

Companies in Dual VET: Do Financial Incentives Matter?

Expert Consultation

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Intro I: General Design Options for Financial Incentives

- ▣ direct and/or indirect subsidies
- ▣ basic and/or criteria-based subsidies
- ▣ sectoral vs. cross-sectoral / regional vs. federal
- ▣ Target group(s)
 - Training companies and/or
 - Individuals and/or
 - (Meso-)System level
- ▣ Financial Source
 - Employer contributions (re-distribution) and/or tax-payers
 - Voluntary and/or compulsory funding

Intro II: Current schemes in AT, DE, CH & LI (comparative results)

- ❏ ALL of them (except LI) have financial incentives
- ❏ In no country do incentives cover training investment of companies
- ❏ Countries differ to main goal(s) of incentives:
 - **AT:** basic subsidisation + some specific goals (quality and target groups)
 - **DE:** focus on demand side (i.e. apprentices) – on the supply side (i.e. companies) incentives shall foster training alliances and sector-specific additional supra-company training centre
 - **CH:** foster apprenticeship training in general
- ❏ ALL 4 countries have indirect subsidization
 - tax deduction for training expenditures
 - waiving of non-labour costs (AT), preferential treatment in public tenders (CH)

Questions / Feedback / Discussion

- Incentives to trigger system reform
- Incentives in a project setting
- Incentives finetuned
- Informal apprenticeship / internships

Incentives to trigger systems reform?

Question Project 1

- **Aim:** low share of WBL & training quality in companies => unfavorable cost-benefit ratio => incentives to shift ratio => yet that creates dependency
- **Kurt: Fully agree, that's one of the major problems/shortcomings of incentives**

Need to balance pro & con effects:

+ incentive to support motivation for companies to train/invest in their future skilled staff

- too high incentives distort qualification motive (“training due to money”)

Probably investing money into PR + testimonials is a better way to “convince” companies of dual VET

Probably: incentives for kick-off training of mentors/instructors (that's one of the most relevant cost dimension for companies when starting dual VET)

Incentives in a project setting

Question from several projects

- **Aim:** trigger companies (and students) to participate in dual VET project/s
- **Kurt:** probably good idea to kick-start projects and to test which kind of incentives might work BUT ...
 - ... what happens when projects ends?
 - ... danger of giving higher incentives as might be manageable at system level => creating to high expectations

Need to distinguish between kick-start financing and ongoing financing of projects
kick-start by donors (e.g. training/competence centres) – ongoing finance by country itself (sector / training funds, public money, business model???)

Incentives finetuned I

Question from several projects

- **Q 1:** different incentives due to company size and sector?
- **Kurt:** differentiating according company size => basically, small evidence that “money matters” to size-specific obstacles for dual VET (exception: kick-off for mentor qualification)
- I’m skeptical about finetuning incentives due to sector, because...
 - ... what will be sector-specific circumstances to justify for differentiating?
 - ... might lead to tremendous complex and in-transparent subsidization schemeIf sector creates sectorial training fund: sector might decide on financing & spending mode

Incentives finetuned II

❏ Questions raised by two projects

■ Q 2: criteria for differentiating?

Kurt: that's the main challenge! Basic subsidization (i.e. all training companies) versus criteria-based incentives (i.e. to foster specific [additional?!] activities/ investments)

+ criteria-based: higher probability to reach accuracy

- tendency to “create” endless list of activities that shall be supported (=> fostering intransparency)

■ Q 3: evidence that incentives have an effect?

Kurt: hard to estimate; limited evidence; usually high windfall gains

Informal Apprenticeships / Internships

❏ Questions from the (West)African Context

- **Q:** what kind of incentives for the informal setting?
- **Kurt:** generally, same reflection applies as in formal setting + aims and goals differ...
 - extraordinary final exams: e.g. incentives for companies to inform their apprentices about that option & for apprentices participating
 - fostering voluntary additional “schooling”: incentives for attending for apprentices establishing might be financed by donors
 - supporting self-organization of informal sectors
 - incentivizing qualification of informal mentors

apprentices & interneers have to pay to be trained: it will be a long way to change that; may be achieved in the development process of formalizing dual VET (similar to the historical dual VET development in Europe....)

Some take-aways I

- ❑ Flexible system: many combination for provision of incentives (to different targets)
- ❑ Companies should train because they want to invest in future skills (not because of money)
- ❑ 3rd Learning side: supra-company training centres to be supported; ecosystem support than direct intervention
- ❑ Indirect subsidization
- ❑ BDS provision also considered as incentives

Some take-aways II: Incentives to trigger system reform

- Focus on benefits rather than providing finances to balance the cost – benefit ratio
- Invest money in building up the support structure (do direct finances to companies)
- MCP certification as an incentive with labour market signal with pros and cons ; the business sector gets clear competency reference; however, poaching issue be considered in particular in the start of dual VET

Some take-aways III Incentives in a project setting

- ▣ Sustainability concerns once project ends
- ▣ Focus on realistic system settings (avoid high incentives that create high expectations) and include a business model with all stakeholders
- ▣ Does money really matter?

Some take-aways IV: Informal sector

- Sector specific subsidy schemes contribute to lack of transparency
- Same consideration in formal and informal sector
- Informal sector: starting with regulations, part time schooling etc and getting gradually to a formal setting
- D-A-CH countries: it took decades to set up a formal dVET system
- Set up formal certification system where *informal* apprentices could be certified (informally trained, but formally certified)

Some take-aways V

- ▣ Tax deduction of training costs is important
- ▣ Poaching is a bigger issue when dual system is still young

Thank you for your active participation

