

Hamburg, July 2011

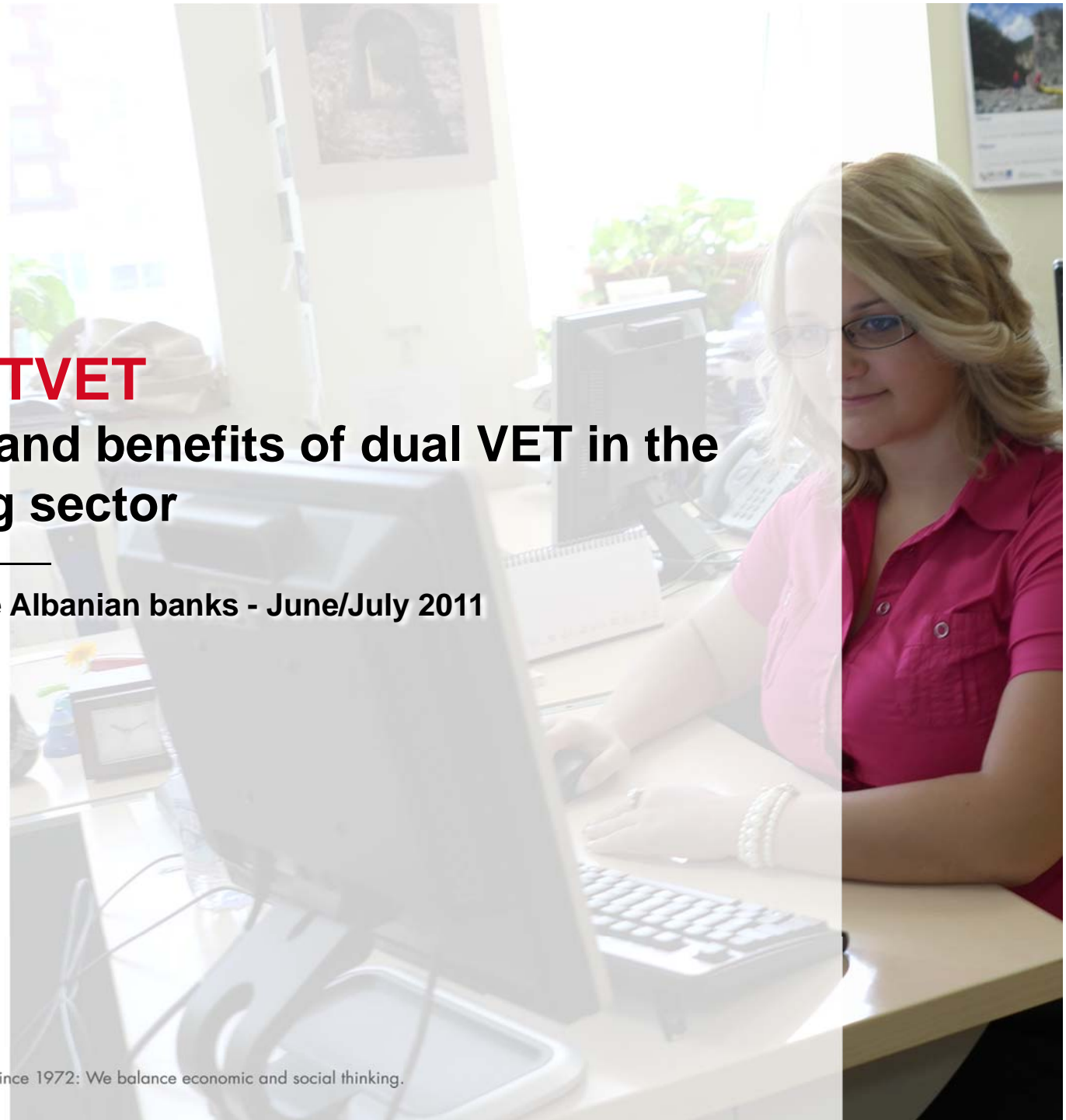
# **Economics of TVET**

## **Analyzing costs and benefits of dual VET in the Albanian banking sector**

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**Survey undertaken in three Albanian banks - June/July 2011**

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## Content

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### Objective of the study

- Analyze, record and assess costs and benefits incurred by training
- Calculate monetary benefits
- Identify and estimate non-monetary benefits
- Assess overall students' satisfaction with FASTIP model

### Scope of study

- Three banks participating in the FASTIP career “Bank Management”



## Why to analyze costs and benefits of TVET?

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### Need for facts and figures about economics of TVET

