

Board of the Centre

83rd Session, October 2020

CC 83/2

FOR DISCUSSION AND GUIDANCE

SECOND ITEM ON THE AGENDA

Post - COVID 19: Future direction of the International Training Centre of the ILO

Introduction

1. The International Training Centre of the International Labour Organization (the "Centre") was established by the Governing Body of the ILO in 1964 with the objective of providing training activities at the service of economic and social development in accordance with, and through the promotion of international labour standards. The Centre is principally financed from contributions from the ILO's regular budget, the Government of Italy and from revenues earned by providing training and related services.
2. Over the past decade, the Centre has successfully strengthened its position as a globally competitive provider of IT supported training and learning services, particularly now on those related to the Future of Work. The Centre operates in a complex and constantly evolving environment, having to adapt to new technological developments, challenges to multilateralism, climate change and competitive pressure from other learning service providers.
3. The COVID-19 crisis has exacerbated those pre-pandemic challenges, threatened the Centre's financial sustainability and triggered a need to further accelerate the pace of adaptation in response to the disruptions in the global market place for adult learning.
4. Since March 2020, the Centre has successfully shifted its focus from face-to-face training to distance learning activities. It concurrently increased the scope of its institutional capacity-development services to ILO constituents and other ILO partners, to support their move into the digital learning and collaboration space¹. As a direct result of these measures, the Centre not only retained but *expanded* its participant base, thus demonstrating the high demand for its online training and services which are emerging increasingly as a crucial comparative advantage for the future.
5. The number of participants in distance learning programs in 2020 to date is 36,738. This compares to total participants in the Centre's programs the biennium of 2018-19 of 48,759; 25,364 of whom participated in distance learning. So far in 2020 distance learning has contributed US\$5.4 million in revenue, with a more favourable cost to income ratio than for face to face training.

¹ For more information refer to Board document CC 83/1 Add.2: "The evolution of the service portfolio of the Centre".

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6. In addition to these measures, the Centre has also expanded its engagement with external partners with a view to utilize the currently available campus facilities, including residential accommodation and training rooms, contributing to its revenue base.
 7. In light of the fundamental changes in the external environment of the Centre as a result of the COVID-19 crisis, and the changed needs and expectations of ILO constituents, the Centre has embarked on a review of its operational model in order to harness new opportunities available to it and to ensure its long term financial sustainability as a global center of excellence for capacity development. This document (A) analyzes the changes to the external environment of the Centre, (B) summarizes how the sustainability strategy of the Centre has evolved in response, (C) summarizes the financial history of the Centre, (D) outlines its current financial situation and (E) considers how best to align the Centre's operational model to the new reality, along with the capacity development mandate provided by the ILO Centenary Declaration and the 2019 ILO capacity development strategy, as well as to support innovation in the ILO.

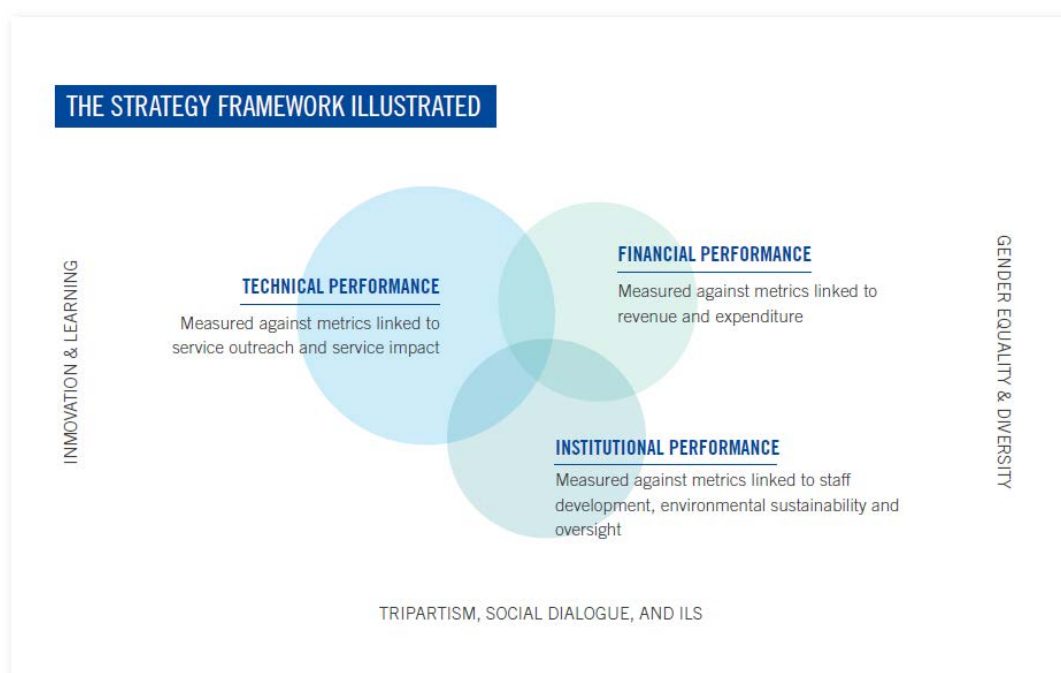
A. Changes to the Centre's external environment

