

Cost-Benefit Considerations for Companies in Dual VET: Approaches and Lessons Learnt

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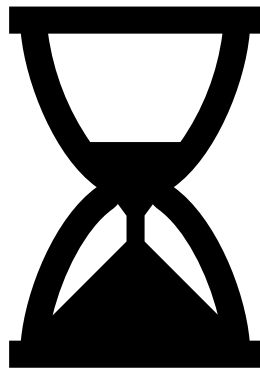
DC dVET Secretariat



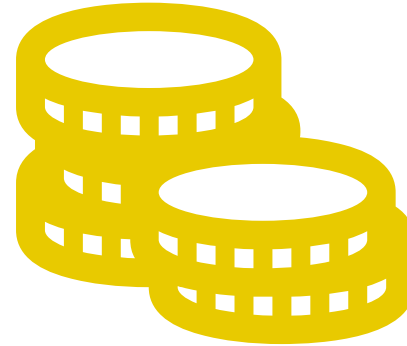
Agenda



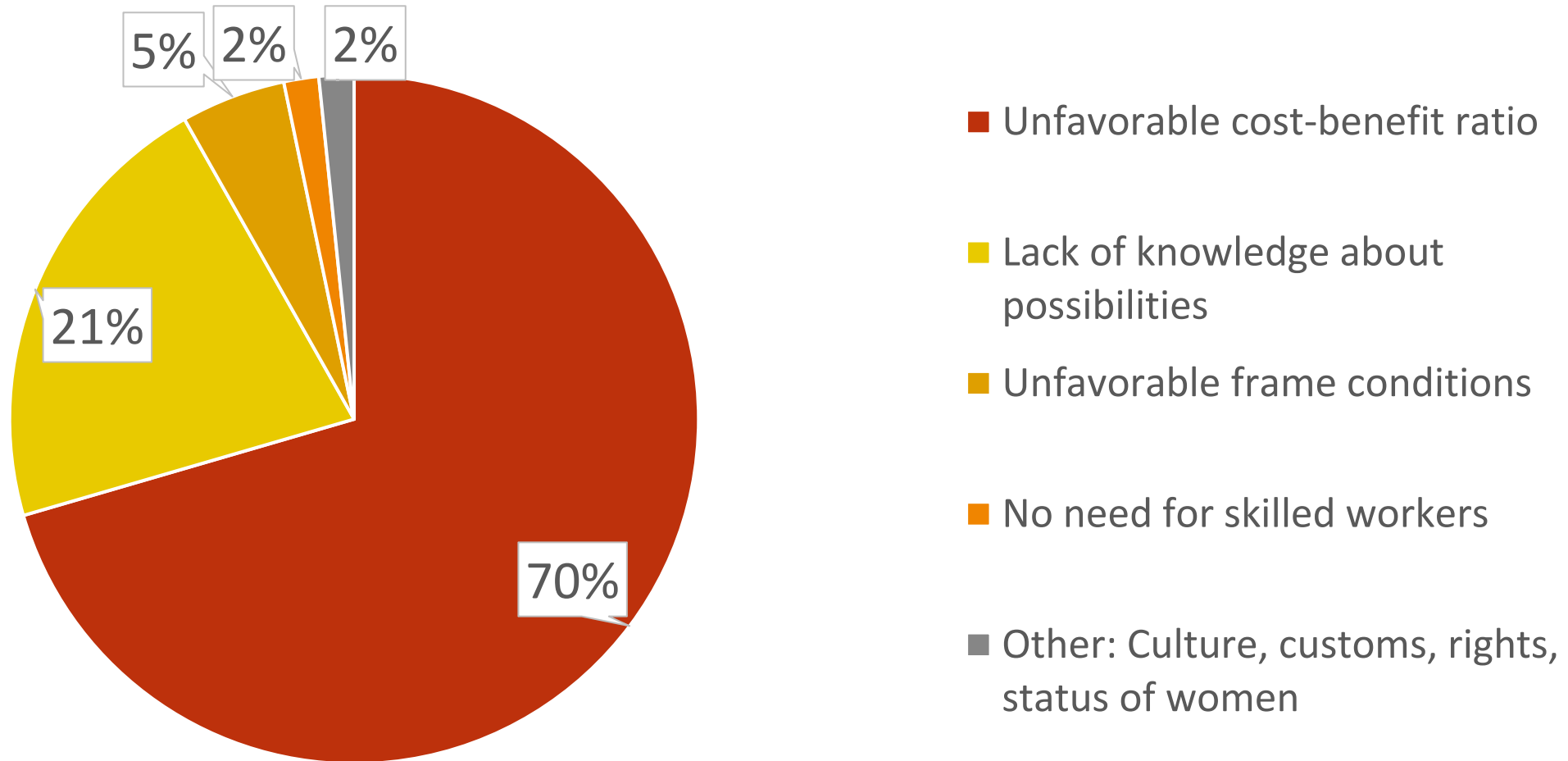
A German saying goes...