- Increasing number of potential entrants in TVET systems of developing countries combined with political will to undertake substantial system reforms challenged by public budget constraints
- Investment of additional stakeholders, e.g. private sector, in TVET, i.e. by the provision of company-based training, is required in order to cope with budget constraints and future demographic challenges
- Previous studies about costs and benefits of company-based VET exclusively undertaken in GER, AUT and CH
- Common model for analyzing cost and benefits of company-based VET for developing economies is needed in order to gain knowledge about economics of TVET



## **FASTIP: a new approach towards dual education**

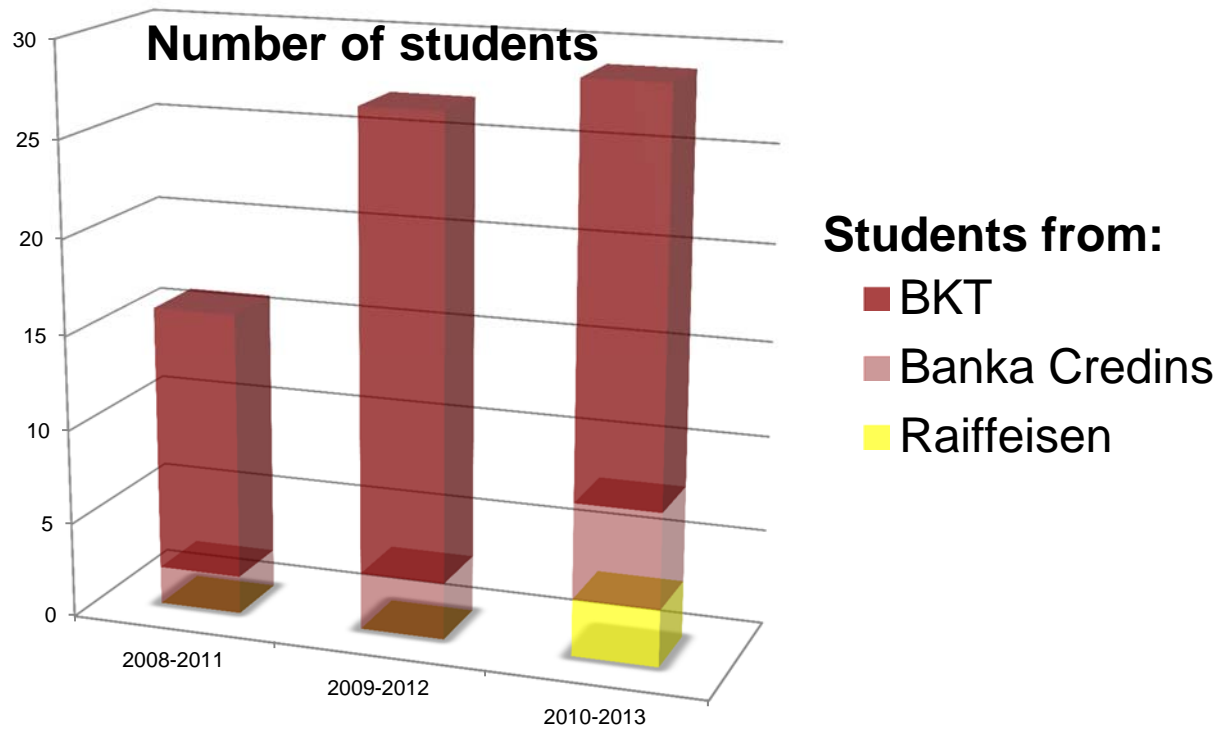
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### **FASTIP started with its first cohort in 2008**

- as the “Faculty of Integrated Studies with Practice” (FASTIP) of the University “Alexander Moisiu” in Durrës
- offers a three-year career in Bank Management, Hotel/Tourism Management and Management of SME’s with 180 credits points (ECTS)
- training model of FASTIP is unique in Albania and does not match with the common definitions of TVET: FASTIP offers education at university level but combined with company-based training (=50% of total work load)
- German Dual study approach (Duale Hochschule) was adapted and applied in Albania



