

Dual-track VET: a success story – also for host companies

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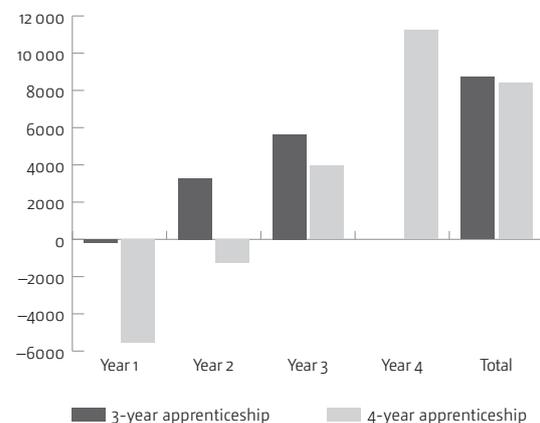
Following in the footsteps of the surveys conducted in the years 2000 and 2004, the third cost-benefit survey of apprenticeship training from the perspective of host companies considers the situation in 2009 to determine whether the benefits that host companies derive from Swiss VET programmes outweigh the corresponding costs. Information was gathered from over 2,500 host companies as well as from 10,000 companies that do not provide apprenticeships for VET programmes. By comparing companies that train apprentices with companies that do not, it is possible to ascertain the reasons that encourage or discourage a company from taking part in VET programmes. The conclusions drawn can then be used to guide measures aimed at guaranteeing the availability of an adequate number of high-quality apprenticeships.

Five main conclusions can be drawn from this third cost-benefit survey:

First, the survey confirms the findings of the previous two surveys, namely that the productive output generated by learners during their apprenticeship enable host companies in Switzerland to derive a net benefit from their participation in VET programmes. In 2009, the net benefit derived from all apprenticeships combined stood at CHF 474 million for a gross investment on the part of host companies of CHF 5.35 billion. This high net benefit is the result of stable (for 3-year VET programmes) or rising (for 4-year VET programmes) productive output of learners over the entire duration of their apprenticeship, adjusted for inflation, as well as sinking gross costs for companies. Swiss company involvement in VET programmes therefore pays dividends even in economically challenging and volatile times. As reported in the previous two surveys, once again the majority (around two-thirds) of all host companies generated a net benefit by the end of the apprenticeship. For those host companies that generated a net cost (i.e. costs exceeded productive output of learners) by the end of the apprenticeship, most were able to recover their investment in a very short time af-

terwards since they were able to hire the apprentices they had trained. This enabled them to avoid the high costs of recruitment from the external labour market and the costs associated with orienting new employees. Companies with over one hundred employees (i.e. those that also generated net costs from their involvement in apprenticeship training) were able to save over CHF 16,000 in recruitment and orientation costs (referred to as opportunity income from recruitment). This benefit of apprenticeship training is expected to become an even more important consideration as demographic influences lead to labour shortages in many occupations.

Net benefit by year and duration of apprenticeship, in CHF



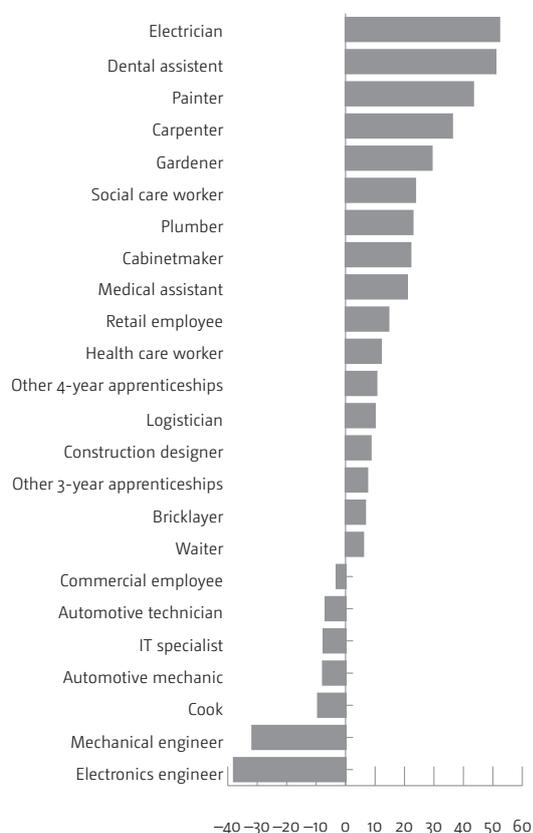
Secondly, the survey reveals new information regarding the impact that work-based training and classroom instruction has on the host company's training costs. A greater allocation of training time to classroom instruction does not necessarily lead to an increase in training costs for the host company (i.e. which one might expect since the learner spends more time away from the workplace). When learners acquire competences that the host company would otherwise have had to impart to the learner at the workplace, then the greater amount of time devoted to classroom instruction ends up being a more efficient form of training. For one thing, the host company saves more money from not having to train the learner than it loses in terms of productive output not generated in the learner's absence. The type of competences and the moment in which they are imparted are essential factors in ensuring efficient coordination between the VET school and the host company. The host company achieves the highest level