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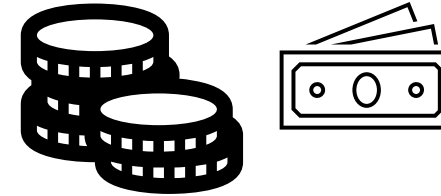


What is the main reason for companies NOT to engage in training in your country?

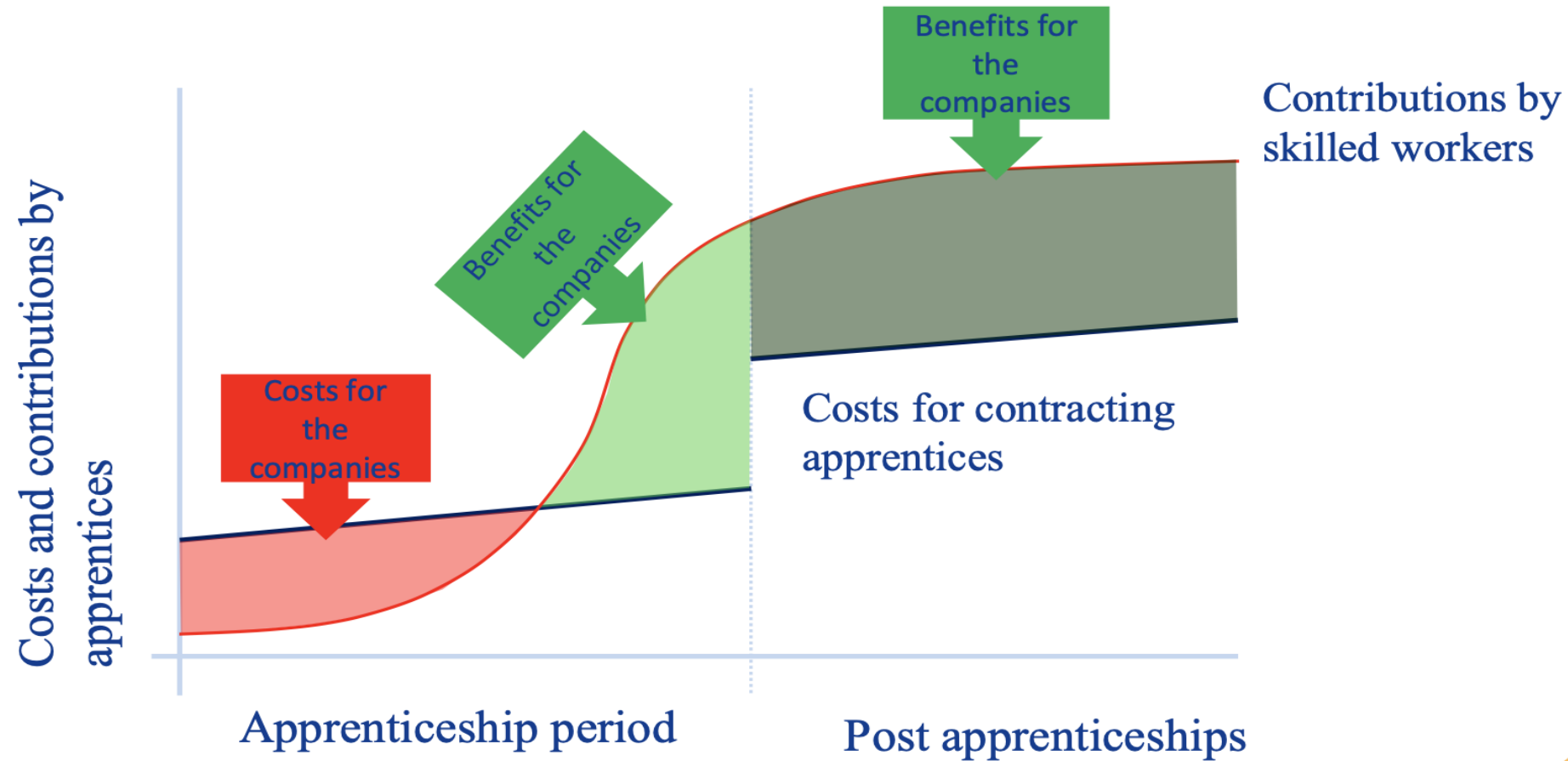


Cost-Benefit Considerations – Why?

