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WBL4JOB – Apprenticeship Policy and Implementation Toolkit (APIT)



Module 4 – Financing of WBL

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1. Introduction

In the context of WBL4JOB, the following definitions have been adopted:

Work-based learning: *“work-based learning refers to educational strategies that combine elements of learning in the workplace with classroom-based learning and provides students real-life work experiences to apply academic and subject related knowledge to develop generic and employability skills and competences.”*

Apprenticeship/dual education: *“system that provides occupational skills and typically lead to a recognised qualification. It combines learning in the workplace with school-based learning in a structured way. In most cases, apprenticeship/dual education lasts several years”.*

Internship: *“workplace training period that complement formal or non-formal education and training programmes. It may last from a few days or weeks to months.”*

The focus of the WBL4JOB project will be on the improvement of work-based learning at the level of higher education and especially on the development of an Apprenticeship model to be applied at the level of higher education.

Module 4 of this Training Package discusses the financing of Work-based learning. It focuses first of all on what financing in the WBL context means, what the components are and what key actors play a role here. It then continues to look at how these costs are shared between actors, with an emphasis on cost-benefit analysis for companies offering apprenticeships. Lastly, the report discusses both financial and non-financial incentives for WBL. It does so by drawing on the general knowledge of WBL in the EU, while also using the examples of Austria, France and the European Union more broadly, drawing also on other examples such as Germany or the UK.

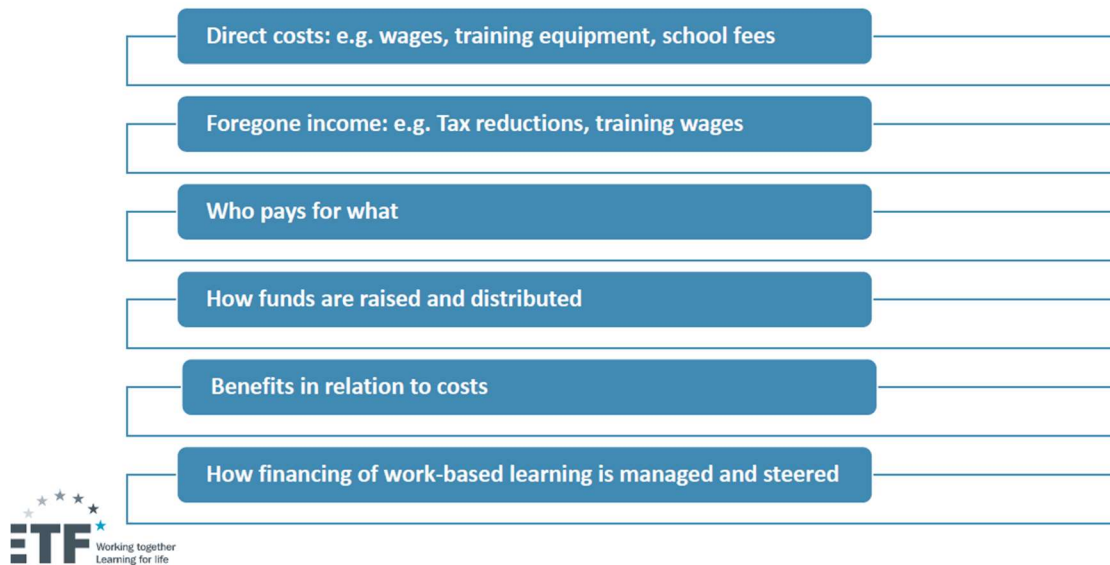
At the end of each section, a list of questions is included, to help users reflect on the learning acquired through the Module.



2. Components of WBL to be financed

First of all, it needs to be clarified what financing refers to in the context of work-based learning. The aspect of financing includes a variety of topics, which is best illustrated in figure 1 below:

Figure 1: What does financing refer to?



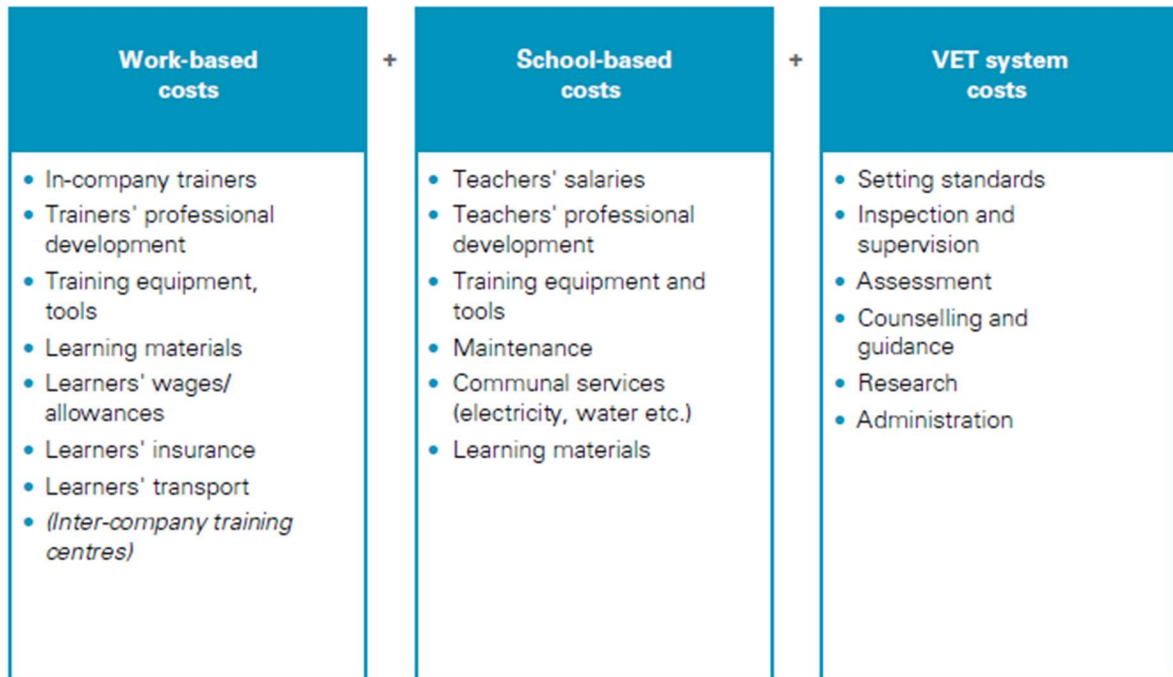
Source: Thomas, 2018

Ideally, “governments would meet all of the school-based costs of programmes, employers would meet all company-based costs, and learners’ wages would reflect their productivity over time” (ETF, 2018). However, this is rarely the case and so it is key to look at various policy options and at the individual country and university context in order to make suggestions for improvement. This is what this report emphasizes – there is no one size fits all solution to the financing of work-based learning.

Having defined financing in the context of WBL, one of the key questions when it comes to WBL is what needs to be financed and who covers the costs of these various components of WBL?

One must distinguish between the work-based costs, the school-based costs and the VET system costs, all of which will be carried by different actors. Figure 2 below portrays these costs and what can be included in each category.

Figure 2: Work-based learning program costs



Source: ETF, 2018, p. 21

It is important to remember that not all of these aspects shown in Figure 2 will apply to all cases and countries. This will vary hugely depending on, for example, whether, when and by whom the WBL is assessed and which kinds of enterprises will participate in the WBL.

Generally, **the work-based costs** will include everything ranging from insurance to trainers, training, material or transport on the job. As part of this category, is widely-known that wages are usually the largest part of costs to the employer. These often include social benefits and will range from around 50% to up to 72% towards the end of the apprenticeship. In Austria, labor costs will vary depending on what year the apprentice is in but will make up to 72% of the costs (Schlögl & Mayerl, 2016). The minimum apprentice wage will vary depending on the country, but in Austria, for example, the wage is based on collective wage agreements in occupations where collective bargaining exists (OECD, 2017, p.25)

School-based costs, on the other side, include all costs that the educational institution carries, such as learning materials, equipment, assessment or teachers' salaries. These costs will vary depending on how long the training lasts and whether the educational institution takes over tasks such as selecting firms or assessing the student. School-based costs will be higher if elements of the vocational training take place in the school due to the technical equipment needed. In Austria, these elements usually account for 20-30% (OECD, 2017).

Lastly, **VET system costs** include for example the setting of standards, administration and guidance and are usually a shared cost between government and social partners. Again, costs here will depend on the role of partners- for example, if social partners have a strong role in steering the direction of the WBL, then costs will automatically be higher. In addition, these costs can be spread across various governments, e.g. central government, regional government and various ministries (ETF, 2018).

