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**Strengthening Private Sector Participation
in Philippine Technical and Vocational Education and Training**

**Specialist Report No. 3:
Apprenticeship and the Dual Training System in the Philippines**

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APPRENTICESHIP AND THE DUAL TRAINING SYSTEM

Introduction

1. This report discusses two discrete elements of TVET in the Philippines, namely apprenticeship, much in need of reform, and the fairly new and successful dual training system. Both systems inherently entail collaboration between employers and the TVET sector, and both require discussion and agreement concerning the respective responsibilities of the public sector and the private sector.
2. Both systems are defined and regulated by national legislation, and in the case of apprenticeship a bill to amend the existing law and to reform the system is before the Congress. The legislation contains financial and fiscal provisions as well as operational provisions, elements of social protection, and quality control measures; in these areas the functions of the state are basically irreducible. The actual content, methodology and duration of training programmes remain technical matters not sensibly under state control, even though the government provides technical services through TESDA, and public sector employers are entitled to contribute to programme design *pari passu* with private sector employers.
3. As will be seen below, and as is in fact well known, the apprenticeship system is in poor shape. Its revival and reconstruction, although desirable, will require not only a clear and thorough legal framework, but a vast change in perception and attitude. Such a change will take much time and considerable resources, but if apprenticeship can in one way or another be rebranded and articulated with the successfully developing dual training system then it may be well taken up and avoid the mutual short-term exploitation which seems to characterise apprenticeship at present.
4. The dual training system is apparently achieving good results in terms of the employability of graduates, but it is still operating on a fairly small scale and receives a certain amount of external support. It remains to be seen whether, or how far, the system can be successfully scaled up and sustained without external funds, or perhaps even without taxpayer support. As noted below quality requirements and the monitoring system appear to be weaker than desirable, and the effectiveness and reputation of the system are compromised by such weakness.

Apprenticeship

5. Apprenticeship, although first mentioned in legislation in 1951, has never taken root and developed in the sense commonly understood in many other countries. The essence of apprenticeship whereby a young person is taught a trade or profession by an experienced practitioner of the trade or profession in question in exchange for his or her gradually more useful labour does not seem to have been accepted in the Philippines, and by all accounts the relationship has been more one of mutual exploitation than mutual obligation. In his 1991 report Glenn Newton points out that "apprenticeship is widely misunderstood in the Philippines. Because of this, and practices giving rise to and arising from this misunderstanding, it is a very emotive term widely equated with low skill, cheap labour and temporary employment."
6. However the fact that a new apprenticeship bill is before congress, and in particular its provision for apprenticeships up to three years in duration, perhaps indicate that attitudes have changed and that the longer-term benefits of training and development through apprenticeships are coming to be realised and adopted. It may be assumed that the bill would not have reached its present stage without

the blessing of employers' and workers' organisations, but the success of its provisions will depend on the diffusion of understanding and acceptance throughout the worlds of employment, education and training and amongst potential apprentices and their families. The proposed new system may in any case be upstaged by programmes under the Dual Training System Act.

7. Meanwhile, as is well known, the duration of apprenticeship has been restricted to six months since 1986 under President Aquino's Executive Order 111, which also reduced the number of apprenticeable occupations from about 480 to 146. This measure was intended to curb abuse but "apprenticeship as a legitimate means of training was further severely damaged [by this Order], and apprentice commencements continued to decline from 1986 to 1989 ... the effect [of changes] over time has been to severely destabilise the apprenticeship system and prevent it from settling down and establishing itself as an accepted means of skill formation and, finally, to place it in disrepute and general disuse. This perception of the failure ... is widely held. It has been articulated by a number of reports by international and local agencies ... It is also generally held in the community today; a tripartite workshop in March 1991 concluded that the current apprenticeship system is not effective and its legislation and administration needs to be overhauled." (Newton)
8. A report to the consultants (Perez 1996) continues this story. "A great number of companies do not believe that the system is the most viable and effective way of providing training. Even the government and the labor sector lack appreciation of the apprenticeship system for various and, at times, opposing reasons. For example [ECOP] believes that the six-month limit ... should be removed inasmuch as some skills could not be learned within the six-month period. On the contrary, the government as well as the labor sector believe that industry is taking advantage of the apprenticeship system as a means of getting cheap labor. Emphasis is put not on the acquisition of skills but rather on the employment aspect so that employers are accused of using the scheme as a source of cheap labor ... Another reason cited by labor for the failure ... is the lack of coordination among concerned agencies ... there is no longer a monitoring process ... that will ensure that the apprentices acquire the skills and that they are not abused by their employers." Another issue discussed by Perez is the status of the apprentice. "The employers are firm in their stand that apprentices should not be considered as permanent employees ... Organized labor ... believes that [they] should be given the status of regular workers ..."
9. It is understood that a great number of people are effectively employed, at wages below the legal minimum, for periods of years under a succession of apprenticeship agreements which do not bring regular employment rights. Many students are said to work their way through their periods of study under this system. (This may account for the odd appearance of 'Manager, Fast Food Services' in the list of apprenticeable trades.) Field surveys for the Newton report "identified a number of apparent malpractices as a result of the monitoring failure ... including apprentices transferred from one trade to another every six months; apprentices paid less than 75% of the minimum wage; and apprentices doing work unrelated to the trade for which approval was given ... Some 45% of apprentices surveyed were paid less than 75% of the minimum wage, and 40% of employers admitted to [doing so]." The effect is to undermine minimum-wage legislation as much as the apprenticeship system, and to allow the labour market to approach equilibrium more closely.
10. There has been no study of this phenomenon or its causes since the Newton study of 1991. Verification of the current situation lies beyond the scope of the present enquiry. It can be stated with certainty that monitoring practices have not improved, and are in effect non-existent. They would most certainly have to be built up

under the direction of the Office of Apprenticeship of TESDA, and the collaboration of LGUs would presumably be called upon, and a large-scale and unpopular operation would be needed.

