

M.A. Wojciech Stęchły



Institutional determinants of enterprises' involvement in apprenticeship training of school students in Poland

SGH Warsaw School of Economics

Collegium of World Economy

Thesis advisor:

dr hab., prof. SGH Tomasz
Dołęgowski

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Summary

This dissertation is about the institutional determinants of enterprises' involvement in the training of young workers in Poland, in particular apprenticeship. The institutional determinants analysed include the broadly defined environment of enterprises, as well as internal determinants - for example, those related to the size, organisation and management of processes and employee competences. I have devoted much attention to cognitive determinants - perceptions of the role of enterprises, assessments of potential costs and benefits, and the heuristics used in decisions to engage in education. The latter, cognitive institutional determinants, represent determinants that have hitherto been overlooked or underestimated. The dissertation is much less concerned with the determinants of education funding and the regulations governing schools and businesses. These are relatively well-researched, so in this case, I shifted my focus to how they are perceived.

For the research I have adopted a broad understanding of institutions and therefore also a broad catalogue of institutional determinants to be analysed; as a result, the text covers different levels of institutional analysis as defined by Williamson (2000). The analysis of cognitive determinants required descending to the 'embeddedness' level, touching on informal institutions, culture and cognitive schemas. The analysis of formal institutions and interactions between different groups of actors required an understanding of the business environment from multiple perspectives: economic, social, strategic and even legal. This enabled the study to be grounded in the framework of varieties of capitalism and led to corroboration of the main thesis of the dissertation that is: **vocational education is characterised by a nexus of institutions that is characteristic of patchwork capitalism in Poland.**

I used a variety of **research methods and data sources** to collect data. **The analysis of foundational data** included, in particular, an analysis of regulations, publications and other sources on vocational education and cooperation between enterprises and schools, as well as **statistical data** on the functioning of enterprises and the education system. **Primary data** were obtained through **individual in-depth interviews**. Due to the wide range of conditions analysed, the analysis of the respondents' statements, but also the statements quoted in the reports analysed, constituted a basic tool for the reconstruction of the analysed concepts and, more broadly, cognitive patterns. **The work falls within the discipline of economic sciences, in the strand of institutional economics.** Due to the subject matter of the study, the work is interdisciplinary, containing references to methods and literature from the social sciences, for example, sociology, management sciences, behavioural economics and cognitive psychology (by Daniel Kahnemann and Amos Tversky), as well as linguistics (drawing on Jerzy Bartmiński's research into the linguistic representation of the world).

In the paper I have tried to answer several questions, in particular:

- **What are the objective determinants of companies' decisions to engage in vocational training of young workers?** I am inquiring, for example: is it a profitable activity, are there effective mechanisms to encourage, organise and financially support entrepreneurs.
- **What are the subjective determinants of companies' decisions to engage in the training of young workers?** Among other things, I am trying to establish: which attitudes, heuristics and cognitive frameworks influence the attractiveness assessment and decisions of enterprises, which information gaps and which strategic reasoning (here: related to uncertainty and the behaviour of other actors) influence the propensity to engage in vocational training.
- **What picture of capitalism emerges from the accumulated knowledge** about: vocational education, the practices of school-business cooperation, the regulatory environment, the characteristics of the business population, but also from the observed attitudes and behaviours of individual actors?

The key findings of the research paper are:

- 1) **Schools find it difficult to provide students with opportunities for on-the-job practical training** (in any form - apprenticeship, internship or employment as a young worker): this problem affects around 21% of vocational schools. **Size is a feature that clearly divides enterprises in terms of their involvement in the training of young workers is size.** Smaller enterprises are less likely to engage in vocational training (although the vast majority of apprentice training takes place therein). The larger the enterprise, the better developed and formalised the training policy (having a separate budget, training plan), the more frequent the assessment of training needs and the planning of activities to meet these needs. The qualitative research carried out also points out that **an important feature is the participation of the enterprises in self-government structures (such as chambers of crafts and commerce)**: on the one hand, larger enterprises are part of economic self-governments and cooperate with the broader socio-economic environment; on the other hand, micro-enterprises associated in chambers of crafts are more likely to educate young people (this applies both to education in the craft system and to vocational training within the educational system). Some other characteristics, such as the company life-span or the share of foreign capital, also seem to be relevant, although it is impossible to assess the strength of such a relationship on the basis of the data collected. However, these characteristics do not allow us to explain well the behaviour of the total population of enterprises, after