It is essential to understand the **costs and benefits** of apprenticeships, for example to identify effective financial incentives to companies that offer apprenticeships (OECD, 2017). In the end, the company wants to maximise their benefits they can gain from the apprenticeship, which is why the need to be able to estimate the potential net benefit resulting from the training. The next section will shed light on these.

QUESTIONS TO HELP REFLECT ABOUT THE MODULE LEARNING

A range of **questions**, inspired by ETF (2014) must be asked in order to gauge the costs for WBL. These include:

- Will learners be paid?
- Will employers be compensated for the cost of providing work-based training?
- Will enterprises be screened to make sure that they are suitable?
- Will supervisors, mentors or trainers within the enterprise be required to have qualifications and training?
- Will employees be supported and helped to improve their on-the-job training skills?
- Is classroom-based education and training part of the programme?
- Will gaps in skills that cannot be provided by the enterprise be addressed?
- Will employment conditions and the quality of the training be checked?
- Will what has been learned in the workplace be assessed? If so, by whom?



3. Mechanisms of sharing costs and benefits among main actors

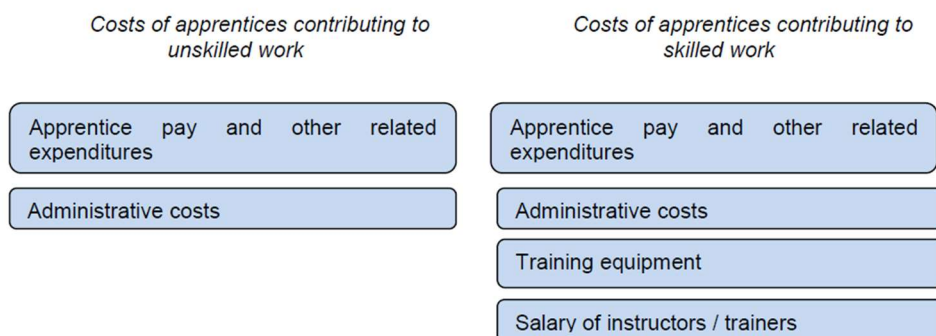
Having identified the key costs and actors in WBL, the next question to address is how the costs and benefits are shared between actors.

Companies / enterprises:

Costs of WBL for companies have been clarified in section 2, but there are further important aspects to consider:

- Companies typically pay the largest part of WBL (IBW, 2019).
- Employers take responsibility for apprentices during their apprenticeship (OECD, 2017)
- “SMEs dominate the labour market in many ETF partner countries. Being able to obtain net financial benefits during the training period can be particularly important for SMEs, as such firms are less likely than large firms to retain graduate apprentices as skilled workers. Training networks may be a way to reduce training costs for small firms, and so increase their willingness to train apprentices.” (ETF, 2014, p. 6)
- “Financial and/or non-financial support should be envisaged, particularly for micro-, small and medium-sized companies, enabling cost-effective apprenticeships for companies, taking into account, when appropriate, cost-sharing arrangements between employers and public authorities.” (EU, 2018)
- Costs of apprentice wages will depend also on whether they are doing skilled or unskilled work, with the former being more expensive (see Figure 3), while also resulting in higher apprentice motivation and also greater possibilities to hire the apprentice for the future. Overall, apprentices in Austria spend more time on unskilled work than their counterparts in Germany and Switzerland (Schlögl and Mayerl, 2016).

Figure 3: Costs associated with skilled and unskilled work by apprentices



Source: OECD, 2017, p. 29



The mix and sequencing of off-the-job and work placement elements varies across countries: “Apprenticeships combine education and training in vocational schools and colleges with periods in the company, however, the time sequencing of on and off-the-job training varies. (...) More time spent in vocational schools can reduce company benefits from apprenticeships by decreasing the time spent by apprentices in the company in productive work and in developing employer-specific skills. In Austria, where the majority of apprenticeships last three to four years, apprentices spend, on average, 20% of their time in vocational schools, with the remaining time training and working in companies that provide apprenticeships” (OECD, 2017, p. 37)

In addition to costs of WBL, there are also a range of **benefits**, including:

- “The productive contribution of apprentices to the employer during their period of apprenticeship.
- Recruitment of the most productive apprentice graduates as valued employees generates benefits after the end of the apprentice period (long-term benefits).
- Employers offering apprenticeships enhance their reputation as they may be seen as contributing to the common good. This may indirectly increase profits if companies seen as socially responsible are more likely to sell their products and services (however these benefits are difficult to measure).”

(OECD, 2017, p. 23)

Particularly for this actor, i.e. private companies, it is important that the cost-benefit analysis will result in net benefits, otherwise an apprenticeship may not be provided (see Figure 4). A mix of incentives can be offered to still make it attractive for employers to accept apprentices, which will be discussed later.

Figure 4: Cost-benefit balance

Short-term (productive) benefits + long-term (recruitment) benefits => cost : apprenticeship provided
Short-term benefits + long-term benefits < cost : no apprenticeship provided

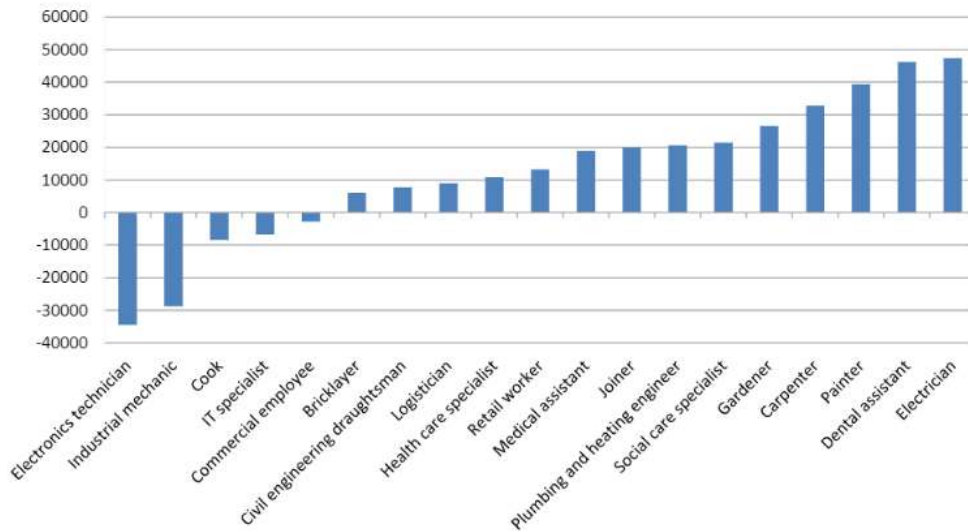
Source: OECD, 2017, p. 24

A key consideration for employers as WBL providers or potential WBL providers is net benefit of apprentices over the duration of the training period. In the early phases of the apprenticeship, an apprentice is not very productive, still has to gain theoretical knowledge and has to accumulate practical work experience. With the passage of time, the trainee becomes more acquainted with the work processes that belong to the profession, becomes more efficient and can take over more responsibility with increasingly less supervision and monitoring. These work efficiency gains over time are reflected by increase in remuneration over time. From a mere financial perspective, the company considers to what

extend if the direct cost of the apprentice (wage, wage added cost, cost of supervision, etc.) outweighs the benefits, i.e. accumulated productivity throughout the training period. For Switzerland, Mühlemann (2016) has conducted a cost benefit analysis for different professions.

