rates need to be agreed, possibly in terms of a proportion of the minimum wage in the sector.

### ***Network of professional contacts***

- Strengthen networking activities between universities and private players and engage them in lectures, company presentations and career fairs. Universities are advised to connect with firms and build an extensive network of contacts in the private sector. Currently, the disconnect between these two contexts is evident. In order to start this process, universities could establish contacts with their alumni or reach out to businesses in their region. Further industry involvement could be promoted by inviting private sector representatives to lectures, company presentations and career fairs, during which employers can explain their recruitment needs both to students and the academic staff. The direct interaction between students and firms facilitates the search for internships.

### ***Matching of supply and demand for interns***

- Establish placement/career offices within universities as a unique interface for private players and students. Universities need to establish placement/career offices. These would be a centralised point of reference for both employers and students providing information on vacancies and students' profiles. Placement/career offices could also serve as a provider of advisory services, facilitating the job-hunting process. Pilot universities could be identified to launch the process.

### ***Monitoring and feedback***

- Involve agricultural universities in the co-ordination and monitoring of internship schemes. It is recommended that universities co-ordinate organisational aspects of internship programmes. This could include providing career guidance to students, being involved in the communication of vacancies, providing information to both students and employers, and monitoring the outcomes.
- The transition to a system of workplace training with closer links to the private sector will require some time. Meanwhile, it is recommended that the current system of *praktika* be improved by involving employers in deciding the educational content of the training and providing feedback to universities.

These specific recommendations related to the initial set up of internship schemes will be more effective if supported by a comprehensive set of initiatives. The following support measures could be introduced:

### ***Establishment of skills councils***

- Set up a skills council as a forum to foster the dialogue between universities and the private sector. This body could gather representatives of employers, students, industry experts, trade unions and the relevant ministries. It could provide feedback on the current skills mismatch and advise on improvements. The OECD could support the creation of such a body.

- Specialised schools in agribusiness could also be set up through PPPs: international foreign investors based in Ukraine have already initiated some specialised training for their employees. Building on these interesting activities, specialised schools in agribusiness could be set up. These would allow the government to take advantage of the specialised skills offered by these private players, while also sharing costs.

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## *Introduction*

As part of the OECD Eastern Europe and South Caucasus Initiative, a sector competitiveness review of the Republic of Ukraine was conducted as Phase I of a wider project to improve the country's sectoral competitiveness and investment framework. The project follows a three-phase approach lasting five years (2009-14): first, it develops a sector competitiveness strategy (Phase I); second, it advises on specific policy options to address the existing constraints (Phase II); finally, it creates mechanisms to embed sustainable reforms (Phase III). The aim of Phase II, financed by the Government of Sweden, is to provide advice on specific policy recommendations that can be implemented to overcome existing barriers to competitiveness.

This report constitutes the output of Phase II. Phase I (2009-11) identified the sector-specific sources of competitiveness for key sectors: agribusiness (with a focus on the grain and dairy value chains), energy-efficiency and renewable technologies, and machinery manufacturing and transport equipment (with a focus on the civilian aircraft value chain). The analysis identified existing challenges and suggested targeted policy recommendations in each sector. For example, access to finance and human capital development were identified as important barriers to competitiveness in the grain and dairy value chains, respectively. The findings of this part of the project are summarised in the *Sector Competitiveness Strategy of Ukraine* report, which was released in 2012. Phase II (2011-12) focuses on specific policy options, particularly on internship schemes. The scope of this report is to summarise why this policy option could be effective for Ukraine and to provide a detailed implementation plan for policy makers. Phase III (2012-14) is then intended to put in place the mechanisms embedding sustainable reforms.

This study is structured in two Parts. First, it deals with the skills mismatch currently affecting Ukraine's workforce and the importance of Public-Private Partnerships in education (Chapter 1). Second, it describes the skills mismatch issue in the agribusiness sector (Chapter 2). Third, it presents international good practices which could serve as a benchmark for Ukraine to improve internship schemes (Chapter 3). Then, it provides a set of specific policy recommendations to improve internship schemes (Chapter 4). Finally, it presents an action plan for policy makers (Chapter 5).

PART I

**Enhancing Skills in Ukraine:  
A Focus on Public-Private Partnerships in Education**

## *Chapter 1*

# Bridging Ukraine's skills gap through public-private partnerships in education

This chapter examines the skills gap in Ukraine and the policy tools available for policy makers to address this market failure. It then describes Public-Private Partnership programmes in education as a policy option to better bridge the gap between the private sector and the public provision of education. It then focuses on a practical example: workplace training and internship schemes.

Despite having a high literacy rate and high enrolment in primary and secondary education, there is evidence of a skills gap in Ukraine (World Bank, 2009; OECD, 2012a). The term refers to the misalignment between the skills obtained in school and those needed by the labour market. For instance, employers experience difficulties in recruiting adequately skilled technical workers, especially in key sectors such as agribusiness.

A variety of policy initiatives could be considered to help countries improve their skills strategy and will be further detailed in the following sections. Among these options, Public-Private Partnerships (PPPs) in education can either complement or replace existing traditional education programmes by leveraging the expertise of private-sector practitioners. As an example, internship schemes conducted within private companies can improve graduates' skill sets beyond those provided in compulsory education. There is indeed evidence that combining work and study encourages graduates to work and to adapt their skill set to market needs (OECD, 2010a).

This chapter is organised as follows: it first examines the benefits and challenges associated with minimising gaps in human capital both for governments and for private sector companies. Second, it examines different policy solutions, including PPPs in education. Finally, it focuses on internship schemes and presents the benefits and risks associated with this policy option.

### **The skills gap is a key policy barrier in Ukraine**

According to the Business Environment and Enterprise Performance Survey (BEEPS) more than 40% of surveyed firms in Ukraine consider skills a major barrier to their growth.<sup>1</sup> This problem is more acute in Ukraine than in other key emerging economies in Eastern Europe (World Bank, 2010).<sup>2</sup>

The OECD CCS conducted in 2011 during Phase I of the project highlights the issue of human capital development in Ukraine's agribusiness sector, and in particular in the dairy value chain (OECD, 2012a).<sup>3</sup>

Ukraine's country-specific constraints in skills development are the very theoretical curriculum offered by the education system, difficulties in matching workers and jobs due to high transaction costs, and limited participation by private players in education.

### ***The skills gap can be characterised by demand and supply factors***

Gaps in human resource development can take different forms:

- An “**employment gap**” describes a mismatch between the number of jobs offered by employers and the number demanded by the workforce.
- A “**skills gap**” indicates a disparity between the current skill level of the workforce and the skills required by employers to meet the organisation's objectives (Campbell, 2002).

The issue can be analysed both from a demand and supply side.

On the demand side, employers might generally be reluctant to invest time and resources in skills development, unless the work experience offered proves to be productive (Dionisius *et al.*, 2008). In countries where a constructive dialogue between the agribusiness complex and universities is in place, employers can influence programme offerings and curricula in order to maximise the employability of graduates. In countries such as Ukraine where public-private interaction is limited, employers struggle to give feedback to universities. Alternatively, employers will try to channel their interactions towards private and more independent education institutions, if present.

On the supply side, in Ukraine education is generally considered a “public good” and relies mainly on public governance and financing. Inclusiveness and participation are very important and come at the expense of programme quality. Universities are not encouraged by the government to improve efficiency and establish a dialogue with the private sector (Koester *et al.*, 2010).

The government certainly plays a role in measuring the performance of its education system and linking it to the labour market. But, for example, funding an institution proportionally to the number of students rather than considering the quality of its research or the education outcomes creates a perverse mechanism. Universities will tend to recruit as many students as possible, despite their lack of capacity to offer high-level training.

### **Different policy initiatives could be envisaged and will often work in a complementary way**

A number of policy options can be envisaged to remove barriers to human capital development and overcome market failures. For instance, an updated curriculum could better reflect employers' evolving needs. Governments could also support vocational

education and training (VET) and continuing education and training (CET) programmes.<sup>4</sup>

VET programmes allow students and workers who would normally be unskilled to gain competencies and smooth their transition to the labour market. CET programs are important because they allow people who are already engaged in the workforce to update their skills in light of changing technologies, work methods and markets. Governments implement these programmes both because the private sector may not have proper incentives to provide adequate training and because investments in VET programmes can pay for themselves through labour market returns.

In addition, the government can establish PPPs in education to leverage private capacity and specialised expertise while sharing costs. PPPs can include the participation of private firms to classroom training or workplace training, or more sophisticated solutions such as the establishment of specialised schools. Through PPPs, the government can increase the effectiveness of educational programmes by gaining a better understanding of labour market demand.

This also reflects the fact that OECD countries are shifting towards greater involvement from the private sector in education, a trend that is expected to increase since governments currently face shrinking budgets.

PPPs are not only beneficial for students, who are better prepared for the realities of the labour market, but also for companies. These corporate benefits include:

- **Cost sharing:** partnering with governments may decrease the necessary costs of improving business environments for firms, *i.e.* employee training;
- **Legitimacy:** engaging in socially responsible activities such as funding educational programmes will increase popular confidence in the industries concerned (Genevois, 2008).

### ***What are PPPs in education?***

Several countries have started projects to narrow the skills gap through PPPs and have had distinct approaches to doing so. Some, such as Ireland, foster collaboration between the public and private sectors to narrow the skills gap, while large advanced economies, such as the United States, depend on *ad hoc* projects between the private sector and academia. However, despite their differences, the success of these two models depends on accurate skills forecasts, reliable data and transparency (World Economic Forum (WEF), 2012).

As an example, in Saudi Arabia, Tamer Group, a consumer goods and healthcare company, has partnered with the Ministry of Labour to train Saudi nationals in logistics and operations. After the three-month programme, Tamer hires the top 20% and certifies the next 30% to work at other companies. The programme is jointly funded by the Ministry of Labour and Tamer (WEF, 2012).

## **Internship schemes are an example of PPPs and a policy tool to bring the private sector's expertise into education**

PPPs in education can take the form of workplace training, which includes internship schemes. Internships are one of the most direct ways to bring learning into the workplace, which helps reduce the skills gap (OECD, 2009).

