APPRENTICESHIPS IN THE UNITED STATES

Can they improve youth employment outcomes?

Sarah Ayres, Center for American Progress

Center for American Progress (CAP)

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USA

17/148

JustJobs Index Ranking

62.9%
Labor Force Participation

50.5%
Youth Labor Force Participation

8.1%
Unemployment

16.5%
Youth Unemployment

Source: These data are ILO modeled estimates provided by the World Bank.
Individual authors may use national estimates.

Challenge

In the post-recession labor market, young Americans face high levels of unemployment, low wage jobs, and record-high college costs. A lack of awareness and misperceptions among businesses, hinders the apprenticeship model from creating pathways to well paying jobs that don't require the youth to take on student debt.

Strategy

An apprenticeship follows an earn-while-you-learn model and leads to a nationally recognized credential The model can be adapted to many occupations if businesses are willing to take on significant upfront costs, in exchange for the benefits of a young workforce and if states support the marketing of such programs.

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Few young Americans are familiar with the concept of an apprenticeship – a structured form of paid worker training that combines on-the-job learning and classroom instruction. Expanding access to this highly effective training model can address many of the challenges facing young people in today's unfriendly labor market.

Millions of young people around the world complete apprenticeship programs in order to gain the skills they need to get good jobs, but young Americans are much more likely to participate in an internship that lacks the kind of structured, paid training that defines an apprenticeship. At a time when young people face high levels of unemployment, low wage jobs, and record-high college costs, apprenticeships create pathways to well-paying jobs that do not require young workers to take on unsustainable levels of student debt.

But expanding apprenticeships will require overcoming a number of hurdles that have thus far prevented their broader adoption in the United States, most notably a lack of awareness and misperceptions among businesses. This chapter will discuss the economic challenges facing young Americans, explain how apprenticeship can help, outline the barriers to expanding apprenticeship, and provide a case study from South Carolina, a state that successfully launched a rapid expansion of apprenticeship over the past several years.

Young Americans have poor employment prospects

Unemployment

Americans ages 16-24 are currently facing some of the worst employment prospects in recent history. Since the start of the Great Recession, unemployment rates among young people have increased dramatically. Today, the unemployment rate among teens (aged 16-19), at 24.2 percent, is still higher than it ever was prior to the Great Recession of 2007-2009.[1] Young adults have fared somewhat better than teens, but they also experienced an all-time high unemployment rate in 2010, when 17.2 percent of people ages 20-24 were out of work.[2]

The challenge is especially apparent when looking at the unemployment and underemployment rates for recent high school and college grads, all of which have doubled or nearly doubled since 2000. The unemployment rate among young high school graduates ages 17-20 was 22.9 percent in early 2014, up from 12.1 percent in 2000. And the unemployment rate among recent college graduates ages 21 to 24 was 8.5 percent in early 2014, up from 4.3 percent in 2000.[3]

Insufficient postsecondary education and training

Young Americans are not gaining the education and training they need to find well-paying jobs. While previous generations may have been able to get a good, middle-class job with just a high school diploma, young Americans today are entering a labor market in which most jobs require postsecondary education. Consider that in 1973, just 28 percent of jobs required postsecondary education.[4] By 2008, that number had jumped to 59 percent, and Georgetown University researchers now expect that by 2020, 65 percent of all jobs in the economy will require some form of postsecondary education.[5]