Figure 5: The net benefits of apprenticeships in Switzerland

Net benefits (in EUR) reached by the end of the apprenticeship period. Long-term benefits such as benefits flowing from the recruitment of apprentice graduates are not included

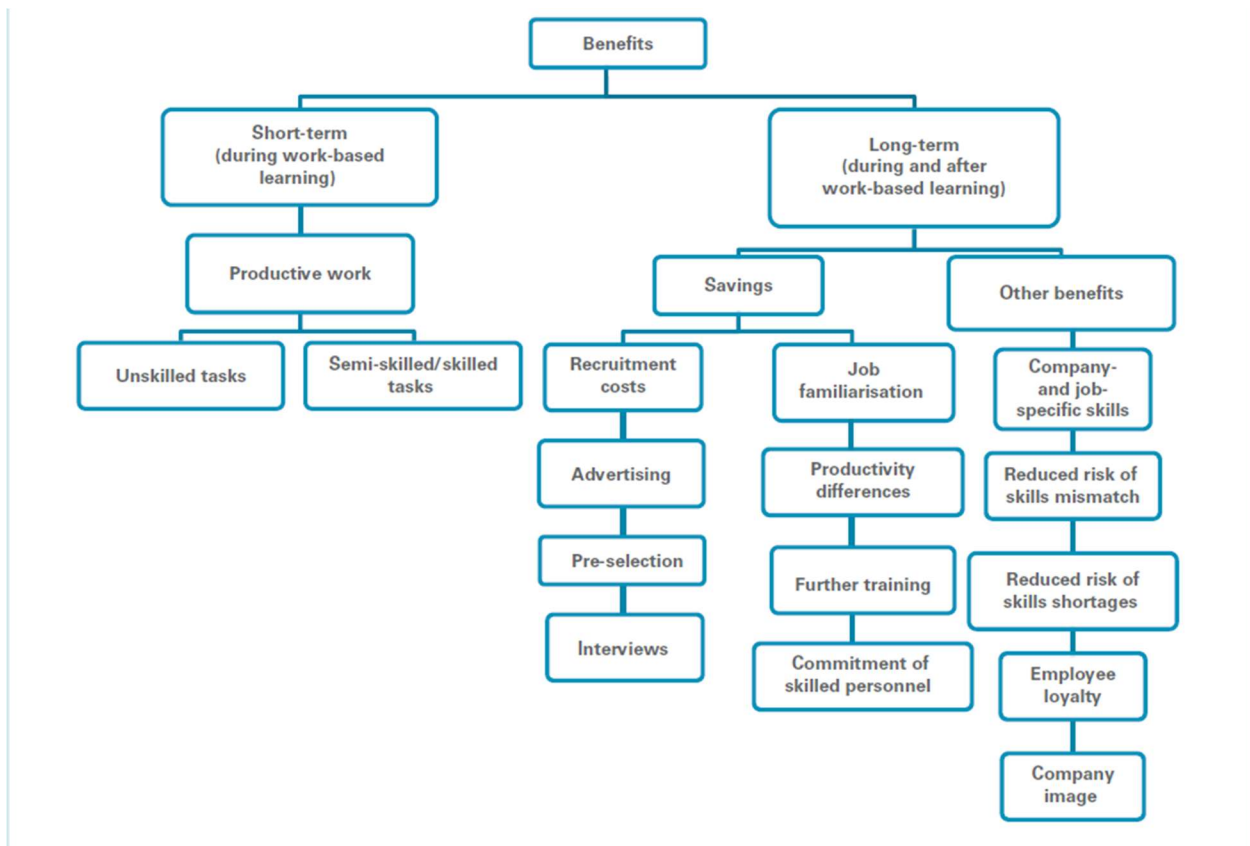


Source: Mühlemann, 2016

It becomes clear that especially in the crafts (e.g. electrician, painting, gardening) the net benefits for companies is higher than in fields that require more theoretical knowledge and practical training, such as electronics technicians, industrial mechanics. However, not only initial productivity and productivity gains are the determining factors here but also the direct cost in the form of apprentices’ remuneration. In other words, alterations in the wage structure would influence the calculation. It is important to note here that the analysis is made from the point of time when the apprentice has completed the training. Expected work productivity and salaries for the time after completion of the apprenticeship are not considered in this calculation. However, even if the net benefit of hiring an apprentice is negative from a financial perspective, it might still make sense to offer apprenticeships if the company expects future benefits from employing the former apprentice as a worker. This could be for the reasons that the worker will already know the company and will be able to reach full efficiency more quickly than a worker hired from outside the organization. Furthermore, a company’s former apprentice has also gained trust in the company and has built up a reputation to perform well, thereby reducing the degree of asymmetric information on the labour market.

Nevertheless, long-term benefits should not be ignored, even if short-term benefits may not be as high. For example, in Germany only 30% of apprentices result in positive net benefits by the end of the apprenticeship, however, many of these apprentices are then hired for long-term recruitment, hence resulting in long-term benefits and the saving of HR costs (OECD, 2017). Figure 6 shows these long-term benefits in the context of the German dual system:

Figure 6: Financial and non-financial benefits to employers in Germany’s dual system



Source: ETF, 2018, p. 15

ETF (2013, pp. 26-27) argue that “While empirical studies on the cost-effectiveness of WBL are scarce, studies carried out in recent decades in countries with well-established WBL systems have shown that the financial benefits of apprenticeships (the apprentice’s productive contribution) often at least equal the financial costs of training (lost output plus the management and administration of training), and that in many cases the financial benefits of WBL outweigh the training cost, even during the training programme. The reasons include (Hasluck et al., 2008, p. 10; Berger and Pilz, 2009; Hogarth et al., 2005):

- the higher productivity of fully experienced workers trained within the organisation compared to those recruited externally;
- the better organisational fit between employees trained in-house and the organisation’s working practices;
- improved staff retention of apprentices trained within the organisation;
- external funding of up-front costs of apprenticeships in some countries (e.g. diverse financial incentives); avoidance of the difficulties associated with recruiting suitable fully experienced workers in the labour market.

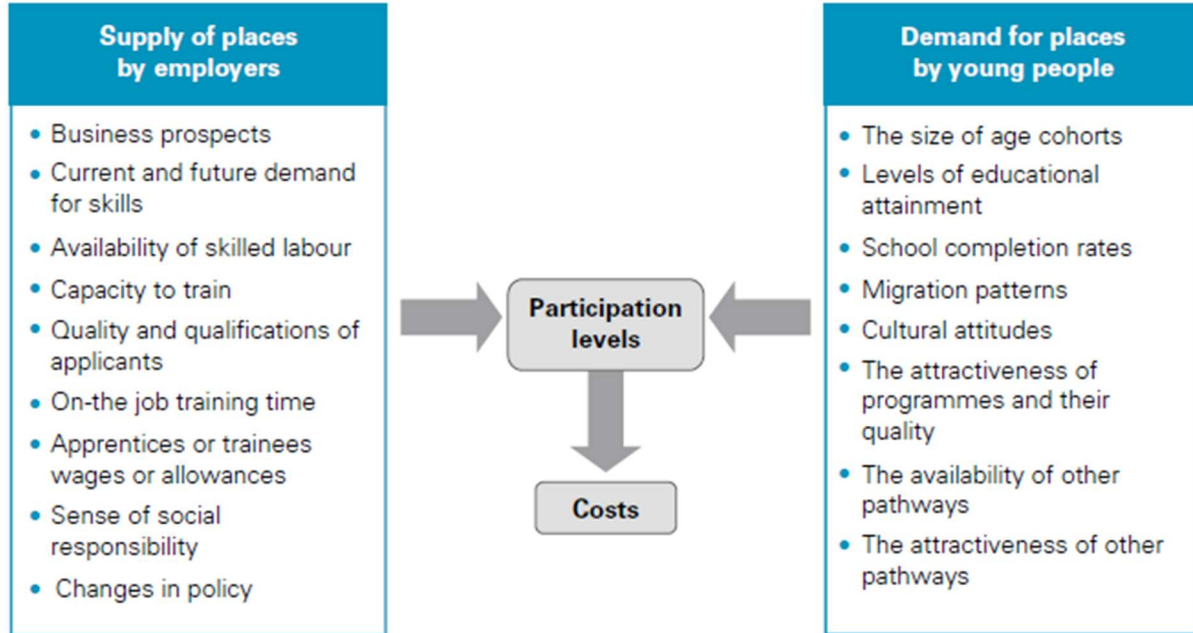
Importantly, the evidence also suggests that the productivity benefits generated typically increase as the apprentices gain experience (Field et al., 2009). (...) Compared to Switzerland, a smaller percentage of Austrian and German companies report net benefits during training programmes, but they do also recoup the cost in the longer term. In Austria, about 33%-40% of enterprises hosting apprentices find evidence of net benefits (Lassnigg, 2008).”

(ETF, 2013, 26-27)

The cost-benefit ratio discusses above will also depend on the following factors (as to whether benefits will outweigh costs or not) (ETF, 2013):

- General versus specific training
- Sector
- Company size
- Duration of WBL
- Company influence
- Supply and demand

These factors will need to be taken into consideration when companies decide on whether to offer apprenticeships. Particularly supply and demand are a factor that is often ignored, illustrated by figure 7 below.

