

Engaging employers in quality apprenticeships – making it happen locally

Headlines

- Youth not in employment, education or training (NEET) remain a significant labour market challenge in many OECD countries; on average 14.1% of young people aged 18-24 years were NEET in the OECD in 2019.
- Automation, digitalization and the green transition are changing labour market demands, as well as the skills required of people entering employment, with an increasing focus on social and emotional skills that are best learnt at the workplace.
- Apprenticeship programs mix on-the-job training with classroom-based learning and can provide employers with a skilled workforce that is more agile in a rapidly evolving global economy while also supporting new employment opportunities for disadvantaged groups.
- Many countries are looking at apprenticeships as a key program response to improve the transition for youth from school to the labour market and across the OECD policies to improve, modernize and expand apprenticeship opportunities have been put in place over the past decade.
- While vocational education and training systems vary significantly across the OECD, the success of apprenticeship programs depends on robust implementation and working with employers at the local level.
- Employer engagement is important to i) create apprenticeships that meet labour market needs (especially at the local level), ii) foster the participation of small and medium-sized enterprises (SMEs) and iii) be inclusive to a wide range of youth.

What do we mean by the term “apprenticeship”?

- The International Labor Organization (ILO) defines apprenticeships as a form of “systematic long-term training for a recognized occupation taking place substantially within an undertaking or under an independent craftsman (...) governed by a written contract of apprenticeship and (...) subject to established standards”.¹
- Apprenticeships typically involve a combination of i) on-the-job training during which apprentices perform productive work and acquire applied occupational skills; and ii) off-the-job education and training in vocational schools, colleges, or recognized educational and training providers involving no or limited productive work.
- There is no standardized model of apprenticeships in OECD countries. There are multiple and varied approaches to offer (usually) young people a combination of training and work experience, which lead to a formal certification or qualification.
- Different terms are used across OECD countries to describe “apprenticeships”, including “traineeships”, “internships”, and “work placements” that occur both during and following compulsory secondary education.

What's the issue?



Youth not in employment, education or training (NEET) remain a significant labour market challenge across a number of OECD countries and in certain regions within countries. Across the OECD, 14.1% of young people aged 18-24 years were NEET in 2019, with large cross-country variation (from 6.6% in Iceland to 32.2% Türkiye). Regardless of the national average NEET rates, there is strong regional NEET rate variation within countries.

Apprenticeships can contribute to reducing potential skills shortages, when designed in partnership with employers and when delivered within a quality framework. Both youth and employers can benefit from quality apprenticeship programs. For youth, apprenticeships provide an opportunity to learn and apply knowledge on the job, equipping them with important skills for long-term labour market success. For employers, apprenticeships programs can produce a stable pipeline of talent, while at the same time boosting productivity.

Engaging employers in the apprenticeship system can improve the alignment between the supply and demand of skills. In particular, employers can ensure that curricula and competences remain up to date in the context of changing labour market needs driven by increased automation, digitalization and the green transition. This also improves the value and employment prospects associated with apprenticeship programs.

Employers that benefit the most from taking on apprentices are those with a high level of commitment to the training program and which consider apprentices a valuable resource to the company in both the short and in the longer term. Investing in apprenticeships can generate significant positive returns, as apprentices make a valuable contribution through their productive work. This is especially true if employers are able to retain apprentices and thus invest in their future workforce.

Where apprenticeship systems are centrally designed at the national level, employers can play an important role in translating these broader objectives into local reality. The success of national apprenticeship priorities hinges upon their acceptance and integration into the practical day to day reality of local business. The design of national schemes should include specific measures to encourage engagement of stakeholders at the local level to incentivize their engagement with the apprenticeship system.

SMEs are a critical source of job creation and therefore a key target group of employment and economic development agencies. A large proportion of apprentices are hired by SMEs. For example, in Austria, Australia, Canada, Denmark, and the Netherlands more than half of all apprentices work in companies with 50 employees or less.² At the same time, SMEs are often less likely to provide apprenticeships than larger employers, often due to lack of information, less capacity than larger organizations to be involved in the design and delivery of apprenticeship programs, and concerns about apprentices being “poached” by other employers after the initial investment in training has been made.

Driven by labour shortages, many employers are broadening their search for candidates and are willing to consider hiring youth at risk and other disadvantaged groups (e.g. low-skilled individuals, migrants) as apprentices. However, youth at risk and other disadvantaged groups may need more instruction time (creating higher costs for employers), may develop skills more slowly (generating fewer benefits for the firm), and are more likely to drop out of apprenticeship programs. While corporate social responsibility or social cohesion in their local community plays a role for some employers, the need to run their business and make a profit remains as the primary objective. This needs to be taken into account when developing services and programs aimed at increasing the participation of disadvantaged groups in apprenticeships.

