



**OECD NOTE ON “QUALITY APPRENTICESHIPS”
FOR THE G20 TASK FORCE ON EMPLOYMENT
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Intervening in the youth labour market is policy priority

Youth unemployment and under-employment loom large in most G20 countries, as acknowledged in the *G20 Youth Strategy Report*. Quality apprenticeships have been cited by the *G20 Task Force on Employment* as one of the key policy tools to promote better school-to-work transitions. In their conclusions, the G20 Ministers in Guadalajara committed to “*promote, and when necessary, strengthen quality apprenticeship systems that ensure high level of instruction and adequate remuneration and avoid taking advantage of lower salaries*”.

This note sets out the key features of quality apprenticeship programmes and identifies some good country practices in designing and implementing apprenticeship systems. It draws from the extensive work done at the OECD to review policies to promote the job prospects for young people.

Apprenticeships are effective policy tools

In the context of fostering skills acquisition and promoting smooth transitions from school to formal sector employment, apprenticeships have proven to be particularly effective.

The lack of a secondary qualification is strongly associated with poor labour market performance almost anywhere, yet many youth drop out of the education system without one. In some G20 countries, this is due to low enrolment rates in secondary education; in others, youth start secondary education but drop out before completion; and some others G20 countries face both low enrolment rates and early school leaving. By combining work and study, apprenticeship programmes can help attract and retain youth who have become disaffected with classroom-based schooling and are better suited to learning on the job.

Empirical evidence emphasizes the importance of early intervention to promote good long-term outcomes in many domains. In this regard, apprenticeship programmes intervene early enough to generate long-term effects.

During times of economic crisis, youth find it especially hard to enter the labour market and can therefore benefit significantly from expanded apprenticeship schemes, but this may require suitable support to employers to encourage them to retain or take on more apprentices.

Despite the large differences in the labour market situation of youth both within and across G20 countries, apprenticeships can be an effective response to improve employment opportunities for youth, provided they are appropriately adapted to individual and local specificities. Common policy experiences are particularly useful because they make it easy to share good practices.

The challenges facing apprenticeship systems

The positive evidence on the role of apprenticeships in reducing drop-out rates and ensuring smooth school-to-work transitions has revived interest in apprenticeship training. Indeed, until recently in many G20 countries, governments had shifted their focus away from apprenticeship training to focus on raising university enrolment. This trend has since changed, with governments in most G20 countries turning to the positive experience of Germany – a country with a long tradition of apprenticeship training – as an inspiration to revive existing apprenticeship systems or develop new ones.

Implementing effective quality apprenticeship programmes that are attractive for both employers and workers can be difficult for a variety of reasons.

- Apprenticeships are sometimes limited in coverage to their traditional sectors, such as construction and manufacturing, or to a very narrow range of occupations in the service sector. In such a situation, the system risks to exclude the most innovative and attractive occupations and those in which the accumulation of specific human capital by young people is particularly important.
- A bias in favour of academic education persists in many countries, with all forms of vocational education – including apprenticeships – perceived as selection-by-failure options, *i.e.* learning pathways suitable for those who fail in an academic-type setting.
- In many countries, apprenticeship programmes do not provide a formal qualification at completion, making them less valuable for workers who would like to move to different sectors or occupations and who would, thus, benefit from having the content of their training officially recognised.
- A common feature of most apprenticeship programmes is the lower cost of labour compared to the hiring of a regular employee. Normally meant to encourage participation of the employers and to compensate them for the cost of on-the-job training, low labour costs are sometimes achieved by paying apprentices very little or even nothing. Moreover, in some developing countries, where apprenticeships are common in the informal sector and in family-run business, apprentices do not benefit from basic social protection (illness or injury).
- At the same time, however, employers are also often reluctant to take on apprentices. In many countries, in fact, the main difficulty in implementing an effective apprenticeship system is the small number of places that are made available by employers. Especially when other forms of cheap labour are available (internships, temporary or casual jobs) that do not require a direct investment in training by the employer, it can be particularly difficult to generate a sufficient number of apprenticeship places. There may in fact be a difficult trade-off to manage between ensuring that the costs of firms investing in apprenticeships (*e.g.* in terms of labour costs, compliance costs, etc.) are not too high while ensuring that apprentices face suitable working conditions and acquire appropriate and certified training.
- Finally, in those countries with strong apprenticeship systems, there is often a close and active involvement of both of the social partners representing employers and the trade unions. Thus, a challenge for some countries wishing to introduce or strengthen apprenticeship schemes may be to achieve this in the context of a weaker tradition of active and close cooperation between the social partners.