## FASTIP: three years of experience in teaching

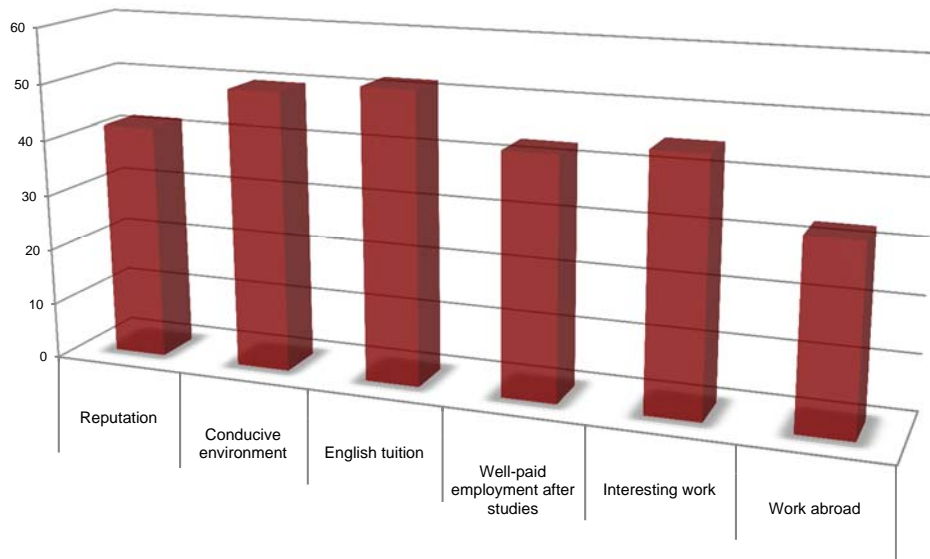


### Legal constraints

- Due to the Ministerial decree FASTIP is not allowed to admit more than 30 students per year per subject



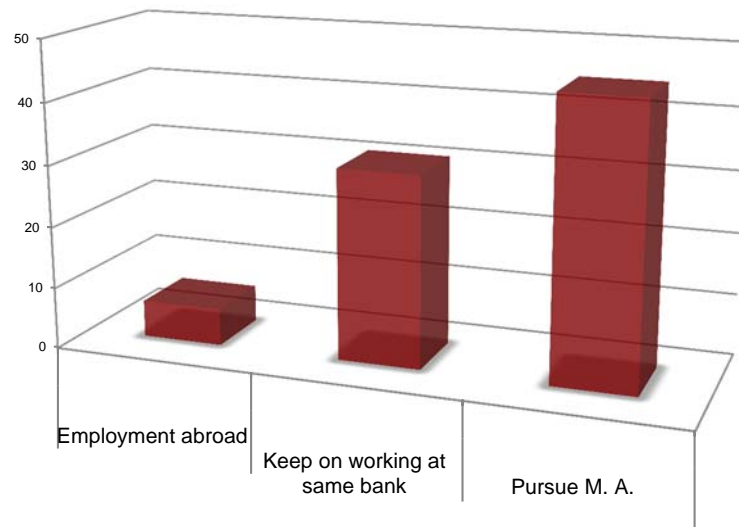
## “Why did you choose to study at FASTIP?”



Total number of students interviewed:  
**55**



## “What do you want to do after having completed your studies at FASTIP?”



Total number of students interviewed:  
**55**

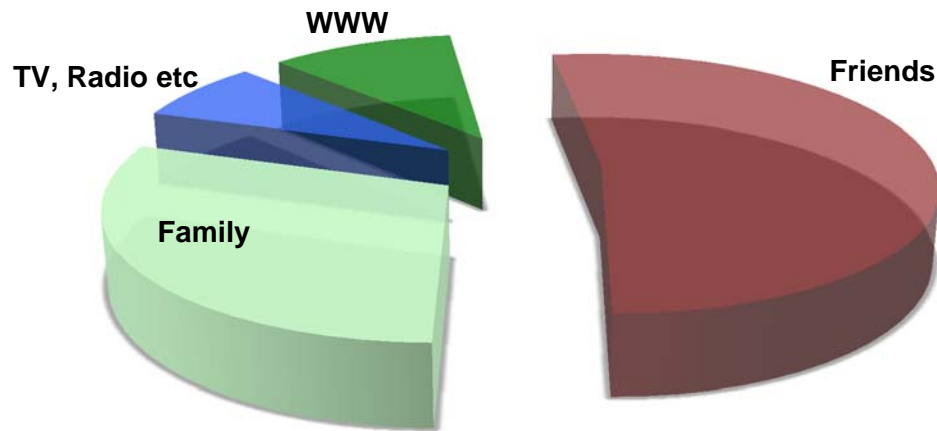
### Stopping the brain drain

- For FASTIP graduates, working in Albania seems more attractive than looking for employment abroad



## “How did you know about FASTIP?”

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Information about the career opportunities offered by FASTIP is still based strongly on word-to-mouth communication.





