

# Apprenticeship Cost-Benefit Analysis

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## Overview and introduction to the context

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- Staff development in the ÖBB Group
- Responsible for the training of some 2000 trainees and 22 different vocations
- Member of the Federal Advisory Board on Apprenticeship (as the leading social advisory committee, established within the Austrian Federal Chamber of Commerce, the Advisory Board is responsible for the delivery of specialist opinion that is required as a legal basis for the enactment or amendment of regulations created for vocational training)
- Management of the ÖBB private vocational school with public status
- Governing Body of the "General Private Training Foundation" whose purpose is the education of disadvantaged youth (inclusive, refugees ...)

## Status

When a business trains skilled personnel, then it is economically rational if the yields from training are at least equal to the training costs!

For many companies, therefore, economically rational behaviour in training increasingly means that they only participate in the training of skilled personnel if, to a reasonable degree, the sum of the training cost is retained.

In Austria we try to keep this reasonable degree in overall balance by various public subsidies for apprentices.

For example:

- Basic subsidy (refund of part of the apprentice allowance)
- Quality improvement (new apprenticeships, further education for trainees and trainers, training associations, apprenticeship examination honours and excellence awards ...)

## Future considerations

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The advantages of dual vocational education must be demonstrated and proven both in educational and socioeconomic terms.

Economic comparison studies, which have examined the relationship between education and the innovation and competitiveness of enterprises and economies, have come to the unanimous conclusion that countries with a dual system of vocational training and education, which is tied into or built on this, have a competitive advantage in international comparison. The key word is "skills shortage".

There are numerous reasons both to maintain the tradition of training and simultaneously improve it.

These include

- A relatively low level of youth unemployment because the training market is coupled to the labour market
- The positive impact on the social integration of young people into society

## Costs - Introduction (1)

Several studies have been published on the Internet on assessing the costs generated by the dual system of vocational education. In many comparative studies, the cost analysis for the dual vocational training system almost always shows up unfavourably compared to other education systems for vocational training.

What is the reason for this?

Usually in these cost analyses, only the direct costs have been considered. Little regard is given to the indirect savings that result from the many benefits to the company and the state including; social harmony, increased self-esteem of young people, the purchasing power of young people, the competitiveness of the business from well-trained skilled personnel and the elimination of social benefits from unemployment.

Companies that train their workers themselves will continue to have a competitive advantage over companies that try to recruit their skilled staff from the free labour market.

## Cost - Introduction (2)

Only those organisations that run their own training can also influence the quality of the training.

If they do not do this they must take what they get or is offered to them.

(For example: in the development of new apprenticeships that are urgently needed in business)

In addition to the specific expertise that can be tailored to the needs of the company, a bond and identification with the company develops in the course of a training period that is often priceless.

Despite the critical importance that is attributed to the economic calculation for training behaviour, in practice few companies make an explicit cost-benefit analysis of their vocational training.

The term *perceived costs* is much more appropriate to the widespread practices of weighing the costs and benefits of training against each other. This implicit weighing up of the viability of training often leads to an over estimation of the training costs and an underestimation of the returns from training.

## What are the costs based on?

- Personnel costs of trainees  
of which: training allowances/apprentice subsidies
- Statutory social benefits
- Standard rate or voluntary social benefits
- Personnel costs of trainers
- Plant and equipment costs
- Machinery and labs for training that meet statutory job descriptions
- Teaching and learning materials and media, fees to relevant bodies, specialist and protective clothing, external training, training management

(For example: Individual costs? For a technical apprenticeship covering a training period of 3.5 years, this will be around € 90,000 -  $\frac{2}{3}$  apprentice subsidy,  $\frac{1}{3}$  training costs

The total cost for training for commercial vocations are much less)

## Benefits (1)

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The benefits of dual training in a company lies in part in the high quality of education acquired, which the trainees gain by the end of their training through their vocational ability. (In my opinion) This full level of vocational ability can only be achieved in a dual system of vocational training.

This is reflected in the work experience and the development of vocational skills.

Through the transfer of trainees to full employment, a benefit accrues to a company that is also highly esteemed by experts.

According to the classical theory of human capital an additional, operational benefit arises through the transfer of a company trained apprentice, who has skills that are highly specific to the operations.



## Other benefits for the company

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- **Elimination of recruitment costs:** These are eliminated with the transfer of trainees into full employment, as advertising costs and interviews can be dispensed with.
- **Familiarisation periods:** These occur when external skilled recruits need to go through a learning curve for specific operational tasks. For company trainees familiarisation is eliminated, as with planned transfer learning for the future place of work is frequently incorporated into training.
- **Staff turnover and absenteeism:** The risk of hiring the wrong person with external skilled personnel is substantially reduced by the transfer of company trainees.
- **Downtime costs through skill shortages:** With relatively low training levels, a structural shortage of skilled workers can occur. This can only be compensated for by overtime of the existing skilled workers. In the worst case scenario, this also leads to the restriction on acceptance of orders.

## Additional benefits

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In addition to vocational skills young people develop a professional and corporate identity.

This very commonly shows itself in a high commitment to the company and the development of a work ethic, in terms of intrinsic motivation and professional and business ethics.

Companies that continue to place emphasis on the education of their young professionals in the future will realise the advantages and benefits of dual vocational training; perhaps not in strict economic terms over the short term, but certainly over the long-term and on a sustainable basis.

## Contact

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