11. If a conclusion can be drawn from the number of apprentices, who are not after all compelled to sign up for apprenticeships, the system has plenty of willing participants, willing at least to the extent that they can find no better alternative. Newton offers the following numbers: in the decade 1960 to 1970 apprentice starts rose (not continuously) from 187 in 1960 to 2347 in 1970. No data were available for the 1970s. Starts in 1980 numbered 37,182, by far the highest figure for the ensuing decade. By 1985 it was down to 16,395 and the fall continued: 1986: 13,124; 1987: 11,487; 1988: 15,231; 1989: 8,511. It is not possible to identify from these figures the effect of E.O. 111 of 1986 which restricted durations to six months.
12. Given the general scale of the figures up to 1989 it is something of a surprise to find that no fewer than 63,893 apprentices were registered in 1994, up from 50,643 in 1993. It is equally surprising that only 18,893 graduated in 1994. Of course those starting their six months in the second half of the year would not complete in 1994 but even if one adds half of the 1993 to half of the 1994 registrations to arrive at a crude total of apprentices who might have graduated in 1994 (57,268) the percentage who actually did so is still only 33%. There is no information as to the reason for this, nor indeed as to the significance of "graduating". Did they simply serve their time? or did they take some kind of test? Another figure is for "absorption", which apparently means subsequent regular employment, although it is not clear whether this entails employment by the training employer or by another employer. One way or the other, 14,463 of the 1994 "graduates", or 76.5% were "absorbed". What is one to make of this? Is this a good figure or a bad one? What happened to the other 23.5%?
13. The above figures come from TESDA. Another table, from Labor Statistics October 1995, gives substantially lower figures for registrations, 57,240 for 1994 and 45,248 for 1993, as well as for graduates and what is called "total placed". The preliminary figure for registrations in the first half of 1995 is 24,206, down from 28,844 in the first half of 1994.
14. Apprentices have a choice of 146 apprenticeable occupations but apparently no record is kept of how many apprentices register for each of them. The training hours required for the 146 occupations vary from 800 to 1200. This last can only just be squeezed into the statutory maximum duration of six months and would require 26 weeks of just over 46 hours each, or 25 weeks of 48 hours each.
15. Some occupations are not, or probably not, industrial (e.g. prawn paratechnician, baker (hotel & restaurant), wig maker, bookbinder, manager fast food services). For the purpose of programme design some occupations will fit into a succession of processes into which a learner cannot be inserted without putting output at risk (electronic assembler, fish processing/canning worker, compositor), and some others (such as heavy equipment operator) make use of costly machinery or materials (gem cutter) on which OJT would be risky in many ways. On the other hand a good many others can well be practised on their own, more slowly and as proper on-the-job training (jeweller perhaps, plumber general, wig maker). It is not really possible to use titles alone to categorise the occupations according to the feasibility or timing of OJT, but these examples illustrate the point that programme design has to be variable to accommodate these differences. A similar, converse, exercise is necessary in regard to the "related theory", which can sometimes be handled at least partly in short "job talks" lasting half an hour or so, sometimes on a day-release basis, and sometimes, especially when the intellectual content asks for fairly high-level concentration and continuous treatment, on a block-release

basis. Each occupation needs to be analysed separately, and the consequent planning, if an employer or training institution is handling several occupations, is a less than easy matter.

16. Under a GTZ project 23 "priority apprenticeable trades" have been identified "for the initial implementation of the reformed apprenticeship system". Ten of these are ready for pilot testing, of which eight appear in the current list of 146. The ten are: auto electricity, auto mechanic, auto body building and repair, patternmaking, foundry, metal machining, tool and die making, drafting (mech. eng.)*, industrial mechanics (metal working machines)*, cooking. * = not in the current list. The duration of the ten programmes is three years, which cannot of course fall under the current law. It is in fact the intention that they will be carried out under the Dual Training System Act discussed below, but meanwhile the new programme documents include definitions of "apprentice" and allied terms drawn from the existing law, thus creating unnecessary confusion.
17. TESDA has an elaborate procedure and a substantial set of documentation for approval, implementation and monitoring of apprenticeship programmes. Standard documents include:

Apprenticeship Program Standard
Apprenticeship Agreement
Procedural Guidelines in the Approval of a New Trade ...
Checklist: Approval of the Apprenticeability of a New Trade
Flowchart of Activities in the Approval of Apprenticeship Program
Flowchart of Activities in the Implementation of Apprenticeship Program
Enrollment/Terminal Report
Guide on the Conduct of Ocular Inspection
Sample of Certificate of Recognition
(and others)

The Program Standard is mostly procedural and does not include standards of competence. Inter alia it states that "related theoretical instruction may or may not be undertaken by the firm/company." But the program itself contains standards. In the Certificate of Recognition the Regional Director of TESDA certifies "that ... located at ... has (sic) apprentice program on PAINTER SPRAY organized pursuant to model apprenticeship standards duly recognized by this Office in accordance with the Labor Code and its Implementing Rules and such is entitled to the enjoyment of all assistance and privileges provided thereunder."