## How much does it cost the employer?

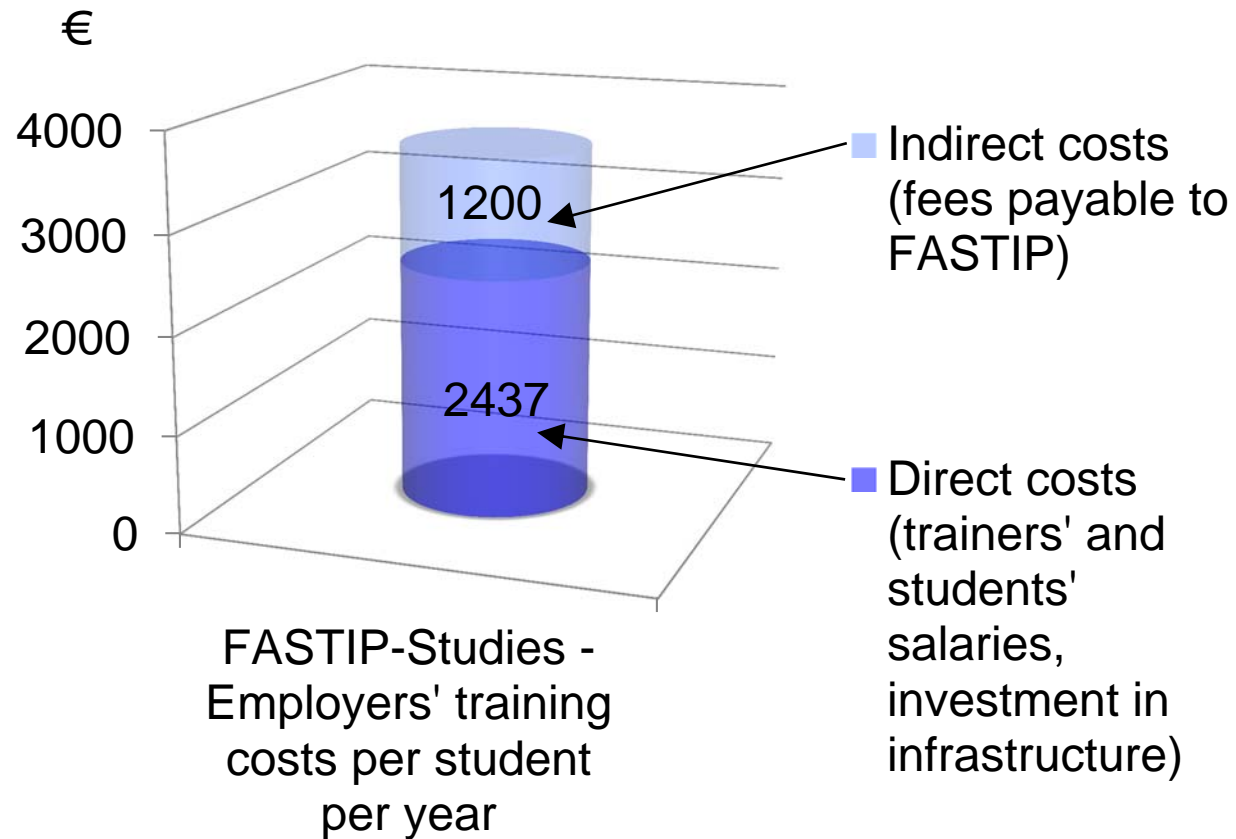
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### Costs recorded in the model

- Students' remuneration and related costs
- Salaries of all people involved in training and share of working time dedicated to training
- Amounts invested in infrastructure dedicated to training, e.g. training work stations
- Share of working time spent at training stations
- Training material expenditures



## Training costs for the employers per year



## What are the benefits for the employer?

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### Quantifiable benefits

- Reducing costs incurred by external recruitment and induction
- FASTIP students can temporarily replace personnel, thus enabling employers to more flexible HR planning
- With FASTIP-students, certain projects like market research or sales campaigns can be undertaken successfully, thus reducing costs for buying in external expertise

### Non-quantifiable benefits

- Gain and increase of reputation for CSR policy
- Contributing to a high-quality, sustainable education scheme that can become a model for other industries and sectors
- New ideas of FASTIP students inspired by FASTIP's international teaching personnel are valuable to their employers



# Benefits out of training: opportunity salary costs for employees replaced by student\*

13 - assumed percentage of productive work in comparison to employed personnel

occupation	occupation	average salary of employed personnel per year	assumed percentage ...	total benefit
BKT trainees 1st year	B.A. Bank Mgmt.	6,000.00	10%	10,800.00
BKT trainees 2nd year	B.A. Bank Mgmt.	6,000.00	30%	43,200.00
BKT trainee 3rd year	B.A. Bank Mgmt.	6,000.00	50%	60,000.00

Average salary of employee who can be replaced by trainee

Share of productive work out of total training time

Quantifiable benefit out of productive work of the student

\* at the example of one bank.

