

Dual vocational education and training: Costs & benefits

VET in
Germany



Funded by



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German Office for international Cooperation in
Vocational Education and Training



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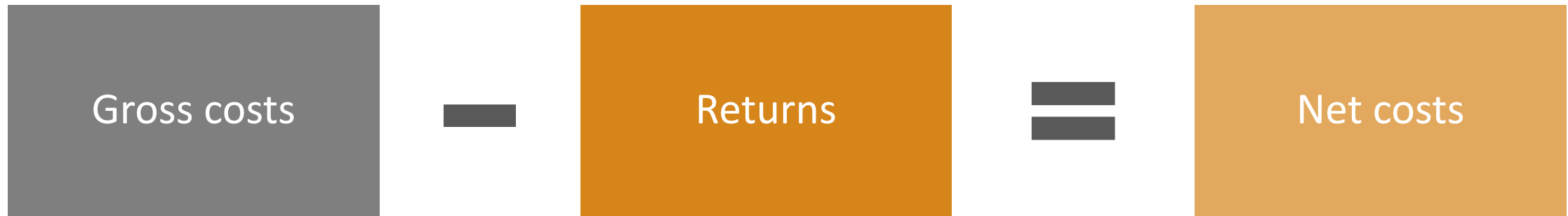


1. Funding of the German dual system

- a) Why do companies provide training?
- b) How do employers calculate costs?
- c) Who pays for which costs?
- d) How are the costs distributed?



1.b) How do employers calculate costs?



1. c) Who pays which costs?

Two learning locations – shared responsibilities



Training in the work process

Legal basis: Training contract

- ▶ Company puts in place the requirements for on-the-job training (training personnel, training workshop...)
- ▶ Company pays training allowance to trainees
- ▶ **The company pays for this**

Teaching in the vocational school

Legal basis: Educational laws of the federal states

- ▶ Cities and municipalities fund the vocational schools (buildings, teachers, teaching materials)
- ▶ The teaching is free for the trainees.
- ▶ **The government pays for this**





1. d) How are the costs distributed?

Company



- ▶ **19.1% (= 416,700) of German companies provide training.** The majority are small and medium-sized enterprises
- ▶ **The economy provides €8.4 bn for vocational education and training** (this is total net costs; gross costs = €27.2 bn)
- ▶ Businesses train more than **500,000** new trainees each year, **72%** of which they take on.

- ▶ They invest around **€20,855 per trainee per year** (45% of which is training remuneration)
- ▶ **69%** of the funding invested is recouped through the productive contributions of trainees during the training.



Government

- ▶ **Public expenditure** on dual vocational education and training in 2022: **approx. €4.63 bn**
 - €3.465 bn on 1,500 vocational schools
 - €1.165 bn on management, monitoring and support measures



Trainees

- ▶ **receive** an average training remuneration of approx **€1028 (gross) per month** (2019)
- ▶ attend vocational school **free of charge**

Sources: BIBB Data Report to accompany the Report on Vocational Education and Training (2020 and 2023), Federal Statistical Office