18. It is more than possible that some employers take the system seriously, and many of the thousands of graduates may be proud of and benefit from their Certificates of Recognition. Out of 130 firms responding to the question in the survey of firms, 54 take on apprentices, with a higher propensity to do so among larger firms. (Just under one-third of the small firms and just over half of the large firms.) All of the six firms which were subjects of case studies for this report take on apprentices and their practices and comments give a more detailed picture, as follows:

Firm 1 (foreign-owned): "does participate in the apprenticeship programme"

Firm 2 (foreign-owned): "Non-skilled workers come in as apprentices ... six months too short for skill acquisition ... recommends at least 18 months"

Firm 3 (Filipino): "890 apprentices were trained last year in assembly work. Most of them were absorbed into the company ... training period is too short. Better coordination between TESDA and the company is needed in such areas as the apprenticeship agreement and competency testing."

Firm 4 (Joint venture): "Everyone starts as an apprentice. After six

months the better ones are retained ... they have taken on 10 apprentices in the last 12 months ... [they] are assigned to the less critical parts of the production line and rotated as they acquire more experience. There is no systematic monitoring of their progress, except the report of the supervisor on quality."

Firm 5 (Filipino): "... apprentices for 5-month periods at 75% of the minimum wage ... no systematic arrangement for the training of apprentices ... they just help or watch production workers. They are not allowed to handle the equipment except hand tools. There is also no monitoring by the DOLE or record-keeping ... At the end of five months some are hired ... does not think apprenticeship is effective because there is 'no clear administration' of this program ... The apprenticeship program should be reviewed to improve its implementation. One approach would be the provision of information to private firms on how to organise apprenticeship or dual training."

Firm 6 (Filipino): "The firm has apprentices ... very few ... are absorbed for regular employment."

The picture from these six case studies is of a system used as a kind of probationary period as much as training period, and one which provides the possibility of reducing the wage bill.

19. The general impression (unsupported by recent research specifically on apprenticeship) is of a system worked out with great thoroughness and professional skill, but which does not enjoy the respect of the employers or apprentices and is consequently undermined almost to the point of meaninglessness. The lack of respect is more important than the lack of monitoring resources and places the system beyond redemption.

The proposed new apprenticeship law

20. A bill now (March 1996) before the House of Representatives proposes major changes to the apprenticeship system. It takes the form of an amendment of Title II of Book II of the Labor Code and is House Bill No. 12; it is proposed by Hon. Margarito B. Teves. It lies outside the competence of this study to comment on the bill in detail, and foreign consultants should in any case treat national legislation, rooted in a country's culture and practice as it is, with some circumspection. The consultants are however given to understand that legislation, not least because is frequent and voluminous, does not always enjoy legitimacy and may sometimes be applied rather imprecisely. In these circumstances some technical observations on the new proposal may still be in order.
21. The version of which the consultants have a copy, dated 23 February 1996, may well be an early one, and it will no doubt receive the editing which it seems to an outsider to need. This would place the sections in an easier order and would ensure consistent use of terms.
22. The current law is clearly divided into three chapters, namely Chapter I Apprentices, Chapter II Learners and Chapter III Handicapped Workers, all under the general heading Title II Training and Employment of Special Workers. The bill is not similarly divided into chapters and is simply headed "An Act amending Title II of Book II of the Labor Code of the Philippines", and its first section states that "This Act shall be known as the Apprenticeship Act 1996". This name is not consistent with the continued presence of learnership sections (of which one is proposed for amendment) and handicapped workers sections (not to be amended) in Title II. All this would certainly benefit from tidying up.

23. Meanwhile, given that the law will establish a virtually new system ex novo, and a system furthermore which although largely aligned with international practice is not at all familiar in the Philippines, the bill is short of specificity and detail, and, it may be said, lacks clarity. The Newton report of 1991 (p. 51) takes the view that "the new legislation should avoid the contradictions inherent in the current Labor Code provisions. It should address all aspects of apprenticeship and it should do so in far greater detail than the Labor Code and its implementing rules currently do. It should be more prescriptive than the Labor Code to provide a less ambiguous and firmer framework." This view is still just as valid as it was five years ago, and the evident difficulty of creating a new law by way of amendments of the existing law section by section indicates that, if procedures allow, complete repeal and a new start would lead to a much more satisfactory result.
24. In addition, a new apprenticeship law would usefully be articulated with, and should refer to, existing legislation, not least the TESDA Act of 1994 and the Dual Training System Act of 1994. For example, on a broad level, the TESDA Act provides for a "national technical education and skills development plan", (Sec.10 (a)), and any new legislation should refer to and correspond with this plan.
25. For practical purposes it is clearly important that the legislation should be consistent. The draft bill has borrowed the definitions of "apprenticeship", "apprentice", "apprenticeable occupation" and "apprenticeship agreement" from the TESDA Act but only in the case of "apprentice" is the definition exactly the same. In the other three cases changes are introduced which can only cause uncertainty. In particular the definition of "apprenticeable occupation" in the draft bill provides for training durations which are not mentioned at all in the TESDA definition.
26. Another important example is a proposal in the draft bill (amendment of Article 64) that "identification and prioritization of apprenticeable occupations and the development of standards and curricula shall be the responsibility of tripartite industry training boards, and industry associations in consultation with labor groups". Apart from its inherent lack of clarity this proposal ignores the TESDA Act's provision that TESDA's Skills Standards and Certification Office "[shall] develop and establish a national system of skills standardization" and the National Institute for Technical and Vocational Education and Training "[shall] develop curricula and program standards ...". Furthermore it is not clear that the proposed amendment is consistent with the definition in the same bill which states that "an apprenticeable occupation is an occupation officially endorsed by a tripartite body, with equal representation from firm owners, workers and training institutions, and approved for apprenticeship by TESDA, which requires a minimum duration ..." (as in footnote below).
27. At the conceptual level the bill foresees that apprenticeships should be in discrete occupations and although a system of common initial training followed by increasing degrees of specialisation, for example in engineering occupations, is not specifically excluded, neither is it proposed or recommended as a programme design option. It is this kind of design which creates a good, broad base for future retraining made necessary by changing job design and technology, and during the apprenticeship itself allows the interests and talents of the apprentice to be explored and developed, and even at this stage allows modifications to be introduced in order to align the training with newly identified job opportunities.
28. Another conceptual point is that the law appears to foresee fixed apprenticeship durations (although the syntax and status of the

