

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

Cost effectiveness –

evidence from Switzerland and Germany

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

Are apprenticeships “profitable” for companies?

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Are apprenticeships “profitable” for companies?

Simple answer: they feel to have a benefit, otherwise they would not do it

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Are apprenticeships “profitable” for companies?

Complicated answer:

we don't really know the cost-benefit ratio, because cost as well as benefit are quite complex and we don't have good data*

*Hoeckl 2009, Muehlemann/Wolter 2013

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Are apprenticeships “profitable” for companies?

Current empirical studies claim:

Switzerland: net financial benefit

Germany: net investment

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Profitability in Switzerland: Strupler/Wolter 2012



Survey of 15.000 companies,
of which 4447 participated

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Switzerland general model:

The productive results of the work of the apprentices

– gross expense for the training of the apprentices by the company

= Net benefit during the apprenticeship

Net benefit + opportunity benefits = Gross benefit (after apprenticeship)

Overall net benefit: 7933 €

“66% of apprenticeships end with net benefit”

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Benefit in Switzerland

Comparatively low level of remuneration

570 to 1198 € (first year low to fourth year top level)

= level of under 20% of wage level of fully qualified worker

Conlon 2013, p. 77, Conlon, G., et al. (2013): An international comparison of apprentice pay: Final Report. Low Pay Commission. London Economics, London

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/289425/London_Economics_Apprentice_Pay_FINAL.pdf

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Benefit in Switzerland

Opportunity costs!

Average recruiting and introductory training costs about

20.115€ !

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Moderate net cost in Germany

Comparable methodology BIBB Cost-Benefit Survey/CBS, tradition since 70ies

BIBB

Forschungs- und Arbeitsergebnisse aus dem Bundesinstitut für Berufsbildung | März
REPORT 1 | 2015



Inhalt

- ▶ Kosten- und Nutzenermittlung der betrieblichen Ausbildung
- ▶ Personalkosten der Auszubildenden machen mehr als die Hälfte der Bruttokosten aus
- ▶ Zwei Drittel der Bruttokosten werden durch die produktiven Leistungen der Auszubildenden ausgeglichen
- ▶ Hohe Varianz bei Kosten und Erträgen
- ▶ Auszubildende in dreijährigen Berufen erwirtschaften die höchsten Erträge
- ▶ Multivariate Analyse
- ▶ Leichteste Kosten der Nettokosten

Anika Jansen | Harald Pfeifer | Gudrun Schönfeld | Felix Wenzelmann

Ausbildung in Deutschland weiterhin investitionsorientiert – Ergebnisse der BIBB-Kosten-Nutzen-Erhebung 2012/13

Was kostet die duale Ausbildung die Betriebe und welchen Nutzen liefert sie ihnen? Dieser Frage wird im Folgenden anhand der repräsentativen Befragung zu Kosten und Nutzen der betrieblichen Ausbildung 2012/13 (BIBB-CBS 2012/13) nachgegangen. Dabei zeigt sich, dass die betriebliche Ausbildung für einen Großteil der Betriebe zunächst mit Kosten verbunden ist, also eine Investition darstellt. Durch die Übernahme der Ausgebildeten können erhebliche Personalgewinnungskosten eingespart werden, die entstünden, wenn Betriebe Fachkräfte über den Arbeitsmarkt rekrutieren würden. Sie kompen-

3023 training
+ 913 non-training
companies
interviewed

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On average 17933€ cost, 12535€ benefit

5398€ net cost (2007: 3596 €)

High level of variation:

1/3 of companies probably have a net surplus !