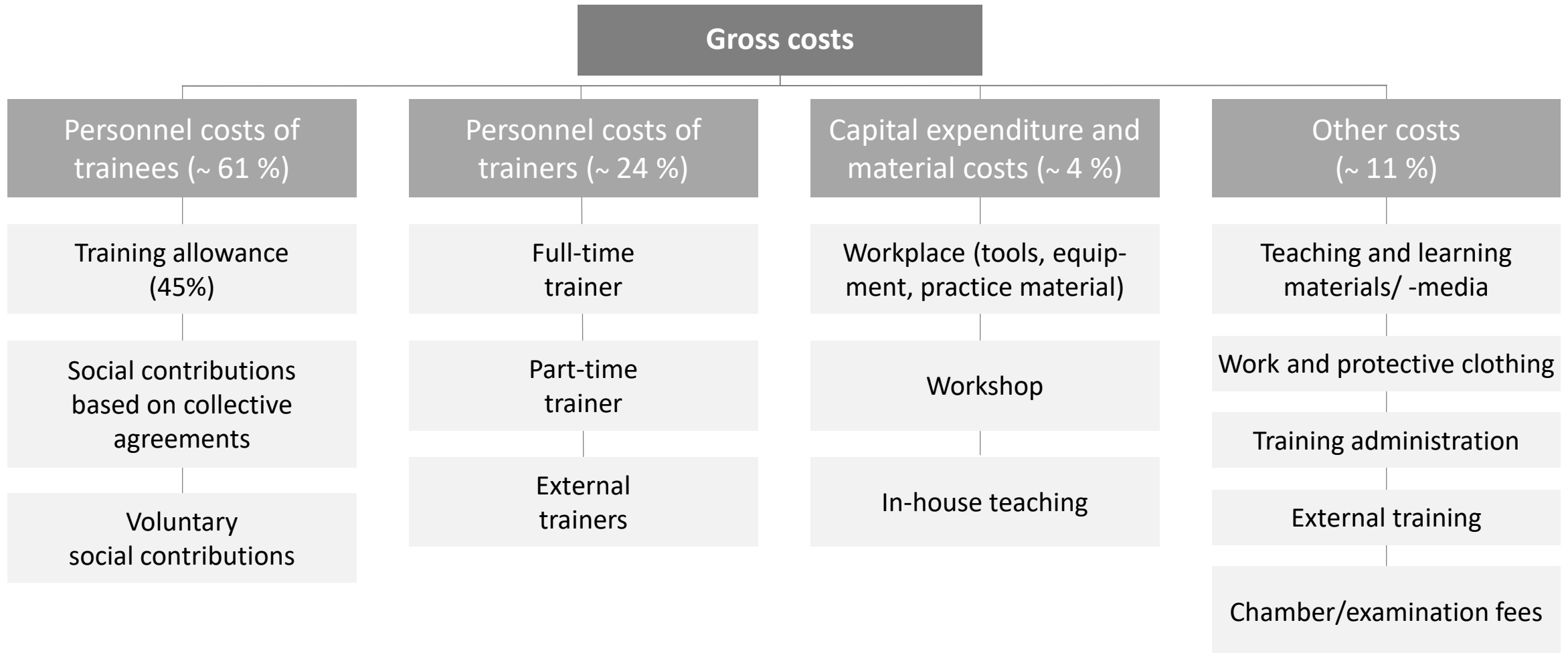


2. Types of cost and return at a glance

- a) What gross costs are incurred by trainees?
- b) Where do the returns come from?



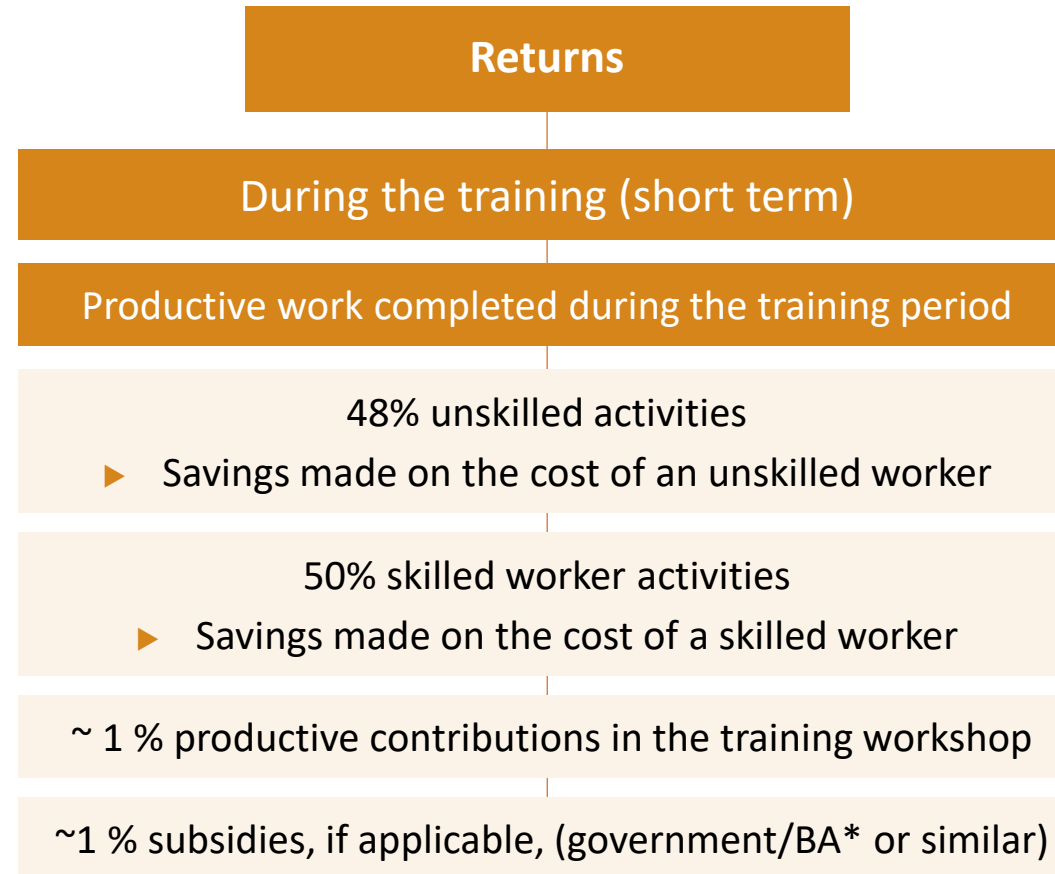
2. a) What gross costs are incurred by trainees?