Figure 7: The supply and demand for work-based learning influences costs

Source: ETF, 2018, p. 23

On the supply side, the general economic situation significantly influences companies' assessment of the business cycle in the future in general and their need for labour in particular. If companies generally believe that the business environment will develop positively in the next few years, they will become more inclined to offer apprenticeship places compared to situations with a more pessimistic outlook. This is even more the case for industries that suffer from a scarcity of skilled workers anyway. For Austria, a country with a level of general unemployment significantly below the European average, and also youth unemployment below this average as well (Eurostat, 2021), hiring trainees is a key strategy to cope with skilled labour shortages of present times, and even more in the future. In the next few years, a growing share of the current labour force will retire (Statistik Austria, 2020). In addition to the retirement of the baby-boomer generation, the changing demographic pattern at the bottom of the population pyramid will not increase labour supply either. With the stagnation and even relative decline of the anticipated size of the cohort of youngsters and young adults, the challenges of scarce labour supply are likely to become even stronger.

In addition to companies' mere economic considerations whether to hire apprentices or not, also the factors of reputation, public relations and image are of particular importance for Austria. Especially larger companies who do not employ apprentices or not a significant number, generally suffer from reputation losses and negative media coverage, even more if the organization is closely integrated into a network of local stakeholders who expect a sense of responsibility of local businesses in general and to providing opportunities for young people in general.

Not only does demographic change influence the supply side of apprenticeship provision, as mentioned above, but also the demand for positions from the relevant age group strongly influences participation. Apart from the apprentices' age group relative decline, also the trend towards increasing university attendance levels (Statistik Austria, 2020b) further reduces the share of those for whom an apprenticeship is a possible and attractive option. Despite a higher respect for manual work in Austria compared to Anglo-Saxon countries, an increasing share of teenagers that complete higher education with "Matura", a level that allows them to take up higher education. This increase in available choices is further amplified by a trend of tertiary education becoming almost a default choice among youngsters: Going to university or university of applied sciences has a higher prestige than doing an apprenticeship. Whether this choice is always rewarding 'from a purely financial perspective (in the form of higher expected income after graduation) is a different question, especially when considering the earning potential of professionally trained craftspeople and the possibilities of being self-employed in the skilled crafts and trades.

With apprenticeships as most likely education choice for those teenagers rather for those without the qualification to attend higher education, a special focus for employers are rather youngsters with non-academic family backgrounds. As teenagers from migrant communities have on average lower participation in secondary education above the level expected from apprentices – in other words below the level required to attend higher education (Dornmayer and Nowak, 2020), this target group would be especially relevant for apprenticeships. However, there is significant evidence that companies have difficulty finding applicants who fulfil minimum requirements. Not only formal qualifications in the form of school-leaving certificates are an issue here, but also necessary soft skills in the form of reliability, punctuality and willingness to learn. This is not only the case with youngsters from migrant communities, but also in areas that are underprivileged with respect to its inhabitants' social status – such as average level of education, employment and income.

Government:

- public authorities organise and fund off-the-job education and training (OECD, 2017)
- "Since apprenticeships require employers to provide work placements, governments sometimes provide financial incentives to employers. Even with subsidies, the cost of apprenticeships to the state can still be below the cost of providing school-based VET." (OECD, 2017, p. 15)
- "Governments can fully or partly bear the costs of institutions and infrastructure that support apprenticeships: In addition to direct funding for apprenticeships, governments can provide "in-kind" contributions. This can include governments overseeing the qualifications that apprenticeships lead to, funding final examinations and assessments, providing training to apprentice instructors in companies, and supporting bodies that involve various stakeholders to steer or advise on apprenticeship policies." (OECD, 2017, p. 15)

Benefits to governments:

- Governments often support apprenticeships and WBL as they provide benefits to society at large and individual students, such as better employment or greater productivity, but also lower criminality in the country (OECD, 2017).



- Positive contribution to youth employment rates: “In France, apprenticeships generally facilitate access to employment. In sectors where apprenticeships are relatively well developed, 81% of former apprentices hold a job three years after completing their training, compared to 67% of other types of graduates (Arrighi and Brochier, 2009). The comparative advantage of a trained apprentice in the labour market is particularly noticeable in certain sectors (construction, accounting, metalwork, agro food and transport) but less obvious in others (hotels, catering, trade and mechanics) (Arrighi and Brochier, 2009).” (ETF, 2013, p. 31)
- WBL makes economic sense: “Transferring the cost of achieving learning outcomes from publicly funded educational institutions to enterprises can reduce public expenditure, freeing up funds for use on other priorities, including those linked to widening participation (Sweet, 2011, p. 2).” (ETF, 2013, p. 32)

Universities:

- Universities are a key actor when it comes to apprenticeships as part of higher education. Their role is obviously one of the facilitator and the provider of training as well as assessment of students. WBL can easily be integrated into Higher Education, benefitting Universities in a sense that students will gain in practical and vocational experience while studying and hence be more employable by the completion of their degree.

As an example, we can look at the IMC University of Applied Sciences in Krems, Department of Business:

General information

The essential objectives of studies at IMC Krems as a University of Applied sciences are to provide a professional education at higher education level. The linkage between professional practice and education at higher education level is a core element of the pillar of the Austrian higher education system. The practical training semester is an integral part of all studies at the IMC University of Applied Sciences Krems and enables an overview of fundamental areas of professional life, enhances subject-specific operations as well as the acquisition of needed expertise and social skills for the labour market.

General regulations

The practical training must fulfil the following minimum criteria:

- The organization as well as the department where the practical training is being completed must correspond to the respective studies
- The period of the practical training must be at least 22 working weeks excluding holidays.
- The weekly minimum working time is 32 hours.
- The practical training must be completed before the start of the following semester
- The required practical training time must be confirmed by the practical training coordinator. If more than 25% of the training time is missed (in exceptional cases, e.g. shutdown of the company, illness etc.), the missed time must be made up
- The practical training placement needs to be approved by the respective study program director



Legal and financial framework

The legal working status as a trainee in Austria depends on how the organization registers the trainee with the social insurance agency. The registration of the trainee has to comply with the Austrian labour law. There are two principal possibilities of registration:

- **Employee status:** The student has “employee status” and is subject to all regulations of the labour law and collective bargaining and, if applicable, entitled to compensation, special payment, holidays, etc. In case the monthly salary is above the legal minimum wage 2, the trainee is automatically fully insured (Health and accident insurance). In case the monthly compensation is below the minimum wage, the trainee is only partially insured (accident insurance). Health insurance is then provided either through the insurance of the trainee’s parents or through self-insurance. In both cases, the student does not have access to unemployment benefits.
- **Volunteers:** Volunteers are students who work in an organization temporarily for educational purposes. The following conditions must apply: Reason for employment: expansion and application of knowledge to acquire the skills in real life practice, that are relevant for the education. The internship should mainly benefit the trainee. There are no working commitments or payment claims. As far as the compensation is concerned, the amount of compensation for the practical training may vary and depends on the employment status in Austria. It is important to note that organizations are not obliged to pay any compensation. Therefore, the amount of compensation (as long as there is no employment through a collective agreement) will partially depend on the negotiating skills of the student.

Practical Training abroad

Abroad, the organization is obliged to register the trainee in compliance with the labour law as well. The legal working status of a trainee abroad will strongly depend on the country where the practical training is being completed (full/partial insurance). Due to the different legal status from country to country, students are recommended to inform themselves about the particular situation before the practical training takes place and if needed to obtain an additional health and accident insurance for their stay abroad.

Students:

- For students, apprenticeships are an attractive form of learning as they simultaneously enhance skills and prepare for jobs and careers. While apprenticeships are usually provided at no direct cost to apprentices, they sometimes involve contributions from individuals.” (OECD, 2017)
- Developing expertise knowledge, skills, self-motivation and competences (ETF, 2013)
- In Austria, “the starting wages of high school graduates and former apprentices are similar, but the lifetime earnings of former apprentices are lower. On the other hand, Hofer and Lietz (2004) found that former apprentices earned 10%-12% more than unskilled workers and Steiner et al



(2007) estimated the difference between the earning of former apprentices and workers without formal qualifications to be 12%-14%. However, the same studies show that the comparative advantage is even greater for other groups than for apprentices: the wages of low-qualified workers are 30% less than those of lower level VET schools graduates, 40%-45% less than upper secondary school graduates, and 65%-70% less than graduates of third-level education. The more modest returns for apprentices compared to other graduates can be partly explained by the fact that apprenticeship programmes in Austria tend to attract a larger share of lower-achieving students than school-based programmes.” (ETF, 2013, p. 4)

- “Longitudinal studies in France and the UK have shown that the wage returns of apprenticeships vary according to the level of education, with higher level apprenticeships bringing the greatest return. Apprentices with at least an upper secondary level qualification earn a little more than other groups of workers but the differences at tertiary level are more pronounced: the average net salary of a former tertiary level apprentice is EUR 110 higher than that of a person trained to tertiary level in a school-based system (Arrighi and Brochier, 2009; Arrighi and Joseph, 2005).” (ETF, 2013, p. 4)

How costs are shared between actors

How costs are shared between different actors will depend on the model of WBL that is adopted and also on the specific country and its policies. There are various forms of WBL across the European Union. The way this training is provided varies across European countries, given that these countries all show different paces of industrialisation – outlined in Figure 8, which shows how these different market models will shape the nature of the WBL that is on offer (ELGPN, 2014).