Research Project of BIBB: Pfeiffer et al 2015; 3945 interviews

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62% are staff costs for apprentices

802 € Germany-West

737 € Germany – East

...on average

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Compared to similar surveys in 2000, 2007:

Productive contribution of apprentices:

2000: 7.730 2007: 11.692 2013: 12.535

**More emphasis on work-integrated learning,
instead of „apprentice workshops“!**

Pfeiffer, BIBB, p. 4

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Company size	Cost	Value produced	Net
1 - 9 employees	15.911	10.807	5.104
10 - 49 employees	16.452	12.199	4.254
50 - 499 employees	18.111	12.720	5.391
500 and more employees	21.757	14.403	7.354

Germany: Net cost by company size Pfeiffer et al 2015

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Occupational field (econ. Sector)	Cost	Value produced	Net
Industry and commerce	19.535	13.389	6.146
Trade	15.187	10.798	4.390
Agriculture	14.043	12.750	1.293
Liberal professions	16.474	12.769	3.705
Public services	19.801	11.768	8.032

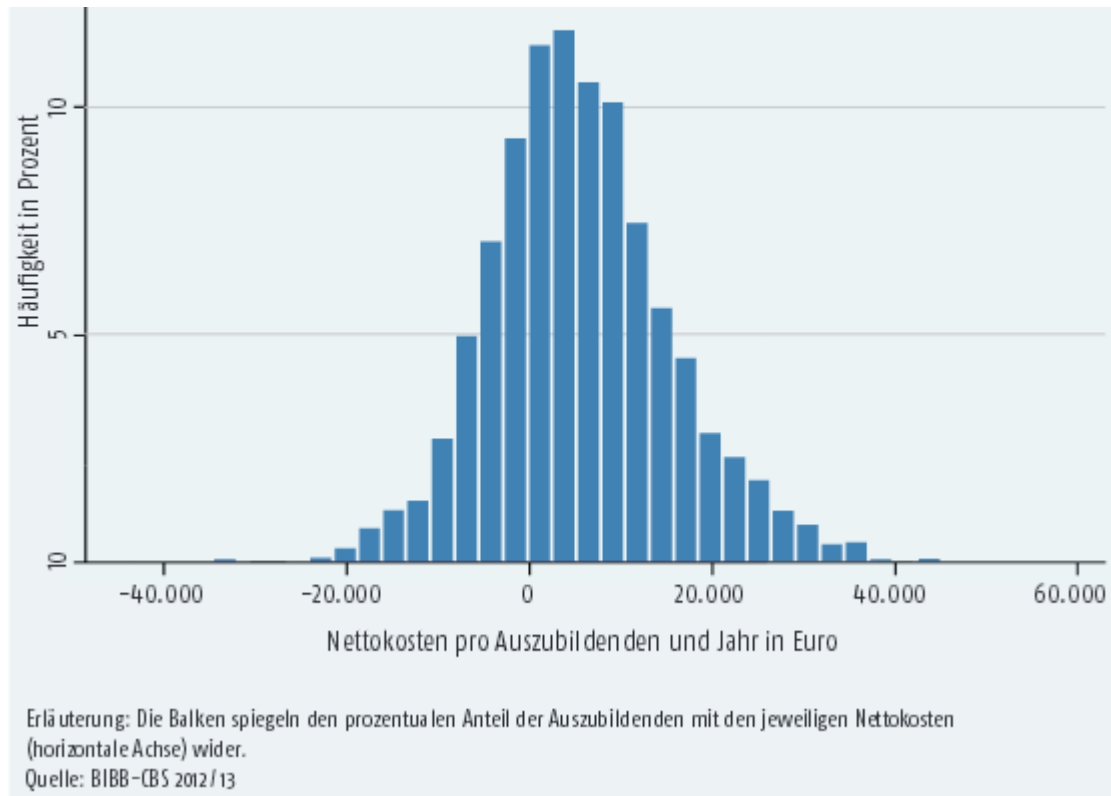
Germany: Net cost by company size Pfeiffer et al 2015

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Apprenticeship workshop	Cost	Value produced	Net
No apprenticeship workshop	16.889	13.492	3.396
Apprenticeship workshop	21.869	8.928	12.942