How does it work in practice?



While vocational education and training systems and apprenticeship programs vary significantly across the OECD, their success depends on robust implementation and working with employers at the local level. Depending on the national and local context, the table below presents some good practices identified in OECD work of how employers can be engaged in quality apprenticeship opportunities at the local level.

Engaging employers in the design and delivery of apprenticeships

- **Understand future local labour market needs and skills requirements** to inform responsive policies (e.g. through skills anticipation exercises, labour market information systems, employer surveys).
- **Align occupational profiles, training offers and curricula, and program delivery with the demands of emerging and growing industries.**
- **Allow for flexibility in program delivery** to ensure that apprenticeship programs are responsive to local skills requirements.
- **Balance the development of flexible training delivery arrangements within a national system of qualifications and competencies** to ensure that skills acquired through apprenticeship programs are mobile and transferable.
- **Ensure that apprenticeship delivery modes meet sectoral or regional needs**, e.g. organization of off-the-job education and training on a regular basis (e.g. weekly) vs. intensive blocs (i.e. longer training spells), e-learning in rural settings, and use of new technologies.
- **Build local partnerships involving including both public and private actors**, including local governments, public agencies, education and training providers, economic chambers, employer associations, employee representatives, local employers and civil society to enhance apprenticeships at the local level.³
- **Support the training capacity of employers**, helping employers to deliver high-quality training to apprentices, including targeted training for apprentice supervisors.

Supporting SMEs to offer apprenticeship opportunities

- **Provide financial incentives to SMEs** to overcome the market failure of apprentices being “poached” by other employers and to ensure companies initial investment pays off at the end of the apprenticeship period.
- **Establish specific “apprenticeship centres” or support intermediaries to establish such services to help SMEs navigate the apprenticeship system:**
 - **Apprenticeship centres** provide customized brokerage services (mobilizing businesses and supporting young people to find apprenticeship opportunities), help reduce the administrative barriers associated with apprenticeship programs and are often integrated with broader business advisory services.
 - **Intermediaries** typically are industry organizations, employer associations, trade unions, economic chambers and skills bodies.
- **Develop systems of shared responsibility for the provision of apprenticeships in SMEs**, such as
 - Support for employers to share responsibility for apprenticeships in **training alliances**;
 - **Third parties or intermediary organizations** that directly employ apprentices; or

- **Group training organizations** as intermediary organizations on a sector or regional level.
- **Explore more innovative ways to support SMEs or “harder to reach” employers:**
 - **Stimulating local networks** to attract employers with no prior experience in apprenticeship programs;
 - **Linking small employers with larger companies** can produce potential advantages in terms of cluster development and access to training facilities; and
 - **Employer education programs** can also raise awareness about the value of apprenticeship training.

Reducing the barriers for employers to hire youth at risk as apprentices

- **Understand the barriers for employers in hiring youth at risk** (drop-out during and retention after apprenticeship, fewer benefits from productive work, and higher costs e.g. in terms of instruction time) and the need for firms to – at least – break even by the end of the training period.
- **Develop both financial and non-financial policy interventions that support both employers and young people:**
 - **Apply care when using financial incentives** (e.g. tax breaks, subsidies) to encourage employers offering apprenticeships to youth at risk, as the deadweight loss may be high with few additional apprenticeships offered. Strictly targeting programs can be a solution, but is often difficult to achieve in practice.
 - **Consider indirect financial support** through offering pre-apprenticeship programs, extended off-the-job education and training (e.g. remedial courses in literacy and numeracy), employer training programs and external mentoring for apprentices.
 - **Develop pre-apprenticeships programs for youth at risk that have strong links with the formal apprenticeship system**, including links with local employers that can take on youth as apprentices following the completion of the pre-apprenticeship program.
 - **Introduce training programs for apprenticeship supervisors at firms** to build employer’s capacity to provide apprenticeships to youth at risk (e.g. handling conflict situations, effectively delivering on-the-job training).
 - **Allow for modularization and flexible delivery arrangements of apprenticeships programs.** Modularization and partial qualifications help young people and employers to engage with apprenticeships in a method customized to their needs. Flexible delivery arrangements for off-the-job training (e.g. on-site vs. remote training facilities) provide greater choice for young people and their employers.
- **Increase the range of occupations** and offer apprenticeships in **occupations for which a relatively short duration** is suitable, as this may help achieve higher completion rates. However, while shorter duration may help achieve higher completion rates in general, giving apprentices more time to complete their training may also support completion rates for some youth.
- **Recognize the importance of mentoring and coaching for apprentices** to provide career advice and mediation if problems arise between the apprentice and their employer or school. Having mentors who have had similar apprenticeship experience, shared background or those from the same industry is critical for apprentices, particularly for those coming from a disadvantaged background.



