

## **The determinants of apprenticeship training with particular reference to business Expectations**

Starting with production-motivated and investment-motivated arguments why firms supply apprenticeship training, this article extends this view by introducing business expectations into the discussion. Production-motivated argumentation takes into account, the fact that even apprentices may be productive while being trained and hence if the gains at this time are higher than the costs, which means that there are no positive net costs, firms will employ apprentices. If there are positive net costs, apprenticeship training has to be motivated investment-oriented. In this case firms have to expect, that they can employ the trainees after completion of the apprenticeship to gain returns which exceed the net costs.

Business expectations, however, are relevant for both, the production- and the investment-oriented argumentation. Decreasing business expectations indicate to training firms an expected reduction in the productive contribution of apprentices to the firm. As a consequence the net costs of apprenticeship training may increase and training firms will reduce their provision of training capacities. A precondition for long-term returns on firm-based training is that firms will be able to retain apprentices after the training period. As labour demand depend on the demand for goods, the future market position must be sufficient. When offering new apprenticeship places, firms have to make their decisions under uncertainty. So business expectations could be a relevant indicator in firms' decisions. Under the assumption that firms respond more sensible to possible losses than to earnings (this phenomenon is called loss aversion), it is reasonable, that they will reduce their training facility to a greater extent than they would intensify it in the case that business expectations decreased/improved to the same amount.

The econometric estimations based on the IAB Establishment Panel data provide a strong evidence that firms respond sensitively to changes in business expectations, which shows by the way a strong cyclical dependence of the supply of apprenticeship places. The analysis of the question whether firms supply apprenticeship training at all, shows that they respond very sensible to decreased business expectations (firms do not conclude a single new treaty), while they do not respond in the positive case; these finding correspond with our assumptions on a loss-averse behaviour of firms. Another explanation could be that costs of entry into apprenticeship training are higher than exit costs. The results regarding the analysis of training capacities are quite surprising. While there is according to our assumption a positive correlation between business expectations and training capacities, there is no asymmetric behaviour in the case that business expectations are going in the same direction for a short time. However, if there is no change in the sign of business expectations for a longer time firms respond more sensible to the positive case. This very surprising result obviously needs further research.