Source: Schönfeld, Gudrun; Wenzelmann, Felix; Pfeifer, Harald; Risius, Paula; Wehner, Caroline: Training in Germany – an investment to counter the skilled worker shortage, BIBB Report 1/2020.



2. b) Where do the returns come from?



* European Social Fund, Bundesagentur für Arbeit (Federal Employment Agency)

Source: Schönfeld, Gudrun; Wenzelmann, Felix; Pfeifer, Harald; Risius, Paula; Wehner, Caroline: Training in Germany – an investment to counter the skilled worker shortage, BIBB Report 1/2020.





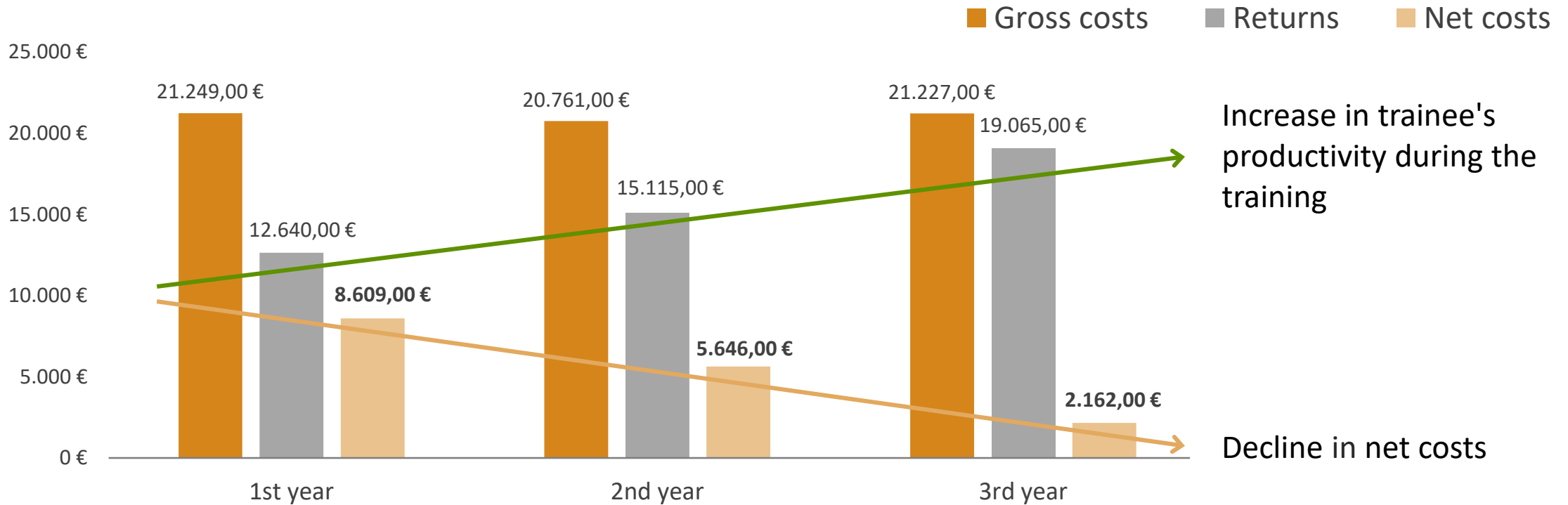
3. What does training cost? What are the benefit aspects?

- a) What is the average cost of a three-year training course?
- b) What is the yearly cost of a training position?
- c) What are the long-term benefits?



3. a) What does the training cost?