The following section lists a number of features, based on good practice examples from G20 countries that characterise quality apprenticeships and are meant to overcome the difficulties mentioned above and make sure the programmes are attractive to both employers and employees and effective in promoting youth employment.

Key features of a “Quality Apprenticeship” programme

A wide range of programmes that can be broadly categorised as apprenticeship schemes exist around the world and also within G20 countries: from the family or clan-related systems that are common in Africa and South-Asia to the well-structured formal schemes of the so-called apprenticeship-countries (Austria, Germany and Switzerland). There are also a number of programmes that, while not formally referred to as apprenticeship schemes, offer young people a combination of training and work experience. Despite their heterogeneity, these programmes tend to share a number of features, such as the direct involvement of the apprentice in the production process and the provision of some form of training by the employer.

This note mainly draws from the experience of the G20 countries and presents below the key features of *quality apprenticeships*, *i.e.* programmes that aim to smooth the school-to-work transition of young workers, enhance skills development and improve overall labour market performance. When appropriate, examples of good practices are provided.

- **Quality apprenticeships should not be limited to specific age groups.** A good apprenticeship system should be open to both adults and teenagers above a minimum age for employment. It should serve as a second-chance for the former group to acquire valuable qualifications after a spell in the labour market. This is already the case in many modern systems, notably in Australia, Canada and the United States.
- **Quality apprenticeships should facilitate participation by disadvantaged youth.** Additional subsidies should be offered to employers hiring workers in this group and pre-apprenticeship schemes should be offered to prepare them for apprenticeship training.

Pre-apprenticeship programmes for disadvantaged youth in Germany

In **Germany** pre-vocational training measures have been offered since the 1990s to socially disadvantaged young people with learning disabilities and unsuccessful applicants for a training place. The aim is to give them within 10 to 11 months, including internships in companies, an introduction into various occupational fields, to teach the curriculum of the first year of vocational training and, since January 2009, as a second chance for a qualification, prepare them to return to the education system to pass the lower secondary school-leaving examination. In 2009, approximately 17 000 young people participated in second-chance courses to pass their school-leaving examination, of whom 7 000 were successful.

Source: OECD and ILO, Giving Youth a Better Start, A policy note for the G20 Meeting of Labour Ministers, 2010 (Box 6, p. 19).

- **Quality apprenticeships should have a strong training component.** By the end of their apprenticeship period, apprentices should have acquired relevant skills for durable and productive working careers. In this sense apprenticeships differ substantially from other forms of work-experience schemes, such as internships, that merely offer interns the opportunity to see the functioning of a particular occupation or profession in practice.
- **Quality apprenticeships should provide training that is not too narrowly focused.** Training should not focus exclusively on specific job-related skills but also cover broader skills. This is important to ensure participants develop and maintain the ability to progress in their careers and adapt to change after they have left the programme. Thus, ideally, training should take place both on- and off-the-job.

- **Quality apprenticeships should cover multiple sectors and occupations and should encourage the participation of women.** In particular, apprenticeships should not be confined to the traditional trades, where men are usually over-represented, but should also extend to the service sector where women are more present. This is a key element to ensure that apprenticeships are inclusive and that apprentices acquire the skills that are required in new and innovative sectors, which are likely associated with the strongest labour demand in the future.

Apprenticeships in high-growth industries in the United States

In the past few years, the United States Office for Apprenticeships has intensified efforts to expand and modernise the Registered Apprenticeships programme. Notably, since 2004, the government has pursued registration of new apprenticeship programmes in high-growth industries such as Health Care, Advanced Manufacturing, Information Technology, Maritime Transportation, Military, Geospatial Technology and Biotechnology. Most of these industries had never used the apprenticeships training model and were given seed capital to develop programmes. In all industries, significant outreach initiatives were put in place. In 2007, 46% of all new registered programmes and 30% of active apprentices were in high-growth industries. However, expansion beyond the traditional trades continues to face a number of challenges: i) in the service sector, apprenticeships are often led by a single employer without union support, as opposed to the model described above which is very prominent in the traditional trades; ii) service industries tend to prefer certification based on competency than on years of apprenticeship participation and this requires considerable efforts in setting competency standards, an activity carried out by unions in the traditional trades; and iii) in the long-standing apprenticeship schemes, employees (not apprentices) and employers pay a small contribution to a training trust fund that can be used to finance apprenticeships but these funds are not available or have only just started to accumulate in some of the new industries.

Source: OECD, Jobs for Youth – United States, 2009 (p. 108).

