

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

Alexandra Costa Artur

Cândida Soares

Bratislava 26.02.2015

IMANOVATION



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

Objectives:

- Support national employers in Slovakia, Czech Republic and Estonia to make concrete improvements inspired in the resource countries – DE,AT, DK,SW,NL
- Challengers about cost-effectiveness for employers
- Engage discussions with key stakeholders in each country;
- Potential further actions

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

Main points for today:

Slovakia/ Czech Republic/ Estonia

- National Reports
 - Context – Reforms – Role of Social Partners
 - About cost effectiveness
 - Food for thought

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

National Reports

- Identifying the current ‘state of play’ in apprenticeship system in each country and the **reforms**;
- Collection of examples of effective practice and policy;
- a cost benefit analysis for occupations in the three sectors (ICT, commerce and engineering);
- Questionnaires
- interviews with relevant stakeholders;
- producing the report which includes ways to improve the existing systems based on the cost effectiveness analysis.

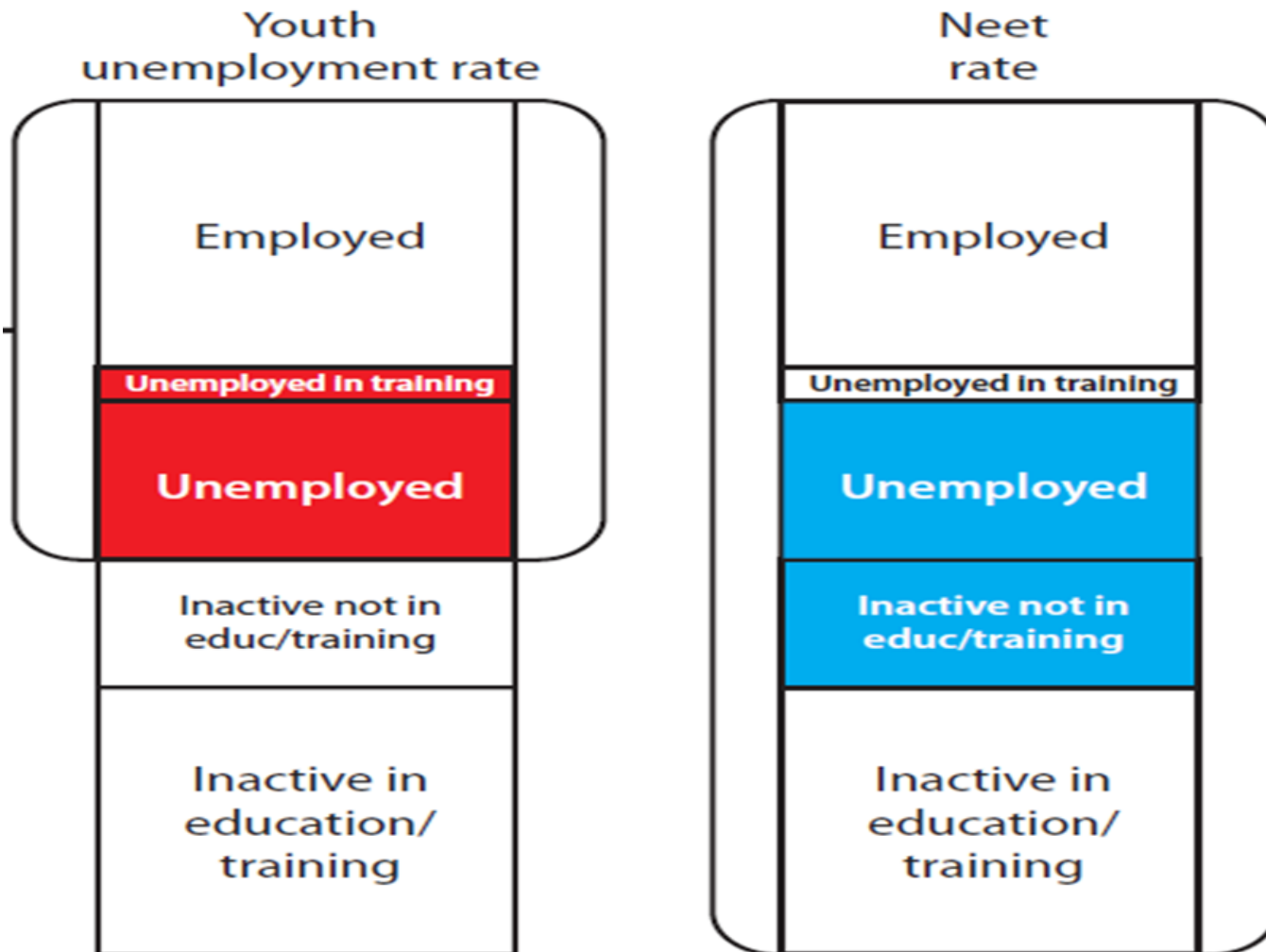
The cost effectiveness of apprenticeship schemes – making the business case for apprenticeships