all, **only about 10% of large enterprises, 8% of medium enterprises and 6% of small enterprises employ young workers**, and the vast **majority of young workers are educated in micro and small enterprises (up to 70%)**. There is therefore **reason to look for explanations related to other determinants**.

- 2) Especially those not involved in vocational training, **entrepreneurs often do not see vocational education and training of youth as an area of their interest or even an area of the enterprise activity**. The hyperbole of the enterprise as an entity that has to focus on survival in difficult market conditions and be concerned (only) with profit generation (and not with 'philanthropic activities') is quite common in the statements of entrepreneurs. In the vision of the enterprise that emerges from such rhetoric, they are passive recipients of graduates rather than creators/participants in training. Consequently, **training activities are seen in terms of costs and risks rather than benefits and investments**. This is reflected in the complementary (here: often underdeveloped) organisational structures - dealing with human resource development and management - and the tendency to use strategies based on external recruitment (rather than employee development). **Entrepreneurs involved in vocational training also clearly perceive benefits and opportunities**. The research does not make it possible to conclude whether there is causality in these perspectives, although it seems logical and possible (analyses of the economic return to this activity indicate that this is the case). However, it cannot be ruled out that in some cases there is an after-the-fact rationalisation phenomenon or that this assessment takes into account other economic factors that are difficult to quantify - e.g. concerning the competitive environment, the nature of the activity or the presence of supporting institutions in the region and/or industry.
- 3) There are formal **institutions** in the business environment that **support cooperation with schools**. These are regulations that translate into **funding streams** (e.g. subsidies, tax deductibility), regulations related to the **status of a young employee** ensuring, among other things, a **low cost of his/her labour (a set, relatively low level of minimum wage and social security contributions)**. Furthermore, schools are obliged to prepare pupils for learning in the workplace, which they do by planning theoretical education and practical learning in workshops at the establishments particularly intensively within their hourly grids prior to learning in the workplace. In addition, schools often offer provide support in the preparation of documentation and delegate a tutor who can support the workplace job instructors. **The legal obligation for schools to provide practical vocational training opportunities** ensures that the educational partner is motivated to start and maintain cooperation with employers. In

many places, there are also **business self-government organisations that support the associated entrepreneurs in educational activities** - often chambers of crafts, chambers of enterprise. In addition to institutions in the field of education, supportive roles are played by **labour market councils** (playing a role in matching in the structure of education to local needs) and **the Voluntary Labour Corps**, which mediate the flow of funds and initially prepare a part of youth for on-the-job training (some of them run workshops). It is worth noting that, in addition to formal institutions, there are also **informal supportive institutions** in the business environment, e.g. industry traditions, craft ethos, local (informal) business and local government cooperation networks, as well as **other factors related to historical** (e.g. a strong education department in the county) and **personal determinants** (e.g. a president who is a graduate of a vocational or technical school or the presence of a local, charismatic leader as a school principal or president of a chamber of commerce).

- 4) At the same time, there are numerous **objective conditions** in the business environment. Among those that are independent of enterprises, one should point out, for example, the **chronic shortage of staff**, which positively influences commitment to training and **which cannot be satisfied by recruitment**, as well as those **negatively affecting** commitment: **the low level of financing education, the lack of vocational teachers and the negative selection of pupils for vocational schools**. From the employer's point of view, factors negatively affecting the prior preparation and abilities of young workers (productive, communicative or cognitive) cause various problems, incidentally reducing the economic value of this activity (less attractive as prerecruitment, reduced return on apprentices labour, etc.).
- 5) Institutions linking entrepreneurs to the environment, in particular concerning **social dialogue, economic self-government, employers' organisations or trade unions**, are important for the involvement of enterprises in vocational education. Their influence is related to beliefs and attitudes on the one hand - **they show educational activities as an integral part of the functioning of enterprises, demonstrate external benefits and allow image capital to be built through involvement in these activities**. The economic function of these institutions is that **they reduce transaction costs through support activities** (e.g. in terms of bureaucratic procedures, the didactic preparation of mentor employees or the dissemination of know-how) and **coordination** (e.g. brokering contacts with schools, the referral of students to establishments, or minimising the risk of *poaching* and the *free-rider* effect).