- **Quality apprenticeships should involve an equitable sharing of their costs among employers, the public authorities and apprentices.** These costs should be shared in accordance with the private benefits that accrue to employers and apprentices as well as the social benefits more generally. In the absence of any public intervention, it is likely that employers would provide a sub-optimal level of training, especially general training. Hence, it might be efficient to subsidise the training component of the program, for example through government funding of off-the-job training while employers could directly provide on-the-job training. Other forms of incentives can also be envisaged, both during the apprenticeship (lower taxes or social security contributions, direct subsidy to the firm or the apprentice) and at completion if the apprentice is hired (in Spain, employers can count on a reduction in social security contributions if trainees are hired on permanent contracts). Moreover, since there is a tendency for employers to hire skilled youth, differentiation of the subsidies to encourage take up of low-skilled apprentices is important.

Sustaining the demand for apprentices in Canada, France, Germany and Russia

In **Canada**, the Apprenticeship Training Tax Credit is a refundable tax credit for companies and businesses employing apprentices in certain skilled trades during the first three years of an apprenticeship programme. The employer can claim up to CAD 5 000 each year to a total of CAD 15 000 per apprentice. There are also Apprenticeship Scholarships and Employer Signing Bonuses. Ontario offers CAD 1 000 scholarships to young people (16-24 years of age) who have dropped out from school but returned to complete upgrading in order to become registered as an apprentice. A CAD 2 000 support per apprentice signing bonus is also available for the employer who supports at-risk youth and provide training.

Different incentives for employers to hire apprentices exist in **France**. There are *permanent public subsidies*, generally taking the form of various exemptions from employer and employee social security contributions. Since 2005, employers hiring apprentices also benefit from a tax credit, which amounts to 1 600 to 2 200 Euros per apprentice (on a full-year equivalent basis). The higher amount is received when the employer hires a young disabled person or a

disadvantaged youth. In order to sustain the demand for apprentices during the crisis, additional grants were introduced in March 2011 (ended June 2012), covering for a period of six months to one year any additional social security and pension contributions due by employers. Finally, the Regional Councils also pay a fixed compensatory allowance for hiring an apprentice, whose nature, level and conditions vary across regions.

In **Germany** a vocational training bonus was introduced in July 2008 (ended in 2010) for companies creating an additional training place for apprentices whose training contract was prematurely terminated on account of the insolvency or closure of the training company. By February 2010, a total of 30 966 bonuses had been granted (including 2 696 insolvency cases). Expenditure increased from EUR 10.5 million in 2008 to EUR 34.3 million in 2009.

In the **Russian Federation**, employers offering apprenticeships are entitled to partial reimbursement of the labour costs associated with both the trainees and the trainer, *i.e.* the senior employee who is responsible for providing training to the apprentice.

Source: OECD, *Jobs for Youth*, 2010 (p. 19) and information provided by country authorities.

- **Quality apprenticeships should operate according to competence-based completion rather than time-based completion.** Apprentices who acquire the required skills before the normal end of their programmes should be allowed to complete them in advance, subject to some kind of competence test. By making the system more flexible for employers, who are not locked in for a fixed number of years, competence-based completion encourages them to offer more apprenticeship places by being more cost-effective.

Flexibility of apprenticeships in Australia

The Australian Government has recently reformed and strengthened its apprenticeship system, putting more emphasis on *flexibility* particularly by supporting competency-based progression through the Accelerated Australian Apprenticeships Program. Competency-based progression is defined as progression through an apprenticeship or a traineeship which is dependent on the satisfactory demonstration of occupational competencies prescribed as part of the qualification, and is not solely tied to a specific duration. The programme is expected to encourage participation in apprenticeships by employers, who have been shown to favour shorter schemes or schemes that allow apprentices to graduate early if they have acquired the key competences required by their trade. The implementation of the Accelerated Australian Apprenticeship is being facilitated through a grants-based program.

Source: OECD and ILO, *Giving Youth a Better Start*, A policy note for the G20 Meeting of Labour Ministers, 2011 (Box 4, p. 14) and information provided by country authorities.

- **Quality apprenticeships require good governance to prevent misuse as a form of cheap labour.** A formal system of monitoring and enforcement should be put in place to avoid abuses, particularly the misuse of apprentices simply as a form of cheap labour, involving close cooperation between the social partners. These arrangements would include ensuring that there is a minimum pay for apprentices and having external tutors certifying that participants take the required training or conditioning apprenticeships on a prior agreement with an education institution.