Figure 8: The three “classical” models of vocational education and training

Features	The liberal market model (e.g. UK)	The state-regulated model (e.g. France)	The dual corporate model (Germany*)
Who determines how vocational education and training is organised?	Negotiated “in the market place” between representatives of labour, management, and providers of vocational education and training	The state	The federal law regulates the organisational structure of the VET component in companies; school laws of the Länder regulate vocational education; chambers of commerce or craft trades are required to monitor and control the implementation of the training in companies
Where does vocational education and training take place?	Many options: in school; in companies; in both schools and companies; via electronic media; etc.	In special schools, so-called “production schools”	In predetermined alternation between companies and vocational schools (“dual model”)
Who determines the content of vocational education and training?	Either the market or the individual companies, depending on what is needed at the moment; content is not predetermined	The state (with social partners): does not aim primarily to reflect practice in enterprises, but relies instead on more general, theoretical training	Federal Institute of VET sets up mandatory training content profiles/orders (arranged by professions) which are jointly developed by tripartite commissions of representatives of companies, trade unions and the state
Who pays for vocational education and training?	In general, the people who receive the vocational education and training are also the ones who pay for it; some companies finance certain courses, which they provide themselves	The state levies a tax on companies and finances vocational education and training, but only for a certain number of applicants each year	Companies finance training within the enterprise and can set off the costs against tax; trainees are paid a contractually determined sum; vocational schools are financed by the state
What qualifications are gained? and what opportunities are opened?	No monitoring of training; no universally accredited final examinations	State certificates entitle the best graduates to go on to higher courses	After a formal examination, the VET certificate enables the holder to work as a skilled professional worker in the relevant occupation and to access higher courses

Sources: CEDEFOP, 2002; 2004. *This description has been modified by the German ELGPN team and applies only to Germany

Source: ELGPN, 2014, p. 16

For example, “the learning opportunities available to a person in a country which operates the “dual system” will be different to those who live in a country with a state-regulated system (..). These differences relate to the age at which they enrol, the amount of time they spend learning in a college or school compared to the workplace, the nature of the work they do in the workplace, the qualifications they receive, the age they complete their studies, and how much they pay or are paid.” (ELGPN, 2014, p. 16). Most importantly, in regards to financing, figure 9 shows that, depending on the model adopted by the state, it is either individuals who receive WBL, the state (through tax levies) or companies financing the training.

Figure 9: Factors that influence the level and distribution of costs

Element to be financed	Questions	Options
Payment for learners	Will learners be paid?	<ul style="list-style-type: none"> • No wage is paid if learners are legally students • An allowance is paid, but not a full wage • If learners are employees, a wage is paid that is less than the wage of a qualified worker • A wage is paid plus a wage subsidy paid to the employer
The costs of training in the workplace	Will employers be compensated for the cost of providing work-based training?	<ul style="list-style-type: none"> • Provide no compensation • Use the discount built into training wages as the basic form of compensation • Provide government subsidies, tax relief, relief from social payments or similar mechanisms to compensate employers • Establish a national or industry training fund, charge a training tax to firms that do not provide training (for example, to apprentices) and exempt firms that do
Deciding which enterprises will take part	Will enterprises be screened to make sure that they are suitable?	<ul style="list-style-type: none"> • No selection or screening: enterprises volunteer, or educational institutions allow any enterprise that wants to take part • Selection of enterprises by employers' chambers or similar organisations • Selection of enterprises by educational institutions
Mentors, trainers or supervisors of the learners in the enterprise	Will supervisors, mentors or trainers within the enterprise be required to have qualifications and training?	<ul style="list-style-type: none"> • Allow any employee nominated by the enterprise to train learners in the workplace, and do not require them to have any formal qualifications or training • Require all supervisors, mentors or trainers to have a qualification – for example, a formal vocational qualification in their occupation, or a formal qualification in on-the-job training • Require these employees to take part in a course on how to train in the workplace

Element to be financed	Questions	Options
	Will voluntary training be offered to these employees?	<ul style="list-style-type: none"> • Do not provide any additional voluntary training to these employees • Voluntary programmes to upgrade the vocational skills and qualifications of these employees • Voluntary programmes to improve on-the-job training skills of these employees • Voluntary programmes run by education and training institutions • Voluntary programmes run by employers' chambers and similar organisations • Develop handbooks, guides, skill lists and similar materials to help employees to train in the workplace
	Will employees be supported and helped to improve their on-the-job training skills?	<ul style="list-style-type: none"> • No support or assistance other than that which is provided by the enterprise itself • Visits to the enterprise by representatives of employers' chambers or similar organisations to check on any problems and offer support and encouragement • Visits to the enterprise by teaching staff from educational institutions to check on any problems and offer support and encouragement • Handbooks or guidebooks setting out the skills to be taught at work • Handbooks or guidebooks giving advice on how to train in the workplace
Classroom-based education and training that is part of the programme	Is classroom-based education and training part of the programme?	<ul style="list-style-type: none"> • No classroom-based education and training is provided: all training is on-the-job • Education and training is provided in a college or school, and focuses on general education and vocational theory • Education and training is provided in a college or school, and includes general education, vocational theory and practical vocational training
	Will gaps in skills that cannot be provided by the enterprise be addressed?	<ul style="list-style-type: none"> • Do not make any special provision for colleges or schools to fill skill gaps • Arrange for supplementary practical training in school or college workshops



Element to be financed	Questions	Options
Supervising and assuring the quality of the work-based learning	Will employment conditions and the quality of the training be checked?	<ul style="list-style-type: none"> Do not visit enterprises to check employment conditions and training quality Inspect firms (for example, through the department of labour or central apprenticeship inspectorate) to check employment conditions, but not training quality Visit firms to check training quality and advise on how to improve it
	Will learners be given the chance to fill gaps in skills that cannot be provided by the enterprise?	<ul style="list-style-type: none"> Do not make any special provision to fill skill gaps Arrange for learners to spend time in firms that can fill the skill gaps Arrange for supplementary practical training in school or college workshops
Assessing the work-based learning	Will what has been learned in the workplace be assessed?	<ul style="list-style-type: none"> No assessment takes place Enterprises assess what has been learned and inform organisations such as schools, colleges or central apprenticeship authorities of the outcome Employers' chambers or similar bodies conduct tests and examinations of what has been learned in the workplace Assessment of what has been learned in the workplace forms part of assessments carried out by the classroom-based education and training provider On-the-job learning is assessed at regular intervals throughout the programme and is used to assess both ongoing progress by the learner and programme quality On-the-job learning is only assessed at the end of the programme to certify satisfactory completion

Source: ETF, 2018b, pp. 60-62

This table illustrates that the costs of WBL and how these are distributed between actors will ultimately depend on a range of variables, including the cost of training, the payment to trainees, the type of company involved, require supervisors, the degree to which classroom-based activities are part of it, as well as assessments during and after the WBL.

Funding arrangements in Austria:

The costs of company-based training are paid by the company that offers the WBL. School-based training (at part-time vocational schools) is funded by the government (the federal and provincial governments). This means that the biggest share of costs of vocational training are carried by companies themselves. (IBW, 2014).

“The apprenticeship remuneration (the payment for apprentices) makes up the main part of costs for apprenticeship training from the perspective of companies. Its amount is specified in sector- or company-specific collective agreements and ranges between some EUR 380 and some EUR 2,000 gross a month (14 times a year) depending on the apprenticeship occupation and year. The remuneration increases with every apprenticeship year until, in the final year, it totals an approximate average of 80% of the corresponding skilled worker's wage. The reason for this is that the apprentices' share in productive work increases with every year, which means they contribute more to the training company's productivity every year. The costs of equipping part-time vocational schools with machinery, equipment and teaching material are borne by the federal provinces, whereas the federal government and the respective province share costs for the teaching staff equally. In addition, a large number of (publicly financed) subsidisation options (cf. B.2) and reductions in contributions (such as to sickness and accident insurance, cf. B.2) exist for apprenticeship training.” (IBW, 2014, p. 3-4)



In Austria, apprenticeship training is supported and funded in different ways:

“The training company receives a basic subsidisation for every apprentice, the amount of which is graded based on apprenticeship years (3). In addition, there exist measure-related subsidies (often with a focus on quality and the support of target groups (4). Furthermore, for the first two apprenticeship years, no sickness insurance contribution needs to be paid (neither the employer’s nor the apprentice’s share). No accident insurance contribution needs to be paid for the entire apprenticeship period.