- 6) The institutions linking entrepreneurs with the social environment are often weakened, e.g. due to **low levels of social capital (lack of trust) and informal institutions (e.g. corruption, shadow economy, internal public sector labour market)**. As a result, **weak or ineffective institutions of economic self-government, volatile relations with local governments**, but also **employers' and employees' organisations** that do not offer significant support in education (as found in countries with a tradition of collective bargaining) or **labour market and social dialogue institutions** (e.g. labour market councils) that are judged to be **a façade**, should also be mentioned as negative conditions. Of course, this does not mean that all organisations operating within frames of these institutions are weak, dysfunctional or passive.
- 7) **The weakness of these linking institutions can be explained by path-dependence** - business self-governments and employers' organisations have a relatively short history (or perhaps a long history of discontinuity) compared to Germany, and the collapse of vocational education observed from the mid-1990s to the early 2000s made the prospects for cooperation with local governments and schools uncertain. **A better explanation can be offered within varieties of capitalism framework, in particular by referring to the concept of patchwork capitalism, as it combines historical and functional perspectives.** In particular, this concept **draws attention to the historical weakness of the institutional warp (matrix), as well as to the dependencies between institutions and the strength of informal institutions.**
- 8) A manifestation of the weakness of the institutional matrix is the **relatively low level of social capital** compared to most European countries. In Poland, indicators of personalised as well as generalised trust in others remain below the EU average, although they have been increasing over the past 20 years. This means that **Poles declare lower trust in family, people they know and strangers** than respondents in other European countries. This is accompanied relatively more often by **beliefs that others are trying to take advantage of us** (rather than being honest) and that they are **driven by selfish motives**. Behavioural indicators of trust, i.e. the level of participation in communitary activities, are also low, a notable **exception being involvement in informal community activities**. This can be interpreted as a demonstration of high propensity to support the community or help others, with distrust for the intentions of others as collaborators, but also for the organisations involved in these activities (such as NGO's). Such observations also resonate with the **low rates of declared trust in public institutions such as the police, courts and parliament**. Some authors draw attention to the importance of the unpredictability of the behaviour of others related to the strength of attitudes characterised as family-friend collectivism.

Which can be simplistically interpreted as a tendency to prioritise personal ties over group ties and formal rules. **All of the aforementioned factors are not conducive to efficiency and building strong institutions, although it is worth repeating that the cited values of trust and social capital indicators have been increasing in Poland over the past 20 years.**

- 9) At the same time, although it was not analysed, it should be noted that the narrative present in the media in recent years undermining the widespread belief in the permanence (and fairness) of the existing social order (e.g. widespread beliefs in the importance of 'deals', pushing for unconstitutional solutions in the parliament) is undermining the efficiency of all formal institutions. Although, interestingly, it is not causing a decline in trust in parliament, the police or the courts across the country's population. **The observed weaknesses in institutions important for the development of future business employees can be expected to worsen if the patterns of governance (legislative, executive, judiciary, as well as the fourth power) observed in recent years do not change.** This is especially the case if the state of the economy and economic conditions deteriorate, for they are to some extent correlated with trust in public institutions.
- 10) I did not encounter a single *homo economicus* in the interviews. **The beliefs of entrepreneurs influence their behaviour regardless of whether they are supported by analysis, experience or facts.** This means that, among other things, **beliefs about the difficulty of working with students and schools, about the complexity of the bureaucratic procedures involved, negative stereotypes of vocational training and the students of these schools and, above all, the belief that vocational training is not part of the business are underestimated.** It is evident that entrepreneurs are characterised by limited rationality, they operate in an environment that is complex and unstructured. **Entrepreneurs are forced to use error-prone heuristics** (simplified ways of reasoning and making decisions). Despite the picture painted so far, it is fair to say that it is impossible to make judgments on the accuracy of the decisions of enterprises, which are the only ones have unique knowledge of their own resources, their institutional and competitive environment.