Internship schemes are a relatively simple mechanism which can be effectively implemented without excessive set-up and maintenance costs. If properly designed, they can offer significant benefits for all three parties involved. For example, demand for and supply of workers can be matched more efficiently. Universities can adjust their programmes on the basis of the feedback received from employers on students' performance. Internships can often lead to full-time positions for students. Finally, employers benefit from a networking tool and increased interactions with academia and the public sector (McCafferey, 1979; Watkins and Mize, 1990).

However, determining proper incentives for students, employers and universities, especially those related to student compensation, and ensuring the conversion into full-time employment are just a few examples of the difficulties associated with setting up successful internship schemes.

### ***Functioning and features of internship schemes***

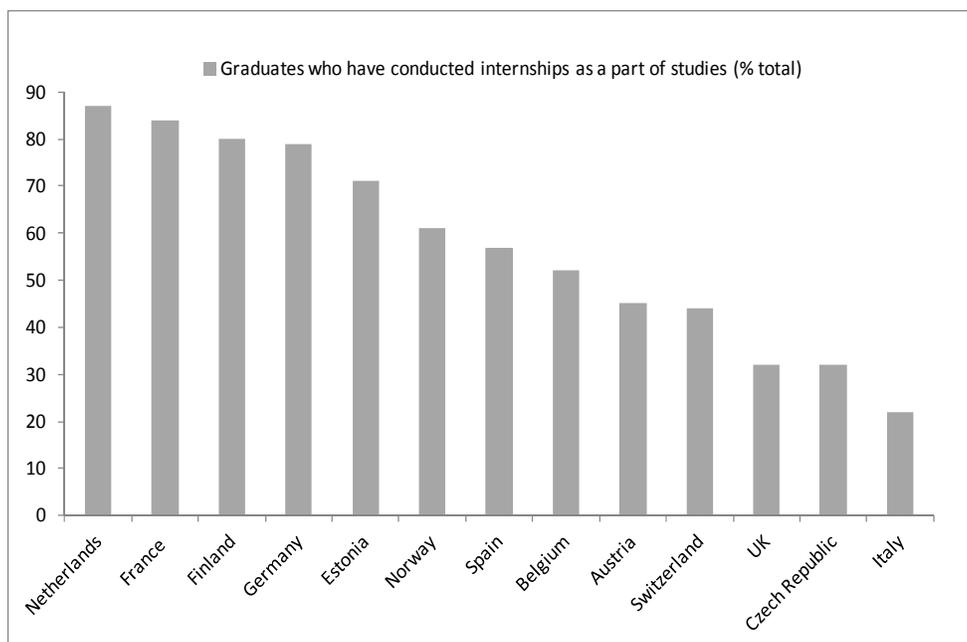
An internship scheme is defined as a short period of time, typically weeks or months, in which students go to workplaces and undertake work in their expected career field, with no compensation or nominal wage. They may be governed by special contracts (OECD, 2010a). Interns are not guaranteed jobs at the completion of their internship.

Some features characterising this workplace training can be identified:

- i. **Relevance:** the internship is usually part of the curriculum and linked to the expected career field. Some universities recommend or require mandatory work experience and award credits for internships.
- ii. **Duration:** the internship has a limited duration, which could range from a few weeks to up to a year or eighteen months. In some countries, a maximum duration is fixed by law.
- iii. **Organisation:** an agreement is usually signed between the employer and the student, under the supervision of the university.
- iv. **Remuneration:** the internship can be unpaid or partially paid. In some countries a minimum remuneration is fixed by law.

Internship schemes are common in OECD countries. With the *caveat* that this figure is only indicative of good practice, on average 87% of graduates complete an internship as part of the curriculum in the Netherlands, 84% in France, 80% in Finland and almost 80% in Germany (Figure 1.1).

Figure 1.1 Internship schemes are widespread in OECD countries



Source: Allen, J., and van der Velden, R. (2011), *The Flexible Professional in the Knowledge Society: New Challenges for Higher Education*, Springer, New York.

## Benefits and risks to be monitored

### ***An instrument reducing risks and recruiting costs and facilitating the transfer of occupational skills...***

Internships can address shortages in human resources, as employers can meet immediate labour needs at a limited cost. Since employers have some time to assess interns' performance over the internship period, the risk of hiring an employee who does not fit the organisation is reduced. Furthermore, recruiting costs linked with hiring recruiting agencies or running assessment centres and interviews are also cut down. Finally, the integration of a new employee is smoother, since the employee will have some time to adapt to the company's work environment. Employers devote some time and resources to training the intern. However, this is seen as an investment. Also, employers that successfully manage their internship programmes also receive a beneficial return in terms of their image – an element that will help to attract other graduates in the future.

Evidence from France and Switzerland shows that students who combined work experience and study had better future labour market outcomes, if that experience was related to their field of study (Bédoué and Giret, 2004; Murier, 2006). Considerable practical and interpersonal skills are transferred to the intern through a learning-by-doing process. On returning to university, students will adjust the learning process to acquire occupational skills that employers demand.

**...while providing feedback to Universities on educational outcomes and needed skills**

Universities receive feedback on their educational outcomes and needed skills through employers' evaluations of intern performance. Thus, they are able to adjust their programmes provided that the education system allows for some flexibility.

Also, universities can build up a formal network of alumni and rely on it for a number of activities. Alumni can be involved in advertising universities' programmes, be consulted for research projects or become contact points for future prospective students looking for internships.

Finally, the prestige of the university also depends on its track record, namely on the number of students who are successfully placed. Universities compete to attract the most talented students, who could bring a long-term return to the institution.

**Risks to be monitored**

Despite these benefits, a number of risks need to be monitored (Table 1.1). For example, internships can be used as a quick tool to access a cheap labour force, without any prospects of conversion into full-time permanent jobs. Also, skills learnt could be neither relevant to the student nor transferable to other positions. The dissatisfaction and loss of motivation deriving from those situations can be counter-productive and trigger costs for the three parties.

Table 1.1 **Risks to be monitored to avoid unsuccessful internship schemes**

NEGATIVE OUTCOMES	
STUDENTS	<ul style="list-style-type: none"> <li>• Skills learnt are neither <b>relevant</b> to specialisation nor transferable</li> <li>• <b>Dissatisfaction</b> and loss of motivation</li> <li>• Internship is <b>extended</b> for a long time and then not converted to a full time job</li> <li>• <b>Contractual</b> framework is not appropriate</li> </ul>
EMPLOYERS	<ul style="list-style-type: none"> <li>• <u>Interns do not have the required profile for the job</u></li> <li>• <b>Mistakes</b> by inexperienced interns cause issues</li> </ul>
UNIVERSITIES	<ul style="list-style-type: none"> <li>• <u>Reputation of the University worsens</u></li> <li>• Relationship with employers <b>deteriorates</b></li> <li>• Quality of internships is not <b>monitored</b></li> </ul>

Source: content adapted from OECD (2010b), *Learning for Jobs, The OECD Policy Review of Vocational and Educational Training*, OECD, Paris.

## Notes

- <sup>1</sup> Also, according to the Committee on Economic Reforms under the President of Ukraine, around 20% of employers signal that the proficiency of employees does not meet the job's requirements.
- <sup>2</sup> This comprises: Czech Republic, Hungary, Poland, Romania, Russia, Slovak Republic and Ukraine.
- <sup>3</sup> The OECD Country Capability Survey was conducted with 83 dairy producers and 40 dairy processors.
- <sup>4</sup> VET refers to “education and training programmes designed for, and typically leading to, a particular job or type of job. It normally involves practical training as well as the learning of relevant theory” (OECD, 2009). Job-related CET refers to “all kinds of general and job-related education and training that is organised, financed or sponsored by authorities, provided by employers or self-financed” (OECD, 2002).

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## PART II

### **An Application for the Agribusiness Sector: How to Improve Internships Schemes in Agricultural Universities**

## Chapter 2

### Baseline situation in Ukraine: a skills gap is present in agribusiness

This chapter analyses the challenges faced by Ukraine's agribusiness sector to narrow the skills gap and bridge the disconnection between the private sector and the university system.

Results from the *Sector Competitiveness Strategy of Ukraine* show technical skills shortages hamper productivity growth in promising sectors of the Ukrainian economy, such as agribusiness (OECD, 2012). Mismatch in human capital between the private sector's needs and the education system's outcomes are a priority policy barrier affecting the competitiveness of this sector, particularly that of the dairy value chain. Difficulties in recruiting a skilled workforce at different levels and in finding the right skill set to match employers' needs ultimately hinder domestic and foreign investment in the sector. A skilled workforce would be able to maximise the benefits of FDIs. There is evidence that a high stock of skilled workers supports technological and knowledge transfers from FDIs (Isaksson, 2002).

The general challenges of the education system have also been analysed in the Programme of Economic Reforms of the President of Ukraine. This includes a recommendation that the system should "motivate employers to participate in the development of educational programmes, co-ordination of educational and professional standards, reorientation of educational plans towards [an] increase [in]the importance of [the] practical component; [and] implement probation training programmes at work on [a] large-scale basis" (Committee on Economic Reforms under the President of Ukraine, 2010).

This chapter presents the issue of bridging the gap between the industrial complex and Ukraine's agricultural universities. Through an application related to the dairy value chain, it describes why the current system does not meet employers' needs.

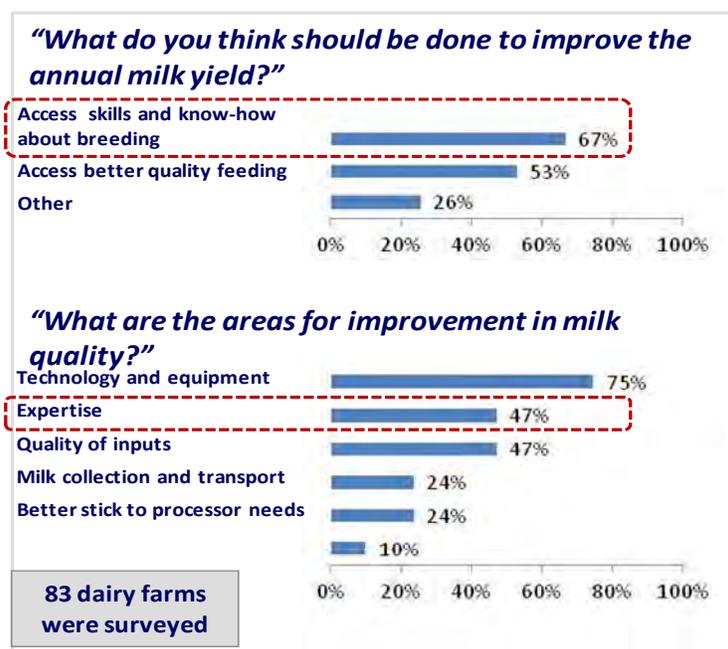
#### **Despite the potential of Ukraine's agribusiness sector, a skills gap still exists**

As highlighted in the *Sector Competitiveness Strategy of Ukraine*, two-thirds of the dairy producers who took part in the OECD CCS stated that improving skills and know-how regarding breeding is the most pressing issue to be addressed in order to improve milk yields. More than half of the respondents (53%) considered the availability of better-quality feeding as an important element to raise milk productivity. Lack of

expertise was indicated as a barrier to improving the quality of milk (OECD, 2012) (Figure 2.1).