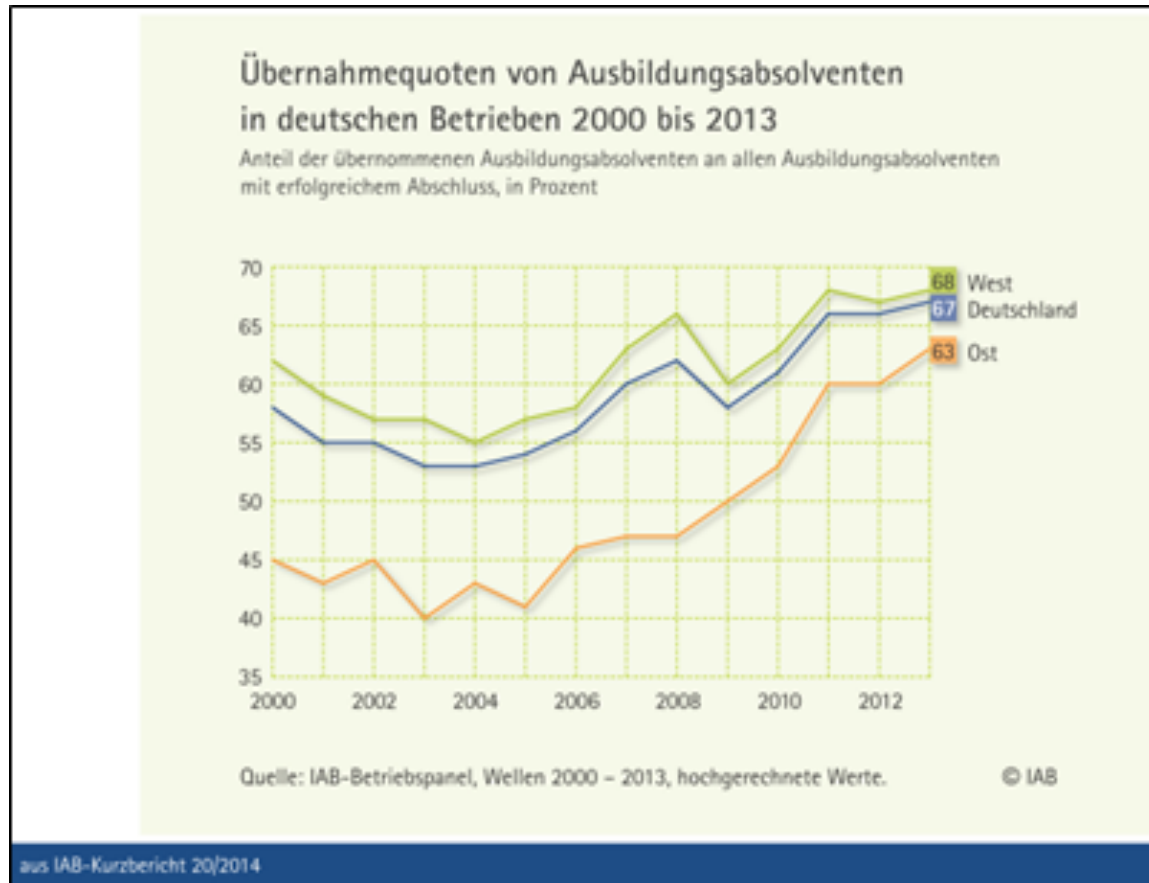
Germany: Net cost by company size Pfeiffer et al 2015

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Germany: Distribution of net cost BIBB Report 1/15, p.4

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**67% are
taken on after
the
apprenticeship!**

**(82% in comp.
>500 !)**

Germany: Share of apprentices taken on by companies after apprenticeship
IAB 2013

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Average cost of recruiting from the labour market:

