Creating Markets out of Nothing: The Case of the Continuing Education System in Greece

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PhD Political Economy

Abstract

The development of the vocational training policy constitutes one of the most interesting examples of a policy which was introduced entirely due to the pressure exercised by the E.U., but it was implemented in such a way that it served the domestic political economy. The seven laws and the dozens of ministerial decrees issued from 1989-2004 reflect the effort made by the state to foster but also control the development of the market, the conflict of interests among the main players, the tensions generated by the pressures of the European Union, the interests of the private vocational centres, and the special needs and the objectives of the social partners. To be more specific, it will be argued that the development of the continuing education market in Greece can be described and analyzed on the basis of three distinct phases/time periods: (a) The period of initial capital accumulation (1989-1994), (b) the period of the controlled clearing of the market (1994-2004) and, (c) the period of the liberalization of the market (2005-). In every stage the interests of the main actors – namely those of the state, the private training centers and the social partners –, were accommodated accordingly, but this was achieved at the expense of the continuing training system’s efficiency. The aim of the paper is to critically assess these developments by focusing on the latent rationality underlying the state’s regulatory actions, as well as on the political economy which these actions have engendered.
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Outline of the argument

The vocational training policy in Greece was introduced due to the pressure exercised by the E.U. but it was implemented in such a way that it served the domestic political economy. The seven (7) laws and the dozens of ministerial decrees issued from 1989 to 2004 reflect the effort made by the state to control but also foster the development of that particular market, the conflict of interests among the main actors, as well as, the tensions generated by the constant pressure of the European Union. The aim of the paper is to critically assess the creation and development of the continuing education market in Greece by focusing on the logic underlying the state’s regulatory actions, as well as on the political economy which these actions have engendered. It will be argued that the development of this market can be seen as a three stage process:

(a) The period of initial capital accumulation (1989-1994) marked by the absence of effective regulation which, along with a dramatic increase in funding for training, allowed for a initial accumulation of capital in benefit of the newly-founded private firms.

(b) The period of the controlled clearing of the market (1994-2004) which was characterized by an intensified state regulatory action with two dimensions; market-clearing but also guaranteeing a market-share for the remaining companies.

(c) The period of the liberalization of the market (2005-to today) during which the state interventions focused on the liberalization of the market since the legal restrictions of the past were canceled.

In every stage the interests of the main actors –namely those of the state, the private training centers and the social partners–, were accommodated accordingly, but unfortunately at the expense of the continuing training system’s efficiency.

The period of initial capital accumulation (1989-1994)

The context in which this process of accumulation took place had the following basic features: the entrance of private companies in the sector and consequently the creation of a “market”; the unprecedented increase of the public expenditure on vocational training; and the absence of any effort by the state to regulate the market or at least to monitor the way the available resources were used.

From 1989 to 1996 there was a significant increase in the funding of vocational training programs. Namely, the vocational training expenditure rose from 0.04% of GDP in 1987 to 0.24% in 1990. This rise can also be detected in the number of the trainees that increased from 360,000 during the first CSF to 550,000 during the second one (OAED 1994: 56, Vretakou & Rouseas 2002: 34). Nevertheless in spite of this unprecedented increase in the funding and in the number of trainees no systematic
effort was made to create an official register of the institutes/centers implementing these programs. Actually, the legislative framework made no provision at all for the basic requirements on infrastructure, training equipment or human resources (Karalis 2003: 16). As an outcome even sport clubs and Holy Metropolises implemented vocational training programmes within the framework of the first CSF (General Secretariat for the Management of Community and Other Resources 2007: 28). However, this did not generate any problem at all in the absorbency of the EU funds. On the contrary, the relevant Operational Programme of the second CSF (“Ongoing Vocational Training and Promotion to Employment”) demonstrated the highest rate of absorbency of all the operational programmes of the CSF (Ministry of Labour, 2001: 23).