8. The environment in which the Centre operates is undergoing fundamental change, driven by long-term trends and accelerated by the COVID-19 pandemic. The analysis of the social, technological, economic, environmental, practical and political dynamics shaping this environment show that:
 - *Social*: learners' buying decisions are influenced by ecological and health concerns. Younger adult learners are technology-inclined, want to access learning services 24/7, and co-create their own learning experience;
 - *Technological*: advances in digital technology open new opportunities for learning service providers to upscale outreach, to bring learning services to participants rather than participants to the learning services, and to bring down unit costs;
 - *Economic*: the medium-term impact of the global recession in 2020 may negatively affect public financing envelopes;
 - *Environmental*: climate change considerations affect global travel and increasing operating costs of campus facilities;
 - *Practical*: it is unclear if and when international travel will resume to pre-pandemic levels, and to what extent participants will be prepared to, or see the value in, travel for training purposes when alternative learning models become increasingly available; and
 - *Political*: the tensions confronting multilateralism could impact globalized learning service providers.
9. The analysis of the *opportunities* opening up as a result of these changes in the environment reveals that exponential growth in knowledge and rapid technological change potentially increases the demand for the adult learning services offered by the Centre on the promotion of decent work and social justice, and on human-focused approaches to facilitate future of work transitions. The *risks* associated with the shifts in the environment are that restrictions on travel and cross-border movement make it potentially more difficult for the Centre to 'bring the world together on one campus'. In addition, the economic recession will likely negatively affect staff development budgets and spending decisions of ILO constituents and other partners of the Centre for years to come. The resulting financial pressure could be compounded by the risk of cuts in government budgets, potentially undermining the financial equilibrium of the Centre. The global health risks and efforts to combat climate change could also lead individual learners and institutional clients to prefer online training and virtual collaboration methods as an alternative to the more traditional face-to-face approach.

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10. Among the Centre's strengths is that it can rely heavily on the global recognition of the ILO brand. Moreover, the Centre is acknowledged as a learning innovation leader, commands fast growing in-house capabilities in digital learning and collaboration and has highly qualified staff to deliver its training activities. On the other hand, the Centre's operations have traditionally been focused on face-to-face training which is costly, low volume and more resource-intensive, and its high campus and staff-related fixed costs compare unfavorably with competitors around the globe.

B. The evolution of the Centre's sustainability strategy

11. The Centre's vision is to be a global leader for the sustainable provision of capacity building and development for ILO tripartite constituents, with the aim of advancing social justice and the Decent Work Agenda. Its main role is to provide ILO constituents with specialized training on all aspects of the Decent Work Agenda.² To remain sustainable, the Centre seeks dynamic balance between a number of non-financial and financial objectives grouped around three pillars or performance dimensions, namely a technical, a financial and an institutional dimension. The three dimensions of sustainable organizational performance are "interdependent and mutually reinforcing". While the technical pillar is central, as it relates to the Centre's mandate, any weaknesses in any one of the pillars could affect the performance of the others and thereby undermine the Centre's overall sustainability.



