

The effect of business expectations in the market for apprenticeship training

Samuel Muehleemann (LMU (Munich University)), joint with Harald Pfeifer and Bernhard Wittek

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We investigate how company expectations about business cycle developments influence a firm's demand for apprentices, and how Covid-19 affects apprentice market outcomes through changes in the business cycle expectations of firms. Expectations about business cycle developments are measured through the ifo Business Climate Index (BCI), a monthly survey among German firms, that provide particularly current and useful insights into company expectations about the business cycle. To assess the impact of changes in the business climate, we analyze German data on the apprenticeship market at the state-level and at the occupation-level within states from September 2011 to September 2020. We find that the coronavirus-related decrease in firms' expectations about the business climate accounts for an 8.7% decrease in the firms' demand for apprentices in Germany in 2020 compared to 2019. Moreover, we also analyze heterogeneity at the sector-level, as macroeconomic shocks (and lockdown rules) did not affect all sectors evenly. In addition, we also make use of the IAB establishment panel and analyze the association between business expectations and a firm's demand for apprentices at the level of the establishment.