- **Speak “business language” to convince companies**
- **Visibility** of costs and particularly benefits (i.e. productive contribution of apprentices)
 - Helps companies to better understand costs and benefits connected to dual VET in the short and long run
 - Comparison to recruitment of skilled workers from the external market
 - Especially important in times of crisis
- **Create basis for evidence-based decision making**



Costs and benefits - theory

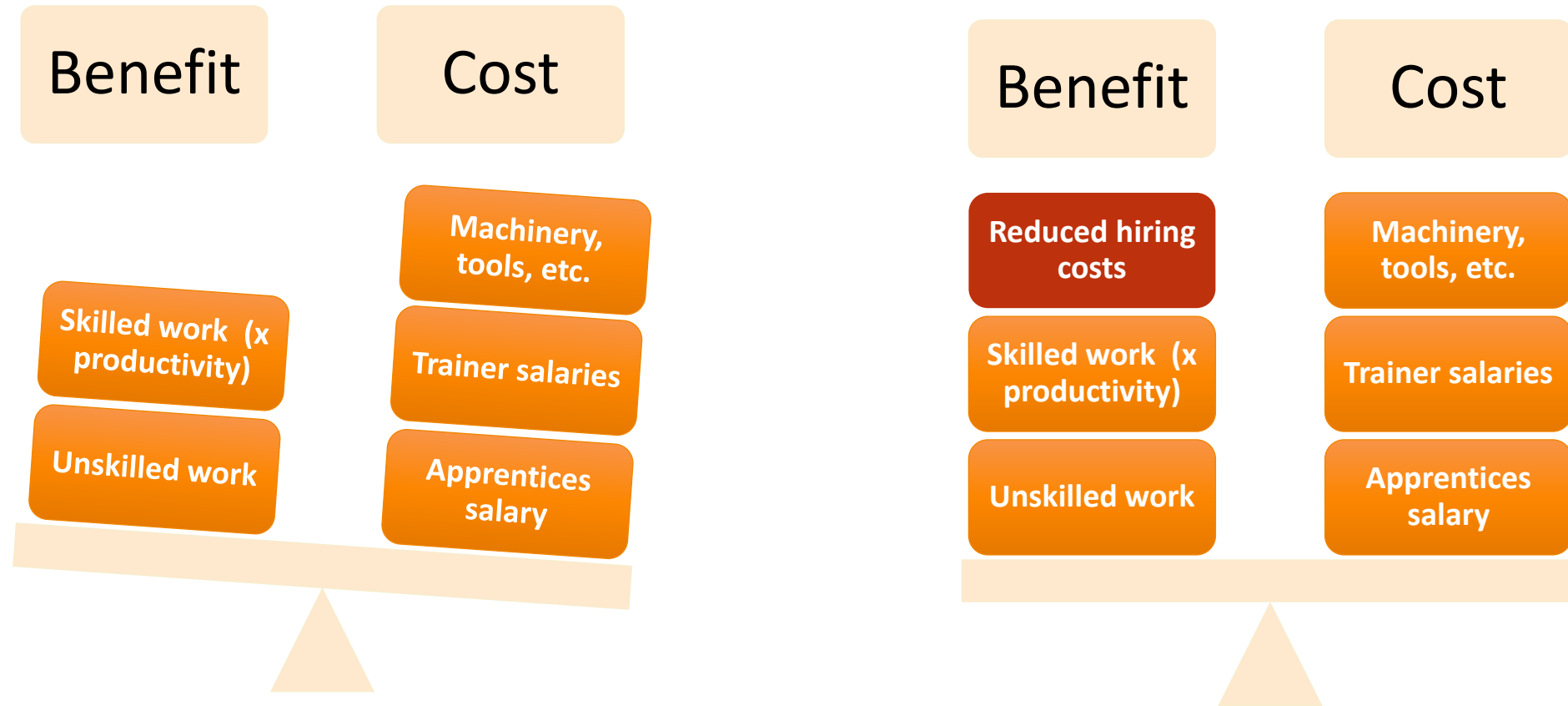


Source: Adapted from Lerman R. (2014). "Do firms benefit from apprenticeship investment?" IZA World of Labour.