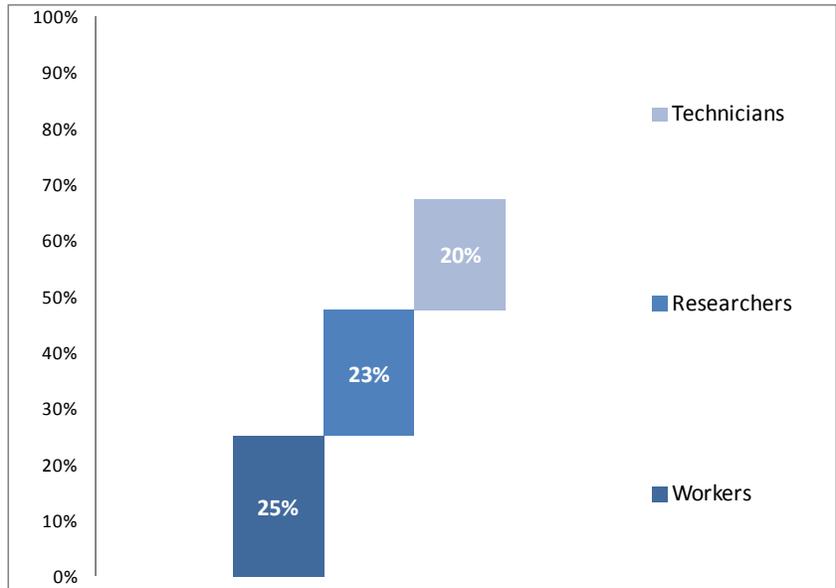
With regard to dairy processors, more than two-thirds of the respondents highlighted that they face difficulties in the recruitment of technical staff. In particular, major issues arise in finding the right technical workers, researchers and veterinarians (25%, 22.5% and 20% of the respondents, respectively) (Figure 2.2) (OECD, 2011). Among those who face problems attracting graduates, more than half explained that unsatisfactory financial conditions for employees were a major reason. Other causes are limited awareness of the opportunities in the sector (35% of replies) and the lack of prestige of the dairy sector (35% of replies), which is also reflected in lower wages (Figure 2.3).

Figure 2.1 The Country Capability Survey highlighted the need to improve the skills match



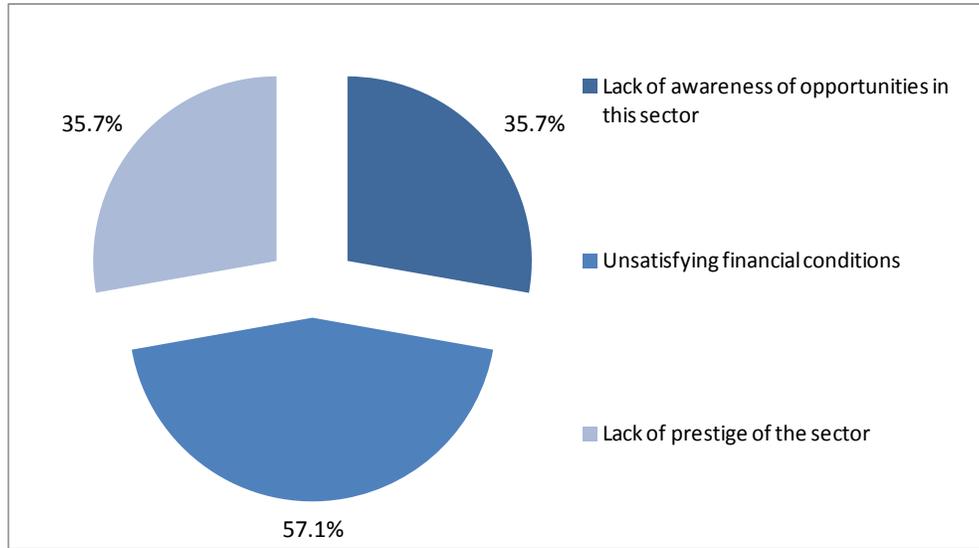
Source: OECD (2012), *Competitiveness and Private Sector Development: Ukraine 2011*, OECD, Paris.

Figure 2.2 Difficulties highlighted by Ukraine’s dairy-processors in recruiting skilled profiles



Source: OECD (2011), “Country Capability Survey”, internal working document, OECD, Paris.

Figure 2.3 Challenges faced by Ukraine’s dairy-processors when recruiting graduates



Source: OECD (2011), “Country Capability Survey”, internal working document, OECD, Paris.

## **Ukraine's education system is dominated by the public sector and PPPs are scarce**

With the exception of some relatively isolated cases, the disconnect between universities and private businesses is a result of private firms' limited participation in Ukraine's education system. Private companies are involved very little in designing the curricula. They do not take part in university research projects and are not consulted on the educational aspects of the training programmes conducted within universities. They rarely have the opportunity to influence policy makers with their knowledge of the industry. There is significant potential for them to become more outward looking, aiming at fully responding to the diverse needs of the labour market.

The skills that are required by employers have also evolved over time while curricula still carry a strong legacy from Soviet times. Curricula and programmes present a strong theoretical focus but are outdated. They are supervised by the Ministry of Education, which decides on programmes, and by a commission with the mandate of writing textbooks (Koester *et al.*, 2010).

From an organisational point of view, co-ordination among Government bodies is not always efficient. While in OECD countries agriculture faculties fall under the supervision of the Ministry of Education, in Ukraine they are governed by both the Ministry of Education and the Ministry of Agricultural Policy. There is also another autonomous research centre, the National Academy of Agricultural Science, which dates back from the Soviet era and is mainly funded by the state.

Agricultural universities also manage state-owned agricultural properties. These are used for both practical training (*praktika*) and research projects funded by the Ministry of Agricultural Policy. For example, the National Academy of Agricultural Science manages around 400 000 ha of land. However, there is no auditing or transparency in the way the centre uses the funds intended to administer such properties (Koester *et al.*, 2010).

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## Chapter 3

# Good practices to improve internship schemes could serve as a benchmark for Ukraine

This chapter first illustrates good practices for improving internship schemes based on the experience of OECD countries in this field. It identifies five elements that are essential to their success and effectiveness. Second, it assesses existing schemes such as the university-run *praktika* and describes current barriers hampering the development of workplace training and internship schemes with more private sector involvement.

The OECD has shared good practices both on improving the skill set of the workforce and on facilitating graduates' transition from school to work (OECD, 2010a). It has also been very active in proposing a systematic and comprehensive approach to skills policies through its recent skills strategy (OECD, 2012a).

There is evidence that the design and implementation of internship schemes – “how” they are set-up and managed over time – are essential to their success and sustainability. The assessment of international case studies from OECD countries supported the identification of good practices and specific guidelines on internship schemes. Some risks need to be monitored to reach a balance between the three parties involved (employers, students and universities). To this end, five key components need to be monitored when designing internship programmes: contracts, incentives, network, matching and monitoring.

While internship schemes are not a general practice in Ukrainian agricultural universities, students can currently gain work experience through a Soviet-era *praktika* scheme. This “practical training” is a mandatory component of the curriculum and it is conducted on university farms or in university enterprises. This university-run structure means these experiences are still conducted in the academic field and not in the real sector of the economy.

Students also have the possibility of pursuing an internship within a private firm, usually during the last two years of the degree. However, obtaining these internships depends on personal initiative. The agricultural university neither facilitates the job-hunting process nor gets involved in a more formal internship contract between the student and the employer.

This chapter first describes in detail the five dimensions necessary to make internship schemes effective according to international good practices. Second, it

illustrates the shortfalls of the existing state support programmes. Third, it presents some existing private-sector initiatives driven by international financial institutions and private players to better match skills and workers.

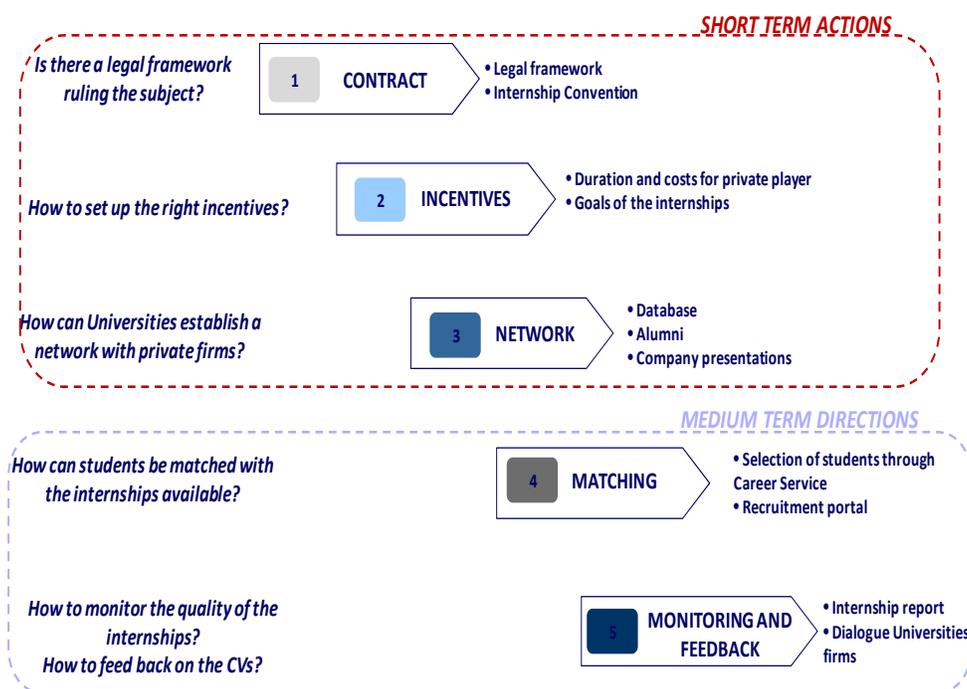
### **Five elements of a properly designed and implemented internship scheme**

The review of some case studies led to the identification of five elements that need to be considered to make internship schemes effective and successful. The following sections describe these five steps, answering the following questions (Figure 3.1):

- Is there a legal framework governing the scheme?
- Have the right incentives been established?
- Can agricultural universities establish a network with private firms?
- How can students be matched with the available internships?
- How is the quality of the internship monitored? How does the scheme provide feedback into the curriculum?