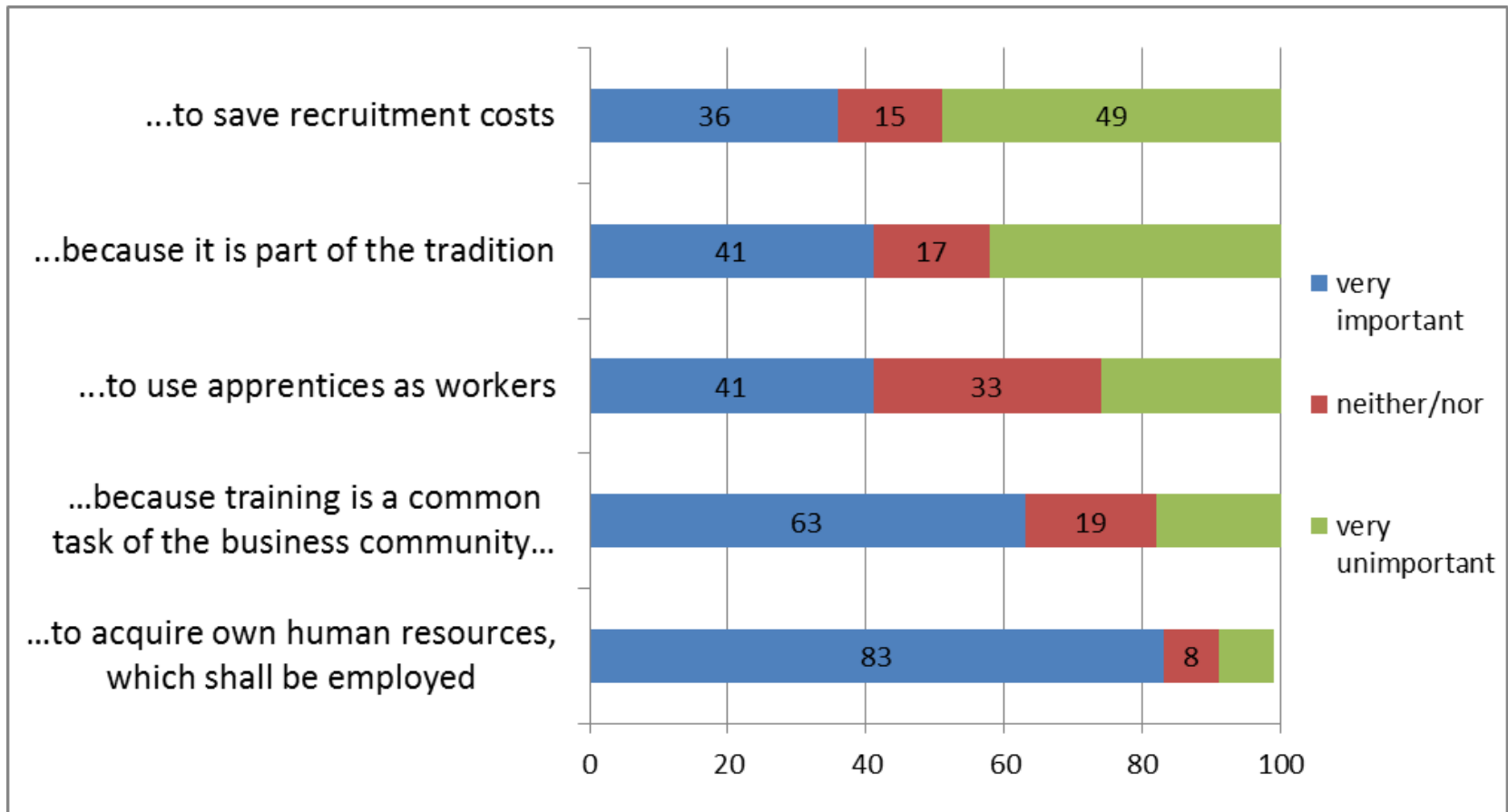
8715 €

(up to 16.458€ in companies >500)!