A lot of the factors that affect the costs and the benefit of apprenticeship training are not (always) under control of firms

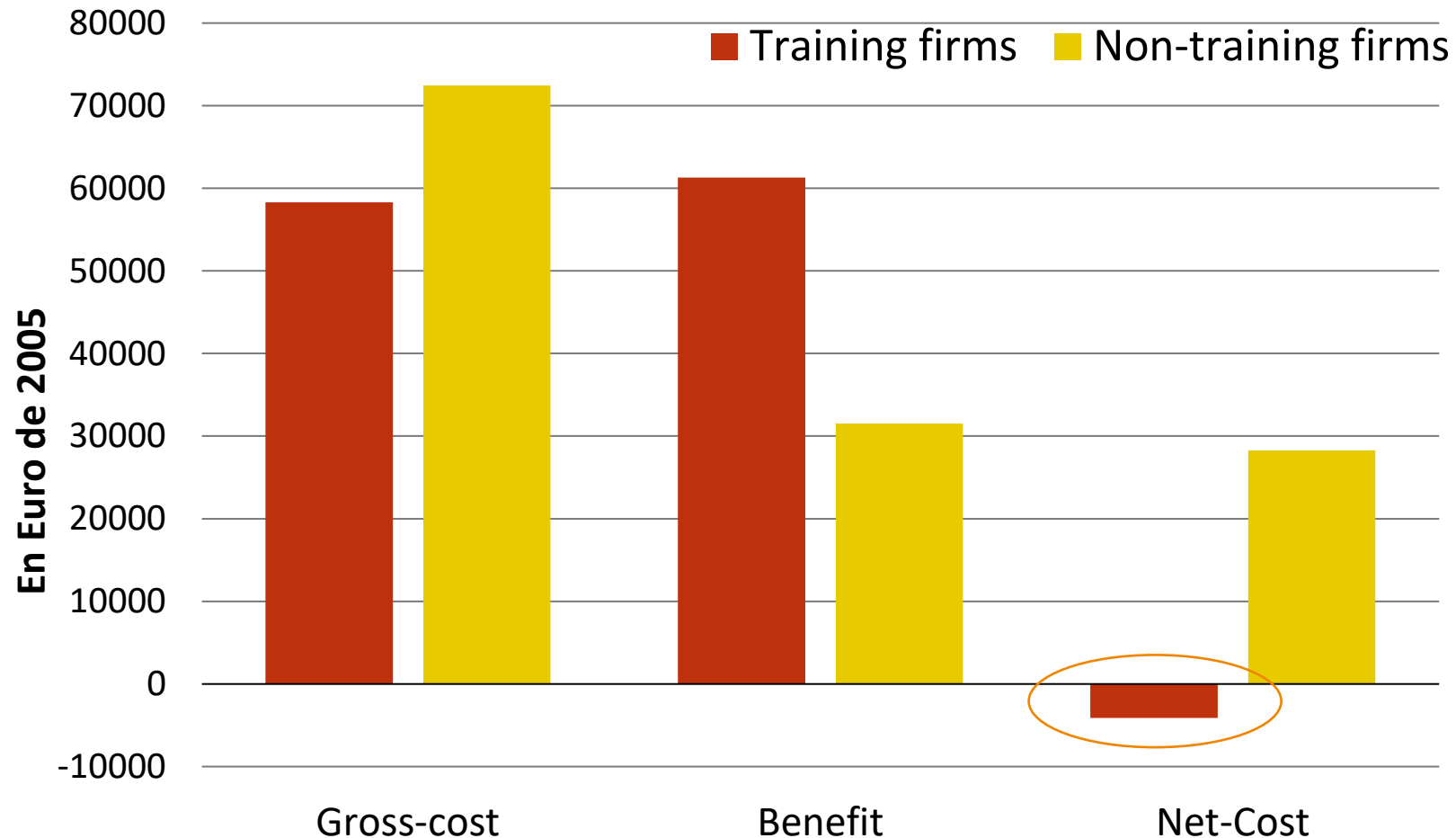
- ❑ Duration of training
- ❑ Division of costs between state and firms
- ❑ Decisions about the learning places
- ❑ Decisions about the qualifications of trainers
- ❑ Decisions about apprentices' salaries
- ❑ Decisions about competing options in the education system, etc.