Practical examples

Engaging employers in the design and delivery of apprenticeships

- Reform of the English⁴ apprenticeship system to increase the number and quality of apprenticeships and raise employer engagement.** In 2017, the English apprenticeship system underwent an overhaul, consisting of reforms to its funding and delivery model. Since then, firms with a wage bill of at least GBP 3 million are required to pay a 0.5% apprenticeship levy on their wage bill. The funds can be used to pay for apprentices' training and assessment⁵ with the aim to ensure that training meets employer needs. To raise apprenticeship quality, the new regulations stipulate that i) apprenticeship programs last a minimum of 12 months, ii) apprentices spend at least 20% of their time doing off-the-job training, and iii) apprentices take an independent end-point assessment upon completion. An evaluation found a marked decline of lower level apprenticeships coupled with a rapid increase in higher level apprenticeships since the introduction of the levy. Enterprises paying the levy generally experienced a positive trend in starts, including those enterprises that previously did not engage in apprenticeships (OECD, 2021 and Patrignani et al., 2021).⁶
- The Austrian apprenticeship system builds on strong involvement of employers through its economic chambers.** Training regulations are developed at the national level by the government in collaboration with the social partners. At the state level, apprenticeship offices are located in the economic chambers and play a key role in linking and engaging employers with the apprenticeship system. The apprenticeship offices provide information and brokering services to companies and prospective apprentices alike and are responsible for the administration of the training (checking the suitability of the training company, making a record of the apprenticeship contracts and final apprenticeship exams). They also support the process of ensuring that apprenticeship occupations and their curricula remain relevant in a changing world of work (Bliem et al., 2016).⁷

Supporting SMEs to offer apprenticeship opportunities

- Training alliances (*Ausbildungsverbände*) in Austria provide support to employers in providing training to their apprentices.** The training alliances facilitate partial outsourcing of training to other companies and educational institutions, cross-company training activities, exchange of apprentices and trainers, and cooperation in joint projects. The alliance may be obligatory for employers that cannot offer all training aspects or voluntary for employers that seek the acquisition of additional knowledge, economies of scale in training infrastructures, or training variety for their apprentices (www.ausbildungsverbund.at).
- Group training organisations in Australia operate across all States and Territories and play a key role in the business development support to SMEs.** *Group training organisations* are not-for-profit organisations that receive government funding to directly employ apprentices, manage their training and support needs and hire them out to employers. The advantage of this model is that training offices boast institutional knowledge about navigating the apprenticeship system and supporting apprentices. The group training network is an established part of the architecture of the vocational education and training (VET) system in Australia, which includes 150 group training organisations, 2 000 field staff and 100 000 host employers (OECD, 2016 and OECD/ILO, 2017).

Supporting SMEs to offer apprenticeship opportunities to vulnerable groups

- **Customised brokerage services for SMEs in Germany through the program *Passgenaue Besetzung* [“Perfect match”].** Since 2007, the program employs advisors to reach out to SMEs and support them in filling their vacant apprenticeship positions. Advisors determine the company’s need for trainees, draw up requirement profiles, search for potential candidates, and support the recruitment process. Since 2015, the program has an additional focus on also recruiting foreign trainees. Advisors employed through the program are based in the local Chambers of Industry and Commerce (IHK), Chambers of Skilled Crafts (HWK), Chambers of Liberal Professions and at other business organisations in all 16 German federal states. Around 150 advisors in total are employed through the program. A counterfactual impact evaluation showed that the program contributes to a higher matching rate and a slight increase in the number of apprenticeship opportunities. For one out of two matches the program fills training places with people who would not have been considered by the SMEs in the selection process without the program (Neureiter et al., 2019).⁸