present proposal makes it less than clear¹). The current trend is for programmes to be completed whenever the apprentice reaches the required level of competence. This practice is criticised on the grounds that a given level of competence is not reinforced by repeated experience within the training period, and the apprentice is thus less likely to maintain the standard after, say, a year as a regular employee. To some extent the criticism applies to any assessment of competence based solely on an end-test (as is the case in this proposed law). The remedies comprise a system of continuous assessment (in addition to an end-test, which in addition to comprising final confirmation of competence has additional value as a symbolic or ceremonial rite of passage from the status of trainee to that of journeyman or craftsman); and a compulsory period of working experience after the achievement of competence standards, such as is often required for engineers, doctors and other professionals.

29. The new bill sets out that "trade, industry and labor organizations may recommend to the TESDA appropriate educational requirements for different occupations". This appears under Section 59 - Qualifications of an Apprentice, which deals with entry qualifications. It is not clear what the intention is or effect might be of specifically permitting trade, industry and labor organizations to recommend entry level educational requirements. Such requirements are partially a function of the intellectual content of a training programme, and partially a function of the actual educational achievement of applicants for the programme in question. To the extent possible the programme should follow on from existing educational levels, through remedial off-the-job classes if necessary; there is a social obligation that the young applicant should be given every opportunity to make up any lost ground and pursue his chosen occupation, and on the other hand there is a presumed economic benefit in training him or her up to work in a technical or vocational occupation. If these social and economic requirements are accepted the question of entry level becomes a technical one and external recommendations do not appear useful or necessary.

30. The new bill, in amended Article 63, foresees a variety of "apprenticeship schemes".

"Certified firm owners, group or association, industry association or civic group wishing to organise an apprenticeship program or any prospective apprentice may choose from of the following apprenticeship schemes which may use 'the dual training system approach':

- (a) Apprenticeship involving a company and an identified training institution;
- (b) apprenticeship involving a group of companies and a training institution, or
- (c) apprenticeship involving an industry training center and a company or a group of companies; and
- (d) other schemes to be established by the TESDA in consultation with the firm owners, labor and training institutions and subject to the approval of the TESDA board."

Article 64 goes on to say that:

"Any of the apprenticeship schemes recognized herein may be undertaken or sponsored by a single firm owner or by a group or association thereof, or by a civic organization. Actual training of apprentices may be undertaken:

- (a) in the premises of the sponsoring firm owner in the case of individual apprenticeship programs;
- (b) in the premises of one or several designated firms in the case of programs sponsored by a group or association of firm owners or by a civic organization; or

¹Amended Article 58 - Definition of Terms, paragraph (c): An apprenticeable occupation is an occupation ... which requires a minimum duration of four (4) months [and a maximum of three (3) years] provided however that the TESDA Board prescribes a longer training period depending on its approved occupational skills standards.

(c) in a TESDA training center or other training institutions."

These two sections need a certain amount of clarification, and explanation of terms such as "involving", "sponsoring", "organising", and "undertaking", and it needs to be considered whether group apprenticeship schemes are consistent with the concept that an apprenticeship agreement is between the apprentice and a single firm owner, as in the definition, and whether in particular 64 (c) is consistent with the fundamental idea of enterprise-based training, also stated in the definition.

31. These articles go some way to recognising a basic difficulty in modern industrial apprenticeship, namely the incompatibility between the exigencies of production schedules, which, together with the cost, integration and complexity of modern production machinery, make the on-the-job training at the heart of the traditional apprenticeship an impractical methodology at least in the early stages of a training programme. (On-the-job training may still be appropriate almost from the beginning in many craft occupations not least in the building industry.) The training firm is thus obliged to provide or procure initial training off the job. Only the biggest and wealthiest firms will have the professional and financial resources to do this on their own, and the next alternative is some kind of group training centre, and at each stage we get further from the original notion of an enterprise-based training programme on the shop-floor (or equivalent) coupled with separate "related theory" in the firm's own classroom or in a local college. The basic contractual relationship between the apprentice and the training firm, and payment of allowances and training fees by the training firm, may however survive especially if there is a shortage of the competence in question.
32. The participation of employers is considerably restricted in the draft bill: they are limited to "firm owners" and the general concept of "employer" is removed. The implication is that employers who are not firms, such as government departments, hospitals, churches or even individuals, may not participate in apprenticeship schemes. The change is so deliberate, and repeated throughout the bill, that it must certainly be intended to restrict the focus in this way. But the reason is not stated.
33. When it comes to which "firm owners" may engage apprentices, amended Article 60 - Training of Apprentices states that "Only certified firm owners may enter into apprenticeship agreements or otherwise train apprentice in apprenticeable occupations". This is in fact extremely important and if properly implemented will constitute a major improvement. However the bill does not yet indicate who will certify or accredit the firm owners and what the criteria will be.
34. What might these criteria be? The first could be a question of reputation and the absence of any proven record of breaking labour laws or exploiting apprentices or learners. The second might be the professional ability to design and run a proper training programme, or at least to run it if the design is provided by TESDA, and the third and allied criterion might be the availability of equipment and as the case may be premises suitable for the training programme. There may be others, but none can be so crucial as the professional ability in the second criterion. Do firms possess this? It is one thing to operate a six-month programme under the current scheme, relatively easy for both parties to get through without too much formality or attention to results; but it will be a much more demanding proposition to run a full-length programme for three years which will provide professional and personal satisfaction for the apprentice and an adequate return for the training firm. Given that full-length apprenticeships are outwith Filipino tradition a great deal of familiarisation and training of training firms are likely to be needed; and the Office of Apprenticeship must in turn be capable of advising and training the firms in question, or procuring such advice and training, as well as

monitoring performance.