Source: ITCILO 2018-19 Implementation report, p.12

12. The Centre's sustainability strategy has provided it with firm guidance during the COVID 19 pandemic, enabling management to continue its focus on achieving key outcome indicators while at the same time, quickly adjusting operations as events unfolded. The high relevance of the Centre for ILO constituents has been reconfirmed by the numbers of participants from the tripartite constituency which have *grown* notwithstanding the

² Strategic Plan of the ITCILO for 2018-21, Board document CC 80/2/1, p.11.

crisis.³ The Centre has greatly and quickly expanded its range of non-training institutional capacity development services, fully aligned with the 2019 ILO capacity development strategy.⁴ The Centre's service portfolio has also successfully evolved from mainly face-to-face training to a more diversified mix with additional focus on online learning and complemented with non-training services for institutional development.

- 13.** In 2020, the Centre adapted its service portfolio in line with the adoption of the ILO Centenary Declaration that stresses capacity development support for ILO constituents to facilitate future of work transitions using human-centered approaches.⁵ The Centre has sought to respond to this mandate by focusing its own services towards aspects of the future of work referenced as thematic priorities in the ILO's 2020-21 Programme and Budget. The Centre also acted on the call for partnership in developing innovative approaches and assisted in building a knowledge and innovation hub comprised of units across the ILO and overseen by a cross-office knowledge and innovation committee. The increased focus on future of work transitions and learning and innovation has resulted in the development of new training products and non-training advisory services linked to future of work transitions, new investments in learning innovation, digital learning and digital collaboration including IT infrastructure.⁶ These investment decisions have broadened the strategic space for the alignment of the operational model of the Centre.

C. Financial history

- 14.** To ensure the Centre is able to fully respond to future demands and opportunities, and be recognized as a global center of excellence for capacity development, the sustainability of its financial arrangements is essential.
- 15.** At its creation in 1964 the Centre was intended to be funded from voluntary contributions and income generated from its own training activities, with no expected contribution from the ILO budget. By 1969, the voluntary contributions from member States had decreased and the situation worsened over the years, frequently requiring the Centre to look for other sources of income.
- 16.** In 1980, the ILO Governing Body considered a comprehensive report on the Centre, including an analysis of its possible closure. The Governing Body supported the continuation of the Centre's operation and authorized the Director-General of the ILO to provide an amount of up to US\$4.5 million to pay its outstanding liabilities. However the Centre continued to suffer from serious cash-flow problems and its budget was in deficit for several years. Efforts to reduce fixed costs resulted in abolishing 73 posts between 1979 and 1990.
- 17.** In November 1990, following extensive consultations, the Centre's Board adopted the Development Plan 1991-1995 that set out a reform of the Centre involving, most importantly, technical integration with the ILO. The ILO Governing Body authorized the write off of the US\$1.5 million that had been advanced to the Centre in 1979 and the Italian Government agreed to increase its annual contribution by 13 per cent. As of 1991, the budget of the Centre was balanced again.

³ Board document CC 83/1 Add.2, p.11.

⁴ For more information on the institutional capacity development strategy of the ILO refer to GB.335/INS/9.

⁵ GB 328/PFA/1, GB 335/PFA/1 and the ILC Centenary Declaration.

⁶ "We provide digital learning solutions: the new e-campus and our advisory services for institutional intermediaries", ITCILO information brochure in English, French and Spanish.

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18. In 2008 as a result of the impact of the global economic and financial crises the Centre found itself again in financial difficulties. In 2009, the deficit was absorbed by reserves and additional funding received from the ILO.
 19. In November 2009, to address a projected 2010 budgetary deficit of 1.3 million euro, the ILO increased its contribution to the Centre by US\$500,000 for the 2010-2011 biennium. In each biennium since the ILO has increased its use and cooperation with the Centre, with an increasing number and variety of activities for the regular program of work and donor funded projects. This is reflected in an increase in revenue from ILO activities from 5 million euro in 2008-09 to 18.4 million Euro in 2018-19, in addition to its regular contribution of US\$4.125 million per annum. Over the same period strong support has continued to be received from the Government of Italy with its annual contribution of 7.85 million Euro, together with contributions from the City of Turin towards the maintenance of the campus. In addition, the Government of Italy provides annual contributions for earmarked activity which in 2020 amounted to 1.6 million euro. Other partners have also contributed funding on a periodic basis.
 20. The Centre has regularly achieved budgetary surpluses in the past years, which have been reinvested into its work by agreement of the Board. This use of budgetary surpluses can be a good practice of reinvestment, however in some years budgetary revenues generated were not supported by cash income in the period. This impacted the real level of surpluses available for re-investment and therefore the funding for general operations in following periods.

