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Report on the situation of youth employment and apprenticeship training in Austria in 2014 – 2015

Selected results of an ibw-öibf study¹ commissioned by the Austrian Federal Ministry of Science, Research and Economy (BWF)

The latest report on the situation of youth employment in Austria, which – according to §15b of the Vocational Training Act (BAG) – the Federal Ministry of Science, Research and Economy is obliged to submit to the National Council every two years, describes measures to promote youth employment and apprenticeship training in Austria and analyses their implementation. It reveals the following picture: Austria has been able to largely maintain its good position throughout the EU in the field of youth employment even if a slight increase in youth unemployment can recently be observed. The evident success of the dual system of apprenticeship training in preventing youth unemployment and facilitating early labour market integration is, however, coming under pressure as a consequence of the marked decline in the number of apprentices (which is mainly due to demographic reasons) and training companies as well as the “competition” with schools leading to the matriculation exam.

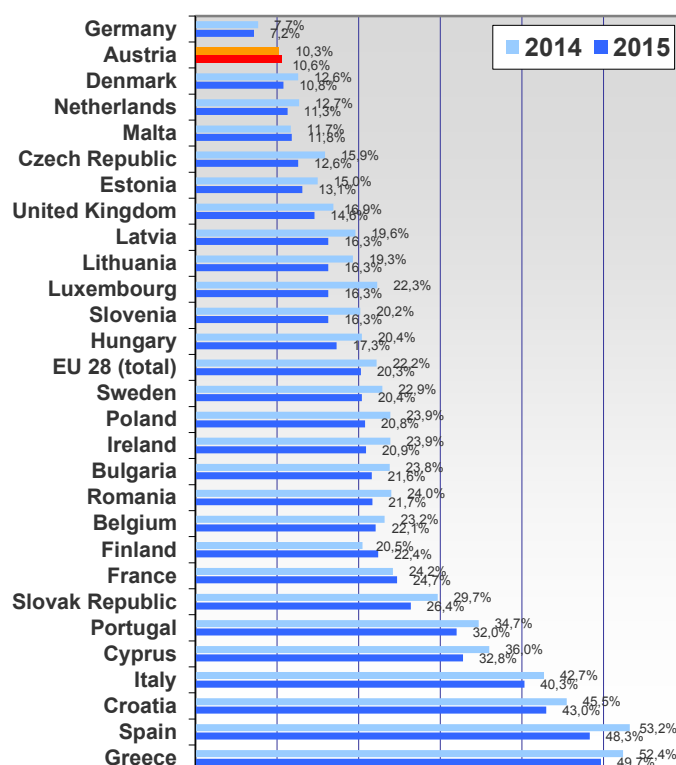
In a European comparison (EU-28 countries), Austria boasts relatively favourable values (compared with the average of the EU-28 countries) in all the indicators that were studied and which must be seen as directly connected with the situation of youth employment and mainly relate to youth unemployment and the obtained educational qualifications.

Based on Eurostat, the youth unemployment rate, for example, was 10.6% in Austria in 2015, but in the EU-28 countries combined it was 20.3% (cf. Diagram 1). This ranks Austria in second place within the EU in 2015 in terms of youth unemployment (behind Germany).

It must be admitted, however, that the youth unemployment rate has recently risen slightly in Austria (as opposed to the EU average) after an initial decrease after 2009 despite renewed turbulence in the wake of the international financial, economic and debt crisis (also in contrast to the EU average). In Austria, the youth unemployment rate decreased from 10.7% (2009) to 9.7% (2013), in the EU-28 countries combined it increased in the same period from 20.3% to 23.7%. Since 2013 a reverse development has been observed: the youth unemployment rate within the EU (overall) has declined (to 20.3% in 2015), but has increased in Austria (to 10.6% in 2015).