In the short run, this study focuses on the first three elements: contract, incentives and network. This choice is motivated by the fact that the government needs to strengthen the legislative framework supporting these forms of workplace training. Second, there is a need to raise the incentives of the players to use such schemes. Finally, agricultural universities at the moment do not rely on a network of private players: this step is necessary to bring the two worlds closer. Further directions that could be developed in the medium run are also discussed in Chapter 4.

Figure 3.1 Five key elements in the design and implementation of an internship scheme



Source: OECD (2012), "Ukraine Sector Competitiveness Strategy, Agribusiness Working Group", internal working document, OECD, Paris.

### **A contract needs to be established to improve mutual confidence in the scheme**

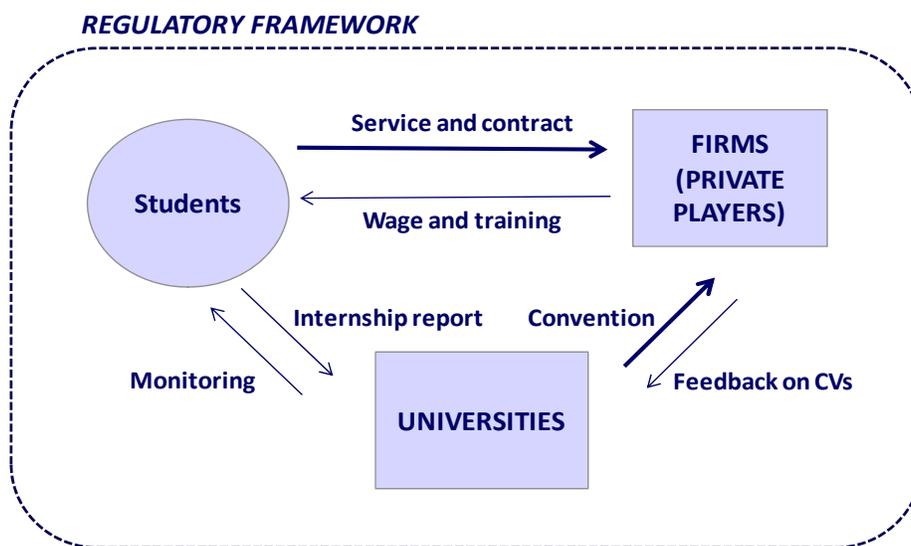
Even if internships are a relatively simple mechanism, the regulatory framework and the contract between parties are important aspects to consider. They are needed first to regulate the interaction among players and second to provide confidence and certainty to the parties.

First, a clear legal framework regulating interactions among players is desirable. An internship convention provides terms of reference. The convention is a tripartite contract signed by the parties and is a formal agreement indicating the duties and responsibilities of each player. It describes aspects such as the assignments, the remuneration (if applicable) and the code of conduct expected by the employer. Students provide services to companies and are sometimes compensated financially or through training for a limited period of time. Universities manage the relationship with firms whilst also monitoring the quality of the internship (Figure 3.2). The monitoring phase, which will be described later, is usually facilitated by the students' internship report, and then evaluated by the university.

Second, sensitive aspects are also taken into account, to assure the parties. For instance, the internship convention usually provides information on the intern's medical coverage and insurance against risks and losses incurred during the performance of the assigned tasks. It also governs the issue of confidentiality and

intellectual property rights, which are relevant for the employer. Clarifying these elements in a written document improves mutual confidence in the scheme.

Figure 3.2 **The contract rules the relationship among parties**



Source: OECD (2012b), “Ukraine Sector Competitiveness Strategy, Agribusiness Working Group”, internal working document, OECD, Paris.

The preparation of an internship convention is a common practice in many OECD countries. National law usually sets the general framework and then delegates the parties to agree on specific aspects. Universities have enough autonomy to decide other aspects with the parties and include them in the internship convention (Box 3.1).

**Box 3.1 The Internship Convention in French Universities**

In France, national law prescribes that students enrolled at university can be employed as interns and specifies that students need to have an appropriate insurance for any damage caused to a third party in the workplace in addition to social insurance (*e.g.* illness or work accident).

While the law governs the general framework, the internship convention regulates specific aspects such as the duration, remuneration, labour protection, termination of the contract and the code of conduct.

Internship schemes are a mandatory part of the curricula in French agricultural universities. For example the AgroParisTech requires three mandatory internships during the first, second and third years respectively, and two voluntary internships during the first and second years of a degree. As another example, the ENS Agronomique Toulouse requires the completion of three internship schemes, during the first, second and third years of study.

Source: Government of France, (2006), Decree Law n. 2006, 29/08/2006.

## **The right incentives need to be set up for employers, students and universities**

The State can play an important role in setting up the right incentives for each stakeholder involved. The main aspects under consideration are:

- i. **Financial incentives:** employers prefer to pay an allowance lower than the market wage, since they are also taking into account the time and resources spent training the intern. On the other hand, the intern wants to receive some compensation for the services performed and to cover basic costs.
- ii. **Duration:** employers prefer to have longer internships (*e.g.* minimum four to six months) in order to recoup training and administrative costs. From the student's perspective, the experience has to be long enough to be valuable in terms of skills transfer. However, the length also has to be adjusted to match the academic calendar.
- iii. **Conversion:** the final goal of the employer is to find skilled interns with good potential who can be hired to continue operations. Saving on recruiting and training costs is also an element employers will take into account. Students will have an incentive to perform well during the internship if the possibility of converting the contract into a full-time job is high. They will also take into account the prospective salary and compare it with the competition.

First, it is common practice to fix a minimum compensation at the national level (Acemoglu and Pischke, 1999). The appropriate level will take into account the specific industry. In France, for example, interns in agribusiness are entitled to be remunerated at the minimum wage of EUR 436 per month, compared with a gross minimum wage of nearly EUR 1 400. In Germany the minimum wage for interns is fixed by law at EUR 650 a month, although regional regulations also apply to determine the actual minimum wage. Overall, a good practice is to pay some sort of compensation, perhaps around one-third of the minimum wage in the sector.

Second, with regards to the duration, the maximum duration of an internship is usually fixed by law: it currently stands at 18 months in France and 12 months in Germany and Italy. The rule limits potential abuse by employers, who otherwise might tend to overutilise this cheap source of labour. Also, usually the individual has to be enrolled at a university; graduate students can not apply for an internship. Overall, the optimal duration of an internship is between six and nine months.

Third, the state can regulate other aspects, such as the ratio between the number of interns an organisation can host and the number of full-time employees. For example, JobBridge, the national Irish internship scheme, allows firms with up to 30 full-time employees to have a maximum of 3 interns. For bigger companies the percentage of interns can be a maximum of 20% of the total workforce, while not exceeding more than 200 interns (JobBridge, 2012).

## **Building a network with private firms facilitates universities' outreach activities**

Once the legal and economic framework is in place, the university needs to create an institutional mechanism to connect and interact with private players. The experience of some non-OECD member countries such as those in the Western Balkans shows this element can be critical, since the university might rely more on informal or personal contacts, rather than on an extensive professional network.

The university's objective is to establish a formal network with private players, which is not just based on private connections but might also include intermediaries such as recruitment agencies. This activity certainly requires time and resources, but is also an investment that increases capacity. Universities will benefit from other activities, such as research projects, content development and funding. Ultimately, the reputation of the institution will improve.

In order to create this network, some guidelines might be identified:

- i. **Alumni:** collect information on graduates and their current role. Maintain contact with alumni through newsletters and other events. Organise regular workshop meetings with alumni to update their information and connect them with the academic staff.
- ii. **Company presentations:** organise company presentations, where firms describe their activities, recruiting processes and needs. Invite representatives of private firms as guest speakers during workshops or lectures.
- iii. **Database:** collect key contacts in a database, at the university level. This can be managed by a dedicated placement/career service, centralising the relationship between the university and the firms.

Involving a network of private companies and alumni is a good practice in OECD countries. For example, the Faculty of Agriculture of Michigan State University in the United States relies on contributions from private firms in various forms, from company presentations to their involvement in career fairs or lectures.

## **Transparent communication would help match demand and supply of interns**

The match between demand for and supply of internships can be facilitated through efficient and transparent communication. A dedicated placement/career service and an automated "Job Portal" can facilitate this process. To better guide student choices, several OECD countries (Denmark, Czech Republic, Switzerland etc.) have established specific websites informing readers about different education and training programmes, and the jobs they lead to. For example, they provide information on employment and earnings by occupation and region, along with the qualifications required to start the job.

Employers might lack channels to reach potential interns. Using intermediaries (*e.g.* recruiting agencies) requires additional time and resources. If channelled only through personal contacts, information on vacancies might not reach all qualified students, eliminating candidates from the applicant pool.

Universities can set up a placement/career service consisting of a team of university staff in charge of developing relationships with private companies. The service is a centralised point of contact for employers, who can publicise their vacancies and explain their recruiting needs. It can also offer advice to students on job seeking, interpersonal skills and entrepreneurship mentoring. To improve information sharing, transparency and responsiveness to market demand some universities have also set up automated “Job Portals” (Box 3.2).

**Box 3.2 An automated “Job Portal” facilitates the interaction between employers and students, at minimum cost**

An automated “Job Portal” is an effective tool that can help manage the interaction between players, especially at universities with a substantial number of students. It is usually a part of the university’s website, where employers can upload their vacancies and students can upload their CVs. Employers can quickly reach a large number of applicants, directly review the applications and contact good candidates. At the same time, all students have access to the same transparent information. The costs of setting up such a portal are limited when compared to its actual benefits.

