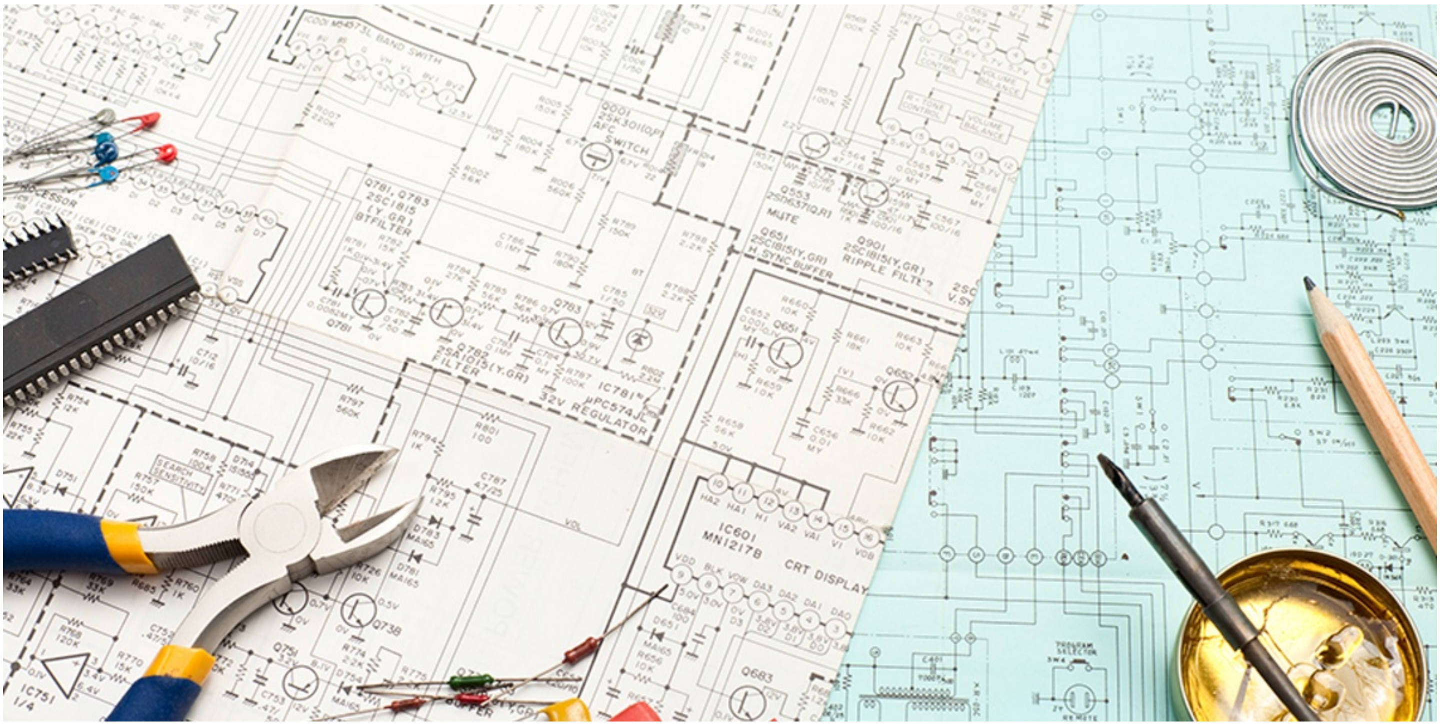
THE CENTURY FOUNDATION



COMMENTARY ECONOMY & JOBS

The Case for Expanding Youth Apprenticeships

JANUARY 11, 2016

Today, nearly 14 percent of America's youth ages 16 to 24 are neither working nor in school, bringing an urgency to get young people the work and educational experience they need to succeed later in life. Overall, younger workers fared much worse in the Great Recession, and while the youth unemployment rate has recovered since then, it still remains high in a historical perspective. According to Andrew Sum, an economics professor at Northeastern University, in 2011 and 2012, the employment to population ratio of teens aged 16 to 19 was the lowest since post-World War II at 26 percent.

Unfortunately, not only are our youth less likely to work than before, not all of them are starting out on the same foot either. Take summer jobs for example. Evidence points to the fact that quality work experience ca benefit youth in the future, yet teenagers with higher family income are much more likely to have summer jobs than those whose families are at the bottom of the income spectrum. In the summer of 2012, only 16 percent of black teenagers aged 16 to 19 with annual family incomes of less than $40,000 held a job, compared to 41 percent of white teenagers with annual family incomes between $100,000 and $150,000.

The problem isn't with less pocket-money (this term may not even apply to poor teens, who are more likely to contribute their earnings to their family's income), but rather with less skill development, which contributes to future inequality.

Apprenticeships as Effective Alternatives

Expanding apprenticeship programs with support from both government and businesses is one possible solution to the youth unemployment crisis. Apprenticeships combine on-the-job training and related classroom instruction with a paycheck. There are many proven benefits of the apprenticeship model, from greater lifetime earnings for participants to an increased return on investment for businesses. For example, one Department of Labor study found that the average lifetime earnings gain from apprenticeship completion was $240,037.

Currently, the largest apprenticeship program in the United States is the Registered Apprenticeship system, which is run by the Department of Labor and had a total of 410,375 participants in 2014, or around 0.26 percent of the workforce. This is quite small in comparison to other countries, such as Austria, Germany, and Switzerland, where 55 to 70 percent of all young people enter apprenticeships. In 2013, Germany and Switzerland had youth unemployment rates that were among the lowest of OECD countries, at 7.4 percent and 8.5 percent, respectively.