2012	Slovakia	Czech Republic	Estonia	EU
Youth unemployment rate,	34,0%	19,0%	20,9%	23,1%
NEET Rate	13,2%	8,9%	12,5%	13,2%
Youth employment rate	20,1%	25,2%	32,3%	32,8%
Drop out rate	5,3%	4,9%	17,9% (2011)	13,5%

Source: EUROSTAT Database/ LFS and Refernet

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

Source: NEETs Eurofound



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

				JOB OPPORTUNITIES		
		by Sectors	by Occupation	by Education Level		
Slovakia	- Some expansion in the business and other services, and the distribution and transport sectors		<ul style="list-style-type: none"> - An expansion of demand for technicians and associate professionals, professionals and managers - Service and sales workers 	- An increase in the number of employed people with high level of education and a decrease in the employment of people with medium or low levels of education		
Czech Republic			<ul style="list-style-type: none"> - An expansion of demand for technicians and associate professionals, professionals and managers 			
Estonia			<ul style="list-style-type: none"> - An expansion of demand for technicians and associate professionals, professionals and managers - Clerical and support workers, plant and machine operators 	- Is expected an increase in the number of people employed with low level of education and a small decrease in the number of people employed with medium level of education		

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

Common points VET system– **Slovakia /Czech Republic / Estonia**

- VET systems very developed on the base of **school based learning**:
- VET is mainly provided at the upper secondary and tertiary levels
- Learners can start from the age of 15 or later.
- **Decline of interest** in initial VET - Lack of attractiveness
- Enterprises weak involvement on training
- Apprenticeship...

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

- **Apprenticeship**

according with European Commission

“Those forms of Initial Vocational Education and Training (IVET) that **formally combine and alternate company based training** (periods of practical work experience at a workplace) with **school based education** (periods of theoretical/practical education followed in a school or training centre), and whose successful completion leads to **nationally recognised** initial VET certification degrees”.

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

- The term ‘apprenticeship’ is used to describe different schemes at the national level. Substantial differences in the use of vocational programmes combining school and work based learning
- **Slovakia** – no apprenticeship
- **Czech Republic** – no apprenticeship. Some wbl integrated in school based programmes
- **Estonia** - work based for everybody

—————→ Increasing the work based learning in real context of enterprises.

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

• SECTORS +

Slovakia	Czech Republic	Estonia
<p>Metallurgy, machinery, wood processing, automotive and chemical industry.</p>	<p>Trades/crafts, roof tiller, bricklayer, plumber, <u>gas-fitter</u>, cook, shop-assistant, glass-blowers, glass-cutters.</p> <p><i>Manufacturing and engineering - weak participation of SME</i></p>	<p>Services, retail, motor vehicles and forestry sectors</p>

REFORMS

Slovakia

New apprenticeship-type scheme to be introduced in 2015 “transformation of secondary VET”:

- an increase in the amount of practical training (60% of the programme);
- the provision of practical training in enterprises and the provision of theoretical education in VET schools;
- apprenticeship contracts between enterprises and individual trainees (students of VET schools);
- institutional contracts between enterprises and schools on the provision of VET (practical training and theoretical education).

Czech Republic

POSPOLU Project

The purposes of the initial VET reform are to change the objectives and content of education

improving cooperation between schools and enterprises and increase practical training.

- Create contractual relations between the learner, school and company.
- Develop transversal skills (key competences) and prepare students for practical life by better meeting the needs of the labour market.
- Introduction of the principles of the European Credit System for Vocational Education (ECVET) - Learning Outcomes approach

Estonia

Extensive set of measures to raise awareness of work-based learning, provide training and information for enterprises/supervisors and **encourage cooperation between VET institutions and enterprises.** 2013 VET Institutions Act introduced a new unit for counting the student’s workload (including wbl) – the Estonian VET Credit Point
All VET school curricula must be renewed by 1 September 2017.

In Estonia VET students can acquire full or partial VET qualifications, which are recognized on the labour market. Competence-based occupational qualification standards describe the competence profiles for these full and partial qualifications for each occupation.

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

• ROLE OF SOCIAL PARTNERS

Slovakia	Czech Republic	Estonia
<p>More involvement of enterprises in the future dual system</p> <p>All representatives of employers will be involved in piloting the elements of the dual system.</p>	<p>Employers are strongly involved in the reform process and they have emphasized the importance of adapting the workplace training to meet their needs and respond to the earlier activities and results that have been achieved by the sector councils.</p>	<p>A wide range of partners will be involved in the reform of dual system: other Ministries, employers, their representative <u>organizations</u>, Professional Councils, VET providers.</p>

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

	Design	Training	Assessment
Role of Social Partners	Governance Operational	Governance Operational	Governance Operational

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

Expectations

- Apprenticeship System as a whole
- Providers – teachers, tutors
- Enterprises
- Individuals

How to meet all?? “Collective skill formation”

- Reputation + poor image – “last opportunity” a way to accomplish the compulsory education or achieve a certification degree.

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

- **About cost effectiveness**

Focus on:

- cyber security specialist, big data manager
- storemen in the wholesale industry, retail assistants; or retail managers;
- car mechanics, IT technicians in the engineering sector.

The rate of return on investment depends particularly on the size of the enterprise, level of engagement and branch of business.

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

- **About cost effectiveness**
- Apprenticeship training can result in net costs or net benefits. Depending on the business environment (e.g. labour market regulations, levels of competition and social partner agreements)
- Apprenticeship training - an attractive strategy to recruit future skilled work force.

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

- Training young people- broader benefits for enterprises. The people who interact with apprentices are not only those designated as formal trainers - many more people in a host company who take on training and mentoring tasks.
- Broad engagement of staff enhances the organisational learning in a company – improve the skills in enterprises

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

- About cost effectiveness

Worries from enterprises:

- the apprentice leaves the company straight away after completing their training
- The apprentice moves to their competitors.

Developing an agreement with the apprentice about the costs of training if the apprentice leaves the company soon after completing their training could be of interest to SMEs.

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

- About cost effectiveness

Key points - case studies

- **Total training *costs* of each apprentice**
- Costs of recruiting the apprentice
- Course fees or funding paid to a school
- Supervision costs
- Apprentice salaries
- Employer's insurance or the cost of social contributions
- Administrative costs
- Cost correcting any mistakes
- **Total training *benefits* of each apprentice**
- The value of the products or services produced by the apprentice
- Other income as a result of taking an apprentice

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

About cost effectiveness

- **Public funds**
- tax concessions
- reductions in social security payments
- grants from regional or national government
- payment of the training centre costs
- funds from a European programme
- payments to cover the cost of assessment
- subsidies to encourage recruitment of apprentices

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

Food for thought:

- There are more apprenticeship “ friendly” sectors and levels ?
- Is apprenticeship schemes an answer to skills needs? Is a support to the matching labour market needs / VET supply?
- Is the size of enterprises an obstacle to be involved in apprenticeship schemes? Funding schemes for SME participation ?
- Enterprises need skills workers – how they contribute for that goal?
Importance of mobility among apprentices
- Improving the social partners governance and operational level to better achieve an employers drive system. Which elements?