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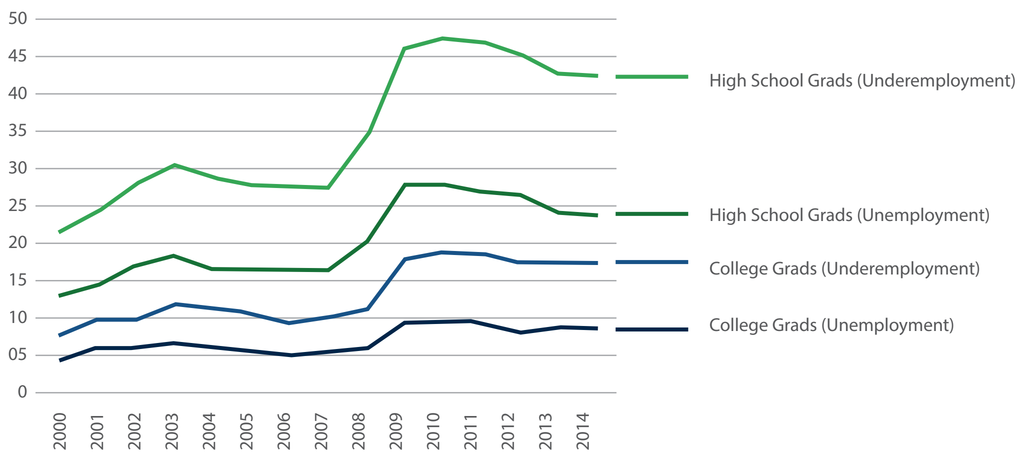
But the major gap in young people's understanding of the labor market occurs here: many youth assume that the only path to a good job is a four-year university education, while many jobs require a different form of post-secondary education. One third of jobs will not require a four year bachelor's degree but will require some level of postsecondary education or training, such as an associate's degree, technical certificate, or industry credential[6] – exactly what can be offered through an apprenticeship.

Few students set out to earn a technical certificate or credential, with surveys indicating that nearly every high school graduate plans to go on to earn a Bachelor's degree.[7] Unfortunately, fewer than half of these students actually complete a bachelor's degree.[8] There are many possible explanations for high college attrition rates, such as record-high tuition costs, lack of information for students to evaluate the quality of colleges, insufficient academic preparation, and disinterest on the part of students.

Whatever the reason, many of young people are left with the burden of student debt and without the economic benefits of a degree, leading some experts to argue that too many students are "wasting precious time and money that could have been spent on career-focused certificates or associate's degrees that have better outcomes than are generally recognized."[9] Moreover, Georgetown researchers predict that the United States is on track to experience a shortage of about 5 million workers with technical certificates or credentials.[10]

Figure 01

Unemployment and Underemployment of Recent High School Grads and Recent College Grads (%)



Source: EPI Analysis of Current Population Survey[i]

[i] *High school grads include young high school graduates between age 17 and 20 who are not enrolled in additional schooling. College grads include college graduates between age 21 and 24 who do not have an advanced degree and are not enrolled in additional schooling. Underemployment rate includes the unemployed (jobless workers who report that they are actively seeking work), those who work part time but want full-time work ("involuntary" part timers), and those who want a job and have looked for work in the last year but have given up actively seeking work ("marginally attached" workers).*

Apprenticeships:
A tool to improve youth employment outcomes

Apprenticeships are a workforce development tool that can alleviate some of these challenges and connect more young Americans to long-term, well-paying careers. Apprenticeships have been shown to boost workers' earnings and raise sponsoring companies' productivity levels, which is why many other countries rely on them as a central tool to develop a highly skilled, competitive workforce. But even though the U.S. Department of Labor administers a small system of registered apprenticeships, the training model is largely unfamiliar to Americans.

"Expanding the U.S. apprenticeship system would strengthen employment outcomes for young Americans by creating pathways for young workers to well-paying, middle-class jobs."

An apprenticeship is a job in which the worker is paid to learn a set of skills through on-the-job training. Unlike an internship—in which the intern works for little or no money and rarely receives formal training—an apprenticeship follows an earn-while-you-learn model and leads to a nationally recognized credential that recipients can take anywhere in the country. Today, there are 358,000 registered apprentices in the United States.[11] In 2012, 100,000 American workers started apprenticeship programs.[12] In England, a country with less than one-fifth of the U.S. population, there were 500,000 new apprentices that year.[13] If the United States had as many apprentices per capita as Germany does, our system would support almost 7 million apprentices.[14]

The bulk of the United States' apprenticeships today are in skilled trades, but the model can be adapted to many industries and occupations. Apprenticeships are well established in the construction industry, and there are many high-quality programs for electricians, carpenters, plumbers, and pipe fitters. The concept of a formal, paid training program can be applied to almost any occupation. For example, nearly every medical doctor participates in an apprenticeship of sorts; during their internships and residencies, doctors receive on-the-job and classroom-based training along with their salaries. England has overhauled its apprenticeship program in recent years, expanding its occupational reach so that a majority of new British apprentices now choose programs in the service sectors, such as business administration and retail.[15]

Expanding the U.S. apprenticeship system both in number of participants and available occupations would strengthen employment outcomes for young Americans by creating pathways for young workers to well-paying, middle-class jobs.