of savings when the VET schools plays a greater role in training at the beginning of the apprenticeship, i.e. when the productive output generated by learners is still low. In this sense, the gradual reduction of classroom instruction and a correspondingly gradual increase in work-based training over the course of the apprenticeship seems to be the best course of action.

Thirdly, for the first time, the third cost-benefit survey presents figures for the entire duration of the new VET programme in commerce. Compared to the previous VET programme in commerce, which was referred to in the 1st cost-benefit survey conducted in the year 2000, the cost of training has increased slightly; closer analysis shows, however, that the higher cost can only partially be ascribed to the revised content of the VET programme. Contrary to what was reported in conclusion two above, the gradual decrease in the classroom instruction portion of the VET programme in commerce has actually increased costs for host companies as a direct result of the revised content; the additional days spent at the VET school for the first two years of the VET programme (and hence lost working days) could not fully be compensated for in the third year of training. That said, the higher costs were mainly caused by two other factors that are unrelated to revised content of the VET programme: first, host companies reported a higher level of absenteeism (illness, traineeships, etc.); second, most of the higher costs were incurred by host companies in the field of finance, where learners are trained in an entirely different (and more costly) manner.

Fourthly, also for the first time, the third cost-benefit survey includes calculations of the net benefit for new VET programmes in health care and social care. In the field of health care, the number of apprenticeships is increasing and is expected to increase even further as labour shortages intensify. The cost-benefit survey includes a cost-benefit analysis of the VET programme in health care and compares the outcome with that of around

Net benefit of apprenticeship training by occupation in 1000 CHF, 2009



230 other VET programmes. Apprenticeships in health care are a special case since many host institutions (although not all) receive sizeable subsidies for each apprentice. Generally speaking, these subsidies far exceed the compensatory payments that host companies in other branches could expect to receive from a VET/PET fund. Detailed analysis of VET programmes in the health care sector shows that subsidies generally flow to host institutions that would normally have been able to recover the costs of their participation in the VET programme in health care (i.e. hospitals) but generally not to host institutions that tend to generate a net loss (i.e. institutions providing home care and long-term care).

Fifthly, thanks to the much greater coverage of companies that do not provide apprenticeship training, the 3rd cost-benefit survey provides a better estimate of the potential number of companies in Switzerland that could offer apprenticeships. After sorting out those companies that theoretically would be unable to offer an apprenticeship, the survey reports that over 40% of all companies in Switzerland are involved in VET programmes. This is quite a remarkable percentage. This does not mean, however, that all of the remaining 60% of companies that theoretically could but do not offer apprenticeships would derive a net benefit. Previous calculations have shown that very small or highly specialised companies that currently do not train apprentices would most likely not be able to recover their training costs through the learner's productive output. In contrast, there are other companies that would certainly stand to benefit: e.g. foreign-owned companies based in Switzerland, which offer a significantly lower number of apprenticeships because of their small size. As the economy and labour markets become increasingly international in focus, this finding is an important one that needs to be explored further. Finally, many companies that used to offer apprenticeships, decided to stop but now plan to offer apprenticeships in the future. Here we find

that well over half of the companies falling into this category had difficulties finding suitable learners from lower-secondary school. These companies mentioned this as being the most important or an important consideration in their decision to temporarily discontinue their involvement in apprenticeship training. The demographic situation mentioned earlier combined with good-quality basic education were mentioned as the main motivating factors in the willingness of Swiss companies to offer apprenticeships.

To summarise, it can be said that, with few exceptions, the Swiss VET sector offers very good conditions enabling host companies to derive a net benefit from their investment in apprenticeship training. These conditions also lead to an efficient outcome on an economic level since there are enough companies willing to offer an adequate number of good-quality apprenticeships. This, in turn, brings benefits to society since all young people coming out of lower-secondary school will be able to find a suitable apprenticeship on the basis of their individual skills and background. Such apprenticeships are a decisive factor for their future entry into the labour market.



This cost-benefit survey was conducted by the University of Bern's Centre for Research in Economics of Education in cooperation with the Federal Statistical Office (FSO). This survey was commissioned by the Federal Office for Professional Education and Technology (OPET).

Additional findings can also be found here:

www.vwi.unibe.ch/ffb

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