Change in costs by training year over a three-year training course*



▶ **€16,417 = total average net costs**

*Information per trainee for the 2017/18 training year



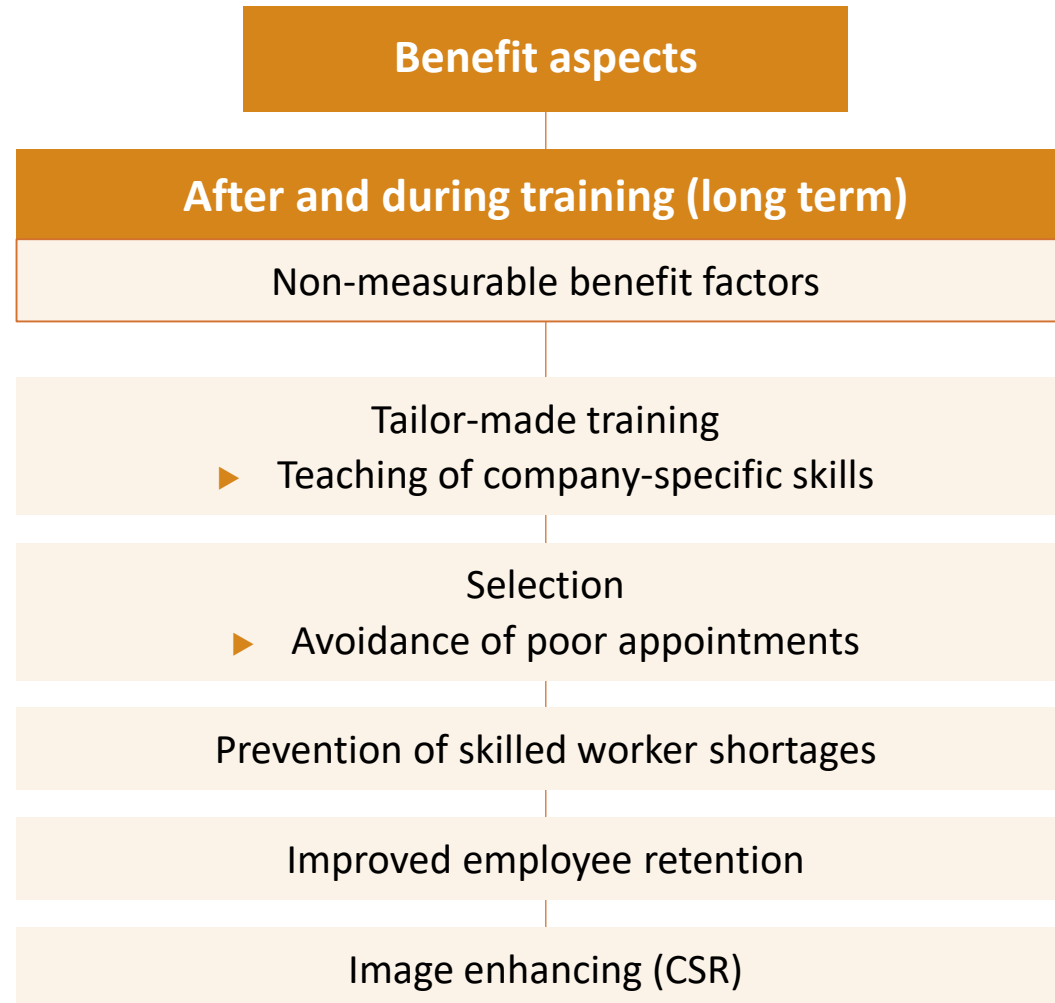
3. b) What does a trainer cost each year?

Occupation	Gross costs	Returns	Net costs	Duration of training in years
Average	€ 20,855	€ 14,377	€ 6,478	2–3.5
Information technology specialist	€ 24,127	€ 16,092	€ 8,035	3
Motor vehicle mechatronics technician	€ 16,238	€ 11,286	€ 4,952	3.5
Forwarding and logistics clerk	€ 18,758	€ 20,491	- € 1,732	3
Specialist food salesperson	€ 16,228	€ 15,709	€ 519	3
Painter and varnisher	€ 15,517	€ 16,425	- € 909	3

▶ **28 %** of businesses achieved a positive gross margin as early as the training phase



3. c) What are the benefit aspects?





