

# THE COST EFFECTIVENESS OF APPRENTICESHIP SCHEMES

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**Joint Conference of the European social partners**

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# The cost effectiveness of apprenticeship schemes

## The project

- Identifying the current 'state of play' and reforms in 15 target countries
- Collecting examples of effective practice and policy (case studies)
- the target countries – BG/CZ/EE/FI/FR/EL/HU/IE/IT/LV/PL/PT/SK/ES/UK
- five resource countries – DE/AT/DK/NL/SW
- three target sectors – ICT/Commerce/Engineering

# The cost effectiveness of apprenticeship schemes

## Outputs

- A questionnaire to BUSINESSEUROPE, CEEP, UEAPME members
- Sectoral questionnaires to CEEMET, EUROCOMMERCE, DIGITALEUROPE, ERT, EUproVET, EFVET members
- 15 national country reports
- One report on the resource countries
- One on line questionnaire
- Interviews with businesses – leading to ten case studies
- Five cluster seminars and a final conference
- Final report – key messages - recommendations

# The cost effectiveness of apprenticeship schemes

## Defining apprenticeship ( European Commission)

- 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

**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.

It is important to establish the right balance between these elements which respect the diversity of different countries' education and labour market situations.

# The cost effectiveness of apprenticeship schemes

## The different systems

In the last three years many of the 15 target countries have reformed their VET systems and included more work based learning and arrangements/elements from the dual system

### *Different contexts and motivation for reform*

- political priority to respond to youth unemployment/NEETs – ensuring occupational training is for a specific job;
- a way to achieve a recognised qualification;
- a way to organise practical training as part of a VET programme;
- a way for learners to access the labour market;
- a way to match employers' needs with the skills of VET learners.

# The cost effectiveness of apprenticeship schemes

## There is a range of approaches to apprenticeships

Apprenticeships are integrated into school based initial VET:

- they are led by the school system in eight countries;
- they operate as a separate track and led by enterprises in two countries;
- there is a mixed arrangement with both school and work based programmes in five countries.

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

# The cost effectiveness of apprenticeship schemes

## The Dual learning principle

There are significant differences in the 15 target countries:

- the time spent in the enterprises is insufficient to enable companies to steer the apprenticeship;
- in nine countries - **work based learning is less than 50%** - school based initial VET is the main model for apprenticeship;
- in six countries - **work based learning is more than 50%** of the apprenticeship.

# The cost effectiveness of apprenticeship schemes

## 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

# The cost effectiveness of apprenticeship schemes

## **When apprentices are students:**

- the VET provider is the owner of the process;
- a placement approach is used.

## **When apprentices are employees, employers are involved:**

- in recruitment decisions;
- in assessment and quality decisions;
- in deciding how the time is used in the company and how training is organised;
- in developing and monitoring apprentices' productivity.

# The cost effectiveness of apprenticeship schemes

## 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

## In the Resource countries

- Apprentices have a contract with the enterprises
- More than 50% of an apprentice's time is in the company
- Compensation/wages/salary is defined

# The cost effectiveness of apprenticeship schemes

## Small and medium sized enterprises

- In the resource countries, and where there is a well established apprenticeship system, SMEs are more involved in receiving apprentices than the large companies. SMEs need skilled people.
- In countries with more school based systems the large companies are in better position. SMEs face more challenges. Matching applicants is critical.
- Support systems – intermediary bodies – key success element

# The cost effectiveness of apprenticeship schemes

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

They:

- are a cost effective way to recruit talent;
- distinguish one business from another;
- help to build company loyalty;
- improve the skills of existing staff
- overcome the mismatch between business needs and training provided by institutions

## Typical costs can include

- wages/salaries;
- social security costs associated with apprentices;
- the salaries of tutors and other staff who support apprentices;
- the costs of correcting mistakes made by apprentices;
- the cost of trainers, training materials, equipment for apprentices, clothing in some situations, and travel expenses;
- the cost of any external training;
- assessment or examination costs;
- the cost of assuring the quality of work by apprentices;
- recruitment and selection costs.

## The benefits can be

- increased enterprise loyalty;
- improved brand image and reputation;
- the earnings which result from the work of the apprentice;
- reduced recruitment costs when apprentices are retained in the business;
- improvements in the diversity of the enterprise's staff – and for those whose target market is young people, a greater awareness of the needs of their customers;
- a cheap way to recruit talented individuals and to pick up the best in times of demographic change;
- an opportunity to distinguish the enterprise from its competitors;
- reductions in staff turnover (and associated costs) because of better retention;
- an opportunity to save money on the usual enterprise induction scheme;
- potential grants and subsidies from the state;
- opportunities to improve the reflective skills of all staff who become involved in supporting or training apprentices.

# The cost effectiveness of apprenticeship schemes

## The resource countries' experiences of sharing the costs of apprenticeship schemes

- Germany and Austria – in-company training is paid by companies
- Switzerland – the state covers off-the-job education
- Denmark – all employers contribute to a central fund. They are reimbursed when an apprentice completes off-the-job training
- Netherlands – companies receive a subsidy for each apprentice

# The cost effectiveness of apprenticeship schemes

## The costs and benefits of training apprentices vary

- occupation
- size of the business/enterprise
- the economic sector

In general there are short term costs 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.

# What does the research say on the cost effectiveness of apprenticeship schemes

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

## Why are some companies reluctant to take apprentices?

- poaching of trained apprentices
- inconsistent and/or unstable rules
- social partners disagree about the relevance and benefits of apprenticeships
- 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 apprentices in the IT sector

- 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.

Cost effective **during** the training

# The cost effectiveness of apprentices in the engineering sector

- 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

Cost effective **after** the training ( 3 years)

# The cost effectiveness of apprentices in the commercial sector

- 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.

Cost effective **during** the training

# The cost effectiveness of apprenticeship schemes

- **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

## The involvement of social partners

In ten of the target countries:

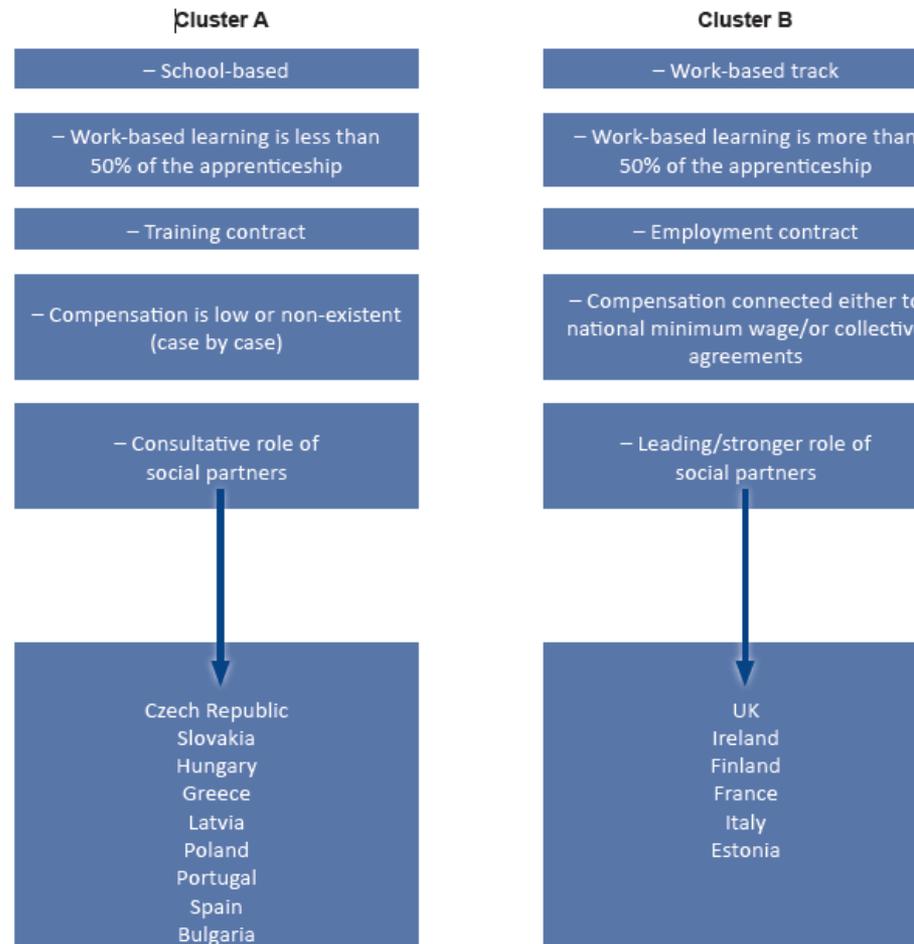
- Governance level – institutional/consultative role
- Operational level - autonomy of VET providers

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

- 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

## Concluding summary of the systems



# The cost effectiveness of apprenticeship schemes

- **Making apprenticeship schemes work**
- 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.