In short, the absence of any system of control or certification led to the emergence of a large number of companies operating in the field of vocational training. The precise number of these “institutes” is unknown. The Economic and Social Committee of Greece (1988: 2) states that there were 3,500 Not-for-Profit Organisations whose object was the ongoing training. According to more moderate estimates, in 1993 about 200 Training Centers and 1,000 Not-for-Profit Organizations operated in the field of training, the majority of which did not own their own infrastructure but rented the infrastructure of others (Papadeodosiou, Stavrou 1993: 42).

The first two CSFs created a huge demand for vocational training services, which the private companies hasted to satisfy either autonomously or as subcontractors. At this stage, the “poor organization” of the monitoring system contained an underemphasized “consistency.” On the one hand, the absence of any control resulted in the waste of resources, but at the same time it allowed the emergence of a “critical mass” of private vocational training companies; the majority of today’s certified vocational centers were established during this period. Nowadays everybody agrees1 that this situation led to the quantitative expansion of vocational training without the relevant improvement in the effectiveness and the quality of the services provided.

The period of the controlled clearing of the market (1994-2004)

The government policy during the period of the controlled clearing of the market (1994-2004) focused at two goals: on the one hand, there was a market clearing procedure in the sense that the vast majority of the “vocational institutions” of the previous period were excluded from the new programs. The main mechanism through which the market clearing was achieved was the certification of the vocational institutions. On the other hand, the government would safeguard a market share for each one of those institutions/companies that were to be included in the new system. The main mechanism through which this was achieved was the restrictions in the number of sub-offices and in the fields of operations.

The pressure for a rationalization of the vocational training system came initially from the European Commission which demanded that only certified centers should be eligible to implement co-financed training programs (European Commission 1994: 63-64).2 Moreover, the Greek government decided to lower-down

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2 This demand was also included on the 2nd CSP (1994-1999) which mentioned the obligation of the Greek government to develop such a certification system (European Commission 1994, 63-64).
the number of the vocational training companies to 350 in order to safeguard the quality of the training services and to facilitate the monitoring of the funding (Palios 2003: 40).

Nevertheless, the criteria adopted by the Ministry of Labour aimed only at the exclusion of the freelancers one-man training “centers”. Moreover, the certification process was carried out by a 4-person committee with no administrative support and no mechanism of checking the validity of the dossiers submitted by the vocational centers. So given the fact that the minimum requirements for certification of the vocational centers where indeed minimum, the first round of certification (1994) was quite easy for the vast majority of the training companies. At the end of the process 481 Vocational Training Centers (KEK) in total –332 private ones– where certified. In practice, the 1994’s certification targets limited themselves in excluding only the virtual companies. Even so, the inability to check “beyond the paper” permitted even night-clubs to be certified as vocational centers (Dimoulas 2002: 130). Given the above it is no surprise that 1996 European Commission’s inspection resulted in a 2-year financial “freeze” of the Operation Programme as a pressure to the government to develop a new and functional certification system (Amitsis 2000: 98).

So, in 1997 a new certification round was launched with new criteria and processes. During this round the desired number of the training institutes (KEK) that was to be certified was elevated from 350 to 496, that is a bit more than the already certified centers. But this time, a cup was set concerning the maximum number of sub-offices as well as the maximum thematic fields of operation for each KEK: no vocational centre could open as many sub-offices as they wished, and no vocational centre could offer training in all the thematic areas possible. The only exclusions to the above restrictions were the social partners KEK. Finally, the minimum needed infrastructure was reinforced. The new criteria prevented at least half of the 481 prior certified KEK to apply. In total, 296 dossiers were submitted out of which 262 passed successfully (149 of the private sector).

It is worth mentioning the way the resources of the second CSF were used in the process of market clearing: the public expenditure on the ongoing vocational training programmes skyrocketed just before the suspension of the relevant Operational Programme in 1997, and again just after its implementation in 1998. In other words, it was something like a “payment in advance” and a “payoff” to the proprietors of the institutions for the investments they had made. At the same time, only during the period 1994-1996, more than 200.000 people participated in vocational training programs, out of which 80.000 were trained in private vocational centers (Karantinos et. al. 1997: 36). In practice, this meant 100% capacity utilization of the private training centers for at least 2 years given that after 1997’s certification, the total training capacity of the vocational institutes reached the amount of 35.000 trainees per year.