35. Training firms' responsibilities, not only in the question of the training itself but also in other matters, should indeed be spelled out in more detail in the legislation. For a start it should be explicitly stated, as it is in the Dual Training Act, that an apprentice is not an employee; but this should be complemented with a statement that the responsibility of the training firm as to the health and safety of the apprentice is exactly the same as it is in respect of regular employees, and that the training firm's legal responsibility for acts of the apprentice carried out in the course of his duties is the same as it is in respect of regular employees. Furthermore the right of the apprentice should be stated to holidays and to benefits in kind in an agreed proportion and should be required to be set out in the apprenticeship agreement. In fact one of the stated objectives of the draft bill is "to provide for the protection and welfare of apprentices" but this is not pursued in later sections of the bill.
36. It would be useful for all parties if the bill included a model apprenticeship agreement for compulsory use. This would have certain standard clauses and would systematically show the points to be covered and the information required in respect of individual apprentices and training firms; one of these points should be a copy of the training programme to be followed including the standards of competence which form its objective. Such a model would greatly assist familiarisation, certainty of comprehensive drafting, and confidence in the system especially on the part of new apprentices and as the case may be their parents.
37. In regard to apprentices' allowance the legislation might spell out a duty on the part of the training firm to increase it at intervals during the programme so that it converges with the wage which he or she could expect if employed after completion. (The rationale is that an apprentice accepts lower remuneration in exchange for training, but is entitled to increased remuneration as his utility to the training firm increases as a result of the training.)
38. Still on financial matters, under the existing law training firms are entitled to deduct a proportion of apprentice training costs from their taxable income - but only if they pay them the minimum wage or more and do not avail themselves of the right to pay them 75% of the minimum wage or some higher proportion. The tax incentive is thus at least partially negated. This provision is carried over unchanged into the new bill and merits reconsideration.
39. Finally, further attention could be given to the learner system. If not abused such a system can be beneficial as a method of introducing a young person to the world of work and testing aptitudes and interests. Except for its short duration it resembles the informal apprenticeship practised in other countries (and perhaps in the Philippines). The obligatory learnership agreement might well define the kind of work to be learnt and practised; and it is not so certain that the "commitment to employ the learners, if they so desire, as regular employees upon completion of the learnership" is necessarily beneficial to either party. Progression to other training possibilities might be preferable, and the learnership system could be integrated with the rest of the TVET system.
40. The conclusions which can be drawn from this incomplete but still rather lengthy analysis of the draft bill are first of all that, as must have already been known, more work is needed to give the bill internal coherence; and secondly that alignment of this bill with the TESDA Act and the Dual Training Act is required - and is in fact essential if a properly systematic and operable body of legislation is

to be created². This is truly a sine qua non for the development of TVET in the Philippines in a way which commands confidence amongst all parties, employers, workers' organisations, the training sector and not least potential and actual apprentices and workers. Systematic legislation may also increase confidence in the legislation itself.

41. A third point which emerges from this discussion is that the introduction of the new system will itself require careful preparation as well as specifically allocated and substantial resources. The Dual Training System Act of 1994 provides an amount of P1 million "for initial implementation". And "thereafter, such sums as may be necessary for [the Act's] continued implementation shall be included in the annual General Appropriations Act." It cannot be said without detailed programming how much would be needed to finance the public information, familiarisation, training in training management and implementation, and (possibly) piloting necessary for successful introduction of a new and unfamiliar full-length apprenticeship system; but it would be wise if the new law recognised the requirement.

The Dual Training System

42. The dual training system was "institutionalized in the Philippines" by the Dual Training System Act of 1994 and is in this sense only two years old³. However it is old enough to have started life before the creation of TESDA, and was launched by the BTVE of DECS. Since the system is new, and given the change from BTVE to TESDA as the system developer, there are a natural uncertainty and fluidity in the details. It is intended to review the system as a whole after it has been running for five years.
43. Some training institutions have been operating what are effectively "dual" systems, in close collaboration with employers, for some years before the passage of the Act, and are not accredited under the Act. It should also be noted that institutions which have the word "dual", by itself or in combination, in their names are not necessarily accredited either, not that use of the word is prohibited or restricted.
44. The Act defines the system as:

An instructional delivery system of technical and vocational education and training that combines in-plant training and in-school training based on a training plan collaboratively designed and implemented by an accredited dual system educational institution/training center and accredited dual system agricultural, industrial and business establishments with prior notice and advice to the local government unit concerned. Under this system, the said establishments and the educational institution share the responsibility of providing the trainee with the best possible job qualifications, the former essentially through practical training and the latter by securing an adequate level of specific, general and occupation-related theoretical instruction. The word "dual" refers to the two parties providing instruction: the concept "system" means that the two instructing parties do not operate independently of one another, but rather coordinate their efforts.

²Since apprenticeship programmes will often resemble Dual Training System programmes one possible solution might be to amend the Dual Training System Act and to repeal the relevant title of the Labor Code completely. This would at least have the virtue of reducing the number of different Acts on much the same subject. There will still be a requirement for two systems, one employer-based with additional "related theory" and the other training-institution-based with additional on-the-job experience. The choice will depend on the nature of the occupation and the competence to be mastered.

³The Dual Training System is also discussed from a different perspective in the section of this report dealing with training institutions, and a certain amount of overlap has been necessary.