The 2012 labour market reform in Italy

The abuse of apprenticeships contracts merely as a form of cheap labour has been a constant concern in Italy. The recent reform introduced in June 2012 addresses this issue mainly through two types of provisions. First, the apprenticeship contract must last a minimum of six months, under the assumption that shorter durations are incompatible with the completion of a meaningful training program. There is also a limit to the maximum duration of apprenticeships (3 years) to avoid that they are kept on even when their training has been completed. Second, employers are allowed to hire apprentices only if they have a record of hiring them. Specifically, they must have hired at least 50% of the apprentices they have successfully trained in the 36 months preceding any new hire.

- **Quality apprenticeships work best if they are jointly managed by the social partners and relevant institutions.** Representatives of employers and workers should be directly involved in the development, implementation and governance of apprenticeship systems, particularly in the definition of the content of training, together with the relevant training institutions. This is important to make sure that the training content is regularly revised to keep pace with technological and organisational progress.

Joint management of apprenticeships in Germany

In Germany the social partners are closely engaged in the development and updating of training plans for each qualification that can be obtained through apprenticeships and/or vocational training. Such training plans regulate the duration of the apprenticeship, describe the profile of the profession, and set out final exam requirements and are formally issued by the Ministry of Economic Affairs and Technology. Apprenticeship salaries are determined through collective wage negotiations. The Economic Chambers are responsible for providing advisory services to participating companies and supervising company-based training. They also register apprenticeship contracts, assess the suitability of training firms and monitor their training, assess the aptitude of VET trainers, provide advice to training firms and apprentices, and organise and carry out the final exams.

The responsibility for funding vocational schools lies with the Länder (mainly teacher salaries) and local authorities (equipment, infrastructure), while companies bear the costs of training in the workplace. In some sectors, there is a general fund to which all companies pay contributions and through which the costs for the apprenticing institution are covered, while in other sectors each company bears its own costs.

In 2004 the Training Pact concluded between the central social partners and the German government committed employers to offering sufficient apprenticeship places to meet demand over the following three years: 60 000 new training places and 30 000 new training firms on average per year, as well as an additional 40 000 places annually for company-based introductory training.

Source: OECD, OECD Reviews of Vocational Education and Training: A Learning for Jobs Review of Germany, 2010 (p. 11).

- **Quality apprenticeships should be certified and well integrated with the formal schooling system.** The possibility to transfer skills acquired during an apprenticeship to another firm or even another occupation is a key requirement to make the system effective and attractive to young workers. Employers, however, may have an incentive to provide training that is too specific to their jobs; hence it is important that the content of the training component of the program is certified through a system of nationally-recognised qualifications and competencies. Moreover, given that the choice of leaving general education and enrolling in an apprenticeship programme (or a vocational training programme) is sometimes taken quite early, young people should not be locked into pathways from which it is difficult to escape. Therefore, it is important that there are bridges between vocational training and academic studies such that apprentices can return to the regular school track if they decide to pursue further education. This requires close collaboration between the education system and labour market policy institutions.

Transferring across learning tracks in the Netherlands and recognition of qualifications across the European Union

In the **Netherlands**, the schooling system is characterised by a high degree of early streaming. More than 60% of young people aged 15 are already attending programmes whose final destination is to a certain extent dependent on the form/track attended, including apprenticeships (*Beroeps-begeleidende Leerweg*). At the same time, however, the

different learning routes or tracks – even those *a priori* leading to rapid insertion into the labour market – are structured in such a way that young people always have the possibility to go up a step within the form/track they have chosen, and reach the equivalent of tertiary level education (ISCED 5 level). They can also enter another form of education than the pre-assigned one. Similarly, those who opted for the apprenticeship route beyond the age of 16, can go to higher/tertiary vocational education (*Hoger Beroeps Onderwijs*). Similar possibilities for upstream transfers exist between higher vocational and university education. According to the Ministry of Education, Culture and Science, up to 29% of the students enrolled in university or non-university tertiary programmes actually follow these routes.

The **European Commission** developed in 2002 the *European Credit System for Vocational Education and Training* (ECVET). The system aims to facilitate the validation, recognition and accumulation of work-related skills and knowledge acquired during a stay in another country or in different situations. It should ensure that these experiences contribute to vocational qualifications. Also the future *European Skills Passport*, a portfolio of documents regrouping all the skills acquired by an individual, will allow citizens to record all the skills they have acquired, including those learnt during apprenticeships. The European Skills Passport will be launched at the end of 2012.

Source: OECD, *Jobs for Youth – The Netherlands*, 2008 (pp. 59-60) and information provided by country authorities.

The Japanese Job Cards system for the formal recognition of abilities

The Job Card is a document that records the individual's education, training and employment history, and can be used for further training and job search.