The research findings confirm the research thesis: vocational education is characterised by a nexus of institutions that is characteristic of patchwork capitalism in Poland. I verified the thesis with the help of **three inseparable hypotheses**, which are

based on how patchwork capitalism is defined by the authors of the term themselves (Rapacki et al., 2019). Below, I summarise my findings in relation to these hypotheses.

H1: Inconsistencies in the institutional order between the areas of institutions influencing the behaviour of business and educational actors cause conflicts between them.

- Education laws in Poland require schools to involve employers in vocational training, while there are no laws that oblige businesses to engage in the process. It is a common belief that vocational training should more often take place in the workplace, but **since vocational training (as part of the education system) belongs to the public policy sphere, the private sector has no administrative obligations to engage. Social, personal and economic self-interest obligations are decisive.**
- **A number of inconsistencies grow out of the siloed legal frameworks – notably the division of expectations, responsibilities and funding between local and economic self-governments and central administration.** Nota bene: some scholars indicate that since no administrative tasks have been delegated to economic self-governments in Poland, they are not self-governments in the light of the doctrine of administrative law.
- In Poland, the economic self-government and employers' organisations present limited involvement in the issue of vocational training hence the coordination of direct activities of enterprises and schools in the field of vocational training usually rests in the hands of the school, which has to cooperate with a group of dispersed entities and often takes the initiative to establish contact. **This situation generates often unfulfilled expectations of cooperation on the part of schools and unfulfilled expectations of a competent graduate on the part of enterprises.** The unequivocally allocation of decision-making and responsibility on the part of educational institutions, which have a different logic and priorities than entrepreneurs, procure a mismatch between the cooperation framework laid out by educational partners with the employers reality.
- In the context of vocational education, differences in priorities are reflected, among other things, in distrustful attitudes of entrepreneurs towards the administration, public institutions and in teachers' fears about whether students will 'be treated well' by their employers. **Mistrust between stakeholder groups in vocational education, reinforced by the weakness of social dialogue structures, translates into a tendency of the administration (especially central**

administration) to design educational realities on its own and a limited interest of the social partners to participate in these activities or to increase coordinative efforts. An exemplary consequence is a model of consulting of the content and scope of core curricula in an expert-based mode rather than referring to a representativeness-based approach or attempts to increase the scope of coordination of activities of many actors (Dębowski & Stęchły, 2022).

- In the interviews conducted, the (self)stereotype of the entrepreneur formed in the 1990s, whose vision of entrepreneurship is limited to profit generation, is repeated among representatives of education and business. This **stereotype of the "alienated entrepreneur" interacts with ineffective formal labour market institutions, demands for a cheap state and favours enterprise strategies based on low production costs.** This refers to the **weak protection of employees by labour market institutions** (fiction of labour law, extensive grey economy, weakness of labour inspectorates), **the weakness of trade unions** (relatively low level of unionisation, practically no collective bargaining in the private sector) and the **difficulties in the functioning of public employment services and relatively limited social security, e.g. low unemployment benefits.**
- **In summary, Poland is characterised by a set-up of incoherent but compatible (i.e. relatively stable) institutions concerning vocational education.** Such an arrangement of institutions has a built-in conflict in which groups of actors criticise each other, and this criticism is justified from the point of view of a particular internal institutional logic. In this case, this manifests itself in various dysfunctions and, in public, also in 'ritualised' exchanges of judgements between representatives of the business and educational communities about who is responsible for the competence shortcomings of vocational education graduates.

H2: The vocational training system combines elements of models characteristic of different institutional orders, which are non-complementary.