To make a long story short, the same procedure was also followed in the 2001 and 2003 certification rounds. Every time the certification criteria were a bit stricter in order to clear-out the market, but the restrictions concerning the number of the sub-offices and of the thematic fields where upwards revised in order to help the remaining companies to grow bigger. The successive certifications gradually reduced the number of the vocational training institutes from 3.500 (1989-1993), to 481 in 1994, to 262 in 1997 and 283 to 2001.

Moreover the realization of this obligation was a prequisite for the unhindered funding of the whole O.P. for the employment.
The period of the liberalization of the market (2005-).

The third period is the one of the liberalization of the market (2005-), since all the restrictions of the past concerning the minimum and the maximum number of the sub-offices, the thematic areas and the legal form of the vocational centres were canceled. Moreover, after 2005 the certification process was an open-ended procedure, meaning that any company which wanted to be certified as a KEK didn’t had to wait for the next certification round. Nonetheless, the government retained a significant tool in order to promote its targets according the number and the size of the KEKs; the allocation of the training programs among the KEKs. It was only after 2010 that this tool was to be gradually withdrawn after the pressures of the bigger companies. The “training voucher” which the unemployed-user can use in any KEK of his/her choice resulted in the first TV advertisement from a KEK in June 2010. The outcome is the present-to-day structure of the ongoing vocational training system which numbers 274 certified vocational centers with 540 certified education structures.

However, the scope of the vocational training programmes did not change; they remained focused not to the needs of the trainees but to those of the vocational centres. This is demonstrated by the fact that after 2005 there was a considerable increase in the programmes targeted to workers in comparison to the ones directed to the unemployed, due to the fact that the potential worker-trainees can be easily tracked down. On the other hand the training programmes for the unemployed were limited to areas in which the training centers had previous experience and their implementation was relatively cheap.

The political economy of the vocational training system.

From 1994 to 2009 the number of the KEK decreased, but their average size grew considerably. Additionally, contrary to the number of the vocational centers, the vocational training programmes were doubled from 8,800 in 2003-2005 they rose up to 16,064 in 2007-2009 (EKEPIS 2006, 2007, 2011). However, the effectiveness of the vocational programmes remained low (General Secretariat of Community Funds 2007, Lamans Lmd 1999, Kokkos n.d., 2008, EKPA 2005). In the literature about the Greek vocational system, the absence of pubic intervention during the first phase (that is the period of capital accumulation), as well as the shallow certification criteria during the first half of the second period (that is the controlled clearing of the market), often are used in order to demonstrate the well-known organizational problem and the “special” ways of the Greek public administration. Respectively, the attempts to rationalize the system through the successive certification cycles are being described as a process of gradual maturing.

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3 In the time period 2007-2009, just 28% of the programmes targeted the unemployed compared to 40% of the programmes in the time period 2003-2005.

4 On the contrary, in the case of the unemployed, the vocational centres should track down the unemployed, organize and implement accompanying actions like employment promotion, monitor the integration of the participants into labour market etc. In general, training the unemployed is more expensive and requires greater organizational and managerial potential.

5 The majority of the programmes are related mainly to two fields of training: informatics and economics-management. Moreover, the significance of these thematic areas increased over the years; from 55% over the programmes in 2003-2005 to 64% in 2007-2009.
Nonetheless, from the political economy’s point of view what matters is the latent functionality/rationality of the intervention absence during the first period, as well as, the latent rationality of the increased intervention after 1997. In every period the developments according this specific market served relatively effectively the interests of the main “players,” —that is the government, the private vocational centres and the social partners— unfortunately to the detriment of the effectiveness of the vocational training system.

