

Companies in dual VET: Do Financial Incentives Matter?

Nexus Financial Incentives and SMEs

Input by Mag. Kurt Schmid (ibw Austria)

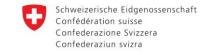
22.03.2023











Basically, Pros and Cons of Financial Incentives apply to SMEs too!



Pros and Cons of Financial Incentives (1)

▶ If there is massive underinvestment in training due to market failures...

- ... incentives may be justified to favorably change cost-benefit ratio
- YET, its very hard to find robust ex ante indicators / criteria to filter out training companies with investment motives that should by subsidized (training companies that break-even at the end of training time will not be subsidized at all).

➡ Risk of distortion of company's self-interest in training investment

- "training due to future skilled staff and not due to public money".
- negative system consequences: qualification demand and supply drift apart; undermining quality of training.
- potential dilemma of criteria-based / targeted incentives: incentives shall induce behavioral change as well as not distort basic training motive.

Pros and Cons of Financial Incentives (2)

- → ALL subsidies entail windfall gains
- Trade-off between accuracy, criteria complexity and administration as well as information costs
- → Once established, subsidies are very hard to overcome
- Subsidies may trigger companies to train YET...
 - How to define a first-time training company / additional training places?
- Non-financial aspects of incentives
 - Positive social signal
 - Re-distribution between training and non-training companies may be fair
- Evidence on limited relevance of free-rider problems (i.e. poaching) in dual VET countries

Are there SME-specific problems, challenges, shortcomings?

And will money (i.e. financial incentives/support) matter – i.e. being the right "answer" to tackle these challenges?



SME-specific problems, challenges, shortcomings

- Attractiveness as company / training provider with respect to ...
 - ... career options
 - ... wage levels
 - ... (additional) training options
- **¬** Fulfillment of the occupational profile / "curriculum"
- ▶ Productive work-loss of instructors/mentors due to ...
 - ... training time and supervision devoted for apprentice/s
 - ... kick-off instructor qualification and experience sharing
- ➡ Liquidity constraints ...
 - ... undermine investment-potential for dual VET
 - ... aggravate information and accreditation costs



YET, SMEs as a group / on aggregate level entail these problems => not every single SME shares these problems!

Are these problems really SME-specific, i.e. apply for and only for SMEs or are SMEs a good indicator for companies having these problems?

If so, differentiating financial incentives between SMEs and larger companies might be justified...



BUT, will money matter?

- ▶ Attractiveness as company / training provider with respect to ...
 - ... career options
 - ... wage levels
 - ... (additional) training options
- if means-tested & (partially) reimbursed
- => training alliances / supra-**¬** Fulfillment of the occupational profile / "curriculum" company 3rd learning site
- ▶ Productive work-loss of instructors/mentors due to ...
 - ... training time and supervision devoted for apprentice/s
 - ... kick-off instructor qualification and experience sharing
- => (online)-modules, sequencing of trainer qualification

- **►** Liquidity constraints ...
 - ... might undermine investment-potential for dual VET
 - ... might aggravate information and accreditation costs



- => in-kind support/tools on how to foster training quality
- => if means-tested & (partially) reimbursed?



=> in-kind support for & simplifying of accreditation process





Thank you for your attention!

Schmid Kurt (2019): Companies Engaging in Dual VET: Do Financial Incentives Matter? Approaches in Austria, Germany, Liechtenstein and Switzerland Options, Pros and Cons for Reform Processes. ibw-report for DC dVET, Zürich, 2019.

DC-dVET Discussion-Note-Financial-Incentives.pdf (dcdualvet.org)