The Intuitive Model Behind the Studies



Evidence from Switzerland (I)

Net costs of training and non-training companies in Switzerland

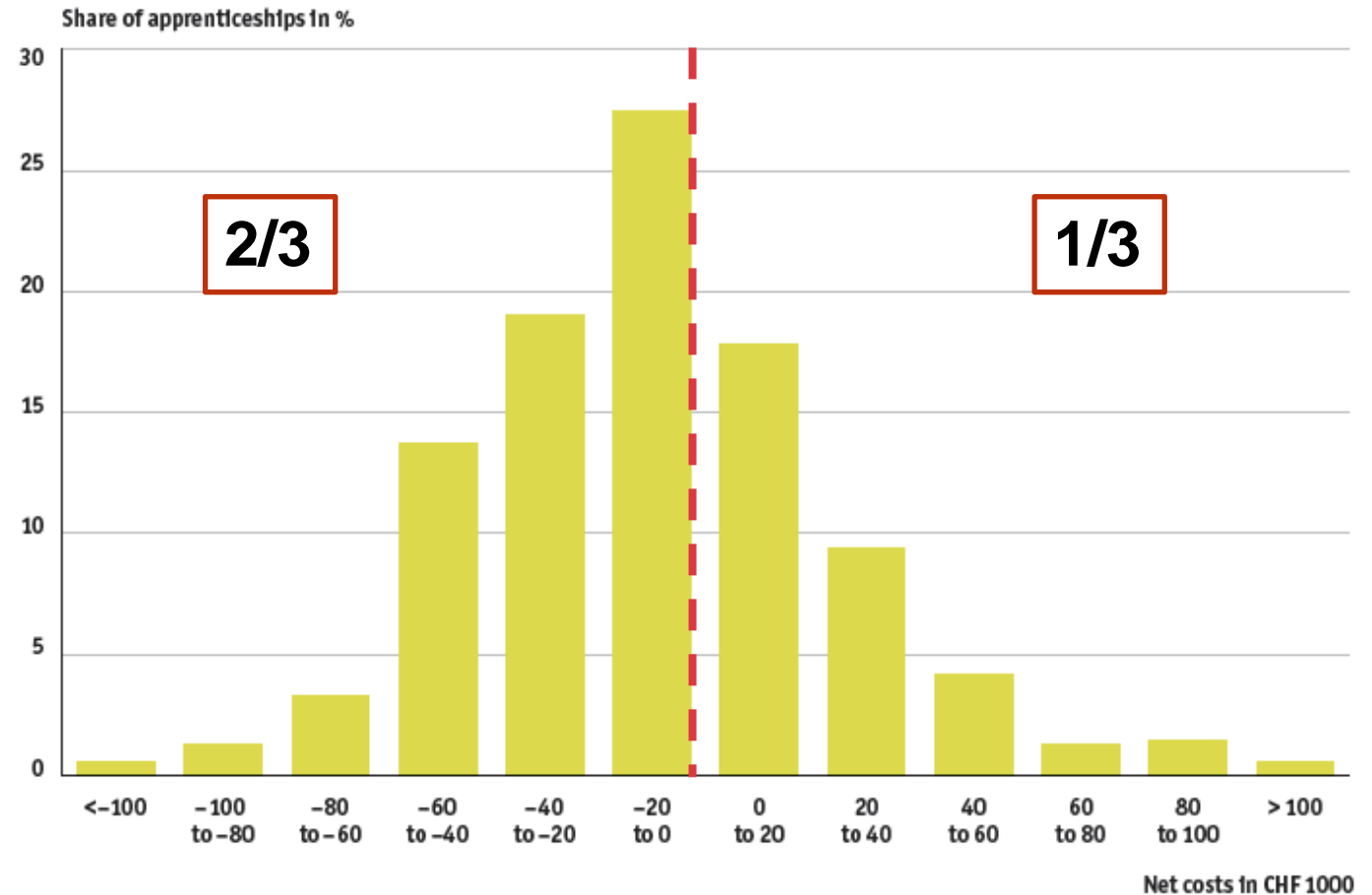


Evidence from Switzerland (II)

On average, a training company in Switzerland makes a net benefit.

BUT: We need to look at the distribution of companies to understand the whole picture.

Distribution of net costs in apprenticeship training, 2004



Source: Mühlemann, Wolter

Some evidence on differences in costs and benefits between Austria, Germany and Switzerland

- Swiss companies: Benefit on average
Austrian and German companies: Cost on average
- BUT: Costs in the long run turn into Benefit in the long run (saved recruitment costs / investment)

WHY?