From the government’s point of view, the political benefits of giving out money without specific criteria are more than obvious and they need not be further explained. But, it should be noted that the most important benefit for the state, was that it managed to partly deal with the insufficiency of the unemployment benefit which excludes the majority of the unemployed (the long-term due to the depletion of the maximum period of assistance, and the youth due to the fact that they don’t meet the minimum requirements). Since the vocational training programmes, which include a payment for the participant, acted as a substitute for the unemployment benefit. Secondly, the lack of evaluation and certification criteria provided a temporary flexibility that allowed higher rates of EU funding absorption. This was of great political and macroeconomic importance given that during the implementation of the second CSF, Greece was on a process of fiscal adjustment with the ulterior purpose to become a member of the EMU.

As far as the vocational centers are concerned, the advantages they enjoyed have been mentioned: the opportunity of initial accumulation of capital during the first phase, market clearing and a bigger market share for the ones that survived in the second phase, complete liberalization of the market in the third one. The benefits for the rest of the companies-users of the vocational programmes are fewer, but not minimal. It is quite clear that for the vast majority of the Greek enterprises the perceived value of training programs are financial: six out of ten companies claimed that they appreciate more the direct financial benefits resulting from the funding than the net benefit that derives from the training itself (University of Piraeus 1994: 16, Chletos & Kaminioti 2006).

Lastly, the organizations of the social partners benefited the most. The social partners, who up to 1992 were only marginally involved in the vocational training system (Mpasdra & Theodorakis 2003: 22), within five years managed to develop the biggest and best organized vocational centres. The national representative confederations of both employers’ and employees’ gained access to large amounts of resources. This was accomplished by means of two mechanisms: by excluding their vocational centres from the restrictions concerning the maximum number of the sub-offices and the thematic areas of training and by securing exclusive sources of funding through the LAEK Fund. According to the initial predictions (1996), LAEK could provide up to 6% of its revenues for funding to the vocational centres of the social partners. Two years later this proportion rose up to 15%, and by means of the National Collective Labour Agreement in 2004-2005, it rose to 20%. With regard to these resources, 45% was granted to GSEE and the rest 55% to the employers’ organizations (GSEE et.al. 2006: 26). With that money the social partners representative organizations managed to finance not only training actions but mainly the extension of their network, and sometimes their very function. It is not a coincidence that the unions that were deeply involved in the vocational training policy were the major social partners; GSEE (workers) and GSEVEE. These two confederations established and ran two of the biggest vocational centres in the country both in terms of financing and capacity. On the contrary, SEB facing no financial
problems since its members were well-off came up with the establishment of a singular “private university” (the ALBA school), which engaged in training the managerial personnel destined to work in the businesses of its members.

The above mentioned reasons, in combination with the individual features of the social partners per se, offer an adequate explanation with regard to their consistent attitude in favour of certification. It is worth pointing out that their public field of action and the exclusive funding they ensured prevented them from adopting ambivalent practices of financing. In any case, the vocational centres established by the social partners were the first ones to comply with the certification and the evaluation criteria, and for the most part their infrastructure was larger than the one required; the working conditions were better in comparison to the ones in the private vocational centres and they were in favour of stricter rules.

To sum up, in the case of the vocational training we can dedect a patern common to other Greek sectoral policies. The inflow of European funds created a political economy around these funds which involves state agents, politicians in the local and in the national level, social partners, private firms, a number of actors and interest groups. The problem is that the aim of this political economy is the maximizing the political or economic rent-seeking of the actors involved unfortunately at the expense of the effectiveness of the policy itself. Or to be better putted, this political economy highlights a different kind of effectiveness: it’s capability to ensure the political tolerance of wider societal groups in a policy which by first sight seems inefficient. To be specific the initial real aim of that policy by the beginning was to safeguard this tolerance; that is its latent rationality. In that sense, we have a case of a ritual compliance (Bardier 2001) to the European “form” in order to promote an internal political agenda.
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