

BRIEFING NOTE

Making apprenticeships work for small and medium enterprises

What does it take to strengthen their commitment?

Small and medium-sized enterprises (SMEs) employ two thirds of the European workforce; one out of three creates new products and processes. They need to secure qualified workers to be competitive. But an unfavourable business environment, burdensome legislation and internal shortfalls make many of them reluctant to engage in training apprentices.

SMEs are the main driver of economic growth and job creation, the number one priority of the Juncker Commission.

Yet more than five million young people aged 15 to 24 have a hard time finding a job; that is more than 20% of youngsters across the European Union (Eurostat estimates, August 2015). A sound education, relevant to labour market needs, is obviously part of the solution but vocational education and training seems to fall short of this goal in many EU countries.

The information contained in this briefing note is drawn from Cedefop's input to the ET 2020 working group on vocational education and training (WG on VET) discussions on the policy challenge: support for companies, in particular SMEs, offering company placements. These discussions led to the formulation of five corresponding guiding principles that may be important to consider in promoting work-based learning. The principles are part of a total of twenty guiding principles that respond to four policy challenges that are important to address in promoting work-based learning (*). The European Commission will present these guiding principles at the DGVT meeting in November 2015.

(*) The four policy challenges: (a) national governance and social partner involvement; (b) attractiveness of apprenticeships and improved career guidance; (c) support for companies, in particular SMEs, offering company placements; and (d) quality assurance in work-based learning.

Politicians across Europe have been reacting. Work-based learning, especially apprenticeships, have sparked interest in most EU Member States. They arguably prepare young people for labour market requirements and ease their transition from education to work, as suggested by data from countries where such schemes are well developed. As SMEs account for 99% of all European companies and 67% of employ-

ment in the European Union, public authorities have naturally been looking to them for ways to increase their commitment to apprenticeships. The European Commission has been promoting apprenticeships as a key component of a wider strategy to tackle youth unemployment and social exclusion ⁽¹⁾.

Apprenticeships: a potential win-win...

By combining learning and work, apprenticeships allow young people to gain work experience while acquiring hands-on skills matching (their) employers' requirements. It is because of this inherent relevance to the labour market that apprenticeships pay off, both for young people and businesses: apprentices often stay in the company where they completed their training or have better chances to find a qualified job than their peers from general education or school-based VET. Small and medium-sized employers, on their side, secure skilled workers. Training an apprentice allows a company to shape a young person's work habits and to retain, over time, a qualified and motivated employee.

... if the right conditions are put in place

However, training apprentices requires a business to make an investment (financial, organisational, human) which may not always pay off. This uncertainty of returns may make particularly smaller companies less willing to take on apprentices, all the more so in times of an unfavourable economic climate.

Compared to other forms of work-based learning, apprenticeships require equal sharing of responsibilities between the worlds of work and education and better and closer links between the two. Businesses need to take responsibility for providing learning and make their part of the investment. Cedefop has identified characteristic features, present to different extents and

⁽¹⁾ The European alliance for apprenticeships, launched in July 2013, is part of the Commission's strategy. It brings together key stakeholders both from employment and education to coordinate apprenticeship-related initiatives across the EU.

in different combinations in existing apprenticeships, which may be prerequisites for quality apprenticeship. This briefing note highlights a number of these conditions that pose bigger challenges to SMEs, as compared to larger companies.

SMEs, especially micro enterprises, cannot always afford to make staff available to supervise apprentices or to deal with the administrative requirements their training entails. They may not have the staff or the equipment to be able to cover all aspects of the training required for a given occupation. Lack of information, of training culture or of a sense of ownership may prevent an SME from taking on these challenges.

Cedefop has looked at EU Member State efforts to increase SME commitment to apprenticeships, focusing on three areas: financial incentives, what it takes to create a favourable business environment, and support to in-company trainers.

Financial incentives for companies training apprentices

Expenditure for apprenticeship is usually shared between companies, apprentices, the State (national or regional public authorities) and social partners. They make decisions about the proportion of on-the-job training in apprenticeship programmes, collect financial resources through general taxation (State) and levy-based mechanisms (State and social partners) and reallocate these funds to top up companies' own expenditure on apprentices.