The emphasis on vocational training starts early in these countries. Take Switzerland, which is often hailed as the gold standard for apprenticeships due to the wide reach of its dual vocational education and training (VET) system. VET starts in the Swiss equivalent of high school and continues to develop vocational pathways for students all the way through university, serving all kinds of students who train for a diversity o occupations.

The United States currently lacks a similar system-wide effort to create apprenticeship pathways for students. In 2014, the Department of Labor spent only $30 million on the Office of Apprenticeship to fund

156 employees. In comparison, Job Corps alone had a budget of $1.6 billion.

While a number of states, such as South Carolina, Wisconsin, and Georgia, have led the way in establishing apprenticeships, it is clear that the American system has room to grow. The objective now is to scale up existing models nationwide while also making sure they are accessible to youth, women, and minorities. Outlined below are ways to expand the youth apprenticeship model, which was the topic at Young, Educated, and Employed, a Bernard L. Schwartz Rediscovering Government Initiative conference that took place last November.

Market to Businesses

Businesses are integral partners in any apprenticeship program—employers typically provide the majority of an apprentice's training, develop skill standards, and pay for apprentice's salaries. The first step toward expanding our youth apprenticeship system is to get more businesses to offer them.

John Lukas, vice president of LDI Industries, a manufacturing company in Manitowoc, Wisconsin that has sponsored youth apprentices for over two decades, suggests peer pressure. That is, utilizing employers who run apprenticeship programs to convince their industry peers to do the same. In Wisconsin, Lukas does just that, travelling around the state to persuade other employers of the benefits of taking on youth apprentices.

"The last place we make cuts is our apprenticeship program," Lukas stated at the conference. "We want this company to be here ten years from now...and the only way to do that is investing in a trained workforce." Th long-term issue, he noted, is figuring out how to change the culture of business so that American employers adopt this same attitude. While LDI Industries has benefitted from state funding, it has been inconsistent, and Lukas noted that funding cannot be the main reason why employers offer apprenticeship programs—they have to understand their intrinsic financial benefits, whether or not they are subsidized by government

One step in this direction is for state and federal governments to fund marketing efforts to spread awarenes to companies of the benefits of apprenticeship programs. Take two disparate examples, South Carolina and England. Both have rapidly expanded their apprenticeship programs due in part to government-sponsored marketing. The trick is salesmanship, according to Robert Lerman, senior fellow at the Urban Institute. "You need to have a high-quality sales group that can make apprenticeships simple and make the return on investment case for companies," he stated. According to Lerman, in South Carolina's case, 70 to 80 percent of employers who had met with an official representative from the state office decided to start an apprenticeship program.

Once involved, most employers don't usually need any more incentive to stay with apprenticeships. In a national survey, almost all employers responded that they were satisfied with the model and would recommend it to others.

How much do apprenticeship programs pay off for businesses? That is the missing piece of the puzzle. Ther is inadequate longitudinal research on the return on investment to employers who sponsor apprenticeships in the United States (although there is ample evidence of positive ROI in other countries). Currently, economists at Case Western Reserve University and the Department of Commerce are conducting a study t produce an estimate of the ROI of registered apprenticeships in the United States Our panelists encourage federal and state funding of more studies to help make a solid economic case for expanding apprenticeships

Utilize Existing Resources

Lack of funding is a major obstacle of apprenticeship expansion. While it is important to get states and the federal government to invest more in the system, there are also many ways that stakeholders can utilize existing resources to expand apprenticeships right now.

Governments in other countries, such as Germany and Switzerland, fund classroom instruction that complements the on-the-job training. Robert Lerman noted that in the United States, such instruction can be included in our high school curriculum. While courses should ideally be designed in partnership with local businesses, designing apprenticeship programs within the high school setting will take advantage of funding that is already funneled through the secondary education system.

Many companies also already have dedicated resources for programs such as summer internships and fellowships, but they are usually for people college-aged or older. As Nancy Hoffman, vice president and senior advisor at Jobs for the Future, noted, these could easily be reallocated to serve younger people. Again the difficulty is to convince employers that it pays off to invest in the education and training of younger students. As Hoffman stated, “we need to persuade them that 16-year-olds are eager and smart and willing to work hard.”

Learn From Labor

Currently, the majority of registered apprenticeships are in the building trades, run by joint labor-management partnerships that train hundreds of thousands of apprentices each year. While one large challenge will be to expand apprenticeships beyond traditional trades, there is much to learn from North America’s Building Trades Unions (NABTU), which have run successful apprenticeship programs for over a century.

Take, for example, the fact that registered apprentices earn an average starting salary of $50,000. As Dr. Tom Kriger, director of research at NABTU, stated, “Make no mistake, those good wages are the result of collective bargaining, not just the apprenticeship programs.”

However, trade apprenticeships often lack racial and gender diversity. In a Mathematica Policy Research report on registered apprenticeships, only 32 percent of those surveyed were minorities and only 9 percent were female. NABTU is attempting to reverse this dynamic through its pre-apprenticeship program called the Multi-Craft Core Curriculum, which is aimed specifically at diversifying their workforce. The curriculum gives students a general foundation that prepares them for an apprenticeship in multiple trades

Investing in Youth

At the conference, Maalik Groves, a first-year IT apprentice at the Urban Technology Project stated about his program, "I am learning and doing what I love to do, and the best part is that I am getting paid to do it." Too many of our country's youth are not given this chance to develop the skills they need to create a career from their passions.

This comes with a price for our society as a whole. Measure of America estimates that disconnected youth cost taxpayers $26.8 billion in 2013 alone, due to incarceration costs, Medicaid, public assistance payments, and Supplemental Security Income payments. An expansion of our youth apprenticeship system would help combat these problems by supporting both businesses and the young people who will make up our future workforce.

Watch full video of the event: