

To recruit skilled workers or to train one's own?

Vocational training in the face of uncertainty as to the rate of retention of trainees on completion of training

Year after year, many young people fail to obtain a vocational training place and as a result frequently attend state-funded skill-building schemes. Manifold reasons have been expressed in the public debate for this dramatic situation, which has been continuing for years despite various promotional programmes and the "Pakt für Ausbildung" (Pact for Training). Too high training costs, inadequate orders, a lack of job prospects after training and insufficiently-qualified applicants are frequently referred to in this context. Tertiarisation is commonly identified as a further reason for this development. Firstly because the rationalisation processes in manufacturing and the concomitant reduction of employment also reduces the number of training places, and secondly because the ratio between training places offered and the number of employees is deteriorating in the service sector (Baethge et al. 2007).

The stiffer competition faced by firms at both national and international level is indicated as a further cause. The results of the IAB Establishment Panel also suggest that firms engage in less training because they are unsure as to whether they will be able to offer subsequent employment to the trained workers if they enter into a training agreement because of the considerable competition pressure and the uncertainty with regard to their income situation which this entails (cf. Bellmann/Hartung 2005). Another reason that is frequently expressed for firms' reticence when it comes to vocational training lies in the organisation and structure of German vocational training as such. Where firms are not only subject to considerable competition pressure, but are also operating in innovative fields in which worker skill requirements are high and subject to rapid change, one may presume that the German system of vocational training, with its firmly established training content over which the firms have little influence, is not the right source of skilled workers because it is too uncertain whether the training contents actually match the current requirements at the end of the training period. For these reasons, the external recruitment of skilled workers may be preferred over vocational training. Both arguments entail the hypothesis that uncertainty influences firms' training behaviour and that increasing uncertainty has a negative influence on it. This uncertainty is modelled in this paper using the probability of a trainee not remaining in the firm on completion of his/her training. Firms respond to a low expected retention rate and reduce their commitment to vocational training. At the same time, the recruitment of already trained workers to cover the demand for skills becomes more attractive because of falling opportunity costs.

Little information is available in manufacturing to confirm the theoretical considerations. The results obtained in the service sector correspond on the whole to the considerations put forward in this paper as to the significance of uncertainty for vocational training behaviour. While competition pressure does not take on any major significance, the expected correlations are, however, confirmed for both other uncertainty factors - i. e. high staff turnover and matching of vocational training to the actual skill requirements. Firms with considerable movement in the headcount and with a large share of skilled workers train less and at the same time have a larger demand for skilled workers who already have the requisite skills. Vocational training is obviously not optimal for these firms with regard to their need for skilled workers. Uncertainty as to retention after training can help to explain the growing gap between employment and training in the tertiary sector in this context.

If this relationship were to be confirmed in further analyses, it would mean that the dual system of vocational training is faced not only by quantitative challenges against the background that, firstly, future employment gains are to be expected more in the tertiary sector and, secondly, employment relationships are becoming increasingly flexible. In order to make the provision of training more attractive in these sectors, and to give it a future, one approach to be explored is that of greater interlinking between practical work experience, higher education and dual training. The increasing trend towards more dual courses of study (cf. *Ausbildung-Plus.de* 2006) is an indication that the stakeholders have already recognised this need. One must also consider how current changes in the demand for skills can be integrated more rapidly into the dual system. Furthermore, the increasing flexibilisation of the labour market, for which many are calling, is to be critically analysed against the background of these results.