Companies usually fund apprentice remuneration and bear the costs of the in-company part of their training, while the State is mostly responsible for financing the school-based part of apprentice training. Apprentices bear their share of costs by accepting an apprenticeship premium or other compensation which is below a worker's wage. There is also a range of subsidies available across EU countries, both to learners and businesses. The European Union helps fund apprenticeships through its Erasmus Plus programme, the European Social Fund, and the Youth employment initiative.

Tax incentives

Tax incentives are generally addressed to all companies, irrespective of their size, either as tax deductions for each contracted apprentice or social security contribution reductions. Specific incentives tailored to smaller companies could act as an important stimulus for increasing their investment in training.

IT The Stability Law 2012 allows enterprises hiring apprentices between 1 January 2012 and 31 December 2016 to take advantage of reduced social security contributions, according to their size. Micro enterprises do not pay social security contribution for the first three years of an apprenticeship contract and pay only a 10% rate for subsequent years. Companies with over 10 employees pay a contribution for the entire duration of the apprenticeship, equal to 10% of the social security contribution. In June 2015, the regulatory framework for incentives to companies that hire apprentices was revised. As a pilot measure, companies that offer young people an apprenticeship contract (signed before 31 December 2016) leading to a vocational qualification or diploma will pay only 5% of social security contributions (instead of 10%).

Training funds

Training funds based on company levies increase the resources for apprenticeship training. Such levies are generally compulsory, either for all companies or, by way of collective agreements, for those in specific sectors. In both cases, companies usually pay a certain percentage of their payroll expenditure into a – national or sectoral – fund which is used to compensate them (partly) for training costs and/or remuneration to apprentices. As contributions to training funds are mandatory, they help increase both employer and employee awareness of the importance of training and strengthen their commitment to it.

Chambers of commerce or crafts may also help finance inter-company training by collecting contributions from their member companies.

DK has a compulsory levy scheme: all Danish companies, both public and private, contribute a fixed annual amount to the Employers' Reimbursement Fund (*Arbejdsgivernes Elevrefusion, AER*) for each of their full-time employees. The fund operates at national level and is used (among other things) to fully reimburse apprentices' recompenses to companies while they attend off-the-job training in VET colleges.

NL Many sectoral training funds actively encourage apprenticeships. OOM (Opleiding Ontwikkeling Metaalbewerking), a training and development fund in the metal industry, promotes apprenticeships by mitigating the costs incurred by SMEs training apprentices.

Vouchers, grants and other subsidies

Vouchers and grants (and similar subsidies) appear more suitable for reaching specific types of company (such as SMEs) or purposes (increase quality, encourage the creation of new apprenticeship places, activate or reactivate companies to provide apprenticeship placements). These kinds of disbursement mechanism are used both by public authorities and social partners.

England

The so-called small employer incentive to take on an apprentice has become available from April 2012 to small enterprises that do not yet employ any apprentices but wish to do so.

Wales

The government's Young recruits programme has been providing financial support to employers who take on additional apprentices aged 16 to 24. Further support to SME participation in apprenticeships comes in the form of funding to mitigate small and micro business expenditure for recruiting an apprentice.

CH

The federal authorities employ State VET promotion agents whose role is to encourage companies to create apprenticeship places. Depending on a company's capacity to deliver the training required in this context, the agents help them join inter-company networks covering possible training needs. The State provides initial funding to support the establishment of such networks.

AU

If a company cannot cover all training aspects linked to a specific occupation, it can form a training alliance with one or more companies. Regional economic chambers, in cooperation with the provincial government or the Chamber of Labour, have set up special support agencies to facilitate the creation of training alliances by providing information on possible partner companies and education institutions. They also provide practical assistance to training alliances.

Creating the right business environment

Financial incentives are not enough, though: what matters above all is a supportive business environment offering practical assistance to SMEs. To create such an environment, a coordinated strategy involving all stakeholders in a sector or a community is paramount. If chambers of commerce, employers' organisations and trade unions, sectoral federations, VET providers and public employment services cooperate, they can promote an apprenticeship culture. To make this work, it is essential that their respective roles and responsibilities be clearly defined.