The Job Card system covers, among others, participants in the Japanese apprenticeship programme which was introduced in 2008. At the end of their training, participants receive career counseling and, as part of this process, the skills and abilities that they have acquired during their training, including in apprenticeships, are formally and objectively evaluated and recorded in the so-called Job Cards. The Job Cards can then be used for future job seeking activities. The Japanese New Growth Strategy includes a target increase in the number of Job Card holders from about 0.4 million in 2010 to 3 million by 2020.

Source: Information provided by country authorities as well as drawn from: Duell, N., D. Grubb, S. Singh and P. Tergeist (2010), "Activation Policies in Japan", OECD Social, Employment and Migration Working Papers, No. 113, OECD, Paris.

Other work and training programmes that facilitate the school-to-work transition

A number of other programmes that, although they do not strictly fit into the definition of apprenticeships, have been implemented in G20 countries and have proven effective in facilitating the transition from school-to-work of young people, especially the most disadvantaged. These examples are of particular interest for those countries that, given the existing institutional and economic constraints, may find it difficult to reform their apprenticeship systems in the short run but, at the same time, need to take immediate measures to tackle youth unemployment or underemployment.

A well known example in the **United States**, the *Job Corps* programme, is targeted towards youth aged 16-24 from low-income backgrounds who face one or more barriers to employment such as lacking qualifications, a foster child, a teenage parent or a homeless youth. Job Corps services are provided at 122 centres nationwide, where most participants reside in campus-like living quarters. Programme content includes academic education and vocational training aimed at attaining an upper secondary qualification and it is also recognised as a pre-apprenticeship programme, allowing entry to apprenticeships. At the end of the programme, placement services help participants to secure employment. Other key services include health education, health care and counselling. During the programme, youth receive a stipend. Youth who complete vocational training and obtain an upper secondary qualification are eligible for a completion

award payment to help with the start-up costs of independent life. The programme, despite its high cost, has been proven to be quite effective.

In **Mexico**, the Secretariat of Labour and Social Welfare (STPS) offers the “Scholarships for Training” Program (BÉCATE) to job seekers who need to gain or improve their qualifications or work skills through training. BÉCATE is a flexible program that allows each company to tailor the training program to its job-specific needs. The National Employment Service recruits the most appropriate participants for each training course in order to ensure the best possible outcome for the company and the job seekers. BÉCATE also provides a stipend of one to three times the minimum wage for up to three months, depending on the number of days of training attended by beneficiaries. The support includes accident insurance, transportation aid, training materials and instructors. Training can take place both on- and off-the-job. Being a programme of the National Employment Service, BÉCATE is targeted to job seekers in general and not necessarily to students entering the labour market. Nevertheless, it is aimed at improving skills and employability.

In **China**, *skilled workers’ schools*, involving comprehensive vocational training, offer long- and short-term training courses. By the end of 2008 there were about 3,075 skilled workers’ schools (including 50 technician schools and 485 senior skilled workers’ schools) nationwide, with nearly 400 million registered students. After studying and practical training, nearly 95 per cent of students find jobs.

In **Latin America** the Chilean *Joven programme*, combining education, demand-driven job training and internships, was initiated at the beginning of the 1990s in response to the negative impact on young people of the economic downturn of the previous decade. Since then youth employment programmes based on the same model have been introduced, with some variants, in **Argentina**, Colombia, the Dominican Republic, Haiti, Panama, Paraguay, Peru, Uruguay and Venezuela. All are designed to address constraints faced by poorly educated young people from poor families in entering the labour market. Across the Latin American programmes, their employment impact has been generally positive, especially in improving engagement in formal employment or in employment offering non-wage benefits.

In **Argentina**, in particular, the *Programa Jóvenes con Futuro* (PJcF) consists of both classroom training and a practical internship or on-the-job training during which participants rotate across various positions. On-the-job training accounts for 50% to 80% of the entire programme which last between 3 and 10 months. The programme is targeted mostly to disadvantaged youth. Employers who participate in PJcF are also involved in the design of the curricula with the technical assistance of the Ministry of Labor, Employment and Social Security and they directly provide the training with their own physical, financial and human resources. Employers and the Municipal Offices of Employment jointly advertise the programme and recruit candidates. The PJcF is coordinated by a Joint Executive Committee which includes representatives of the Ministry and of employers and whose main function is to evaluate the projects put forward by new companies intending to participate.

A similar programme – *Capacitación Solidaria* – has been running in **Brazil** since 1996. It is financed by the state, and funding is granted through competitive bidding to private training institutions and civil society organizations, as well as trade unions. These institutions are required to ensure ex-ante that training services are linked to work experience and opportunities for internships.