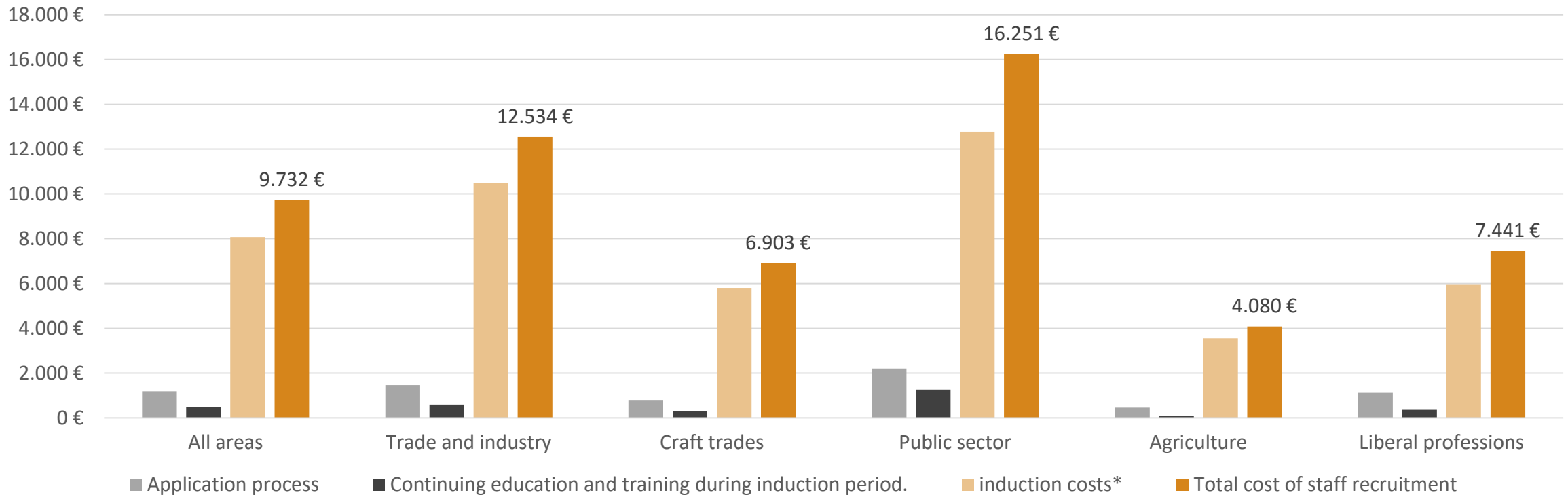
4. Is recruiting a new worker cheaper than training?

- a) What costs are incurred when recruiting new skilled workers?
- b) What does it cost to recruit a new worker?



4. a) What costs are incurred when recruiting a new worker?

Cost of staff recruitment for an externally trained skilled worker by type of cost.



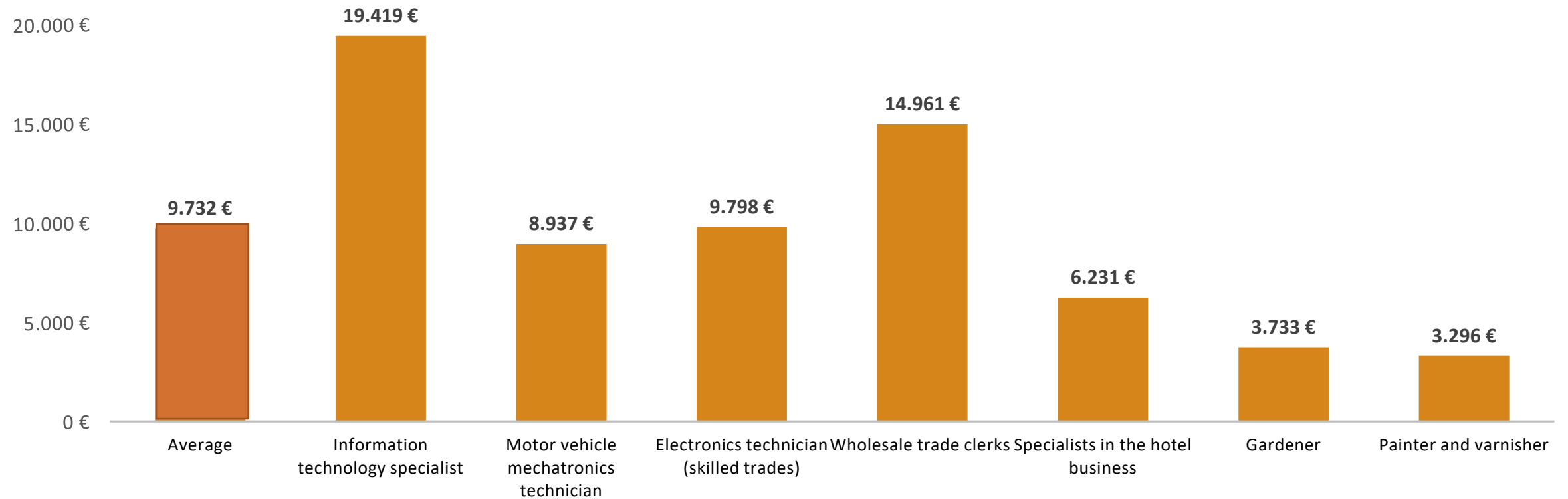
* **Induction costs** take into account the differences in productivity of new skilled workers as well as effort incurred by other employees in the business when inducting for new colleagues. **On average induction costs are 83% of the cost of recruiting new workers.**

Source: BIBB, Data Report to accompany the 2020 Report on Vocational Education and Training, p. 227.