D. Current financial situation

21. The activities of the Centre have been severely impacted by the COVID-19 pandemic. On-campus training of constituents ceased in March, with no certainty as to when it will be able to resume or at what level. This has significantly and adversely affected the financial situation of the Centre since revenues from paid training services constitute 65 per cent of its budgeted annual income, and fixed costs have remained largely the same.
22. The Centre has already taken effective action and implemented cost saving measures, of approximately US\$1.5 million, in its operations by reducing discretionary expenditures where possible e.g. on non-filling of vacancies, maintenance, travel, and consultants, and by renegotiating existing contracts to minimize future commitments. Many of these measures are however not sustainable in the long term without significant change to the Centre's operating model. In addition, as face to face training was not able to be delivered, US\$6 million of variable costs directly linked to budgeted training revenue were not incurred.
23. As referred to above, the Centre has also significantly and successfully extended its footprint of distance learning products and increased revenues from other sources, however total revenues for 2020 are estimated to be approximately US\$6 million less than forecasted.
24. The Centre now faces serious challenges both to immediate issues of liquidity, and longer-term financial sustainability. With a view to mitigating the former, the ILO made available funding in the form of advanced cash payments of US\$3 million to the Centre for services provided in the course of the year. ILO requests for services amounts to US\$6.2 million as of May 2020.

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25. Earlier estimates were that the Centre faced a deficit for 2020 of between US\$4 million and US\$7 million. However due to the implementation of the cost saving and service delivery measures and the very high demand for its online training services, it is now considered possible to achieve near to a balanced reduced budget by year end. The situation for future years however remains most uncertain.

E. Responding to the new reality

26. While future developments are uncertain, it is highly improbable that the training and economic environment will return to those of pre-pandemic conditions in the foreseeable future. Yet there is enormous potential for the Centre to not only maintain but expand and enhance its services. To realize that potential, the Centre must act decisively to become a resilient, adaptable and sustainable institution, and to prosper in the coming years as a global center of excellence for capacity development.
27. There is a spectrum of operational models which could be considered to ensure the sustainable and enhanced future of the Centre. At one end of this spectrum would be an operational model largely based on the status quo. At the other end, is a radically different approach based on a globally decentralized operational model. The Board is asked to give guidance on where along this spectrum options could be developed for its further consideration. Examples of points along that spectrum are outlined in the three scenarios below. These scenarios are not proposals, but serve to inform the discussion about the right future pathway of the Centre. With guidance from the Board detailed proposals will be developed for its further consideration. In the development of future proposals, full consideration will be given to the longstanding and valued relationship with the Government of Italy and the close association with the City of Turin and consultations will be carried out with them. The implementation of any resulting change will be conducted with full regard to the impact on staff, and in consultation with their representatives, the Board and other stakeholders.

Scenario 1:

28. (a) Service delivery: The Centre would seek to build back its base of face-to-face trainees to around levels recorded in 2019, which would decrease the level of online training activities seen in 2020 due to staff and resources reverting to face-to-face training. The share of non-training capacity development activities in the service mix would be maintained at levels recorded in 2020. Prospects for further growth of the participant base would be limited due to the design capacity for face-to-face training and the lack of additional staff to run online training. Service quality would be assured at levels seen during the 2018-19 biennium.
- (b) Infrastructure: The Centre would retain the full Turin campus, including office space, training facilities, hotel services and IT infrastructure including its data centres.
- (c) Financial: Revenue would, as now, derive from training and other services and financial support, at least current levels, would continue to be required from the ILO, Italian Government and City of Turin, and would also be sought from other partners. Fixed costs associated with the retention of the full campus would continue to be incurred, implying the need for high levels on on-site participants, and savings on other expenditure would be required to ensure financial sustainability.
- (d) Staff: Any reductions in the staff envelope would be sought through natural attrition, retirements and agreed terminations, and the re-skilling of staff to better reflect the new composition of the service portfolio.
- (e) Environmental impact: The environmental footprint would remain largely unchanged.