# Benefits out of training: opportunity salary costs for employees replaced by student\*

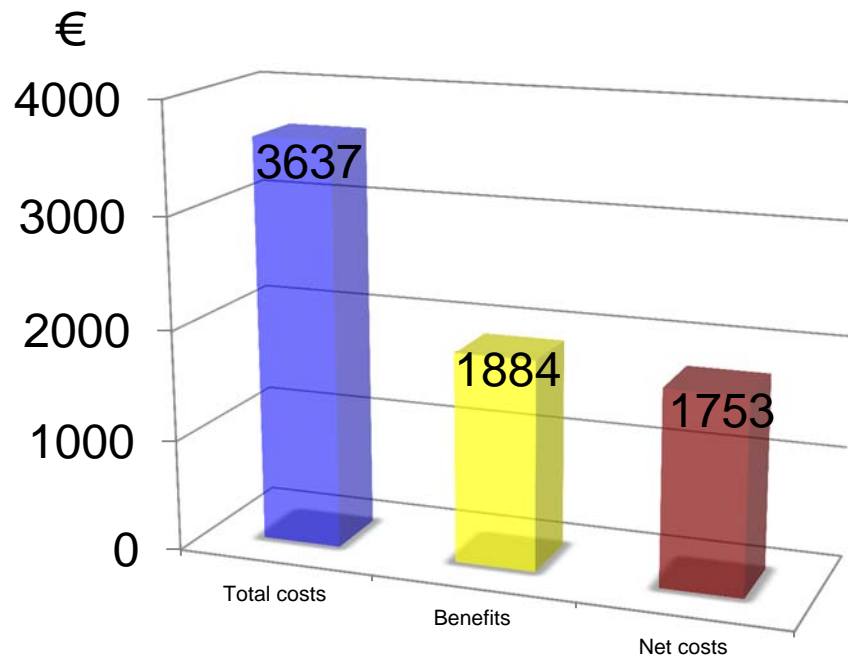
**Description of the benefit provided by all trainees**

**Appraisal of the financial benefit per year and per trainee**

benefit	occupation	total benefit
<b>14- benefits from trainees' contribution</b>		
<i>trainee's fees paid to the company</i>	B.A. Bank Mgmt.	0
<i>share of productive work during training</i>	B.A. Bank Mgmt.	0
<i>market research projects, additional sales activities</i>	B.A. Bank Mgmt.	2,450
<i>employment after training: assumed costs incurred by external recruitment</i>	B.A. Bank Mgmt.	1,200
<i>employment after training: assumed fees/taxes incurred by recruitment of expats</i>	B.A. Bank Mgmt.	0
<i>employment after training: assumed induction costs incurred by external recruitment</i>	B.A. Bank Mgmt.	4,500

\* at the example of one bank.

## How much does it cost the employer?



Average costs and benefits of banks' participation in FASTIP study model per year and per student

### Investing in the future

- Benefits out of training will outweigh costs **after** completion of the education



## Where do the private employers see their long-term benefit of training?\*

benefit	Very important	Important	No influence on decision	Don't know/ not sure
total	22	8	9	0
avoidance of costs incurred by inhouse training	3	0	0	0
avoidance of vacancies	0	1	2	0
prevalence of voucher-based cost reimbursement	0	0	2	0
prevalence of levy-based cost reimbursement	0	0	2	0
increased reputation of the company due to vet activities	3	0	0	0
trained staff as pre-condition for future projects	1	2	0	0
cooperative vet prevalence	0	1	0	0
trainee underwent complementary training at vet centre	2	1	0	0
additional skills taught at vet centre important?	2	0	1	0
establishing and retaining banking standards in albania	0	0	0	0
human resource development	1	0	0	0
practical skills acquisition	1	0	1	0
screening trainees for future employment	0	0	0	0
participation in dual education as component of CSR	1	0	0	0
trained staff available on long term	0	0	0	0
screening trainees for their aptitude	0	0	0	0
increasing overall qualification of people	0	0	0	0
acquiring new banking concepts through trainees	2	0	0	0

\* Results of all banks.

