

# THE COST EFFECTIVENESS OF APPRENTICESHIP SCHEMES – MAKING THE BUSINESS CASE FOR APPRENTICESHIPS

---

**Final Conference**

Alexandra Costa Artur  
Keith Brumfitt

Brussels 15.03.2016

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Agenda for today**
- The project / context/ activities
- The different systems - definitions - contractual arrangements
- Cost effectiveness
- Governance and partnerships
  - Conclusions/ thoughts

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

## The project

- Identifying the current ‘state of play’ + reforms in 15 target countries
- Collection of examples of effective practice and policy ( case studies)

15 target countries – BG/CZ/EE/FI/FR/EL/HU/IE/IT/LV/PL/PT/SK/ES/UK

5 resource countries – DE/ AT/ DK/ NL/SW

3 target sectors – ICT/ Commerce/ Engineering

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Outputs**

- 1 questionnaire to BUSINESSEUROPE, CEEP, UEAPME members
- Sectorial questionnaires to CEEMET, EUROCOMMERCE, DIGITALEUROPE, ERT, EUproVET, EFVET members
- 15 national country reports
- 1 resource countries report
- 1 on line questionnaire
- Interviews —————> 10 case studies
- 5 cluster seminars + Final Conference
- Final Report + Recommendations

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Defining apprenticeship**
- European Commission's definition highlights (updated)
- - it is part of the **formal VET** system;
- -it involves a **dual learning principle**: combines or alternates company-based training (periods of practical experience at a workplace) with school-based education (periods of theoretical/practical education in a school or training centre);
- completing the apprenticeship leads to a **nationally recognised qualification**;
- there may be a **contractual relationship** or agreement between an **employer and apprentice**.

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- The functioning of an effective apprenticeship system depends on many elements:
- its place in the VET system;
- governance;
- contractual arrangements;
- cost-sharing;
- support structures;
- recruitment procedures;
- ownership of the system.

Important - right balance between these elements and respect the diversity of different countries' education and labour market situations.

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

## The different systems

- Last three years many of the 15 target countries have reformed their VET systems – to print more WBL arrangements/elements of the dual system
- *Different contexts and motivations*
- Political priority to youth unemployment/NEETs -occupational training and training to a specific job;
- as a way of achieve a recognised qualification;
- a way of organizing practical training part of a VET programme;
- a way of access to labour market;
- a way to match labour needs with skills
- a way to find the right skills

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- Each system can be considered in relation to whether apprenticeships:
  - are school based or not;
  - are a way to achieve a formal qualification
  - for young people or adults;
  - for those who are employed or unemployed.



# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Wide range of definitions/approaches**

- Apprenticeship integrated into school based initial VET – school driven ( 8 countries)
- Apprenticeship as a separate track – enterprise driven ( 2 countries)
- Mixed formula – both school and work based ( 5 countries)

Others programmes which support transition to the labour market (traineeship programmes) often developed to complement an initial VET programme or to provide additional help to those who are unemployed.

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Dual learning principle**
- Significant differences in the 15 target countries
  - time spent in the enterprises is insufficient to enable the companies to be the drivers of apprenticeships
  - 9 countries - **work based learning is less than 50%** - school based initial VET is the main model for apprenticeship
  - 6 countries - **work based learning is more than 50%** of the apprenticeship

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

## Contractual arrangements

<b>Apprentices as students</b>	<b>Apprentices as employees</b>	<b>Mixed arrangement</b>
Czech Republic Slovakia Hungary Latvia Portugal Spain Bulgaria	Estonia UK Ireland Finland France Italy	Greece Poland

### **Apprentices as students**

VET provider is the owner of the process;  
Placement approach rather than a learning time

### **Apprentices as employees:**

Employers are involved:

- in the recruitment decisions;
- in assessment and quality decisions
- in the time spent in company, the organisation of training
- In apprentices productivity

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Apprentices' compensation**

These range from a compensation established by:

- collective agreement/ national minimum wage
- case by case basis - (school based system )
  
- Sector organisation
- National/regional/ local level
- Could be linked to productivity

These situations are not comparable and this precludes a systematic analysis.

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Resource countries**
- Apprentices have a contract with the enterprises
- More than 50% of time spent in company
- Compensation is defined

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **SME's**
- Resource countries + well established apprenticeship system countries - SME's are more involved in receiving apprentices than the large companies. SMEs need skilled people.
- Countries more school based - large companies are in better position. SME's face more challenges. Matching applicants is critical.
- Support systems – intermediary bodies – key success element
- Case study

*How the apprenticeship programme is organised is particularly important to a medium sized company and the practicalities have to be carefully managed e.g. everyone starts the programme at the same time as the company does not have the resources to manage apprentices operating at different levels and at different stages of their programme.*

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

**Apprentices provide enterprises with opportunities to make a positive return on their investment:**

- a cost effective way to recruit talent
- distinguish one business from another
- help to build company loyalty
- improve the skills of existing staff
- when recruitment is difficult, a 'cheap' way to recruit
- overcome the mismatch between business needs and training provided by institutions

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

## • Costs and benefits

Typical costs can include	The benefits can be
<ul style="list-style-type: none"><li>• wages/salaries</li><li>• social security costs associated with apprentices;</li><li>• the salaries of tutors and other staff who support apprentices;</li><li>• the costs of correcting mistakes made by apprentices;</li><li>• the cost of trainers, training materials, equipment for apprentices, clothing in some situations, and travel expenses;</li><li>• the cost of any external training;</li><li>• assessment or examination costs;</li><li>• the cost of quality assuring the work of apprentices;</li><li>• recruitment and selection costs.</li></ul>	<ul style="list-style-type: none"><li>• increased company loyalty;</li><li>• improved brand image and reputation;</li><li>• the earnings which result from the work of the apprentice;</li><li>• reduced recruitment costs when apprentices are retained in the business;</li><li>• improvements in the diversity of the company's staff – and for those whose target market is young people, a greater awareness of the needs of their customers;</li><li>• a cheap way to recruit talented individuals;</li><li>• an opportunity to distinguish the company from its competitors;</li><li>• reductions in staff turnover (and associated costs) because of better retention;</li><li>• an opportunity to save money on the usual company induction scheme;</li><li>• potential grants and subsidies from the state;</li><li>• opportunities to improve the reflective skills of all staff who become involved in supporting or training apprentices.</li></ul>



# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Resource countries' experiences**

Sharing costs and improving productivity:

- Germany and Austria – in-company training paid by companies
- Switzerland – the state covers off-the-job education
- Denmark – mainly state funded. All employers contribute to a central fund
- Netherlands – companies receive a subsidy for each apprentice

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- Costs and benefits vary
- occupation
- size of the business/enterprise
- the economic sector

In general short term cost and long-term benefits if the apprentice stays with the enterprise. Benefits depend on the level of the state's support, but in well-functioning systems companies recover their costs by the end of the apprenticeship period.

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **What does the research say**

Only Germany and Switzerland have studies on the costs and benefits of apprenticeships from the perspective of companies.

## But

- apprenticeships offer a relatively effective means of meeting the skills needs of employers. This is typically more cost-effective than recruiting skilled workers from the external labour market;
- apprenticeships produce a pool of skilled people from which promotion into more senior roles can be made;
- labour turnover rates are often reduced as a result of providing apprenticeship training as apprentices who train with a company are more likely to be retained;
- apprenticeships allow for company values and ethos to be instilled in workers. Employers consider this to be particularly important when apprentices stay with the company after training.

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- Why are some companies reluctant?

- **poaching of trained apprentices**
- **inconsistent and/or unstable regulations**
- **companies are asked to develop apprenticeships as part of a government social policy**
- **unstable business environment**
- **low appreciation of VET has an impact on the quality of applicants**

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **IT sector – cost effectiveness**
- Staff shortages
- Mismatch between company needs and traditional training
- Recruiting to new occupational areas

Greater control over content; apprentices start from a high level; on-line learning reduces costs.

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Engineering sector – cost effectiveness**
- Traditional approach to recruitment
- Cost of capital has made traditional courses out of touch with current needs of industry
- New way to recruit staff with the required skills (staff shortages)

Apprenticeships are expensive but they help to meet the skills needed by industry

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Commercial sector – cost effectiveness**
- The rate of change in the sector needs to be managed – new occupations and processes
- The competences required by the sector are well established and agreed
- The development of soft skills and the need to learn to multi-task
- The need to be up-to-date and respond to customers' requirements.

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Governance, partnerships and social dialogue**

- The role of the state is important in all countries

For those countries beginning to develop an apprenticeship system there is a need for a governance framework alongside clear mechanisms for engaging employers in the design of apprenticeship schemes.

- Resource countries

- The structures are more institutionalised and employers are part of the system on national, state and regional



# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Different degree of social partners involvement**

10 of the target countries

- Governance level – institutional/ consultative role
- Operational level - autonomy of VET providers

5 of the target countries - a leading or strong role for social partners both at Governance and operational level. A developmental role.

- The effectiveness of a sector approach - better way to meet the skills needs of employers;
- The emergence and growth of intermediate structures - facilitate cooperation, help to establish a clear division of responsibilities and make the governance of the VET/apprenticeship system more transparent.

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- A strong level of consensus about the training system (and the tradition of self - regulation by the sector, the social partners, the employers) creates a safe environment for companies.

*About the lack of skilled workers in **Denmark**, the Confederation of Danish Industry launched a two-year project 'Operation Apprenticeship' to encourage companies to secure sufficient skilled labour through the creation of additional apprenticeships and advice on how to recruit apprentices.*

- *The first step involves the collection of data and information on the need for skilled labour and apprentices.*
- *second step - forecasting the supply and demand for skilled labour in 2025*
- *third step is to draw up a strategic plan with actions and an agenda to improve the situation.*

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **ADECAT - Catalonia**
- *The sector association uses a dual track system to support companies in recruiting and developing staff with the required technical skills.*
- *The students complete theoretical training in schools and practical training in a company affiliated to the ADECAT.*
- *gratifying as the Association works with small, traditional companies with employees whose average age is high. The arrival of apprentices also encourages existing staff to return to training.*

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

**- School based**

**- Work based learning is less than 50% of the apprenticeship**

**- Training contract**

**- Compensation is low or non-existent (case by case)**

**-Consultative role of social partners**

**- Work based track**

**Work based learning is more than 50% of the apprenticeship**

**- Employment contract**

**Compensation connected either to national minimum wage/or collective agreements**

**- Leading/stronger role of social partners**

**Czech Republic**

**Slovakia**

**Hungary**

**Greece**

**Latvia**

**Poland**

**Portugal**

**Spain**

**Bulgaria**

**UK**

**Ireland**



**Finland**

**France**

**Italy**

**Estonia**

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- **Some thoughts**
- skills needed ( by 2025) 11 countries – high skills levels
- 2 countries – medium skills
- 2 countries – low skills
-  Higher skills / Higher apprenticeship
- For apprenticeships to compete with higher education they need to be offered at a higher level and they need to lead to a qualification which is as well regarded as the outcomes from higher education. There is a need to develop higher level apprenticeship routes closely aligned with labour market needs.  Attractiveness

# The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

- A legal framework is a pre-condition - stakeholders, particularly enterprises, need clear rules to improve trust at both the governance and operational level.
- The social partners play an important role in improving apprenticeship systems, in particular where they are deeply involved in their delivery.