DIAGRAM 1

Unemployment rate of under 25-year-olds (2014 and 2015, EU-28, Eurostat calculation method)



Source: Eurostat (last updated: 4.4.2016 / date of extraction: 6.4.2016)

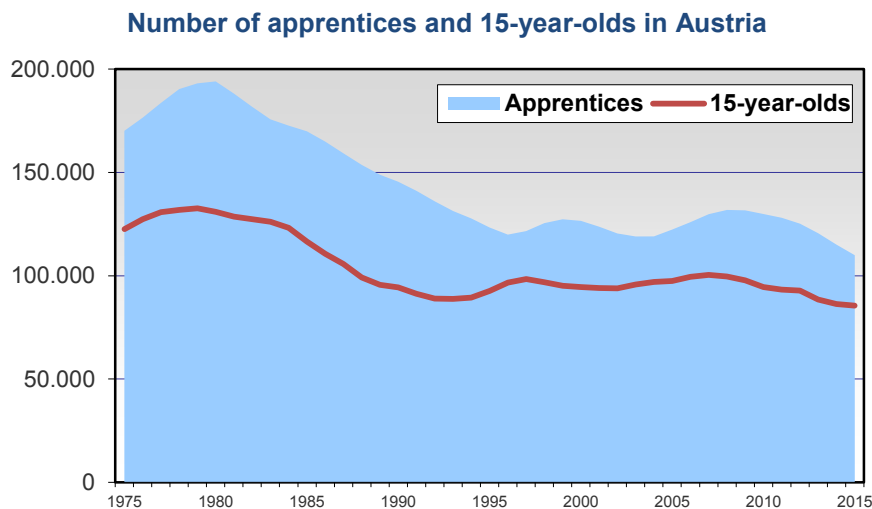
One major reason for the still comparatively good integration of young people into the employment system is seen – as well as the generally relatively low unemployment rate – in the highly developed system of initial vocational education and training or IVET (comprising apprenticeship training, schools for intermediate vocational education and colleges for higher vocational education) in Austria. In this context it must be noted that both participation in vocational education and training (VET) programmes and the share of VET are relatively high in Austria.

It is especially thanks to the system of dual apprenticeship training (provided in companies and part-time vocational schools) that Austria holds a good position in the international comparison. But this successful system is facing a strong decline in the number of apprentices (which is mainly due to demographic reasons) and consequently also in the number of training companies.

A long-term observation from 1975 onwards (cf. Diagram 2) shows that the peak in the number of apprentices was reached in 1980 in Austria (with more than

194,000 apprentices overall). After 1980, the number of apprentices decreased steadily until 1996 (fewer than 120,000 apprentices). In particular from 2004 until 2008 – probably also caused by many different political measures to promote apprenticeship training – another upward swing in the number of apprentices could be noted. Since 2009, however, there has been a clear decline in the number of apprentices. At the end of 2015, a total of 109,963 apprentices were in training across Austria, which was over 5,000 fewer than in 2014 (115,068) and over 21,000 fewer than at the end of 2009 (131,676). This decline in the number of apprentices must mainly be seen in connection with the demographic development (decline in the number of young people, which can be seen by the number of 15-year-olds, for example²) (cf. Diagram 2). In addition, to a lesser extent, the impact and repercussions of the international financial and economic crises also seem to be obvious reasons for this development.

DIAGRAM 2



Source: Austrian Federal Economic Chamber: apprenticeship statistics (at the end of December of the respective year) and Statistics Austria: 15-year-olds on an annual average; data query (15-year-olds): 9.3.2016, latest update: 3.12.2015. (The number of 15-year-olds for 2015 is a forecast value.)

Number of training companies

The decline in the number of young people and apprentices is also bringing about a marked decrease in the number of training companies (counted by the number of chamber members). Between 2009 and 2012 this decline was at around 1,000 companies a year and it has even increased since 2013 to around 1,500 companies a year (to 29,164 training companies in 2015). Since 2010 the number of training companies has even been below the (previous) lowest value from 2004. In view of the demographic decline in the number of 15-year-olds it has be-

come even more difficult for many companies, above all smaller ones, to find young people/apprentices – particularly those who have sufficient basic qualifications (numeracy or language skills, for example). Given the growing occupational requirements and further technological developments, the consequences of deficits in basic competences are even more serious.

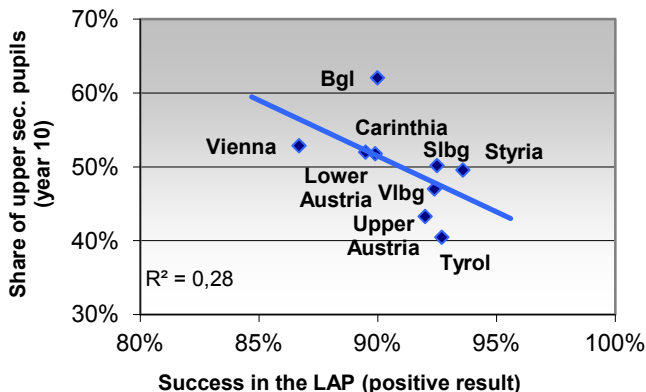
“Competition” with school-based programmes