More advanced portals, such as that of the Faculty of Agriculture at Iowa State University, also present additional information, such as tips for interviews, alumni contact information and part time opportunities (Figure 3.3).

Figure 3.3 Iowa State University’s Job Portal provides valuable information to students and employers

The screenshot shows the Iowa State University Career Services website. At the top, there is a red header with the text "IOWA STATE UNIVERSITY" and "College of Agriculture and Life Sciences". To the right of the header is an "INDEX" button and a navigation bar with letters A through K. Below the header is a "Career Services" section with a left-hand navigation menu containing links for Home, Students & Alumni, Employers, Ag Career Day, Interviews, Information Sessions, Part-Time Opportunities, Job Databases, Company Links Information, Young Alum of the Month, and Staff. The main content area is titled "Local Part-Time Opportunities" and contains a table with three columns: Company, Job, and Location.

Company	Job	Location
AgReliant Genetics	Part-time Seed Research	Ames, IA
AgSource Laboratories	Seasonal Soil Testing	Ellsworth, Iowa
Ames Golf & Country Club	Part-time Golf Course Maintenance	Ames
Bruxvoort Farms	Part-time Farm Help	Mitchellville, IA
Dow AgroSciences	Soybean Research	Ames/Huxley
Forage Genetics	Part-time Seed Research	Ames/Napier, Iowa
Good Life Landscaping and Lawn Care	Part-time Help	Ames
Heartland Ag	Part-time Help - Parts and Service Dept.	Ames, IA
Hunziker Property Management	Apartment Rental	Ames, IA
ISU Agronomy Dept – Weed Science	Field Research Assistant, Part-time Spring and FT Summer 2012	Agronomy Hall
Longnecker Farms	Family farm operation looking for experienced farm help (part time).	Within 7 miles of campus.

Source: Iowa State University (2012), Career Services, <http://www.career.ag.iastate.edu/part-time>, accessed 29 February 2012.

Source: OECD (2012b), “Ukraine Sector Competitiveness Strategy, Agribusiness Working Group”, internal working document, OECD, Paris.

### **Educational outcomes need to be monitored and employers' feedback provided to universities**

Even when demand for and supply of skills are matched and the internship starts, there is still a need to monitor the scheme and provide feedback to the university on the educational outcomes. The university plays an important role in this phase.

The "Internship Report" is usually an effective tool for monitoring the quality and relevance of the internship. It consists of a brief report students are required to write providing information on: the activities conducted and the achievements obtained; the skills learnt and the challenges faced; and the internship's relevance with respect to the field of study.

The employer has the possibility to both comment on the intern's performance and to provide suggestions for improvement. The university can therefore examine the reports and adjust some educational programmes and training on the basis of the feedback received.

Good practices suggest the internship report needs to be compulsory and that the university needs to assign credit to the student, depending on internship performance. Also, internships conducted within a family business would not be considered for the purpose of awarding credits or as progress towards a degree.

### **Gap analysis: challenges are hampering the development of internship schemes**

Despite the importance of agriculture in Ukraine's education system, internship schemes are not properly developed. Students in agricultural universities can, in theory, have short-term work experiences within a private firm as a part of their studies. However, in practice this rarely happens.

Another system is in place that involves short-term practical experience. This is a practical training part of the curriculum which lasts for around 4-6 weeks. The content of this experience is decided by the University, in line with the "*Industry Standards for Higher Learning*", which is the Ukrainian framework defining higher-education content. For instance, it can be related to specific processes in food production or processing technology that students need to acquire. These courses are usually conducted within university farms, under the supervision of the university. Employers are not involved in designing the content. Therefore internship schemes and *praktika* differ in a number of respects (Table 3.1).

Table 3.1 How internship schemes and *praktika* differ

Element	Internship Schemes	<i>Praktika</i>
<i>Duration</i>	Usually between 3 and 12 months.	Usually 4-6 weeks.
<i>Content</i>	Determined by the employer. The university verifies conformity with the curriculum.	Determined by the university, in line with the “ <i>Industry Standards for Higher Learning</i> ”. Employers are not involved in the design.
<i>Organisation</i>	The university co-ordinates some aspects, but the internship takes place at the private company’s premises.	The university takes care of everything and experience takes place within university premises (university farms).
<i>Private-sector role</i>	Important.	Minor.

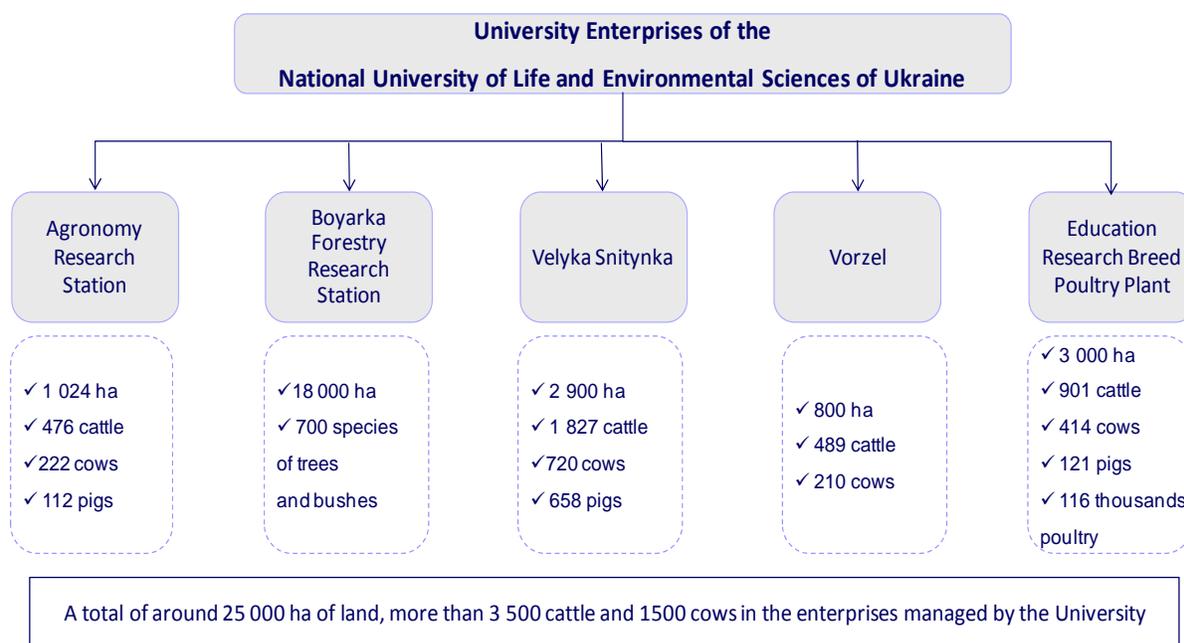
Source: OECD analysis based on information provided by Ministry of Agriculture Policy and Food of Ukraine (2012), in response to a questionnaire, internal working document.

***The praktika system is not comparable with internship schemes in terms of transfer of skills and employability***

The system of *praktika* implies that significant resources are administrated by the university and it is not very efficient in terms of transfer of skills and the employability of students. Shifting these tasks towards the private sector would increase the matching of skills with the industry’s needs and improve labour-market outcomes as a result.

For example, the National University of Life and Environmental Sciences of Ukraine (NUBiP) is an important university in a number of disciplines, including agriculture.<sup>1</sup> It has several “University Enterprises” where students can undertake practical training. These structures are equipped with dormitories that can host 100 people on average. They have vast plots of land, for example the NUBiP University Enterprise of Boyarka Forestry Research has around 18 000 ha of land. Other university enterprises have cattle, pigs, poultry, and quails. In some cases, the number of cattle is sizeable: the NUBiP University Enterprise of Velyka Snitynka has more than 1 800 cattle, 700 cows and around 700 pigs (Cabinet of Ministers of Ukraine, 2012) (Figure 3.4).

Figure 3.4 Facilities of the University Enterprises, National University of Life and Environmental Sciences of Ukraine, 2011



Source: Cabinet of Ministers of Ukraine (2012), Masters Degree Programmes offered by the National University of Life and Environmental Sciences of Ukraine, Kiev.

Interestingly, while internships in private firms are not widespread in Ukraine, the NUBiP has some agreements with foreign universities providing internships schemes. This co-operation includes internships on farms in Australia, Denmark, Germany, the Netherlands, Sweden, the United Kingdom and the United States. While these international programmes are important, they reach a limited number of students. Therefore, they need to be complemented by internship programmes within private firms in Ukraine.

### **Matching jobs and workers has high transaction costs**

As universities' career services are not properly developed, information on job vacancies and required skills are not communicated effectively to the pool of potential candidates: for example, universities do not post internships or job offers. The problem is usually due both to the disconnection between universities and firms and to the lack of other search and recruiting channels.

The public employment service (PES), which was established in 1991, has not been particularly efficient. The transaction costs for companies, which are obliged to register all vacancies with the local employment centre and use it to recruit, have actually increased (Kupets, 2005). The number of job placements by PSE per 1 000 registered jobseekers is also low. According to a study conducted by the World Bank, in March 2009 only 43 jobseekers found a job through the PSE in Ukraine, compared with 75 in Bulgaria and 72 in Czech Republic (Kuddo, 2009).

Ukrainian graduates often search for jobs through informal channels, such as family or personal contacts. Universities usually do not provide job placement assistance or basic employment counselling.