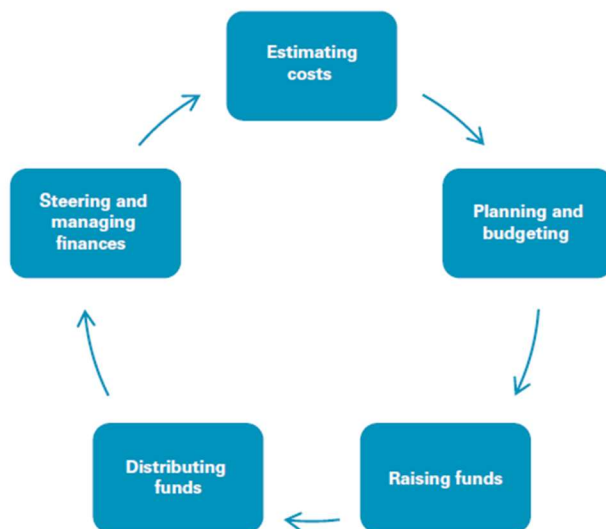
Apprentices are primarily subsidised by Public Employment Service Austria (Arbeitsmarktservice Österreich, AMS), which follows a target group-specific approach (5). In addition, there are many support options available from the provinces (such as for commuting or boarding school, or in the form of learning tools, etc.).

Basic subsidisation and quality-related funding are financed from the Austrian insolvency remuneration fund, which itself is mainly financed from employers’ contributions. The subsidies of AMS are financed from labour market policy funds.” (IBW, 2014, pp. 6-7)

The financing process

At the beginning of the all financing considerations is the estimation of relevant costs, which then are crucial for for planning and budgeting. Following this, it needs to be fixed how the required funds will be secured and then distributed among the beneficiaries. At the end of this process, procedures regarding steering and managing of finances need to be implemented. Figure 1.2 illustrates this process (ETF, 2018, p. 10).

Figure 10: The financing process



Source: ETF, 2018, p. 10

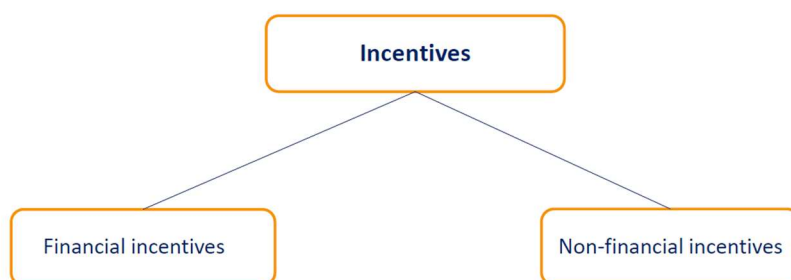


4. Financial and non-financial incentives for WBL

In order to improve the cost-benefit ratio for employers and make WBL more attractive, two general types of incentives exist (see figure 11), i.e. financial and non-financial incentives. This is a good way, for example, to promote apprenticeships when offers on the market are limited in a given country context.

Figure 11: The two types of incentives in WBL

Improving the cost-benefit ratio for employers



Source: Thomas, 2018

Financial incentives in WBL

In the context of this chapter, it is first of all important to distinguish between the following terminology when talking about financial incentives:

- **Incentives:** Any kind of stimuli intended to foster the engagement of the business sector in VET.
- **Grants:** Financial means used for defined purposes which do not have to be reimbursed.
- **Subsidies:** Many forms of funding including direct payments, tax breaks, tax abatements etc., which are usually provided to (partially) offset costs over a longer period of time.
- **Levies:** (Usually compulsory) financial contributions by a company (e.g. to a training fund or a public body, such as an employer organisation).

(IBW, 2019, p. 4)

A range of **financing measures** exist that enable the state to support WBL, including:

1. Tax incentives to employers
2. Reimbursement of training costs to employers
3. Wage subsidies

4. Fixing apprentices' wage levels below the levels of workers' wages
5. Levies

(ETF, 2013)

“The cost of financial incentives for apprenticeships can come out of general public expenditure, and therefore from taxpayers, as: 1) a reduction in the tax base or tax due by companies providing apprenticeships; or 2) a subsidy to firms with apprentices.” (OECD, 2017, p. 42)

Tax expenditures

Tax expenditures means that companies that provide apprenticeships will experience a tax reduction, such as payroll tax or social security contributions, which is a very common way for the government to support the financing of WBL. This makes it more attractive for firms to train their own staff, rather than “steal” people from companies that do train staff when they themselves are not involved in WBL. (ETF, 2018)

Tax expenditures can include:

- tax allowances (deductions from the gross income to arrive at the taxable income);
- tax exemptions (some particular income is exempted from the tax base);
- tax credits (sums deducted from the tax due);
- tax relief (some classes of taxpayers or activities benefit from lower rates); and tax deferrals (postponement of tax payments)

(ETF, 2018)

However, ETF (2018) argues that research has shown that “tax expenditures as incentives are unlikely to work well in countries where formal industry is not well developed, where small enterprises make up a bulk of all private enterprises, and where administrative or organisational capacity is weak (including tax collection capability)” (ETF, 2018, p. 43), meaning that the type of businesses involved in WBL are essential when it comes to tax exemptions.

Subsidies

“Direct grants and subsidies can be used to offset the cost to companies of providing work-based learning programmes, to encourage firms to hire more apprentices or trainees, or to provide an incentive for firms to hire apprentices or trainees from particular groups.” (ETF, 2018, p. 6)

They can be used to:

- offset firms' training costs: for example the cost of special training equipment or facilities, or the cost of the firm's mentors or trainers;
- offset the wage costs of trainees or apprentices;
- encourage firms to hire more apprentices or trainees;

- provide firms with an incentive to hire apprentices and trainees from particular groups or with particular characteristics;
- improve the relationship between training and labour market demand; or
- try and improve completion rates and programme quality.

(ETF, 2018, p. 44)

There are both direct and indirect subsidies, funding different aspects of WBL:

- Direct subsidies:
 - *Basic subsidies:* Training companies receive a sum of money per apprentice or per completed training/certification. The amount may differ depending on training duration (i.e. falling with years/months of training) and/or the apprentices' contribution to productive work.
 - *Criteria-based subsidies:* Training companies receive subsidies if they meet specific criteria; they are (partially) reimbursed for their investments. The basic aim is to foster training quality or address target groups.
- Indirect subsidies:
 - *Costs for training activities are treated as expenses* that reduce the company's taxable profit. Additional tax exemptions can be offered for certain investments.
 - *Waivers* regarding non-labour wage costs, such as sickness, unemployment and accident insurance for apprentices.
 - *Conceding preferential treatment in public tenders* to companies offering apprenticeship training.
 - Financing activities that do not directly accrue to training companies but *foster initial VET* in a broader sense (incl. promotion of VET, organising VET fairs or developing occupational profiles).

(IBW, 2019, p. 5)

Regarding the question how a subsidy scheme should work in detail, there is evidence that lump-sum systems will not have a large positive effect to the number of available training places, rather to the question if an organization that benefits from the scheme offers WBT places at all (ETF, 2018, p. 44). Secondly, a subsidy that only represents a small amount relative to the overall training costs of an apprentice is likely to have only modest positive effects. Thirdly, organizations attracted by those schemes might primarily be those organizations interested in receiving compensation of training cost instead of being mainly motivated to reach an increase in training and education of their labour force in general. Related to subsidies in general, the crucial microeconomic question is whether potential improvements in the provision in WBL will outweigh the deadweight losses caused by a subsidy. Taxes and subsidies have the potential to distort the market and to have adverse effects: in order to be revenue-neutral or at least partly refinanced, taxes or levies need to be created in other areas, with adverse effects in these domains. Lastly, it seems that especially larger organizations benefit more from such subsidies than smaller ones, which might further distort the balance between different sizes of companies (ETF, 2018, p. 44).