- Germany and Switzerland: Productive contribution of apprentices is different
→ more practice and unskilled work in Germany
- Austria and Switzerland: Higher apprentice wages in Austria.

→ *Important evidence-based arguments for negotiations with the public sector.*

→ *Other factors influencing the cost benefit ratio.*

Sources: Summarized from comparative Studies between Switzerland and Germany and Switzerland and Austria.
For references see [DC dVET Literature List](#).

Types of Cost-Benefit Studies & Requirements

Evaluation Studies

e.g.
Mexico,
Chile

Using the methodology used in Germany and Switzerland

- Provides a precise picture of actual costs and benefits of existing programs
- Requires extensive questionnaires for companies

Using other / adapted methodologies

- Often less detailed questionnaires but also less precise / inaccurate results (risk of misleading / wrong conclusions)

Simulation Studies

e.g. Spain,
UK, Italy

- Short(er) questionnaire for companies on hiring costs
- Mixture of data from local context (hiring costs survey, wage data, etc.) and assumptions from systems with dual VET (e.g. productivity of apprentices)
- Why should we simulate?
- **Other Option: Projection** (project started but no graduates yet)

e.g.
Nepal

For more details have a look at: „DC dVET Overview document on methods, requirements, steps and alternatives“

Reasons for Simulation Studies

- **Heterogeneity** of models currently in use in a country is too big to be generalized (external validity).
- **Companies** engaged today are not **representative** for the ones that one would like to attract into dual apprenticeship training (external validity).
- **Data base** that one could extract from training companies is too thin to draw general conclusions (internal validity).
- **Current training models** may not be the ones that promise success in the future.
- **Pre-Condition:** Willingness of key system actors to change the system.

DC dVET Support Experiences: Moldova



- Lilian Hincu, GLZ Moldova

- Dual VET already implemented for quite a while, supported by DC dVET members
- Obligation by law to collect evidence
- **Ongoing assessment:** Short questionnaire for companies engaging in dual VET if cost-benefit evaluation study would be suitable and deliver meaningful data for further developing the system

DC dVET Support Experiences: Indonesia



- **Christine von Harrach, Skills for Competitiveness (S4C), Swisscontact**
- **Original joint idea by projects of DC dVET members:** Conducting a cost-benefit analysis for promotion of VET / structured internships
- **Instead:** Multi-level process of collecting evidence (baseline study, motivation study, focus group discussions with training and non-training companies)
- **Findings (among others):** Costs do not seem to be the main driver why companies do not train

If you would like to know more about the process in Indonesia, have a look at the following [detailed interview](#).

DC dVET Support Experiences: Lessons Learnt

- **Go one step back:** What is the question you would like to answer?
 - **Cost benefit studies are not an easy and fast thing** → take a long-term perspective and do not expect quick wins
 - **Requirement for success:** Strong and trustful relationship with private sector
- Use DC dVET material and experiences, just call us! 😊

DC dVET Thematic Resources & Support



Resources

- Webinar Recording on Cost Benefit Analyses with Prof. Wolter 2020 (available upon request)
- Webinar Presentation (Slides)
- Questions & Answers from the Webinar
- Literature List
- Focus Topic in most recent thematic Newsletter
 - Overview document on methods, requirements, steps and alternatives
 - Key learnings from 20 years of research



Support (for members & projects)

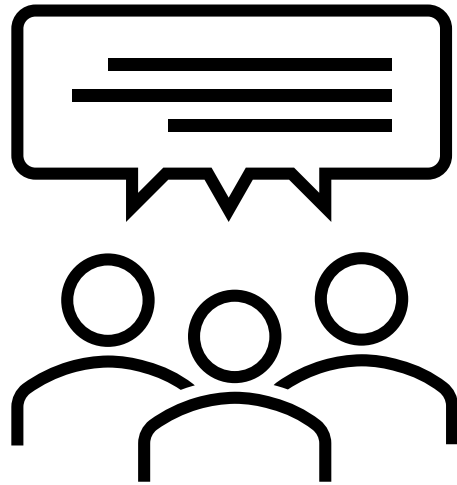
- Please write us at coordination@dcdualvet.org if you have any further questions!

- For DC dVET members and their projects:

→ *Get in touch with us if you have any question about this or any other topic and potential thematic support from DC dVET and we will jointly develop a customized support process (in case at least 2 members are intersted)!*

Thank you for your attention!

Any questions now....?



...or later? Please do not hesitate to contact us anytime:

coordination@dcdualvet.org