### ***Demotivation of students in an overloaded education system***

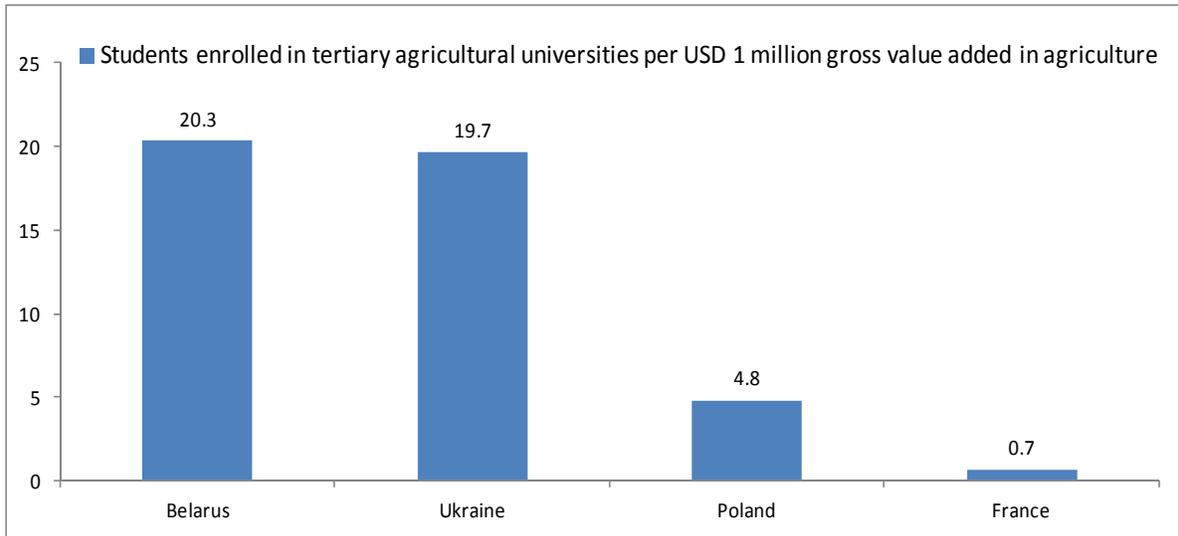
Quality issues in the education system are common to all disciplines, but agricultural universities face a particular situation, with high enrolment rates and low motivation among students who ultimately tend to change careers.

In 2009 the number of students enrolled in agriculture was more than 120 000 in Ukraine, compared with around 40 000 in Poland and almost 25 000 in France (UNESCO, 2012). Normalised by gross value added in agriculture, Ukraine has around 19 students enrolled in tertiary education per USD 1 million of agricultural output, compared with less than 1 in France (Figure 3.5). Ukraine's data point is comparable with the United States where in the same year more than 125 000 students were enrolled in agriculture. However, taking into account the population and the total number of people attending tertiary education, Ukraine's data is disproportionate.

This strong preference towards agriculture is mainly due to cultural influences and lack of other opportunities. According to a survey conducted by the Association of Ukrainian Agribusiness Club among students, more than one third of respondents said their choice to attend an agricultural university was determined by their parents' advice; for 16% of those surveyed it was attributable to the lack of opportunities to enter a non-agrarian faculty (Association of Ukrainian Business Club, 2009) (Figure 3.6).

The effects of this situation are multiple. First, agricultural universities train too many students, who cannot ultimately all find jobs in the sector. Second, unmotivated students might be a burden on the system: they will overload classes and use university facilities, reducing the benefits for those students who are motivated to pursue a career in agribusiness.

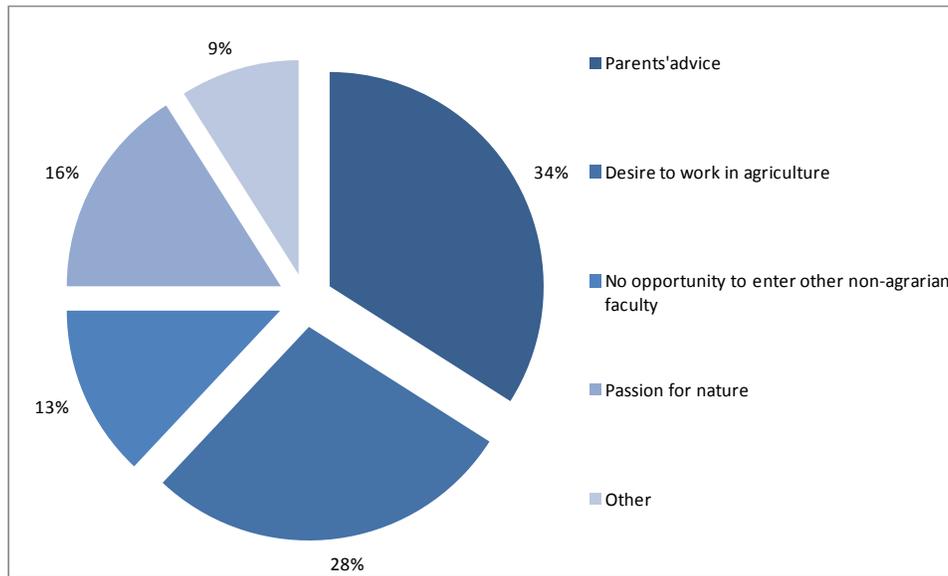
Figure 3.5 Students enrolled in agriculture in Ukraine exceed normal benchmarks



Note: Data for Germany and the Russian Federation, which are both countries with an important agriculture sector, are not available.

Source: UNESCO (2012), UNESCO Institute for Statistics, <http://www.uis.unesco.org/Pages/default.aspx>, accessed 7 March 2012. World Bank (2012), *World Development Indicators*, <http://databank.worldbank.org/ddp/home.do?Step=12&id=4&CNO=2>, accessed 30 July 2012, World Bank, Washington DC.

Figure 3.6 Replies to the question “What influenced your choice to attend an agricultural university? (%)”



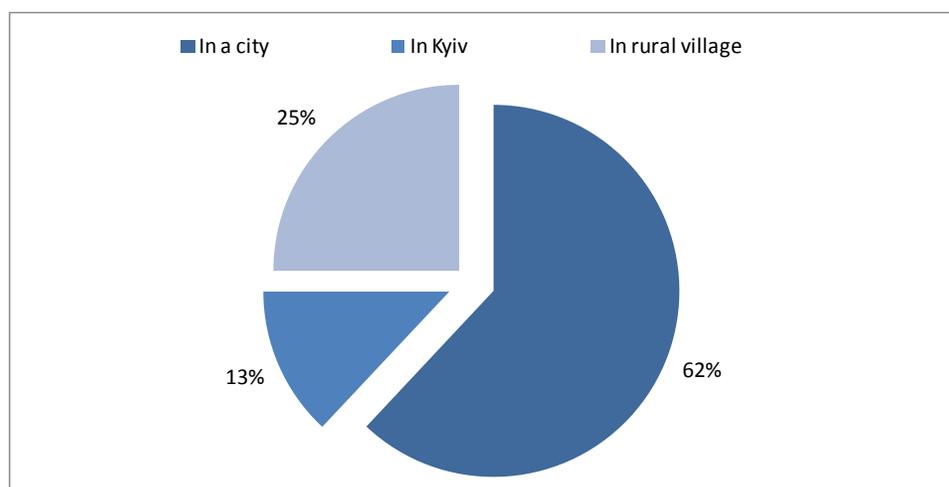
Source: Association of Ukrainian Business Club (2009), “Agricultural Labor Market in Ukraine”, Association of Ukrainian Business Club Studies, Kyiv.

### ***Agricultural jobs are not perceived as being as attractive as those in other industries***

According to data provided by the Ministry of Agriculture Policy and Food of Ukraine, on average 70% of graduates in agriculture find employment in their field of expertise at the end of their studies. However, additional information on labour outcomes of graduates is not available (Ministry of Agriculture Policy and Food of Ukraine, 2012).

The survey conducted by the Association of Ukrainian Agribusiness Club highlights that those who have not chosen this career on the basis of their preferences ultimately switch to another path. More than 60% of respondents to the survey declared they would like to get a second degree after completing their agricultural studies or to switch to another occupation. In addition to this, when discussing living preferences, 62% of those surveyed said they would prefer living in a city, 25% in a rural village and 13% in Kyiv (Association of Ukrainian Business Club, 2009) (Figure 3.7).

**Figure 3.7 Replies to the question “Where would you prefer to work and live after graduation?” (%)**



Source: Association of Ukrainian Business Club (2009), “Agricultural Labor Market in Ukraine”, Association of Ukrainian Business Club Studies, Kyiv.

Rural areas do not attract skilled workers due to their weak economic prospects. The number of Ukrainians living in rural areas is constantly declining, from nearly one million people in the 1990s, to 14.3 million in 2010, and it is forecast to drop to 10 million by 2030 (United Nations, 2012).<sup>2</sup> The labour market in Ukrainian rural areas currently employs almost 7 million economically active people, according to the State Statistics Committee of Ukraine (SSCU) (2012). Rural incomes are on average half of those of Kyiv, at around 2 000 UAH a month compared to an average of 4 000 UAH in the capital (SSCU, 2012).

### ***Governance and funding of agricultural universities do not incentivise interaction with the private sector***

Ukraine's agricultural universities are governed by the Ministry of Education, which is in charge of the curriculum, and the Ministry of Agricultural Policy, which sets the research agenda. Funding to universities is allocated on the basis of the number of students enrolled and the number of research projects conducted by the university.

Funding is not linked to universities' performance in terms of quality of education, graduates' employment outcomes or quality of research. On the contrary, since faculties receive money from "contract students" (students who do not get a state-funded scholarship and therefore pay a tuition fee), they have an incentive to recruit as many students as possible to cover costs.

Interaction with the private sector is considered a task outside of academia. Universities compete to have the highest number of enrolled students. Since they are not rewarded on the basis of the number of jobs students find, they have no incentive to change this situation.

### ***A network within the dairy complex is still not in place***

A proper network with private companies, and particularly dairy firms, is still not in place. Some *ad hoc* initiatives, which will be described in the next section, exist. However, these examples have been driven mainly by the private sector and by important international players. Contacts with local regional players, such as domestic firms and dairy co-operatives, are still lacking.

Information on facilities where students can potentially conduct an internship is collected by the Ministry of Agricultural Policy rather than at the university level and does not include private placements. A placement/career service offering recruitment advice within universities is not in place. Funds are not allocated to set up such facilities.

### ***Corruption and false statements***

Finally, some students pretend to obtain some practical experience within a private firm, but actually they persuade employers to sign the documentation needed without conducting the work. Among other things, the practice stems from the lack of monitoring by universities on the actual results of internship schemes.

At the same time, there are no formal sanctions for students and firms who engage in such practices. This has a negative impact on the image internship schemes have among different stakeholders.