4. a) What costs are incurred when recruiting a new worker?

Cost of recruiting an externally trained skilled worker



Source: Calculation by BIBB based on Cost-Benefit Survey 2017/18.



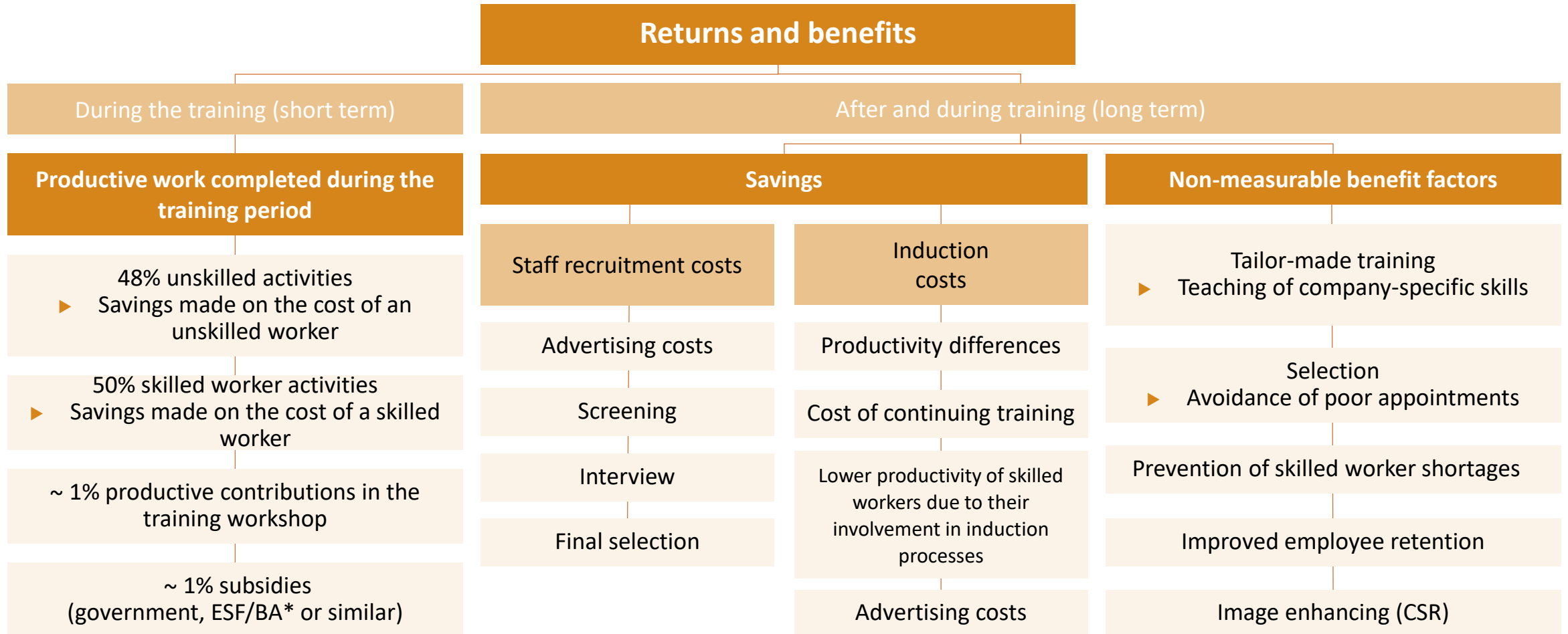


5. Vocational training in the dual system – a worthwhile model

- a) Returns and benefits at a glance
- b) Weighing up the costs and benefits.
- c) Summary of benefit aspects for the business
- d) Social and economic aspects