- **The vocational training reforms that have been taking place since the end of the first decade of the 21st century have introduced solutions that do not harmonise well with other institutions of the Polish economy, and in some cases the changes introduced at the same time are not complementary.**
- The **solutions specific to dual education that have been** introduced since 2017 include solutions leading to an increase in the share of the delivery of practical

training in enterprises. **They are being introduced into the educational system on the assumption that the leading role of the state in the organisation of all education and the delivery of general education will be maintained.** It is assumed that the key issue in the dual training system is the high proportion of training provided in the workplace, which exceeds half of the total training time, and for this reason such a system is also referred to as alternate training (as the training alternates between school and enterprise). **However, dual training as a concept, in addition to aspects of the organisation of learning, also includes the assumption of sharing the responsibility and training costs by the entrepreneurs.** The adjective 'dual' does not only refer to the organisation of learning, but also to the simultaneous involvement of two parties - schools and employers. Dual training system occurs precisely in those countries where coordinated market economies and collective skill formation systems are in place.

- The size of enterprises is of key importance for the implementation of the dual vocational training model - as a number of other determinants (economic, organisational, cultural) are linked to this characteristic. Countries with the highest share of medium and large enterprises (with the lowest share of micro-enterprises) are at the same time those with the highest share of work-based learning. **The elements of dual education introduced in Poland as of 2017 do not harmonise with the existing order in private sector – Poland has one of the highest shares of micro-enterprises in Europe, centralised legislation and a mismatched system of economic self-government.** At the same time, it should be noted that the rather large absolute number of medium and large enterprises and their age (we have the oldest enterprises among the post-communist countries) are favourable factors for the implementation of dual education.
- **In Poland, there are numerous similarities between *skills formation system* in the liberal model.** The participation of enterprises in the costs of training, the involvement in organising training or the amount of training time provided in enterprises, remain at a relatively low level. **The voluntary nature of business self-government in Poland is also associated with the Anglo-Saxon model. Similarly to statist regimes to education takes place under the auspices of the state,** which takes responsibility for education and aims to provide the best possible conditions for the development of young people. **The state allocates limited resources to vocational education, and schools and local governments do not have effective instruments to prepare students well**

based on school workshops and apprenticeships (see Annex 6 for a summary of state expenditure data on education).

- The vocational education system in Poland is characterised by the dominant role of the state and local governments, while at the same time the funding level remains low. **The changes in vocational education after 2012 provide for solutions characteristic of "expensive" models, but there is no leap in the basic public expenditure on vocational education (the educational subsidy, the level of teachers' salaries).** At the same time, it should be noted that in the period **after 2010, using funds from the European Social Fund, significant financial outlays were incurred for vocational schools. The schools infrastructure and equipment was modernized to a large extent, and in this period there was also a gradual increase in the amount of funds directed to employers providing education.** At the same time, the **consistent shifting of the burden of expenditure to local governments in the absence of realignment of the funding formula (e.g. realignment of the educational subsidy algorithm for education in selected professions)** means that the investments made must be treated as one-offs.
- **The introduced elements of the dual VET system are surprisingly consistent with the demands present in the recommendations of the European Union, in particular they implement the recommendation on ECVET and on the European framework for quality and efficiency in vocational preparation.** These recommendations are cited in the justifications of legal acts and linked to the disbursement of ESF funds, and it is also known, that they are analysed and intentionally applied in Poland.

H3: There are informal institutions in the field of vocational education that are non-complementary to formal institutions.

- In patchwork capitalism, strong informal institutions undermine the operation of formal institutions. On the one hand, these are embeddedness-level institutions subject to slow change. On the other hand, there are informal institutions at other levels of institutional analysis, which function as rules of the game or ways of 'getting things done'. All of them operate outside official channels of communication - they are unwritten and officially unspoken of. In this sense, **informal institutions are both widespread and entrenched cognitive heuristics and stereotypes, as well as the phenomena of clientelism or corruption.**