The decline in the number of young people also has the result that access to the alternatives to apprenticeship

training (upper secondary schools and colleges) is made easier and that also the schools are making greater efforts to make use of their existing education and training capacities. It can moreover be proven that success in the apprenticeship-leave examination (LAP) also depends on the number of young people attending a school that leads to the matriculation exam in the respective province. There is clearly a cross-section of especially talented young people who have the ability to attend school and also complete an apprenticeship (specifically the apprenticeship-leave exam). If a higher number of these (especially talented) young people attend a school leading to the matriculation exam, this has a negative impact on the final results obtained in the apprenticeship-leave exam. More specifically, at the provincial level, there is a clearly negative correlation between success in the apprenticeship-leave exam (the share of apprenticeship graduates who have passed the apprenticeship-leave exam, not counting supra-company training schemes – cf. Diagram 3) and the share of pupils in year 10 at schools leading to the matriculation exam ($r = -0.53$ in the school year 2014/15). This empirical finding has already been observed in a similar manner in other countries (such as in Switzerland) and it illustrates a circumstance which might even intensify further in the wake of expected demographic developments: that is to say competition for especially talented youths, which takes place not just between individual companies but also between the apprenticeship system overall and schools leading to the matriculation exam (cf. also “Education flows”).

DIAGRAM 3

Correlation between success in the apprenticeship-leave exam or LAP (share of positive results) and share of pupils in schools leading to the matriculation exam (year 10) (2014/15)



Source: WKO 2016 special evaluation + Statistics Austria (school statistics) + ibw calculations

Note: Success in the LAP = share of apprenticeship graduates with a positive result, not counting supra-company training schemes (2014)

Education flows and educational career choice behaviour

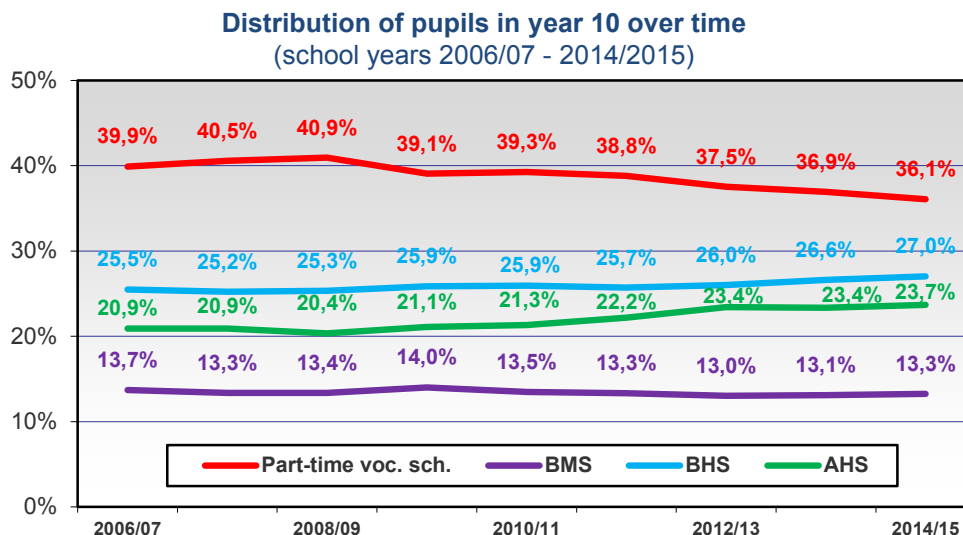
Just like the demographic development of 15-year-olds, it is in particular the young people’s educational career choice behaviour after years 8 or 9 which is decisive for the demand for apprenticeship places. This behaviour, in turn, is itself a complex interaction of supply and demand (availability of training places). The outcome of this career choice process (“education flows”), which is influenced by supply, can be best illustrated based on the spread of pupils in year 10 (cf. Diagram 4). In the school year 2014/15, around 36 percent of pupils in year 10 attended part-time vocational school, 27 percent a college for higher vocational education (BHS). 24 percent attended an academic secondary school (AHS) and 13 percent a school for intermediate vocational education (BMS). The long-term observation (school year 2006/07 until school year 2014/15) shows the following: in year 10, the share of pupils in part-time vocational schools (apprenticeship) was, after an initial increase, decreasing overall in this period (from 39.9% to 36.1%), whereas gains were recorded by AHS in particular (from 20.9% to 23.7%). A proportional increase (to 27%) could also be observed at colleges for higher vocational education (BHS). Apprenticeship training (part-time vocational school), however, is still by far the most important educational pathway in terms of quantity in year 10.