AU

The Economic Chamber and the Chamber of Labour support companies with 1 to 10 employees during the whole apprenticeship application and implementation process. Qualified trainers can be 'shared' by enterprises and VET providers. State-funded providers are always involved in organising apprenticeship training for SME.

Inter-company resource pooling

Local inter-company networks or partnerships can help address the complex training needs of SMEs. They allow pooling of resources, sharing information, exchanging knowledge, developing ideas and learning from each other's experiences. Such networks or partnerships can take different shapes, depending on members' needs:

- a lead company may bear the overall responsibility for training, while specific training modules may be delivered by partner companies;
- SMEs may form a training consortium as equal partners;
- large firms may offer periods of training in their training workshops to apprentices of their supply chain partners, usually SMEs;
- SMEs may join forces to offer a joint apprenticeship programme of shared responsibility with each partner enterprise providing a specific aspect of the training and learning content ⁽²⁾.

School-company partnerships

SME capacity bottlenecks can also be addressed through inter-company training centres equipped to provide all learning content in full. These centres are often set up by sectoral business organisations and support SMEs willing to offer an apprenticeship but unable to offer the full learning content an apprentice needs to be taught to obtain a given qualification.

DE

Small and medium-sized craft trades companies are important training suppliers, but are often unable to provide all aspects of training required of them by training regulations. To assist them, there is legal provision for inter-company vocational training centres (*überbetriebliche Berufsbildungsstätten*), which offer complementary training. This ensures that training is in line with labour market demands and technological and environmental quality standards.

FR

In Montpellier, the 'school-company club' is an association fostering the dialogue between local (VET) schools and SMEs. Their aim is to develop school-business partnerships and bring (VET) students in contact with the world of work through apprenticeship-type schemes or other work-based training arrangements. In Montpellier, the number of apprenticeship contracts has significantly increased over the past two years, following first contacts between SMEs and interested youngsters established by the association.

Local support providers

While all stakeholders at all levels need to be activated to reach out to SMEs, concrete action needs to be taken, especially at local and regional levels. Most SMEs need external administrative and practical support to cope with the apprenticeship management process from recruitment to assessment. A supportive local infrastructure has to be able to assist SMEs in setting up, planning, delivering, and ensuring the quality of their apprenticeships, including apprentice assessment.

⁽²⁾ European Commission and Cedefop (2013). Outcomes of peer learning activities. Support to trainers' competence development

in small and medium-sized enterprises, Strasbourg, France/ Offenburg, Germany, 28-30 October 2013. http://www.cedefop.europa.eu/EN/Files/PLA3_report_v5.pdf

FR The association Agefa-PME, funded by Confédération Générale des PME representing small and medium-sized enterprises, manages a network of centres training some 5 000 apprentices per year. They have developed several tools supporting SMEs; for example a biography library matching people's skills to available jobs, an online financial aid tool and application form; and an up-to-date tax advice tool.

Apprenticeship marketing

Experience shows that companies' willingness to take on apprentices is positively influenced by the image of apprenticeships. Celebrating a company's or apprentices' success, such as through competitions, image campaigns, awards for best training, can help demonstrate the company's innovation potential and strengthen its social responsibility profile.

DE The Federal Employment Agency organises annual apprenticeship weeks to highlight the positive impact apprenticeships have on individuals, businesses and the wider economy. Events include fairs, competitions and awards, and bring together interested companies and young candidates.

UK 23 000 apprenticeship vacancies were pledged at this year's apprenticeship week.

Supporting in-company trainers and mentors

Owing to their limited size and resources, SMEs often find it difficult to train qualified workers to supervise apprentices. In many cases, it is the company owner or senior skilled workers who take on this role, often on top of their own tasks. With increased national efforts to bolster apprenticeship learning for young people, more skilled workers will need to be trained and supported in this function. Availability of competent in-company trainers is crucial to ensuring a good learning experience for apprentices in companies. This is why in-company trainers have to be given opportunities to develop and/or regularly update their technical and pedagogical skills⁽³⁾.