## **Drawbacks of the current system further highlight the advantages of internship schemes**

The challenges currently hampering the development of internship schemes in agricultural universities in Ukraine are rooted in the more general issues of the country's education system:

- The **legal framework** on internships is weak. The Law of Ukraine “*On Higher Learning*” presents various forms of educational process as a part of the curriculum, including training sessions, independent work and practical training.<sup>3</sup> It does not specify that practical training can be conducted in both private and public organisations. No specific regulation exists in the various labour laws with regard to internship schemes. No formal contract regulates the relationship between students, universities and firms during the internship. The agreement between employer and student is usually signed by these two parties, without any interaction with the university.
- The **incentives of various stakeholders are not aligned**: students are unmotivated by an overloaded education system and often make a career change once they have obtained an agricultural degree. Positions in agribusiness lack the attractiveness of posts in other industries. At the same time, private players have few incentives to deal with the bureaucratic academic structure. Finally, the current mechanism of funding for agricultural universities does not incentivise interaction with private players.
- **Networks or partnerships between universities and private players have not been created yet**: universities do not have a proper network with private players. Some leading players in the dairy segments have established some contacts with universities but these are sporadic examples, usually private-sector driven. Universities usually have not developed placement/careers offices dedicated to advisory services.
- The business sector is not involved in **designing the existing *praktika* programmes**.

## **Private sector initiatives driven by dairy players supplement the public education system**

Existing initiatives have been set up by private players and international donors. They represent an interesting example of how employers supplement the education system. Since companies leading these initiatives are often foreign, this is also an example of how FDI can have a positive impact on the skills of the local labour force.

Agricultural universities have partially contributed to some of these initiatives. Nevertheless, these positive experiences only reach a limited number of students at the moment.

### ***Professional programmes abroad have been set up***

Some dairy players complement the education provided by Ukrainian universities with exchange programmes abroad, for example in European universities. During this period students attend classes and conduct practical work. For example, Lactalis Group, a leading French dairy producer, has set up a professional programme that lasts two years and allows Ukrainian students to graduate in France and work in Lactalis' plants abroad (Box 3.3).

#### **Box 3.3 Lactalis and professional programmes abroad**

Lactalis Group is a French dairy group, the third largest dairy products group in the world. It has operated in Ukraine since 1996, and has two important dairy plants, in Nikolayev and Pavlograd, with around 1 670 employees. It has developed more than 250 milk collection points supporting more than 5 000 small local players.

To improve the skills of its workforce, the group has a scheme in place that allows five to 10 students to study in France from Ukraine, Russia, Kazakhstan and other countries in Eastern Europe. Students are enrolled in a two-year professional programme and spend half of this time at universities, half in the group's factories. Once graduated, students obtain a European diploma at the Master's level; then they go back to their respective countries and work in Lactalis' plants.

In addition to this programme, Lactalis requires its technicians in Ukraine to conduct some work in its plants in Kazakhstan. This work rotation is important in providing a good understanding of the issues of milk production in CIS countries and being flexible enough to adapt to the features of each market.

*Source:* Lactalis (2012), Lactalis Group, Presentation at the Working Group on Agribusiness on March 27<sup>th</sup> 2012, internal working document.

### ***Co-operation with universities to conduct internship schemes has been initiated***

Some foreign players operating in Ukraine work with education establishments to implement internship schemes. An interesting example is the Milkiland N.V. company, which has formal contracts with Ukrainian universities to conduct internship schemes (Box 3.4). The firm specifies the field of the internship, assigns a supervisor to each intern and provides accommodation. The university assigns the students to this programme according to their career field, supervises the internship in terms of education and learning outcomes, and finally assesses the internship at its completion (Milkiland N.V., 2012).

### **Box 3.4 Milkiland N.V. co-operates with agricultural universities**

Milkiland N.V. is a dairy producer operating in Russia and Ukraine, where it has one and ten plants respectively. It employs around 1 700 people and 3 500 technical staff.

The firm co-operates with education institutions across the country, including universities, technical schools and colleges, to develop internship schemes within its plants. The following institutions have participated in Milkiland's programmes:

- Sumiy National Agrarian University,
- Kyiv National University of Food Technologies,
- Kyiv National University of Biological Resources,
- Chernigiv State University,
- National Technical University Kharkiv Polytechnic Institute (NTU KhPI),
- Lviv National University,
- Luhansk National Agrarian University.

In 2011 more than 200 students conducted internship schemes at the company's plants in different areas of the country. For example, 81 students worked in the plant based in Lviv, a western region with significant milk production.

In addition, the firm organises some events to improve the image of the company and of the dairy industry by targeting children and teenagers.

*Source:* Milkiland N.V. (2012), "Preparing the Next Generation – Working with Education", Presentation at the Working Group on Agribusiness on March 27th 2012, internal working document.

### ***Training programmes have been organised by private firms***

Some private firms complement the education provided at the university level with technical training, tailored to both employers' and employees' needs. Multinational companies in OECD countries compete to attract and retain the best talent. It is therefore common practice to organise such internal training programmes.

Foreign players based in Ukraine, such as Danone, invest in the improvement of the workforce's skills through a number of initiatives (Box 3.5). International donors are also co-operating with big international players in this field. Smaller local firms often lack the means to provide these services, but they can rely on training for farmers provided by local dairy co-operatives. Danone is also supporting this process, building educational dairy farms where local small farmers can attend technical seminars and workshops.

### **Box 3.5 Danone's Industrial University programme and the educational dairy farms**

Danone is a very large French food company operating with 184 plants in more than 120 countries. It is the global leader in the production of fresh dairy goods. Operations in Ukraine started in 1998 and further investments were made in 2010 following the merger with Unimilk, a Russian dairy company.

Through the Danone Ecosystem Fund, the firm is committed to social development and works with rural communities and local dairy co-operatives to improve financial conditions and upgrade employees' skills.

The Industrial University programme has been set up to provide training and monitoring for workers, complementing the education they received during university. It consists of a series of comprehensive training courses on safety, quality and production that employees can follow remotely from a personal computer. The courses are designed according to the firm's needs. There is also an assessment and a mentoring phase, where workers can interact with other employees in different functions and discuss career opportunities and personal growth within the company. On a yearly basis, the company assesses the theoretical and practical skills of the employees and suggests a skills development plan tailored to the individual.

Another interesting initiative in progress that targets farmers is the construction of educational dairy farms in rural areas. Danone is involved not only in building the farm, providing equipment and machinery, but also in providing practical seminars and training sessions.

*Source:* Danone (2012), "Danone in Ukraine", Presentation at the Working Group on Agribusiness on March 27th 2012, internal working document.

### **Notes**

- <sup>1</sup> Among the agricultural universities the NUBiP is the largest by number of students. It has a different status and it does not report to the Ministry of Agricultural Policies as the other institutions do, but to the Cabinet of Ministers of Ukraine.
- <sup>2</sup> Rural population is the population living in rural areas as defined by national statistical offices. It is calculated as the difference between total population and urban population.
- <sup>3</sup> Article 43.

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## Chapter 4

# Policy recommendations to improve internship schemes in Ukraine's agricultural universities

This chapter proposes specific recommendations to improve internship schemes in Ukraine's agricultural universities.

The following policy recommendations should be considered as a means of improving internship schemes in Ukraine's agricultural universities and of strengthening the link between the university system and the industrial complex. The next sections will describe these aspects in detail. Second, they will discuss the more general and comprehensive long-term directions needed to make this policy option sustainable over time.

### **The legal framework for the establishment of internship schemes needs to be strengthened**

It is recommended that internship schemes be made a mandatory component of university curricula. From a legislative point of view this would mean amending the Law of Ukraine “*On Higher Learning*”.<sup>1</sup> In Article 43, the Law details types of educational processes, including lectures and practical training. The amended article would also include forms of workplace training, such as an internship scheme with public or private employers.

Second, curricula for agricultural degrees need to be adapted to allow students to conduct workplace training. For example, common practice in OECD countries is to have flexible curricula allowing students to work for one semester or to take a sabbatical year during which they can conduct one or more long internships. These professional experiences can also take place before the completion of the degree, when students are about to enter the labour market.

Third, a mandatory Internship Convention should be introduced, validated and signed by the student, firm and university. This document should specify the status of the intern, the content of the internship, its duration, and other aspects.

## **Incentives of different stakeholders could be further aligned**

It is recommended that the incentives of all stakeholders are properly aligned. This could include assigning credits or marks to internship schemes on the basis of an assessment of the work placement's quality and outcomes. Students who successfully complete internships and received positive feedback from employers could be rewarded with more credits.

Also, it is recommended that universities check and monitor intern attendance and apply sanctions in cases of non-compliance. Usually this function is performed by placement/career offices within universities, which are in contact with employers. Sanctions for students reporting false internships need to be defined in universities' codes of conduct and communicated to students.

With regard to compensation, it is recommended that a minimum wage or minimum in-kind compensation (*e.g.* covering travel costs) be established for interns. This will require discussions with employers to reach agreement on what they would offer as fair remuneration. For example, French law specifies that compensation must be offered for internships lasting longer than two months within the same company. This compensation is not equivalent to a work salary, but it is considered compensation for the services offered by the intern.<sup>2</sup>

## **Universities could set up a formal network of professional contacts**

Universities are advised to connect with firms and build an extensive network of contacts in the private sector. In order to start this process, universities could establish contacts with their alumni or reach out to businesses in their region.

Placement/career offices are recommended to build a database of businesses operating in the university's region. This process could start by collecting information on companies where students conduct internships and by establishing a contact with these players. According to the Ministry of Agricultural Policy, a database is available within the ministry with information on places where students can perform workplace training. However, it is recommended that this information be made readily available to both universities and students.

## ***Private businesses could be engaged in educational activities such as lectures, presentations and career fairs***

The relationship with private players could be facilitated by initiatives such as career fairs, where local employers can present their companies and offer job opportunities. During these events employers can promote their activities and explain their recruitment needs both to students and to academic staff. The direct interaction between students and firms facilitates the search for internships, as does the interaction between the academic staff and businesses, which could also lead to research partnerships.

## **Placement/career offices within universities need to be established**

It is recommended that placement/career offices be created within agricultural universities to provide information, counselling services and practical support to students looking for work placements. The government can play an important role in planning and co-ordinating these placement/career offices. A dialogue with employers to understand their recruitment channels and minimise transaction costs needs to be started. To launch the process, pilot universities could be identified.

Web-based services can be implemented, such as an online “Job Portal”, where both students and companies can access relevant CVs and job offers. This will entail initial set-up costs for the university. However, it would minimise future information-sharing costs for employers and students. Internet penetration in some rural areas might be a challenge to the development of such a tool. A solution to this might be to start using web-based services in areas with the highest broadband penetration.