45. The role of TESDA is (Section 7) to "plan, set standards, coordinate, monitor, and allocate resources in support of the implementation of the System". As will become clear in this section the principal danger to the current success of the system lies in inadequate monitoring.
46. The Act sets out in separate quite detailed sections the respective obligations of establishments, trainees and institutions. The practice, and one or two of the individual points, could well be adopted in the new apprenticeship law. The Act is supplemented by Rules and Regulations dated 2 June 1994; they still refer to BTVE and subsidiary organisations from the pre-TESDA era.
47. Another section defines the status of the trainee: "not an employee ... but rather a trainee of both the Accredited Dual System Educational Institution and the agricultural, industrial and business establishments ..." This divided responsibility appears on the face of it to open up many opportunities for disagreement.
48. In the current pilot phase the procedure includes accreditation of programmes, not foreseen in the Act but on the face of it a good addition to the quality control mechanism, in parallel with accreditation of educational or training institutions. However the Rules and Regulations are less than clear on the starting point of the procedure.

Rule VIII, Section 2: The cooperation between educational institutions and establishments shall develop specific Dual System courses, including program standards, sequencing, delivery and evaluation Systems, before applying for accreditation.

Rule IX, Section 1: Educational institutions shall first qualify for accreditation for a specific Dual System course by the [BTVE] before it forges partnerships with establishments.

Rule IX, Section 6: Educational institutions interested to participate in the Dual System shall prepare a training curricula; in accordance with the approved training regulations, in collaboration with the establishments and register with the [BTVE]. Provided, that the applicable National Competency Framework shall be considered.

49. The "processing sheet" for applications for accreditation of institutions list the five areas in which applicants may opt to develop programmes "following BTVE developed prototype Dual Training Plan." The level of training (craftsman or technician) is not prescribed or suggested. The five areas are:

Electro-Mechanics
 Industrial Electricity
 Mechanics
 Food and Beverage
 Furniture and Cabinet Making

The institution has to give the names of the firms which it will collaborate in designing the programmes and indicate how many trainees each firm will take for the in-firm phases. Many other details are required and the whole amounts to a fairly comprehensive inquisition; but it makes no mention of the "industrial coordinating office" required by Section 7 of the Act. (This is surely a very significant omission.)

50. The "processing sheet" for application of firms (or rather "industrial, agricultural, business establishments") is a good deal shorter. It starts with the statements that "Establishments who have existing Training Units shall be given priority in accreditation. Those who are presently practising the payment of trainees 'allowance' or those who are willing to pay more than 75% of the minimum wage shall be given priority for registration." (This seem to assume that establishments are lining up to join the system.) The processor has to ascertain:

Duration of in-school training
Duration of in-plant training

Willingness to pay trainees allowance to the educational institution according to [a specified rule]
Good financial standing (document submitted)

Number of trainees to be trained per term
Number of trainers and the ratio trainor/trainees in every specialisation

The establishment is a member in good standing of the local Technical Advisory Committee, participates in DACUM Experts' Panels when invited. Pilot institutions for Linkage Program with Business and Industry under DECS and PCCI.

The proportions of in-school and in-plant training are in fact prescribed in the Rules and Regulations (40/60). It may be noted in passing that certain highly reputable training institutions, including Meralco Foundation and CITE, do not qualify for accreditation because the in-school and in-plant proportions of their programmes differ from the rule.

As will be seen, this list does not in fact include any check on the physical facilities and equipment or on the existence of the Training Unit mentioned in the preamble or on the qualifications and experience of the training staff. This is an initial weakness, which together with apparent lack of monitoring of actual practice, could endanger the quality of the system.

51. The Rules and Regulations include a further source of weakness. The following extracts from Rule X indicate that establishments have an escape route from effective obligations:

Section 2: During the initial stage of the implementation of this Act, it is possible that an establishment is not yet accredited upon its initial participation in the Dual System: Provided, that the provisions of the following sections of this Rule are taken into consideration such that Accreditation may be preferably granted prior to the end of the training program.

Section 3: Every establishment accepting trainees and providing trainees⁴ shall have the necessary personnel and technical qualifications. Provided, that an establishment not having the necessary qualifications or not providing training itself shall not accept a trainee unless it appoints a training officer having the necessary technical qualifications.

52. Programmes are in progress in all the five original fields although it appears that "industrial electricity" has been amalgamated with "electro-mechanics". A programme in a sixth field, for the travel industry, is understood to be close to approval. The institutions involved are:

Dualtech Training Centre, (3 campuses)
(Electro-Mechanics)

Pablo Borbon Memorial Institute of Technology, Batangas
(Mechanical Technology)

Punlaan School, San Juan, Metro Manila
(Food and Beverage Service)

⁴Sic. This misprint is particularly obscure. If "trainees" or "trainers" is intended the meaning is not clear. If the word should be "training" the sentence would make more sense. It is also uncertain how an establishment could be "not providing training itself" if it is participating in the system.

Manila Technician Institute
Rizal Polytechnic Institute
(both Furniture and Cabinet-Making)

East Asia Foundation
(Travel)

Of these five are in the private sector and one (PBMIT) in the public sector. The level of the programmes has not been ascertained.

53. Examples of durations, trainees and firms

Dualtech:
28 months of which 20 in-firm,
256 trainees, 60 firms at the Pasay City campus

PBMIT:
3 years of which 2 years in-firm, 19 trainees, 7 firms

Punlaan School:
20 months of which 12 in-firm, 120 trainees, 39 firms

54. Applications are being processed from the following institutions, but information is not available as to their proposed programmes:

Cavite College of Arts and Technology
Western Visayas College of Science and Technology
Cebu State College of Science and Technology
Bataan National School of Arts and Trades
Marikina Institute of Science and Technology
Don Bosco Institute of Technology, Cebu

It is not in fact certain that this list is up-to-date.