Reducing the barriers for employers to hire youth at risk as apprentices

- **Reducing the barriers to hire youth at risk through a subsidy scheme for apprentices in Austria.** A long-standing program implemented by the public employment service (PES) of Austria provides companies with subsidies to hire disadvantaged youth (e.g. youth who attended special needs school, people with learning difficulties), but also women in apprenticeship occupations which are characterised by a low share of women. Overall, the subsidisation scheme focuses on 15 narrowly defined target groups to avoid “deadweight effects”. Beyond supporting youth at risk, the program also supports employers which face major difficulties when searching for apprentices including SMEs and employers in the tourism sector (Dornmayr, 2017).
- **The *Dream, Believe, Achieve (DBA)* program in Queensland (Australia) is a pre-employment program, which operates in a region with relatively high levels of youth unemployment, especially amongst the indigenous population.** The *DBA* program provides pathways to education and employment for disengaged youth as well as disadvantaged and long-term unemployed job seekers and is based on in-depth consultation with local industries and community sectors. The program focuses on creating tailored VET pathways within the hospitality sector. For up to 12 months, participants receive mentoring support from mentors from the same ethnic group, classroom-based training tailored to local employers’ needs and adjusted to participants’ existing skill levels. Workplace-based experience is a central part of the program. The program has been successful both with respect to employment outcomes and participants who continued with further VET (OECD, 2019).

Learn more:

- Bliem, W., A. Petanovitsch and K. Schmid (2016), *Dual Vocational Education and Training in Austria, Germany, Liechtenstein and Switzerland*, ibw Austria – Research & Development in VET, Vienna. <https://ibw.at/bibliothek/id/413/>.
- Dornmayr, H. (2017), “Evaluation of the AMS subsidisation scheme for in-company training places”, *ibw research brief*, Issue No. 99, ibw Austria – Research & Development in VET, <https://ibw.at/forschung/arbeitsmarkt-und-qualifikationsbedarf/>.
- Kuczera, M. (2017), “Striking the right balance: Costs and benefits of apprenticeship”, *OECD Education Working Papers* No. 153, OECD Publishing, Paris. <https://dx.doi.org/10.1787/995fff01-en>.
- OECD (2021), *Future-Proofing Adult Learning in London, United Kingdom*, OECD Reviews on Local Job Creation, OECD Publishing, Paris, <https://doi.org/10.1787/c546014a-en>.
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- OECD (2018), *Seven Questions about Apprenticeships: Answers from International Experience*, OECD Reviews of Vocational Education and Training, OECD Publishing, Paris. <https://doi.org/10.1787/9789264306486-en>.
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- OECD (2016), *Job Creation and Local Economic Development 2016*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264261976-en>.
- Neureiter, M. et al. (2019), *Evaluation des Förderprogramms „Passgenaue Besetzung“*, Studie im Auftrag des Bundesministeriums für Wirtschaft und Energie.
- Patrignani, P. et al. (2021), “The impact of the Apprenticeship Levy on Apprenticeships and other training outcomes”, *Centre for Vocational Education Research (CVER) Discussion Paper*, No. 034, <https://cep.lse.ac.uk/NEW/publications/abstract.asp?index=7900>.

Notes

¹ ILO (1962), Vocational Training Recommendation (No. 117), https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R117.

² Source: Kuczera, 2017. Based on results from the OECD Survey of Adult Skills.

³ The models of organisation, membership and leadership in local partnerships depend on traditions of apprenticeship training in different countries. Collaboration on national and local level is often formalised in countries with a long tradition of apprenticeship training (e.g. Austria and Germany). In other countries, different local models of collaboration may emerge, driven by public sector leadership (e.g. city/local growth deals in UK), civil society (e.g. New Zealand and United States), or local employers.

⁴ Vocational training provision in the United Kingdom has been a historically devolved jurisdiction that is managed differently in England, Scotland, Wales and Northern Ireland.

⁵ The government co-invests in apprenticeship training: i) It pays 95% of the training costs of employers not subject to the levy; and ii) for employers subject to the levy it pays 95% for all costs exceeding an employer's levy payments (<https://help.apprenticeships.education.gov.uk/hc/en-gb/sections/360001841359-Employer>).

⁶ While employers can transfer up to 25% of their unspent levies to other employers, a large proportion of levy funds remain unspent nevertheless. In a number of larger cities this resulted in the creation of local initiatives to broker the transfer of levies (e.g. the London Progression Collaboration and the Greater Manchester Levy Matchmaking Service).

⁷ For example, in 2021, increased digitalisation was reflected in the curriculum for event management, but also in the curricula for pastry chefs and pharmaceutical assistants (<https://www.wko.at/service/bildung-lehre/Lehrberufe.html>). While new apprenticeship schemes are created to reflect the needs of employers, occupations that are not any longer relevant are closed. This ensures a streamlined system with a total of around 200 occupations.

⁸ The drop-out rates are about the same as for apprenticeships more generally, which could be considered a moderate success as the places are filled with candidates who would have otherwise not been considered by the SMEs. While not quantified in the evaluation, the advised and supported SMEs reported cost and time savings (Neureiter et al., 2019).