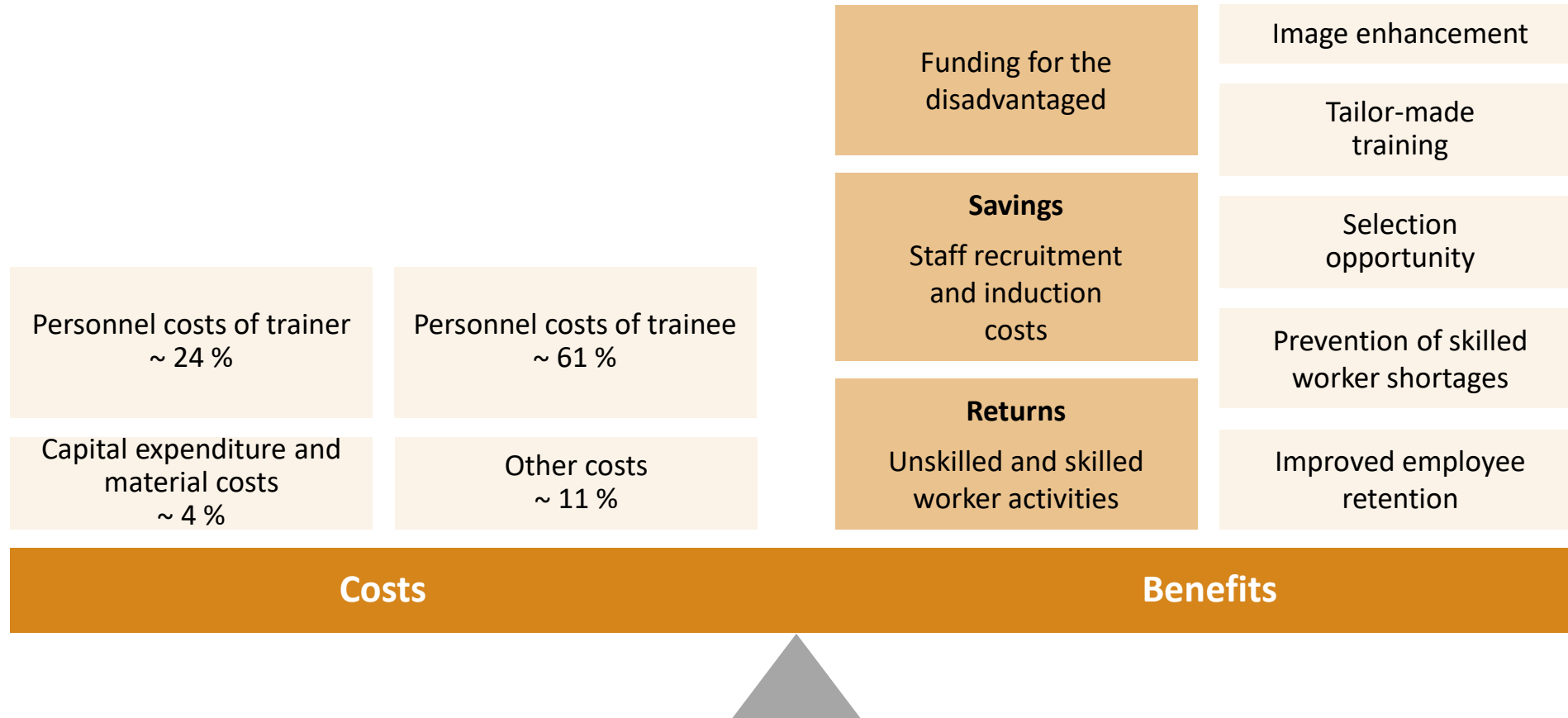
5. a) Returns and benefits at a glance



* European Social Fund, Bundesagentur für Arbeit (Federal Employment Agency)