- The study **confirmed the importance of informal institutions related to stereotyping and the use of heuristics in decision-making**. They are not conducive to the involvement of enterprises envisaged by (educational) legislation. In other words, **they prevent some employers from acting in ways that are foreseen by formal institutions**, for which there are expected positive effects and externalities, such as social cohesion, economic development, as well as economic returns for the enterprises themselves (depends on the specific activity, the period considered).
- **On the axionormative dimension, the previously mentioned negative stereotype of schools and vocational students plays an important role. The image of the world reproduced by the stereotype reinforces the negative selection of students and staff for schools, but also lowers the willingness of entrepreneurs to accept students.** The negative stereotype, operating at various levels, **becomes a self-fulfilling prophecy and has the characteristics of a self-reinforcing mechanism** - as a result of its operation, the perception of the attractiveness of engagement in vocational education deteriorates and **positive changes are more difficult to fit into such a constructed model of world**. The second group of institutions are **cognitive heuristics, which cause the issue of vocational training to be systemically relegated to the background of entrepreneurs' interests or excluded from the area of their interest altogether**. In addition, due to the lack of previous experience, involvement in vocational **training is perceived as a new activity with uncertain benefits**. On the one hand, uncertainty is reinforced by the effect of path dependency (lack of experience and support systems for training activities) and, on the other hand, by phenomena resulting from negative stereotypes (lower trust in students and lower levels of competence associated with negative selection according to cognitive ability and cultural background).
- We also find informal institutions that make things 'get done' in a different way than what would result from the procedures laid down by law, which determines the façade of formal institutions (there is a special idiomatic phrase for that in Polish 'załatwiać'). Both the respondents' voices and the literature on the subject indicate that more often than not **formal institutions of social dialogue are weak and façade-like, key discussions and decisions take place outside them (including in other groups) and the main logics and arguments of the different parties often remain hidden**. It should be noted at this point that many cases are known where **labour market councils play an important role and both local**

governments and social partners often regard them as useful institutions. No less from the interviews it appears that there **is a widespread perception that in general the arrangements made in these institutions are more often decided by private networks and local connections** (even contrary to own experience). By the way, possibly as a result of limited trust to these institutions, the Ministry of Education publishes a **demand analysis every year, indicating the professions in which training does not require the approval of the labour market council, thus limiting the influence on the councils on training directions.**

- **Clientelistic structures, usually referred to as 'self-interest groups', as well as personal networks of acquaintances** are informal institutions that **hinder the long-term institutionalisation of cooperation between schools and entrepreneurs.** This is because **personalised trust is crucial in these situations and formal authorities are subject to political cycles.** Narratives and interests that have no place in the public space may therefore play a particular role in these relationships. An example is the **need to ensure an internal labour market for teachers faced by local authorities,** particularly significant in decisions to open (or close) vocational training courses. Informal institutions, by definition, however, cannot be the official reason.
- **Respondents spoke of practices of mutual favours (probably of a corrupt nature)** exchanged between local government representatives and entrepreneurs. Unfortunately, this situation is an example of a pathology of social life that respondents did not want to talk much about, and therefore **it is uncertain to what extent these voices refer to real situations and to what extent they are an expression of beliefs and/or a reflection of a negative auto-stereotype.**
- The established and repetitive ways in which micro and small enterprises operate in terms of staff competence development and recruitment are also non-complementary to formal vocational training institutions. **In most enterprises, especially micro and small enterprises, corporate recruitment strategies are based on selection rather than on staff development, leaving them without well-developed training structures and know-how.** For these reasons, **it is often a challenge, for example, to appoint and prepare a person who will support the student in learning and working, as required by law.** The business practices mentioned here are linked to strategies based on keeping production costs low. **The links with labour market institutions are also important - especially the informal economy, the weakness of institutions for the**

protection and representation of workers, but also **the segmentation of the labour market**.

- Cooperation between businesses and schools has a solid formal basis. Although specific regulations and solutions have various weaknesses, these are not key barriers to establishing cooperation and involvement in vocational education. **Informal institutions often ensure that these legally designed institutions are not used.** Existing legislation and related ways of establishing and organising cooperation have undergone positive changes in recent years - new solutions have been developed to address identified obstacles, and some pre-existing solutions have been improved or rationalised.