55. Technical assistance has been an important factor in the launch of the Dual Training System. This has come from the (German) Hanns Seidl Foundation, which cooperated in the start-up of Dualtech Training Centre from 1990 and contributed to the dual system programmes at PBMIT and Punlaan School; it is now supporting the East Asia Foundation. No other foreign assistance has been forthcoming. It is understood that support, which is now being phased out, has included contributions to recurrent costs, and as with any project in which this dangerous practice is pursued sustainability depends on replacement of foreign assistance by local resources.

56. Training institutions whether or not receiving foreign assistance are said to feel that they are put under considerable pressure by the system, in that participating companies are expecting high-class results. Institutions thus have to invest in new equipment, and pay well to recruit and retain good quality teachers. They do not receive training fees except as indicated below in the form of a portion of "the daily allowance of the trainee" which firms have to pay in accordance with Section 10(h) of the Act. The Act also gives an incentive to institutions in the form of duty-free import of new equipment specifically acquired for the training programme, but in addition TESDA has been obliged to offer further contributions to start-up costs in order to attract applications. These contributions come out of funds provided under the Act for initial and continuing implementation of the Act. It remains to be seen in the light of experience whether continuing support from the public finances will be needed to sustain the system.

57. Firms receive equally modest incentives under the Act, namely that 50% of training costs can be deducted from taxable income, and that "donations for the operation of the System shall be deductible from the taxable income of the donors." It is not known whether this latter

concession has been used⁵ or in what form but it does open the door for provision of equipment to training institutions. It is not clear whether the concession extends to donations from equipment manufacturing firms. It appears in Sec. 9, Incentives for Participating Establishments, and may apply only to them.

58. On the other hand firms are not only expected to pay the trainees' allowances but must also bear the expense of the training itself, including that of a training officer. These costs may be set off, as is the principle in apprenticeships, by the increasingly productive work done, for relatively low wages, by the trainee.
59. What is in it for the trainee, signing up for a possibly speculative period lasting 2½-3 years? Not much financially, especially as they receive little of the "daily allowance", as discussed in the next two paragraphs. In the present early stage entry standards have been deliberately set at an undemanding level in order to attract participants; but at any level the present participants and their families must perceive that the training, which must entail a net financial cost in addition to possibly higher income foregone, is a good investment. Some dual training institutions, within or outside the system, claim 100% placement of their graduates in regular employment. No information is yet available as to the reliability of this reputation and it has not been going on for very long within the institutionalised system. It is very much to be hoped that it will be justified: such a good reputation would contribute to a self-reinforcing system.
60. Regarding the trainees' allowances the Act places an obligation on firms to pay the "daily allowance" to the educational institution concerned, and in Section 12 (e) the institution is obliged to "pay the trainee his daily allowance". In Section 14 the Memorandum of Agreement between the three parties "shall set forth ... (e) the trainee's allowance and the rate to be applied, which in no case shall start below 75% of the applicable minimum daily wage for days spent in the establishments ...". The natural meaning appears to be that the trainee will receive this amount, at least for the period in the establishment (firm), although ambiguity remains as to the allowance payable for the period in the training institution. The Rules and Regulations place a different construction on the Act. "Trainee's allowance" is defined as "the accredited establishment's contribution for the trainee's training expenses paid directly to the [institution]. This allowance in no way shall start below 75% of the applicable minimum daily wage for the number of days spent by the trainee in the in-plant training." "Daily allowance" takes on a separate life of its own with a separate definition: it is "the amount which the trainee receives from the [institution] to defray part of his daily expenses. This amount, which in no way shall be below 30% of the trainee's allowance that the [establishment] pays directly to the [institution], at the start of the in-plant trainings shall be remitted to the trainee every 15 days." So what actually happens is that the trainee receives a minimum of 22½% of the minimum wage during his in-plant training, and, it is understood, no cash allowance at all during the periods in the training institution. (Trainees receive some clothing and equipment in one school about which enquiries were made, but it is not known whether this is general practice.) The balance of the trainee's allowance becomes a training fee paid by the firm to the institution.
61. Two comments arise from this practice. The first is that it is at present self-evidently acceptable to all the parties concerned, including presumably the labor unions, the trainees and their families. It is to be hoped that access is not distorted, and that

⁵It seems unlikely. Only one out of 142 firms in the survey of firms claimed tax rebates under the Dual System's incentive scheme or other incentive schemes.

evolution of the cost-sharing arrangements is possible within the rules. The second comment concerns the principle behind interpretation of the Act in this particular way and is a question of governance: for the future integrity of the dual system it is important that the Act and the Rules should be drafted and applied with clarity and certainty.