One of the reasons for the declining share of apprenticeship training (part-time vocational schools) in year 10 is the fact that more and more young people (potential apprenticeship seekers) already complete their 9th year of schooling at a school which leads to the matriculation exam. In the school year 2014/15, some 35% of pupils in year 9 attended a college for higher vocational education (BHS), 28% an academic secondary school (AHS), 18% a school for intermediate vocational education (BMS), and 17% prevocational school. 2% of pupils in year 9 attended special needs school. Since the school year 2006/07, the shares of pupils in year 9 have increased clearly at AHS and BHS whereas the shares at BMS and prevocational school have fallen sharply.

Success and dropout rates

The success rate in apprenticeship training is probably much higher than the success rate of schools for intermediate vocational education and colleges for higher vocational education. Of all apprenticeship graduates and apprenticeship dropouts from the year 2014, 84.5% could either complete their apprenticeship period or pass the apprenticeship-leave exam by the end of 2015, the remainder (15.5%) are consequently considered apprenticeship dropouts.

DIAGRAM 4



Source: Statistics Austria (school statistics) + ibw calculations

Subsidies for in-company training places

Several measures have been taken with the objective of reducing or mitigating the decreasing importance of apprenticeship training in Austria. For example, the system of subsidies for in-company training places, whose beginning can be dated back to the late 1990s (general allowance for apprentices as well as specific subsidies for in-company training places provided by Public Employment Service Austria or AMS), has been steadily expanded and modified as well as newly structured several times in quantitative and qualitative terms. Mainly due to the declining number of apprentices and training companies, expenditure for subsidies for in-company training places based on §19c of the Vocational Training Act (BAG) has been decreasing (2010: € 168.1m, 2015: € 153.0m).

And despite this use of “public” funds (made available from employers’ contributions), company-based apprenticeship training is the VET pathway at upper secondary level which, compared to schools for intermediate vocational education and colleges for higher vocational education as well as supra-company apprenticeship training

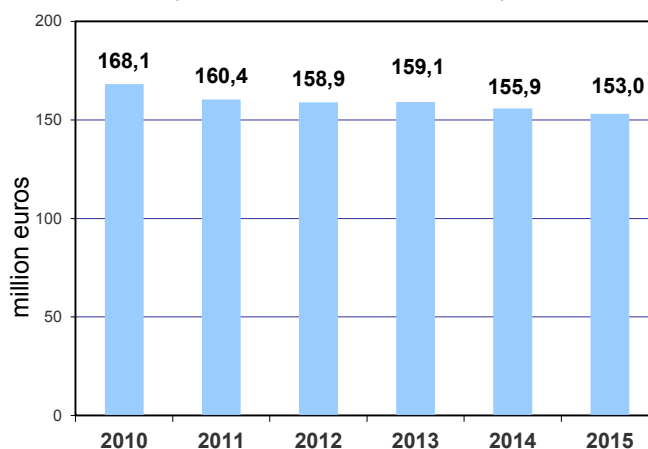
Recommendations

The final section of the “Report on the situation of youth employment and apprenticeship training in Austria in 2014-2015” also comprises a series of possible measures and recommendations on how to safeguard and further develop the successful and well-proven dual system of apprenticeship training in Austria with lasting effect in the long term.

commissioned by AMS, requires by far the least use of public funds.

DIAGRAM 5

Amount of annual total expenditure for subsidies for company-based training places based on §19c BAG
(in million euros, 2008-2015)



Source: Subsidies Service Point (IFS) of WKO Inhouse GmbH + IFS annual reports + ibw calculations

¹ cf. Dornmayr, Helmut / Litschel, Veronika / Löffler, Roland (2016): Report on the situation of youth employment and apprenticeship training in Austria in 2014-2015, research report of ibw and öibf commissioned by BMWFW, Vienna.

² The average age of apprentices in the first year was 16.6 years in Austria in 2015 (source: WKO + ibw calculations).

The entire study can be downloaded from <http://www.ibw.at/de/ibw-studien> (in German).