Trainers in SMEs have to comply with the same quality assurance standards as those teaching in large companies. They are usually expected to have both a qualification in the profession they teach and proof of pedagogical/didactic competence. To meet this requirement, SMEs need targeted support focused on flexible and customised training provision for trainers.

⁽³⁾ The European Commission and Cedefop have developed guiding principles on how to support in-company trainers both in initial and continuing VET. One of them concerns the specific requirements of SMEs (European Commission and Cedefop, 2014).

Training of in-company trainers is delivered by public authorities, chambers, sectoral organisations and private VET providers, depending on the country. It often aims at developing their didactic and pedagogic competences and informing them about the legal framework of apprenticeships and the learning outcomes apprentices are expected to reach.

National agencies and chambers have developed guidelines and tools for companies and trainers describing qualification requirements and the skills needed to meet them. They also include advice on organising learning, assessing learners' competences, and addressing difficult situations.

Cedefop collects and shares information on apprenticeship governance and financing, reports on developments in the Member States of the European Union, supports network building, and promotes policy learning. In particular, Cedefop:

- supports interested Member States in setting up apprenticeships or reforming their existing ones through comprehensive and targeted reviews of their relevant legal provisions (thematic country reviews). Between May 2014 and April 2015, such reviews were carried out in Lithuania and Malta (*). Current reviews in Greece, Italy and Slovenia will be completed at the beginning of 2017;
- recently examined, in cooperation with national stakeholders, VET governance structures and financing arrangements in Spain, Italy, Latvia, Portugal and Sweden with a view to promoting apprenticeship. Research was carried out between November 2013 and May 2015 and the findings will be published in early 2016;
- monitors and analyses developments in work-based learning, including apprenticeship reforms in Member States, with particular focus on the VET-related deliverables Member States agreed in the Bruges communiqué, and on the commitments they made under the European alliance for apprenticeships.

(*): Apprenticeship review Lithuania: <http://www.cedefop.europa.eu/en/publications-and-resources/publications/4140>
Apprenticeship review Malta: <http://www.cedefop.europa.eu/en/publications-and-resources/publications/4139>

Thematic country reviews on apprenticeships

Analytical framework

The framework includes some characteristic features that are present to different extents and in different combinations in existing apprenticeship systems. The features have a purely operational function, and give a basis for the system analysis. They are not to be interpreted as ‘necessary conditions’.

AREAS OF ANALYSIS	OPERATIONAL DESCRIPTORS
DISTINGUISHING FEATURES	<ol style="list-style-type: none"> 1. Systematic long-term training alternating periods at the workplace and in an education and training institution or training centre, which leads to a qualification. 2. An apprentice is contractually linked to the employer and receives remuneration (wage). 3. An employer is responsible for the company-based part of the programme.
1. PLACE IN THE ET SYSTEM	<ol style="list-style-type: none"> 1.1. Apprenticeship is defined and regulated in a legal framework. 1.2. Position of apprenticeship in relation to other learning paths is clear. 1.3. Apprenticeship offers both horizontal and vertical pathways to further specialisation or education at all levels.
2. GOVERNANCE STRUCTURES	<ol style="list-style-type: none"> 2.1. Roles and responsibilities of the key players (the State, employers’ organisations, trade unions, chambers, schools, VET providers, companies) at national, regional, local levels are clearly defined and distributed: decision-making, implementation, advisory, control. 2.2. Employer organisations and trade unions are actively engaged at all levels. 2.3. Employer organisations, trade unions, and companies understand and recognise the importance of apprenticeship to a skilled labour force (i.e. social responsibility). 2.4. One coordination and decision-making body is nominated.
3. TRAINING CONTENT AND LEARNING OUTCOMES	<ol style="list-style-type: none"> 3.1. Qualification standards and/or occupational profiles exist, are based on learning outcomes and are regularly evaluated and updated. 3.2. Curricula and programmes are developed based on qualification standards and/or occupational profiles. 3.3. The content, duration and expected outcomes of company and school-based learning are clearly distributed and form a coherent sequence. 3.4. There are provisions for adjusting parts of curricula to local labour market needs. 3.5. (Minimum) requirements to access apprenticeship programmes are stipulated. 3.6. Final assessment covers all learning outcomes and is independent of learning venues.
4. COOPERATION AMONG LEARNING VENUES	<ol style="list-style-type: none"> 4.1. There is cooperation, coordination and clear distribution of responsibilities among venues, as well as established feedback mechanisms. 4.2. A school, a company and an apprentice together develop a training plan, based on the curriculum. 4.3. Where a company cannot ensure the acquisition of all required learning outcomes for company-based learning as defined by the curriculum, there are arrangements to compensate for that (for example, intercompany training centres, cooperation among companies). 4.4. One of the venues takes up (is designated by law) the coordinating role in the process. 4.5. It is clear who is responsible for administrative tasks related to the company-based part of the programme (for example, checks the suitability of the accredited training enterprise, technically and personnel-wise, is responsible for logging of apprenticeship contracts).

