

*Firm specific training strategies and labour market success –
Apprenticeship Training in Germany*

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Abstract

A remarkable number of private German enterprises contribute high investments to their firm based apprenticeship training. Therefore it is surprising that the linkage between training and employment is high, but not as strong as expected. In general, every second trainee leaves the training firm at the end of apprenticeship training. However, there is some remarkable variation in the employment perspectives, especially in the probability of becoming employed in the training firm.

From a theoretical perspective two different firm specific training strategies could be identified: Following production theory oriented considerations (Lindley 1975) employing apprentices is a substitute for low paid work. It is substantial for this approach, that apprentices become already productive during the training period and the net cost of training are marginal or negative. A takeover of qualified apprentices after training is not required for the training firm according to the cost structure of training. The probability that the graduates will leave the training firm and the occupational field of training is high, as is the risk of becoming unemployed or a scheme participant.

In contrast, investment oriented training strategies require rewards from the productivity of fully qualified apprentices. In this case training costs are high and the training firm is highly interested in taking benefits from the productivity of their trainees after the completion of the apprenticeship training. Given imperfect markets the training firm has an advantage when compared to non training firms. This balances the training cost in a medium term perspective (Acemoglu/Pischke 1998/1999). In this segment the employment perspectives for trainees are high to stay at the training firm and in the field of training. And even if there is no take over by the training firm, the risk of unemployment or scheme participation is comparable low.

Specific strategy institutional settings (such as fixed term training contracts or a high recognition of the formal training certificate as entry prerequisite into the labour market) are required to stabilize firms training strategy. This both reduces individual's shirking probability and allows firms long term training investment. First empirical work based on the IEB data is already presented (Dietrich 2008).

With this paper the Linked Employer-Employee Data from the IAB (LIAB) matched with data from the BIBB-training cost study (Beicht/Walden 2004) will be used to have a closer look to the firm specific characteristics of the training strategy and its outcome, here, the labour market perspectives of apprentices trained in the private sector of West-Germany. Following our theoretical considerations, firm specific training strategies are identified and used as explanatory variable. Regional and individual characteristics are introduced as controls. Multinomial logit models are employed to explain labour market position in the first three years after apprenticeship training.

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