Apprenticeships offer young people a job today – not just the hope that a job will be there after they invest in an expensive education. Apprentices' wages typically start at about 50 percent to 60 percent of their eventual wages, and their pay goes up as they progress through their programs and master more skills.[16] Moreover, because training is part of the job, apprentices do not have to forgo income from employment in order to pursue education and training.

Apprentices also hold the potential of raising wage levels for the many young people currently working in very low-wage jobs. According to the U.S. Department of Labor, workers who complete an apprenticeship earn an average starting salary of US$50,000.[17] Researchers have found that workers who complete an apprenticeship make an average of US$240,037 more than comparable job seekers in their lifetimes; if nonwage benefits are included, that number jumps to US$301,533.[18]

For young Americans facing record high tuition fees and student debt levels, apprenticeships also offer the opportunity to attain an education with little or no debt. In many apprenticeship programs, apprentices can earn college credit for their coursework and on-the-job training. This credit can lead to an associate's degree and, depending on the industry, may also contribute to a bachelor's or master's degree. Ivy Tech Community College in Indiana, for example, has developed an initiative in which workers who are enrolled in one of several apprenticeship trade programs can obtain an associate's degree or technical certificate using credits earned for time spent on the job.[19] Nationally, about one-quarter of apprentices report that they have participated in a community college or vocational program in the last year, and an additional 30 percent report that they have taken a nondegree course in the past year, such as one offered by an employer.[20]

The need to boost business demand for apprentices

The biggest hurdles preventing a large-scale expansion of apprenticeships are lack of awareness and misperceptions among businesses. Few employers are aware of the tremendous benefits and return on investment that come with taking in an apprentice, and some companies mistakenly believe that apprenticeships only exist for unionized workers. There is no targeted federal funding to help businesses offset the costs of sponsoring an apprentice, nor is there a national marketing effort to make businesses aware of the benefits of hiring apprentices. Fortunately, smart policies can address these challenges.

Many American businesses have incorrect or anachronistic views that prevent them from considering apprenticeships. First, many businesses mistakenly believe that apprenticeships are limited only to unionized workforces and/or require involvement from organized labor. A 2002 report by the South Carolina Chamber of Commerce noted that some companies have developed non-registered apprenticeships "deliberately as a result of the confusion regarding union involvement in Registered Apprenticeships."[21] In fact, apprenticeships can offer great benefits to employers with non-unionized workforces, just as they can continue to play an important role in traditionally unionized fields.

Second, many businesses and workers alike share the perception that apprenticeships are only appropriate for the construction trades and other manual labor occupations. It is true that the majority of active apprentices are in those fields, but the model of an apprenticeship is applicable to a wide range of occupations, and some companies do offer apprenticeships in traditionally white-collar fields.

Businesses that do sponsor apprentices must be willing to take on significant upfront costs, including time from skilled employees to train apprentices, equipment for training, additional workers' compensation insurance, apprentices' wages, and, in many cases, tuition for related classroom-based training. Unlike in many other countries, where the public finances at least a portion of the school-based component, pays a portion of apprentices' wages, or provides tax credits to subsidize sponsor program costs, there is no such federal incentive in the United States. Workforce Investment Act [ii] programs may be able to cover some of the costs, but these limited federal resources are allocated by local Workforce Investment Boards and are not guaranteed.

Although a handful of states engage in some marketing activities, marketing of apprenticeships in America is practically nonexistent. State officials lack sufficient, easily accessible funding opportunities to meet the need for increased marketing, outreach, and training efforts. An official in Utah, for example, noted that there simply is not enough money for the state to do marketing; instead they must rely mostly on word of mouth.[22] Many apprenticeship offices do the bulk of their outreach through websites, forums, and other online communications, but they lack resources for up-to-date websites or accessible web databases, limiting their ability to market to businesses or prospective apprentices.

[ii] *The Workforce Investment Act is a national law passed in 1998, which was intended to encourage the private sector to support workforce development. The law created Workforce Investment Boards, chaired by members of the local private sector, throughout the country. Funds from the law support local career pathway and skills training programs.*

The case of South Carolina:

Expanding apprenticeships through tax incentives and marketing

South Carolina offers an example of how smart policies aimed at increasing business demand for apprentices can create new opportunities for young people.[23] In 2001, the South Carolina state government issued a report forecasting key gaps between young adults' skills and workforce needs. That report called for "broadening [the] view of education beyond traditional academic boundaries to begin to see education as the precursor to employment" and urged enforcement of the School-to-Work Transition Act of 1994, which calls for apprenticeships and other programs to be used for workforce development.