5. PARTICIPATION OF AND SUPPORT TO COMPANIES	<p>5.1. Rights and obligations of companies providing training are legally stipulated.</p> <p>5.2. There are strategies, initiatives in marketing apprenticeship and informing companies of benefits of taking apprentices, related responsibilities and available incentives.</p> <p>5.3. There are minimum requirements for companies willing to provide apprenticeship places and/or an accreditation procedure.</p> <p>5.4. Companies, especially SMEs, receive non-financial support to implement apprenticeship.</p> <p>5.5. There is recognition and even award, for companies that provide quality apprenticeships.</p> <p>5.6. Employer organisations play a key role in engaging and supporting companies.</p>
6. REQUIREMENTS AND SUPPORT TO TEACHERS AND IN-COMPANY TRAINERS	<p>6.1. Companies have to assign a qualified staff member (tutor) to accompany apprentices.</p> <p>6.2. There are stipulated requirements for qualification and competences of an apprentice tutor.</p> <p>6.3. An apprentice tutor in a company has to have qualification in the vocation he/she trains for.</p> <p>6.4. An apprentice tutor in a company has to have some proof of pedagogical/didactic competence.</p> <p>6.5. There is provision of training for in-company trainers to develop and update their pedagogical/didactic and transversal competences and for teachers to update their technical competences.</p> <p>6.6. There are mechanisms for cooperation and exchange between in-company trainers and VET teachers in schools.</p> <p>6.7. There is a clear indication who (teacher or trainer) has ultimate responsibility for apprentice learning.</p>
7. FINANCING AND COST-SHARING MECHANISMS	<p>7.1. Apprenticeship companies pay wages and cover indirect costs (materials, trainers' time).</p> <p>7.2. The State is responsible for financing VET schools and/or paying grants to engage apprentices.</p> <p>7.3. The duration and organisation of apprenticeships are such that they allow companies to recover their investment through apprentices' work.</p> <p>7.4. There are incentives (subsidies, tax deductions) to encourage companies to take on apprentices, generally and/or in specific sectors or occupations.</p> <p>7.5. Employer organisations and trade unions cover part of the costs (direct and/or indirect).</p>
8. QUALITY ASSURANCE	<p>8.1. Quality assurance system covers apprenticeship.</p>
9. APPRENTICES' WORKING AND LEARNING CONDITIONS	<p>9.1. Rights and obligations of apprentices are legally stipulated, both for working and learning.</p> <p>9.2. There is a reference point (responsible body) that informs the apprentice of rights and responsibilities of all parties and supports him/her in case of problems.</p> <p>9.3. An apprentice has an employment contract with the company and enjoys all rights and benefits of an employee and fulfils all responsibilities.</p> <p>9.4. An apprentice is protected in case of company failure (bankruptcy, for example) to provide training.</p> <p>9.5. An apprentice has access to guidance and counselling services.</p>
10. RESPONSIVENESS TO LABOUR MARKET	<p>10.1. There are institutional procedures that allow apprenticeship to respond to or to anticipate the needs of the labour market.</p> <p>10.2. Outputs and outcomes of apprenticeship are regularly monitored and evaluated.</p> <p>10.3. Ex-ante and/or ex-post impact evaluation of apprenticeship are in place.</p>