(Pfeiffer 2015, p. 10)

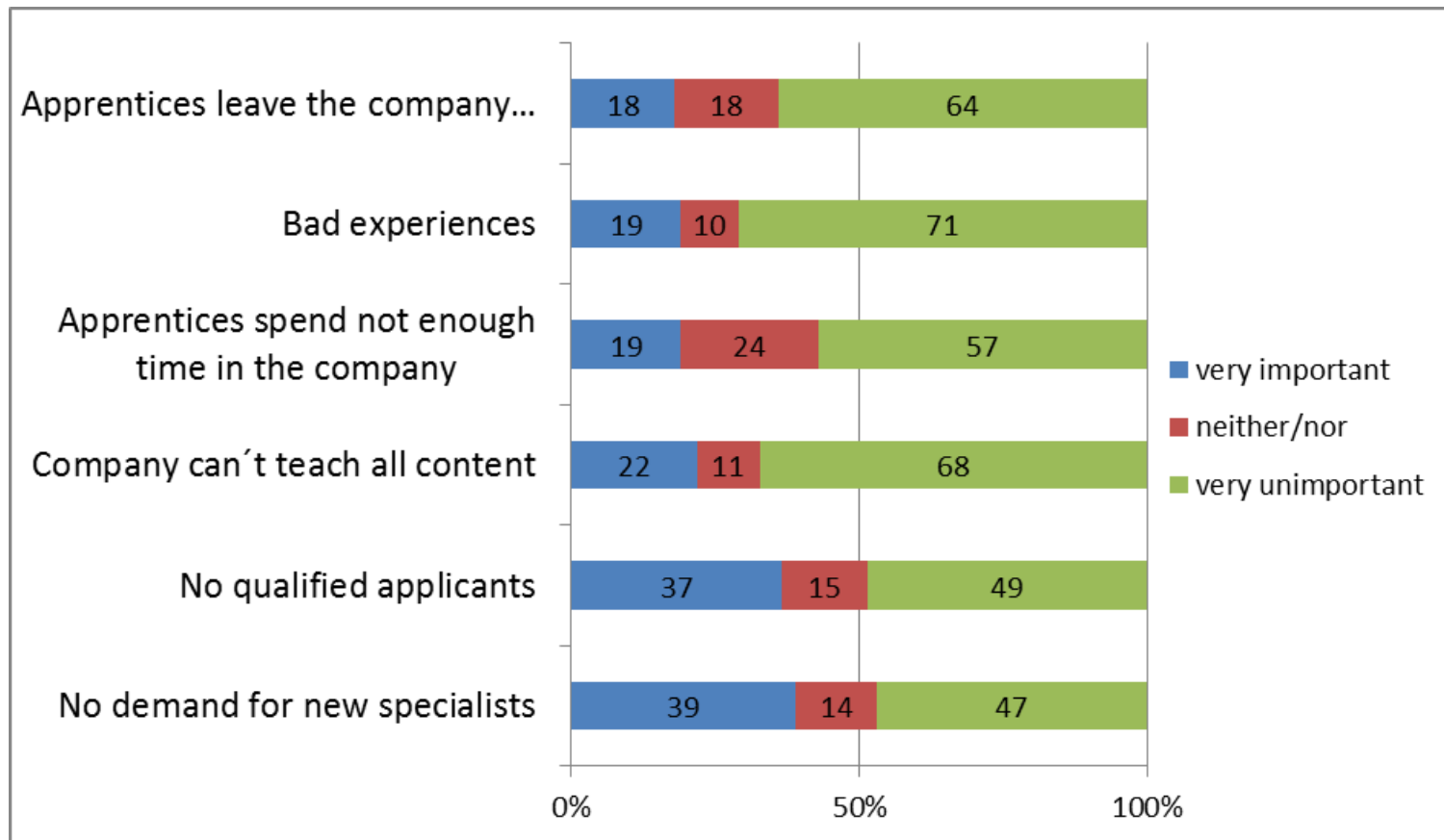
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Why DO companies offer apprenticeships? The case of Germany



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

Why do companies NOT offer apprenticeships? The case of Germany



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Summary: Why *do* companies offer apprenticeships?

- Costs must be reasonable, but in collective skills formation systems companies also train when it is a net investment
- Securing HR base (adhesive effect)
- Learning by training
- Competent training and good apprentices as proof of professionalism of the company
- Companies train because there is a net benefit, but it is a quite complex one

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Points for development

- Companies must become a great place for life-long-learning (not just working)
- Companies need support and cooperation structures to address needs of weaker learners
- Monitoring of the (real) cost-benefit ratio