



News Skills at Work J.P.Morgan, Fondazione Giacomo Brodolini, Bertelsmann Stiftung (ed.)
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Apprenticeship training in Italy – a cost-effective model for firms?

1. edition 2018, 84 pp (Brochure)

DOI 10.11586/2018043

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What are the costs and benefits of dual apprenticeship training for companies in Italy? The study looks at nine occupations in very different economic sectors.

To increase the popularity of the apprenticeship type of training, it is important to provide reliable information to firms about circumstances in which apprenticeship models are a potential win-win-win situation. These circumstances not only create benefits for individuals and the state, but also for the training firms.

To address these challenges and ensure that policymaking is evidence-based, Prof. Dr. Samuel Muehleemann, Prof. Dr. Stefan C. Wolter and Eva Joho explore alternative apprenticeship models in Italy. The report Apprenticeship in Italy –

A cost-effective model for firms? analyses what the benefit would be if a Swiss apprenticeship model was adopted by companies in Italy. This model makes the transition from school to the labour market smoother, Switzerland outperforms most EU countries in several skills-related indicators. Variations of the model were tested to find conditions firms in Italy would need to establish to obtain net benefits from apprenticeships. The purpose of such an ex ante simulation is to provide economic arguments for apprenticeships, and to trigger a nuanced discussion about introducing them.

Although the current system in Italy differs from these proposed models, this research has important implications for apprenticeship policy:

- 1) The chances of firms breaking at the end of an apprenticeship are higher for three-year programmes than for shorter ones, but only in a scenario where wages are substantially lower than skilled worker salaries.
- 2) A firm's costs for hiring qualified workers from the external labour market are substantial. If training firms can retain apprentices as skilled workers, the savings associated with not having to recruit and train are high enough to cover all or most of the firm's training costs. In most of the nine occupations, at least one or two models and scenarios produce net benefits, or firms can expect savings in hiring costs that could offset net costs in a low-wage apprenticeship scenario. However, once those wages increase to 50 % of a skilled worker's wage, it becomes very difficult for firms to recover their initial training investment, even if 100 % of apprentices are retained as skilled workers.
- 3) Private rates of return for individuals who obtain a VET qualification are rather low in many occupations and this also needs to be considered. In some occupations, extending the length of the program to four years may yield more favourable outcomes for firms.
- 4) Improvements in training programme quality that improve labour market outcomes for apprentices could be required to secure talented applicants for the programmes and reduce dropout rates. The latter may hamper the willingness of firms to train for some occupations as it would increase the net costs of training. Conversely, when individuals can expect a higher wage after a VET qualification, they will be more willing to apply for apprenticeships and to partly finance their training by accepting lower wages.

Project

- Opportunity Apprenticeship
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