The German Apprenticeship System

*Combines our analysis of training with some institutional details on wage determination.

*Underlying question: Would apprenticeship systems work in the United States?

* Figure 1 shows that from 1955 to 1978, about 2/3 of male German workers have done apprenticeships.

* The wage premium for those who have done one (compared to those with less schooling) is about 25%.

* Note that the age-wage profiles described in Figure 2 suggest increasing wages over the life cycle for apprentices, but not for those with less education.
Figure 1: Educational Background of Male German workers

Subtitle of graph.

- 10 years schooling or less
- 11-13 years schooling
- Apprenticeship
- University

- 1955-62
- 1963-70
- 1971-78
Figure 2: Average Monthly Wages (by year turned 18)
• Given this, it is not surprising that this has been suggested as a solution to US problems.

• Would US firms be willing to incur the costs of training in the way that German firms do?
  ○ Training costs are large: on the order of $8,000, with productivity only being $3,500.

• How does this relate to the model of general skill collection that we described in Topic 2?
  ○ First note that the skills are general:
    ○ there are regulatory pressures to standardize apprenticeships
    ○ 50% of those who left their employers felt the skills were useful in the new job
• What sort of age-wage profile would you expect to see?

  ○ Apprentices are only paid about 1/3 the wages of a skilled worker.
  ○ 95% of apprentices live at home suggesting that they have little disposable income

• If costs of training can't be extracted up front, then firms will only provide that training if expected tenure is long.

  ○ See Figure 3, where we see that workers do stay longer in their jobs than in the US.

• Hence training less likely to be paid for by firms in the US.
First, it may be that observers have misunderstood the motives of firms in Germany for providing training.

- Instead it could simply be a cheap means of screening workers

The reason for this is that it is costly to lay off non-apprentices.

- have to negotiate a severance packet with works council
  - until 1986, the severance pay was 15-25 weeks pay for blue collar workers

Maybe the reason that apprenticeships are used is simply that they are exempt from this legislation.
• But this does not answer the question of why workers stay in their jobs longer
  ○ Here the wage bargaining system seems important.
    ○ More compression of wages in Germany than in the US

• This is probably largely caused by the wage bargaining procedures described above.
  ○ In the absence of wage dispersion, there is little reason to quit.