This report spurred the business community, acting through the South Carolina Chamber of Commerce, to issue a white paper finding that apprenticeships were underutilized and recommending a "systemic structure for encouraging the development of apprenticeship training opportunities statewide." [24] The South Carolina Chamber of Commerce subsequently hired a consultant to analyze the state's readiness for the creation of a statewide apprenticeship program—including an analysis of constraints and opportunities for the use of apprenticeships, and recommendations on how to overcome existing barriers.

A few years later, the South Carolina Technical College System agreed to recommendations made by the South Carolina Chamber of Commerce to create a statewide program, and with $1 million in funding from the state legislature, Apprenticeship Carolina was founded in 2007. Since then, South Carolina has seen a rapid expansion of apprenticeships, despite a budget of less than US$700,000 annually, only six government employees, and a modest US$1,000 employer tax credit per apprentice per year (for up to four years) passed by the state legislature.

Apprenticeship Carolina's key functions are to: (1) build relationships with employers; (2) market apprenticeships; (3) assist with the completion of apprenticeship registration paperwork for the U.S. Department of Labor; (4) identify core job competencies; and (5) coordinate curricula for job-related education with the technical college system. These services are offered to employers free of charge.

Since 2007, Apprenticeship Carolina has helped to register nearly 8,000 new apprentices—a large jump from the 777 apprentices that existed in South Carolina at the program's inception. The state's success, especially over the past two years, has been dramatic. From fiscal year 2011 to 2012, the number of new apprentices in South Carolina rose from 1,238 to 1,703—a 38 percent increase—compared with a national increase of only 12 percent (from 93,560 new apprentices in fiscal year 2011 to 104,332 in 2012).

The large increase in apprentices has been made possible because of strong support by the state's business community. Since 2007, South Carolina has seen a 570 percent increase in employer participation. In 2007, there were only 90 companies with registered apprenticeship programs in the state; today, there are 603 and many more planning to become involved. Apprenticeship Carolina now averages a new company registration each week, evidence that businesses are seeing a return on their investment in the state's young people.

The case of apprenticeships in South Carolina illustrates the potential of collaboration between the private and public sectors. Research and advocacy by the business community identifies potential barriers to expansion, helps implement strategies for overcoming them, and spurs initial adoption of the program by its members. State government undertakes complementary efforts to create incentives for private sponsorship of apprenticeships, conduct ongoing outreach and marketing, and lower the administrative burden of participation by businesses. Through this model, the state was able to create thousands of new apprenticeships that are connecting young workers with good jobs and training.

Conclusion

Apprenticeships are a vastly underused training model in the United States, largely as a result of lack of awareness of their benefits. The successful expansion of apprenticeships in South Carolina indicates that, when businesses know the benefits, they are eager to sponsor apprentices. For this reason, this chapter recommends that policies to expand apprenticeships focus largely on boosting demand from businesses though increasing awareness and addressing misconceptions. Specifically, the government should expand marketing efforts to generate demand from businesses, create a federal tax credit of US$1,000 per apprentice to help businesses defray training costs, and establish competitive grants to support promising state efforts to expand apprenticeships.[25]

The trajectory looks positive. After calling for "more apprenticeships that set a young worker on an upward trajectory for life" in his State of the Union, President Obama requested an additional US$500 million annually for new apprenticeships, with the aim of doubling the number of apprenticeships in America over the next five years.[26] The President recently announced the creation of US$100 million in grants to support promising new partnerships that offer apprenticeships.[27] And Senators Cory Booker (D-NJ) and Tim Scott (R-SC) just introduced a bill, called the LEAP Act, which would provide businesses with a US$1,000 or US$1,500 tax credit for each apprentice they hire.[28] These represent important steps towards expanding access for young people to a highly effective method of training and education that will connect them to the high-skill, high-wage jobs of the future.

Sarah Ayres is a Policy Analyst in the Economic Policy team at Center for American Progress.

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