62. Another lapse in the Rules is that Rule XII on the memorandum of agreement simply ignores the trainee, who should be one of the three signatories as set out in Section 14 of the Act.
63. Strengths and weaknesses. The dual training system has started well. One of its strengths is a good reputation, and the participating firms and trainees obviously see it as at least potentially beneficial. It offers an escape from the deleterious and ineffective apprenticeship system, if at the cost of abandoning a truly firm-based training programme (such as may still be appropriate in occupations with a high craft content). There is a very good chance that it will provide much needed high-class knowledge and skill for manufacturing industry and services, and correspondingly high-class employment for successful trainees. The pressure on training institutions to deliver high-class training has a similar chance of permeating the whole institutional training system, public and private.
64. The principal weakness is the absence of adequate control, monitoring and advisory resources and it cannot be emphasised too strongly that without such resources the system is in danger of quick degeneration. The authorised non-compliance by firms with the rules for accreditation, even if intended to be temporary, also puts the quality of the system at risk.
65. As stated above the entry level for trainees has been pitched fairly low at this stage, and this level must really be brought up as soon as can be; and similarly the quality of firms' training provision must be assured and raised. The 60/40 rule (for in-plant and in-school training) should be revised to permit variations which accord with course level and content, and at least a short period of in-plant familiarisation (without much training content) should be included at an early stage of the first-year in-school phase. The absence of monitoring noted above must be remedied before participating firms get used to it; but monitoring to ensure correct and effective in-plant training and working experience should be combined with advice, or training as well, in how in-plant training is best designed and run. It is not something which is itself altogether suitable for on-the-job training.
66. Role of the public sector. The final points to be discussed are the role of the public sector, in the form of TESDA and the public finances, in the future of the Dual Training System, and the scope for increased involvement of the private sector. In the first instance it is TESDA's prime and continuing responsibility to guide and nurture the growing system, to assure its quality and to promote its reputation. ("plan, set standards, coordinate, monitor, and allocate resources" as the Act says.) TESDA will have to build up its own capacity and resources to enable it to command respect and authority in the performance of these functions.
67. Information system. TESDA, at the centre of the network, will also be the prime source and user of information about the system and it will be essential for information and records to be clearly and effectively collected and analysed. Good information on numbers of trainees, institutions, firms, subjects of study, and placement rates will form the basis both of management decisions and of promotional material. In combination with labour market information developed within the system and acquired from outside sources internal information will constitute an essential and effective base for planning the system's future. Internal system records will entail disciplined and regular returns

and equally disciplined and regular input into a not very difficult computer programme. Effective use of the information is another matter and is discussed elsewhere in terms of labour market information.

68. System management. Efficient information is only one aspect of the efficient management which will protect the reality of the dual system. The system must be operated in such a way that its intentions and practices are seen to bring real benefits to all parties: it must avoid the fate of the present apprenticeship system, which has been diverted to wholly unintended objectives and lacks any objective reality as an apprenticeship system in its normal meaning.
69. Finance. On the financial side, it seems fairly clear that public funds will continue to be necessary, firstly to assist with launch costs in institutions, and secondly (although this remains to be confirmed) to replace recurrent expenses at present met from technical assistance contributions. As to financial incentives for trainees and training firms, the success of the system will make them unnecessary, but until a reputation for success is built up, which might well take several years, care will be necessary to ensure that conditions are attractive enough to ensure the quality of trainees and firms, as much as their numbers, and access for poorer trainees will have to be assured. While there is every reason to avoid extravagance, there is equally no reason to be afraid of public investment in the system both for capital requirements and running costs. The government can take heart from the experience of Singapore, where funds continue to be poured into education and training to great effect, and the private sector, the users of the system, are equally keen to support it. (Meanwhile as a matter of current practice the system by which part of trainees' allowances is allocated to institutional training fees should be re-examined.)
70. New apprenticeships. As a development which started separately but will certainly become involved with the dual system, a number of new three-year apprenticeship programmes have been developed with German technical assistance originally routed through NMYC (and thus separate from the dual system assistance routed through DECS/BTVE). Ten (of which nine are industrial and the tenth cooking) out of 23 planned programmes have been completed and are ready for pilot-testing. They have been planned with the advice and assistance of industry representatives. They set out a definition of "apprentice" taken from the current legislation, and this legislation does not of course permit three-year programmes. If the definition were dropped there seems no reason why they should not be taken over as dual-system programmes. The word "apprentice" itself, with its unfortunate resonance, might also be dropped with advantage, or at least given a new look with something like "New apprentice" or "Modern apprentice".
71. These new apprenticeship programmes seem rather compartmentalised and narrowly limited to their particular crafts: there seems little scope for recombining units to form new multi-skill workers, and it might be thought that they contain little enough of the broader organisational and creative content which forms part of the job in modern manufacturing. This is not the place in which to second-guess the programme designers in detail, but it is to be hoped that TESDA will be prepared to propose and discuss imaginative developments as a result of the pilot tests. The electromechanics program at Dualtech already "develops the skills of trainees in the electrical, mechanical, and electronics fields. It produces multi-skilled industrial technicians with expertise in the maintenance and repair of all types of electromechanical machinery and equipment."⁶ This points to a modular system of standards, but still does not recognise, or refer to, non-technical components.

⁶ Exemplary Training Models in Industrial Technology, an APEC-HURDIT research project implemented by the Association of Canadian Community Colleges. Report published 1995.

72. Private sector involvement. How can the private sector participate more fully than it already does in the operation and development of the system ? The essence of the dual system is that enterprises collaborate in programme design. It is in their interests that they do so fully and knowledgeably, giving as long notice as they can of investment plans and changing technology, changing job design, and so on. They may equally invite TESDA to design or promote training in the personal and interpersonal skills (logical fault analysis, teamwork, communication, supervision) which are coming to acquire much greater prominence as modern manufacturing technology is introduced; and perhaps in techniques and disciplines which are successful in Japan (5S, kaizen). But all such developments depend on the knowledge and attitudes of management, fields where TESDA's role is one of information and persuasion. Nonetheless it is up to TESDA to maintain a forward, engaged policy, no least in the field of training management, rather than a purely reactive stance.
73. The question arises as to how the private sector represents itself. It is administratively impractical for TESDA to maintain dialogue with all the "agricultural, industrial and business establishments" mentioned in the Act, even through its regional network. It is equally infeasible for a particular dual system programme to accommodate the detailed training requirements of, say, the 60 individual enterprises which are participating in the current electro-mechanical programme. While enterprises will naturally do their best to have their training requirements met, and paid for, by the public sector as far as possible, compromise is obviously necessary. This must be arrived at through effective mechanisms within the industry concerned.

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