IB409: WEEK 3 LECTURE- Vocational training and skills equilibrium.

* As an institution
* More standardized
* More beourocratic
* Market based system vs. regulated
* **Market based-** employers- companies choose to invest in training, if benefits profitability
* -individuals, invest in training, due to interest in training and ultimately a better income.
* Demand for training goes up, companies charge more for qualifications, thus more business schools will offer more courses, increase prices.
* Demand for qualifications will level out, reaches an equilibrium, supply= demand
* Advantage: responsive to tech development, very flexible, Training happens when its needed, supply professional kind of skill, cost efficient
* Disadvantage: ‘free rider’- employers reluctant to invest in training cos of risk of ‘poaching’= company A invest in a kind of training, company B buys ‘poaches’ these employees by buying them when they are trained. Disincentive for companies (A) to invest.
* Transferrable skill= applicable to broad aspects of companies. Regulated profession eg. Accountant. Recruited from external labor market.
* Firm specific= not to transferable eg. Management positions.
* More investment in professional skills.
* Less investment in mid- level skills.
* Low cost, low skill equilibrium= over time, less demand for mid-level skills because companies have arranged otherwise.
* **Germany as an example**: ‘dual-system’ one-part company, one-part vocational training school. Eg 1 day of school alongside 4 days on the job training/learning.
* Training and teaching heavily regulated by laws.
* Regulations that apply to every kind of apprenticeship. Regulations agreed on by unions and employers then the government comes in to approve the regulations.
* **Apprenticeships as an institution**: (cognitions, formal rules, informal rules).
* Formal regulations in an apprenticeships- 2 foundation laws and the 300 regulations.
* Informal rules- pushing companies to offer apprenticeships, peer pressure among companies.
* Production strategy
* Works councils- monitoring formal regulations
* Media pressure- from the public
* Pol pressure- might introduce apprenticeship levy, set aside money to invest in apprenticeships if they earn a certain amount. Non-existent in Germany but is threatened to be introduced by chancellor.
* Patient capital- companies under pressure to make money and meet targets.
* Demand for apprenticeships high among school leavers. Due to German school system, higher demand for apprenticeships as its more difficult to go to University.
* **Benefits for employers:** observe apprenticeships for 3 years and then at the end can decide who they want to hire. Hiring and firing is not as easy, must commit to the one they have hired.
* Training is specified to that specific context of the company to fit in more.
* Low- cost of flexible labour.
* **Benefits for society:** skills learned and applied correctly. Improved school to work transition, aids them to gradually introduce them to world of work. Provide majority of population with transferable skills.
* Collective bargaining
* **Issues:** lack of flexibility, lack or responsiveness in dynamic global environment. Difficult to change the curriculum as employers and gov must come to an agreement.
* Near- term costs incurred by employers.
* Declining interest among young people- growth in higher education
* People complete apprenticeships and then go to university.
* Continued support for apprenticeship programme eg. DGB, State
* ‘Handwerk hat goldenen Boden’- supposed to be a relatively lucrative career choice.
* Attractiveness of apprenticeship led by career path promise