In terms of subsidies, “a lump sum that is offered to employers who decide to take on apprentices but that is independent of apprentice numbers creates financial incentives for companies that have not provided apprenticeships previously, but does not affect the decision of a firm with apprenticeship arrangements in place to take on an additional apprentice. A lump sum can be usefully provided to build training capacity (including, for example, investment in trainers/instructors, training equipment, assessment capacity) in a company or a sector. Conversely, a subsidy based on the number of apprentices is more likely to have an impact on a firm’s decision to create additional apprenticeship places.” (OECD, 2017, pp. 47-48).

Levies

Levies are another way to increase training incentives and are usually divided into three categories:

- Exemption or rebate schemes by which companies can reduce their tax obligations through the amount of training that they provide or purchase. These arrangements can apply either to reduced obligations to pay a designated training levy, or to reduced obligations to pay payroll taxes or other forms of taxes.
- Cost reimbursement through which companies are paid grants for certain designated forms of training.
- Levy-grant schemes, which combine a tax levied on designated firms with grants to help meet the costs of training.

(ETF, 2018, p. 38)

Levy schemes cause some employers to become beneficiaries and others net payers. Some organizations use the scheme intensively while contributing only little while others contribute significantly but only benefit from it relatively little. In addition, also differences between industries are relevant here (Conseil d’Analyse Economique, 2014). Some industries might not make use of apprentices for structural reasons that have to do with the nature of labour needed, or because needed skills evolve at too fast space for being included in a formal apprenticeship scheme. As a result of this, redistribution between industries is possible to occur although this was not intended in the first place.

France is an example of a country with a large array of different levy funds to increase incentives for the provision of apprenticeships. An apprenticeship tax of 0.5 per cent of the wage bill, in addition to an 0.18 per cent contribution to an apprenticeship development fund. Furthermore, larger companies with more than 250 employees contribute even more. In addition, employers benefit from a tax credit worth 1,600 EUR per apprentice plus an allowance of EUR 1,000 per capita and an exemption from social insurance contribution payments for their trainees (Conseil d’Analyse Economique, 2014).

Funding of the school-based component in WBL:

In most countries, governments bear the highest share of cost for the school-based part of WBTPs. Across the EU-27, governments’ coverage ranges from 85 per cent to 95 per cent (ETF, 2018, p. 48). Nevertheless, there is a distinction between those countries with a focus on school-based vocational training (e.g.



Poland and Spain), and consequently only relatively short amounts of time spent on work-based training, and other countries with dual apprenticeship and longer periods of time spent with companies. In the latter case, the governments' share can consequently be significantly lower - e.g. Denmark with 60 per cent, France 50 per cent and Germany only 24 per cent (ETF, 2018, p. 48).

The school-based component of WBL is another aspect that is often funded as an incentive to make WBL attractive. These are usually funded by government/ ministries. Usually, these funds are distributed with the use of block grants, specific purpose grants, and grants tied to enrolments; vouchers (for employers or for students); competitive tendering; and outcomes-based funding linked to attendance, attainment or employment. In the European Union the school-based component of WBL does usually not incur any costs to students, although those older than a certain age may need to pay for their own fees – at least to some extent (e.g. Denmark, Netherlands). (ETF, 2018)

Funding by the private sector:

The costs of financial incentives can also be taken over by the private sector who employs apprentices, usually through a levy on a percentage of turnover or payroll. Funds from contributions may be used to support training in general and apprenticeships in particular. For example, in Denmark and France, all employers share the costs of apprenticeships. In Austria, Germany and Switzerland, levies are collected by sector; while in England (United Kingdom), only large employers contribute. Further details on incentive schemes are set out in Figure 12.

Figure 12: Financial incentives to companies providing apprenticeships

	Tax incentives*	Subsidy	Levy scheme
Australia	Tax incentives depend on the qualification the programme leads to	Subsidy in specific cases e.g. person being trained has a disability.	No
Austria	Tax incentives abolished in 2008 and replaced by targeted subsidies	From 2008, targeted subsidies are available per apprentice (the amount depends on the year of apprenticeship) for: additional training, training of instructors, apprentices who excel in final assessment, measures supporting apprentices with learning difficulties, and measures supporting equal access of men and women to apprenticeships.	A levy fund in the construction sector covering all regions and in the electro-metallic industry of one province (Vorarlberg). Negotiated by the Employers and Trade Union.
Belgium – Flanders	Payroll tax deduction	Direct subsidy depending on the number of apprentices and programme duration.	No
Denmark	No	No	All companies (including in the public sector) pay a contribution to the Employer Reimbursement Fund (AER) based on the number of full-time employees. The amount is DKR 492.50/ full-time employee four times a year. Enterprises with apprentices get their expenses for trainees refunded when they are at VET college (i.e. salary, transportation). AER also pays grants to motivate employers who establish extra training places.
	Tax incentives*	Subsidy	Levy scheme
England (UK)	No	Contributions from employers who pay the levy are topped up with a 10% contribution from the government. Grants to companies and education and training institutions offering apprenticeships to 16-18 year-olds.	Universal levy set at 0.5% of payroll, applying to the proportion of payroll above GBP 3 million
Germany	No	No	In the building sector. Negotiated by employers and trade unions.
Netherlands	Tax exemptions (abolished in 2014)	Subsidy from 2014 to employers providing apprenticeships of maximum EUR 2 700 per student per year (depending on the duration of the apprenticeship and the number of training companies asking for subsidies).	No
Norway	No	Direct subsidy per apprentice depending on apprentice characteristics (such as age, disability, school performance, migration status, gender, previous education) and sector characteristics.	No
Switzerland	No	No	All companies within a given economic sector are required to contribute to a corresponding vocational and professional education and training (VPET) fund (e.g. to develop training programmes, organise courses and qualifications procedures, promote specific occupations). The Confederation may declare some VPET funds to be of general interest and therefore mandatory for all companies within a given economic sector.

Source: OECD, 2017, pp. 43-44



In OECD countries, the scope of tax exemptions for companies providing WBT has never been very high and has even decreased with the passage of time. To date, only Australia offers tax exemptions that depends on the final level of education provided, and Flanders (Belgium) offers a reduction of the payroll. All other countries mentioned in Figure 8 have stopped providing tax exemptions or never offered any. Subsidies seem to be the most common instrument to encourage apprenticeship provision of companies. Only Denmark, Germany and Switzerland refrain from this kind of support, with probably the lowest levels of government intervention into the market in that domain anyway, or other mechanisms in place that go beyond considerations of tax exemptions, subsidies or levies (e.g. related to collective bargaining between unions and employers).

Financial incentives in Austria

In Austria, tax incentives were abolished in the year 2008, instead direct subsidies were introduced. These tax incentives were replaced by a grant-based system, with the amount of the grant for the company depending on the year of apprenticeship.

In addition, “extra support is available to employers for the provision of additional training and for the training of instructors, and to employers whose apprentices excel on their final assessment or face learning difficulties. In addition, grants are available for apprenticeships that support the equal access of men and women to traditionally non-male and non-female professions (Federal Ministry of Science, Research and Economy, 2014).” (IBW, 2019, p. ??)

Direct subsidies:

Direct subsidies exist for every company for each apprentice they train since 2016. This links to the wage of the apprenticeship and regresses over the period of the WBL, with companies being reimbursed three monthly apprenticeship wages. The subsidy decreases each year of apprenticeship (in the first year the employer receives three gross apprentice wages per apprentice, in the second year two gross apprentice wages, in the third year one gross apprentice wage). This way, the government supports companies due to the low productivity of trainees in their first years. (IBW, 2019)

Additionally, training companies may be eligible for *criteria-based subsidies* in the form of grants in order to improve quality through coaching, the training of trainers, or to address specific target groups or occupations, e.g. by supporting inclusive programmes or giving equal rights to women to participate in WBL.

“Both of these types of incentives are financed by the Austrian Insolvency Remuneration Fund. Traditionally, this fund pays outstanding wages in the case of company insolvency; consequently, it is financed entirely by companies themselves (0.35% of the total sum of wages; 0.2% of which is earmarked for direct subsidisation of training companies). In essence, it is a compulsory training fund which redistributes part of the levies received from all companies to those companies that train apprentices.”