Scenario 2:

29. (a) Service Delivery: The Centre would further grow the scope of its online learning activities and pursue a reduced level of face-to-face training activities. Face-to-face training activities on campus would focus on large-scale events like global academies where the Centre can leverage the convening power of the ILO, while smaller group-based face-to-face training activities could be moved to the field, possibly in partnership with other training institutions. The focus on online learning services would go hand in hand with further investments in the suite of non-training services. In this scenario, the potential of further growth in outreach for the Centre is high, due to the scalability of online learning services.
- (b) Infrastructure: This scenario would imply a reduced use of campus training and accommodation facilities and would necessitate some other form of arrangement for the management and use of excess facilities. IT infrastructure would also need to be reviewed to support changes in the service delivery model.
- (c) Financial: Revenue would derive from training and other services and financial support would continue to be required from the ILO, Italian Government and City of Turin, and would also be sought from other partners. The Centre would achieve some savings to its campus maintenance and running costs but may in turn have to procure off-site accommodation and training space when required. It would again take some time to rebuild the current earned revenue base but the Centre would nevertheless be in a position to more easily balance its budget as a result of the lower cost to income ratio of online learning and non-training advisory services. The scenario offers an increased scope to cut fixed costs as campus operations would be limited to offices, with reduced training and accommodation facility requirements.
- (d) Staffing: This scenario calls for the realignment of organizational functions, and shifting staff positions from internal services towards training. In addition, the Centre would need to invest in the re-skilling of staff to better reflect the new composition of the service portfolio. Any reductions in staff would be sought through natural attrition, retirements and agreed terminations.
- (e) Environmental: The environmental footprint of the Centre would be greatly reduced due to the reduced size and services of the campus and less travel by participants to Turin.

Scenario 3:

30. (a) Service delivery: The third scenario entails a shift away from being a primarily campus based training centre to becoming a learning and innovation hub, also opening the possibility for consideration of regional satellites. In this scenario, the Centre would leverage its reputation for excellence and strengthen its core competency in delivering both training and non-training advisory services on digital learning and collaboration solutions both online and in the field, and cease campus-based face-to-face training.
- (b) Infrastructure: This scenario would require only a much reduced presence in Turin, or at another location. Consideration could be given to the establishment of satellites in the other regions, either stand-alone or linked to an ILO office or in partnership with local training institutions. This would require the support of development partners in order to deliver field-based face-to-face training on a cost-sharing/revenue sharing basis. IT infrastructure would also need to be reviewed to support changes in the service delivery model. This scenario would also provide the potential to upscale service outreach.
- (c) Financial: Revenue would derive from training and other services and financial support would continue to be required from the ILO, host governments or partners, and would also be sought from other partners. This scenario offers a high scope to reduce fixed costs of operations, however depending on partnerships entered into, face-to-face training may need to be held in external facilities with consequential costs.

(d) Staff: This scenario would call for a significant reduction and re-profiling of staff resources. Various support services would no longer be required and re-skilling of staff would be needed in new learning technology to better reflect the shift in the service portfolio.

(e) Environmental: The environmental footprint would decrease significantly, as intercontinental travel would be largely replaced by regional travel and online learning services.

Next steps

- 31.** As referred to above, these scenarios do not constitute proposals but rather serve the purpose of informing a discussion about the future pathway of the Centre, and in the understanding that it will take into 2021 to fully develop proposals for final Board consideration. Board members are invited to provide guidance on where along the spectrum of operational models options should be further developed. Such options could be presented for decision to an extraordinary meeting of the Board to be convened in the first half of 2021. Following that, the Centre will move on to elaborate a detailed 2022-25 Strategic Plan and a 2022-23 Programme & Budget for final endorsement by the Board in October 2021. Throughout the drafting process, the management of the Centre will consult with the constituent groups, and seek inputs from ILO entities and staff representatives.

This document is submitted to the Board for discussion and guidance.

Turin, October 2020