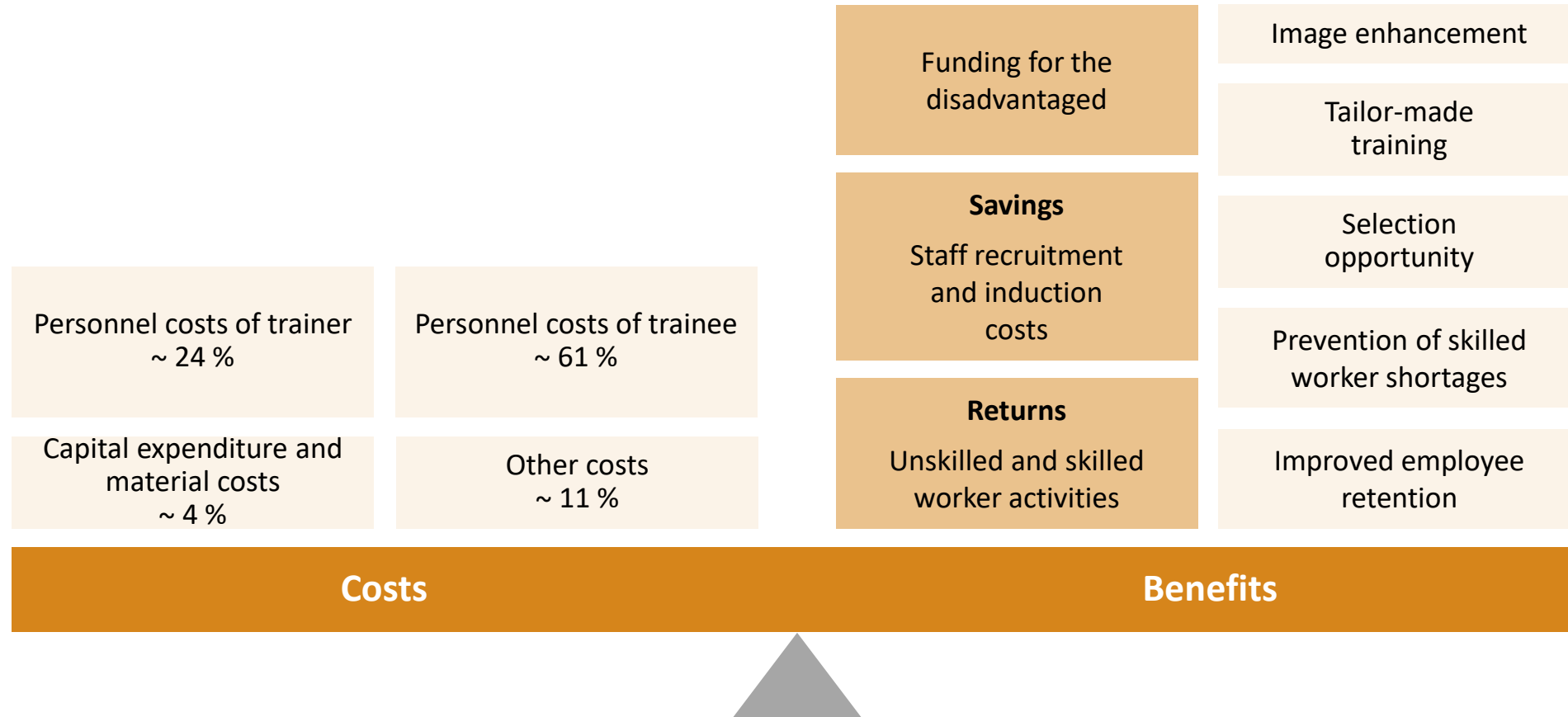
5. b) Weighing up the costs and benefits.



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5. b) Weighing up the costs and benefits.



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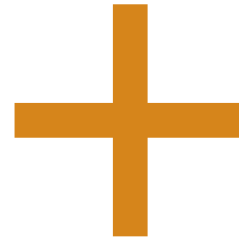


5. c) Summary of benefit aspects

Long-term saving effects

Tailor-made
know-how

Future-proofing



Loyalty to business

Greater flexibility with
vacancies

Image enhancement

Innovative strength



5. d) Social and economic aspects

Professionalisation – qualifications for VET personnel

- ▶ Easier for young people to transition from the education system into the world of work compared to skilled workers with academic training (dependent on the labour market situation)
- ▶ Contribution to social stability as a result of low (youth) unemployment
- ▶ Large pool of qualified skilled workers
- ▶ High flexibility and mobility of skilled workers as a result of high level of qualification and standards which apply throughout Germany
- ▶ Strong productivity growth as a result of qualified skilled workers
- ▶ Increase in economic competitiveness of a country
- ▶ High level of social acceptance of vocational education and training



VET levy

**All companies
in the construction sector pay**

2.1%

of the gross salary amount
into a training fund, regardless of whether they provide
training or not

**Training companies
are reimbursed:**

- ▶ Majority of the cost of training in-house or in inter-company vocational training centres.
- ▶ Costs covered in commercial or technical occupations e.g.:
 - for 10 months in year 1
 - for 4 or 6 months in year 2
 - for 1 month in year 3
 - in line with increasing productivity

* Reimbursement of training remuneration and social welfare costs



“There is only one thing in the long run more expensive than education: no education.”

John F. Kennedy



Further information

This presentation, further presentations and information on German vocational education and training and international VET cooperation are all available on our website at:

www.govet.international

Sources

- BIBB Data Report ([link](#))
- KMK ([link](#))
- BMBF Data Portal ([link](#))
- Destatis statistics on VET personnel ([link](#))



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