(IBW, 2019)



Indirect subsidies:

“Additionally, training companies get *indirect financial subsidies* by:

- *waivers* in the area of non-labour costs, i.e. employers do not have to pay their part of social security contributions for sickness, unemployment and accident insurance for apprentices.
- *tax deduction*, i.e. setting off training expenditure against revenue, which leads to a reduction of the company’s taxable profit.” (IBW, 2019)

Sector/Region Specific Training Funds

In some sectors and/or regions *additional training funds* exist, such as in the construction sector or in the inter-company learning centres (BAUAKademien), which is financed with compulsory levies. Another example is the region of Vorarlberg, where a voluntary training fund in the electro- and metal industry signifies that all companies who participate must pay a levy of 0.24% of the total sum of wages. (IBW, 2019)

Apprentices

In Austria, apprentices may also be eligible for *personal subsidies*. These are financed by funds from the labour market policy budget. The compulsory levy-based training fund, for example, is a combination of a basic subsidisation scheme (regressive over the training period) and additional criteria-based subsidisation (partial reimbursement of extra costs for training). (IBW, 2019)

As mentioned, above, Germany is not very active on the federal level with respect to supporting of apprenticeships compared to many other countries. However, this has also to do with the federal system of the country’s administration and financing systems. There are indeed initiatives organized and financed by some federal states (Bundesländer), administered by the employment agencies and job centres (IBW, 2019). One nation-wide initiative is especially noteworthy here: The “Betriebliche Einstiegsqualifizierung”, which is an on-the-job entry qualification for those young people who have not found any internship position (IBW, 2019). These positions have the potential to create a bridge between the secondary labour market to the first labour market by providing youngsters with the necessary hard and soft skills required on the labour market. Thereby, this scheme has the potential to make up for deficits of the school system and to provide a safeguard for those youngsters whose previous education and or family background would make it very hard to secure apprenticeships without prior entry qualifications, or who would even become dependent on the welfare state in the absence of such bridges to the regular labour market.

In France, all enterprises (including public establishments) employing apprentices for at least one month can benefit from a tax credit. Employers receive EUR 1,600 per apprentice per year or EUR 2,200 for disabled and low qualified apprentices. Small and medium-sized enterprises (SMEs) offering apprenticeships are fully exempted from employer social contributions (CEDEFOP, 2011).” (OECD, 2017, pp. 42-43)

There is varied financial support available in France, which has been summarised by EUCEN as part of Module 1:

- **“Apprenticeship costs covered by companies**

The law is setting remuneration arrangements as a share of the legal minimum wage, which varies according to the age of the apprentice and his/her level of education at entry. Apprenticeship costs, including the apprentice’s wage, is covered by the employer who pays all on-the-job training costs.

- **Financial support to CFAs**

CFAs have access to subsidies paid by OPCO after the signature of an apprenticeship contract with an apprentice and a company. The amount of the subsidies is fixed by the professional field as a flat rate per contract signed. These subsidies can be complemented by financial support provided by regions to CFAs.

In addition, OPCO are partially covering annex fees funded by CFAs, such as accommodation or restauration fees, but also educational equipment.

To encourage the modernisation of CFAs, in connection with companies, some expenses linked with investment costs can be deducted from the apprenticeship tax.

- **Financial support to companies**

Most financial support available to companies hiring apprentices was cut by the 2018 law. An apprenticeship allowance remains available to companies hiring apprentices at level 4 EQF or below.

Specific subsidies exist for companies employing an apprentice with disabilities.

- **The training and apprenticeship tax:**

Financial support to apprenticeship is largely supported by the training and apprenticeship tax (Contribution unique à la formation et à l’alternance), paid by all the companies that have at least one employee. In addition to apprenticeship, this tax is also funding formal technology and vocational education. However, the part of the tax funding apprenticeship has increased following the 2018 law and is predominant.

The amount of the training and apprenticeship tax depends on the number of employees of the company, and on the payroll.

Although the training and apprenticeship tax is paid by companies to ‘URSSAF’, the French body collecting social contributions that fund social security, ‘France Compétences’ is redistributing financial contributions to different stakeholders including ‘Competence bodies’ (OPCO), regions, and the State.”

Non-financial incentives in WBL

Among the non-financial incentives for employers are those with respect to building up capacity in the sense that the organization will become more attractive in general to potential applicants – whether apprentices and regular employees, improving companies’ abilities to train their workforce in general - not only apprentices. Secondly, firms can be motivated, although not intrinsically, by fulfilling

a legal requirement in the form of minimum shares of apprentices in the workforce, like in the UK (OECD, 20017, p. 52). However, the question is if such legal requirement meet the target and do not have unintended negative side effects, in the form of oversupply of apprentices in some industries, discrimination of smaller firms that have difficulty fulfilling the requirements. In addition, the positive effects on the public image in the local community and even beyond are a clear non-financial motivation for firms to offer apprentices (OECD, 20017, p. 52).

Non-financial incentives can include:

- Assisting employers in providing apprenticeships
- Preferential treatment for companies with apprentices in the public procurement process
- Capacity building and support measures designed to help employers make better use of apprentices.
- Regulatory measures that require employers to take apprentices (or penalise them if they do not).
- Image enhancement measures designed to attract employers and students to the apprenticeship brand.

(ETF, 2013; OECD, 2017)

IBW (2019, p. 9) argues that “in-kind incentives can also be provided in form of centralised content development and distribution, through which companies can save training costs. This being said, financial or in-kind incentives have to be designed carefully and should not be so high that they distort the self-interest of companies to offer training. The majority of incentives should preferably be provided in-kind, i.e. by building up support structures for companies to provide help and concrete assistance, to enable them to deliver high quality work-based learning (...). Of course, these activities have to be financed; interestingly, in Austria and Germany employer representative bodies provide this in-kind support (financed by a training fund). In Switzerland these activities are organised either in a sectoral setting (financed by voluntary or obligatory sectoral levy grant systems) or in a cantonal setting (financed by a cantonal training fund). Finally, it is important to keep in mind that not every company is ideally suited to train apprentices! In short, only companies that meet the following criteria should train:

- they should have a genuine interest in doing so (i.e., future skilled workers);
- have the means to do so (i.e., can fulfil the training content of the occupational profile,
- have qualified instructors and a have sound financial base);
- have either a production or investment motive.”

Policy recommendations on financial incentives in WBL

The OECD (2017, p. 53) suggests the following policy pointers:



1. “Financial incentives for employers to take apprentices are likely to yield substantial deadweight losses, i.e. they subsidise apprenticeships that would have been provided anyway. Therefore, such incentives should be used with caution and their impact should be evaluated carefully, including displacement effects. Targeted financial incentives (e.g. by sectors, company characteristics) may reduce deadweight loss but may be more costly to design and implement.
2. Introduce high quality standards for apprenticeships to ensure that incentives do not lead to apprenticeships in low-skilled jobs.
3. When providing financial incentives for apprenticeships, ensure that small employers also receive support with accessing and processing available funding.
4. Cost sharing by employers at the sectoral level can be promoted in specific sectors where: the cost of apprenticeship training is high, the labour market is tight and it is difficult to find skilled employees on the external market, and when employers face a high risk that their fully-trained employees will be poached by other employers.
5. Financial incentives should take into account the wider public policy context, as well as the relative attractiveness of alternative learning pathways (including tertiary education) and the level of public support offered for such pathways.
6. Explore options for enhancing non-financial incentives for employers, including measures that increase the training capacity of employers.”

(OECD, 2017, p. 12)

In addition, evidence suggests the following advice:

- “Based on adopted national policies on WBL it is necessary to develop appropriate legal framework in common areas (education, labour, insurance, security, safety at the work place, etc.). The regulation should identify key partners/stakeholders and their remits and responsibilities in the WBL implementation. The legal framework needs to be flexible in order to facilitate WBL implementation together with financial incentives and create an enabling environment for WBL development.” (Interreg, 2019, p. 50)
- “Make sure that the framework includes proposals for financing (this may include wages, subsidies, taxes, industry levies, social security and insurance, and other similar factors) that will motivate both employers and learners to participate.” (ETF, 2014, p. 32)

QUESTIONS TO HELP REFLECT ABOUT THE MODULE LEARNING

The following questions will help those responsible of WBL to gauge the kind of incentive most appropriate for their context:

- Economically speaking, are incentives necessary or do they cause unwelcomed distortions?
- Are incentives reasonable in specific cases?
- What kind of incentive schemes already exist?



- To what extent are the conclusions drawn about the existing incentive schemes of DC dVET member countries transferable to partner countries of development cooperation?
(IBW, 2019)
- What kind of non-financial incentives could be used to make WBL attractive?
- Does money matter? What are the fundamental reasons why companies in your country do not train? Would financial incentives address these reasons?
- Is poaching really undermining the business sector's interest in dual VET? Would the establishment of training funds be a solution?
- Is it possible to design financial incentives in such a way that they result in the creation of additional training places?
- Which kind of concrete support and assistance is needed for training companies in your context?
- How and by whom will this support be organised, provided and financed?
- How much funding is required to ensure sustainable funding of these in-kind activities?

(IBW, 2019)



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