Since additional funding needs to be allocated to implement these measures, it is recommended that current public expenditures in agricultural tertiary education be re-assessed and that part of the budget be reallocated to the effective establishment of internship schemes.

## **The current system of *praktika* could be improved by involving employers**

The transition to a system of workplace training with closer links to the private sector will require some time. Meanwhile, it is recommended that the current system of *praktika* be improved by involving employers in deciding the educational content of the training. The Finnish example could be interesting for Ukraine since it reformed workplace training and successfully bridged the gap with employers (Box 4.1).

### **Box 4.1 Finland’s reform of workplace training in the VET system**

The Finnish VET system used to be strongly school based, until its reform in 2001. Curricula were revised; vocational study programmes were extended to three years in all fields; and compulsory, systematically organised, guided and evaluated on-the-job learning periods (lasting at least six months) were introduced in all study programmes. In addition, the present legislation of the Finnish VET requires that vocational institutes co-operate with workplaces. It is hoped that this will allow the VET system to respond better and quicker to the needs of working life.

In the early stage of studies, on-the-job learning periods are often short, while towards the end of studies, when students have more skills and knowledge, on-the-job learning can be extended and become more specific.

Another difference compared with the previous system is the presence of mentors: someone at the workplace, a workplace trainer, who, besides their own duties, supports students in the workplace, gives feedback to students and – ideally – supervises students to reach their goals during the on-the-job learning period.

Source: Virtanen, A. and Tynjälä, P. (2008), “Students’ experiences of workplace learning in Finnish VET”, *European Journal of Vocational Training*, No. 44, vol. 2.

## **Long-term directions include setting up a skills council and specialised schools**

These specific recommendations related to improving internship schemes in Ukraine would be more effective if a comprehensive set of reforms were put in place. The following measures could be considered as a means of creating a context supporting the improvement of skills in a co-ordinated way (Box 4.2).

### ***A skills council with a focus on agribusiness could be established***

Experience from OECD countries has shown that establishing and implementing skills targets can be a useful exercise for governments looking to promote job creation and economic growth. A possible framework for performing these tasks is creating “skills councils” which bring together representatives from the public and private sectors as well as other stakeholders to ensure the relevance of the skills targets and to guarantee commitment from all participants. Sectors such as agribusiness that are highly dependent on specialised workers could profit from this kind of multi-party analysis of their human capital needs. Furthermore, using skills councils’ diverse participants to channel the implementation process could help guarantee its success.

Skills boards are relatively new, but recent experience in some OECD countries can provide some initial guidelines for their implementation. For example, the United Kingdom created specialised employment and skills boards following the recommendations of the Leitch Review in 2006. These boards are mostly made up of private sector representatives but have membership from the public sector as well as labour unions and other third parties. These boards began operating at the sub-regional level and come under the control of the UK Commission for Employment and Skills. A review by CFE, a consultancy, found that these boards were particularly effective when they were accountable to a national body and had a strong independent official to properly communicate the boards’ objectives to the local community and push the boards’ agenda forward (Croden and Simmonds, 2008). Other examples of skills boards are also available in OECD countries (Box 4.3).

The OECD is currently working on a methodology for setting skills targets and building a national strategy for improving skills which could provide useful information to help establish agribusiness skills councils in Ukraine.

**Box 4.2 Internship schemes would benefit from a set of sustainable reforms to improve human capital development in Ukraine**

Issues in human capital development are closely interrelated with a country's education system.

Considering the current status of the education sector in Ukraine, reform of the university incentive system is recommended along with a reallocation of funding on the basis of quality. OECD also recommends a broader reform of the tertiary education system linking funding to educational outcomes rather than to participation. For example, funding could be based on research outcomes or students' employability. To encourage universities to keep track of labour market outcomes, more funding could be given to those universities whose students get better jobs. Some OECD countries have moved in this direction, such as New Zealand, which in 2008 started a major reform of its university funding system (Box 4.3).

Quotas for agricultural university entry should also be introduced, linking places available to the real demands of the sector. This would focus limited resources on training motivated students who are interested in a career in the agribusiness sector.

Finally, private sector players need to be involved in public-private working groups dedicated to updating curricula. Private employers need to suggest amendments to current programmes to overcome gaps.

*Source:* OECD (2012a), "Ukraine Sector Competitiveness Strategy, Agribusiness Working Group", internal working document, OECD, Paris.

**Box 4.3 Skills councils have been set up as an advisory board for employers, workers and policy makers**

Skills Australia is an independent, statutory body that provides advice to the Minister for Education, Employment and Workplace Relations on Australia's current and future workforce skills needs. It analyses current and emerging skills needs across industry sectors, assesses evidence from commissioned research and industry stakeholders, and provides the government with recommendations to help inform decisions related to skills formation and to drive ongoing reforms to the education and training sector. From 2012, Skills Australia will be replaced by the national Workforce and Productivity Agency, which will oversee co-ordination. An implementation steering committee, with representatives from all responsible agencies, will report to the government as a whole.

The Expert Group on Future Skills Needs in Ireland advises the Irish Government on current and future skills needs of the economy and on other labour-market issues that affect Ireland's enterprise and employment growth. Composed of experts from industry, education and training, and unions, it has a central role in ensuring that labour market needs for skilled workers are anticipated and met. Established in 1997, the EGFSN reports to the Minister for Jobs, Enterprise and Innovation and the Minister for Education and Skills. Forfás, Ireland's policy advisory board for enterprise, trade, science, technology and innovation in conjunction with FÁS, the National Training Authority, provides the EGFSN with research and analysis support. The FÁS Skills and Labour Market Research Unit provides the Group with data, analysis and research and manages the National Skills Database. The Expert Group on Future Skills Needs provides advice to the government on skills issues that affect enterprise through skills foresight and benchmarking, strategic advice on building skills through education and training, and data collection and analysis on the demand and supply of skilled labour.

*Source: OECD (2012b), Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies, OECD, Paris.*

***Specialised schools in agribusiness could also be set up through PPPs***

Specialised schools in agribusiness could also be set up through PPPs. Given that international foreign investors have already initiated specialised training for their employees, Ukraine could potentially build on these initiatives by creating training partnerships with these same foreign companies to help build its human capital capacity in agribusiness.

In order to meet international quality standards, MNEs have already built quite a number of specialised training institutions to provide their factories and projects with appropriately skilled workers. These institutions are typically funded by the foreign investor but can include funding from the host government and international donors as well, meaning that the financial burden is spread across multiple partners. The contents of the curriculum are determined by the specific needs of the foreign investor, but offer specialised skills that may otherwise be inaccessible to local workers. This means that these institutions are also an important component in ensuring that the host country benefits from knowledge spillovers from these international corporations because graduates can bring their expertise to other sectors of the economy throughout the course of their careers.

For example, Nestlé, one of the world's leading food manufacturing companies, opened a new training centre at its manufacturing complex in Agbara, Nigeria, in 2011. To improve its workers' engineering skills, Nestlé operates the Technical Training Centre as a school where students can regularly learn new skills and familiarise themselves with different parts of the factory. The training centre currently has 16 students in engineering selected from a pool of over 1 000 applicants. Five of the

trainees will be selected to participate in VET certificate programmes in Switzerland, sponsored in part by the Swiss government. This initiative is just one of several international training initiatives that the company has put in place: in 2010 alone, staff from Nestlé Nigeria took part in 53 overseas courses and 156 domestic training programmes that were held within the company or at outside locations. Nestlé's initiative offers a combination of local coursework and internationally recognised certification procedures which could be considered a good practice for similar initiatives in Ukraine.

### **Notes**

- <sup>1</sup> Verkhovna Rada of Ukraine (2002), *On Higher Education*, Law of Ukraine No. 2984-III.
- <sup>2</sup> Law No. 2011-893 of 28 July 2011, *For the Development of Internships and Career Security*.

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## Chapter 5

### The way forward

This chapter outlines a possible action plan that could support policy makers in the implementation of the policy options already described for the improvement of internship schemes.

#### **Suggested steps: an action plan to improve internship schemes**

The recommendations listed in Chapter 4 are specifically related to the improvement of internship schemes and the transition to a more efficient system of *praktika*. The following implementation plan suggests a strategy to complete the tasks within the framework of the next two years (Figure 5.1). The activities could be organised into three work streams:

- Work stream one will target the establishment of internship schemes as a form of workplace training. First, internship schemes will have to be inserted as a mandatory component of universities' curricula. Second, existing curricula will have to be amended and allow for some flexibility. Finally, an internship convention will have to be introduced as a tripartite contract between students, employers and the university.
- Work stream two will establish the framework conditions and incentives for internship schemes. First, a system of credits will have to be defined so that successful internship schemes will be awarded educational credits. Second, a discussion on the minimum compensation rate will start. Finally, compliance will have to be enhanced, for example through greater control by the university on these aspects.
- Work stream three will deal with building up a network of private players. First, agricultural universities will have to set up career placements. Second, a database of private firms' contacts will be collected, with information on companies' activities and recruiting needs. Finally, outreach events will help universities building a network with private players.

With regards to organisation, it is recommended that key stakeholders be identified and involved, such as the Ministry of Education, the Ministry of Agriculture Policy and Food of Ukraine, pilot agricultural universities and employers. During the next phase of the project it is also recommended that this implementation plan be

complemented with a skills-gap analysis. This will allow the identification of current skills gaps and shortages.

The action plan should be finalised with specific time frames for each action.

Figure 5.1 Suggested timeline, internship schemes

Timeline							
<b>Work Stream 1: Establishment of internship schemes</b>							
Step 1: Insert internships as mandatory requirement							
Step 2: Amend existing curricula							
Step 3: Introduce internship convention							
<b>Work Stream 2: Framework and incentives</b>							
Step 1: Define a system of credits to internships							
Step 2: Agree on a minimum remuneration							
Step 3: Monitor compliance							
<b>Work Stream 3: Build up a network</b>							
Step 1: Set up career placements within agricultural universities							
Step 2: Build a database with companies information and set up a "Job Portal"							
Step 3: Organise outreach events to build network							

Source: OECD (2012), "Ukraine Sector Competitiveness Strategy, Agribusiness Working Group", internal working document, OECD, Paris.

Moving forward, the OECD will continue working in collaboration with the Government of Ukraine to support actions to enhance skills and PPPs in education in the agribusiness sector.

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