

A report detailing the rewards of expanding the apprenticeship program of Kentucky in the Bluegrass Region

Apprenticeship Report

Apprenticeship Awareness for the
Bluegrass Region

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What is an Apprenticeship?

Apprenticeships have been used throughout history as a method of passing on useful acquired skills from old generations to the new. In modern times, apprenticeships are becoming increasingly critical to supply the ever-growing demand for highly skilled workers by employers. As well as providing a great service to employers, an apprenticeship is an opportunity for young people to gain on-the-job experience while also being paid. The apprentice learns all the skills required to work from in a profession in high demand and also achieves a valuable certification verified by the government by the end of it. It increases employability and improves the general quality of the workforce, who will benefit from increased experience and skill.



How it Works

In the United States, registered apprenticeships last between one and six years, with an average of four years. The requirements for completing an apprenticeship may be time-based, competency-based, or a hybrid of the two. Apprenticeships typically include 2,000 hours of on-the-job learning, supervised by a certified 'journeyman' or trainer. On top of this practical experience, apprentices receive a minimum of 144 hours of classroom-based instruction each year. The classroom-based instruction is often conducted at local community or technical colleges or other vocational schools.

Apprenticeships vs. Internships

There are millions¹ of internship opportunities in the U.S. per year that claim to offer valuable work experience. Despite this, only 63% of students with paid internship experience received a job offer after graduation and shockingly, only 37% for students with unpaid internship experience². There are also no regulations in place to protect interns on the job, leading to much exploitation by employers, especially for those who are unpaid. To put it bluntly, a large amount of internships are just not worth it.



The differences between an apprenticeship and an internship are surprisingly vast. Internships are much shorter term and are mainly just used to try and show relevant experience to supplement a degree. There is no pay and no loyalty; you just move from internship to internship, trying to build up your CV with skills you most likely did not actually acquire. An apprenticeship is very long term (average of 4 years) with a certification at the end which is almost like a practical degree, but the main difference is this; on an apprenticeship you are actually guaranteed to work and learn, while even getting paid. By the end, you will finish with a qualification and a set of high-level skills sought after by employers in so many industries.

Despite this, the number of internships far outweighs the number of apprenticeships in the U.S. and is something that can be taken advantage of in the Bluegrass Region to develop a talented and globally competitive workforce and economy.

¹ Forbes, 2014, The Unhappy Rise of the Millennial Intern, April 22nd

<http://www.forbes.com/sites/realspin/2014/04/22/the-unhappy-rise-of-the-millennial-intern/>

² Paid Interns Outpace Unpaid Peers in Job Offers, Salaries, 2013: <https://shp.missouri.edu/hs/pdf/NACE-Survey.pdf>

Why Apprenticeships in the Bluegrass Region?

The Bluegrass Region of Kentucky is a growing economy that is in need of highly-skilled workers to supplement and propel it to the next level. It is in a state of constant competition with its neighboring states as well as the rest of the world in a highly competitive and global environment. As a result, it cannot afford to lag behind others with development and modernization, as this will have a significantly negative impact on its economy. Problems like an outdated communication infrastructure and a growing excellence gap³ are already being faced, but this can be improved. Apprenticeships provide the perfect opportunity to develop the workforce and grow the economy, which would contribute to solving the problems with infrastructure and a skills gap.



There is a mutual advantage that can be enjoyed by the apprentice as well as the employer which is unique to an apprenticeship:

Benefits to the Apprentice

- It is an excellent alternative to attending university. If you cannot afford the fees nor wish to be burdened with excessive debts after 4 years, an apprenticeship will provide you with the opportunity to earn while you learn. If you are making good progress, you may be entitled to a pay rise every six months as well, providing you with a financial incentive to do well.
- By the end you will have all the relevant qualification and skills needed to become employable, without the excessive cost of attending a university. Not many people are able to achieve the vast practical experience provided by an apprenticeship so they are valued highly in some industries. According to government statistics, 87% of apprentices are employed after completing their programs and the average starting wage for apprenticeship graduates is over \$50,000.⁴

³ 6 Challenges Facing Kentucky <http://rcnky.com/articles/2014/10/20/these-are-6-biggest-challenges-facing-kentucky>

⁴ White House Apprenticeship Fact Sheet: <https://www.whitehouse.gov/the-press-office/2014/12/11/fact-sheet-president-obama-launches-competitions-new-manufacturing-innov>

- You receive constant one-to-one support from highly experienced people throughout your apprenticeship, which is very useful for gaining the confidence to succeed. Rubbing shoulders with these veterans in the industry allows you to gain a unique learning experience.
- Being in the work environment at such a young age is extremely invaluable and is something that university students cannot achieve. On top of developing the practical skills that are required in any workplace, by being around such a professional environment with people much older than you, you enhance your social ability and general personal qualities as a whole.
- You do not have to be just out of high school to become an apprentice, as even the older generations as well as recent university graduates recognize its benefits. Many decide to take on an apprenticeship later in life due to the learning experience and employability status it still provides them.

As well as benefiting the apprentice himself/herself, the impact is felt equally by the company that chooses to utilize an apprenticeship scheme:

Benefits to the employer

The United Kingdom - one of the leading countries in apprenticeship programs - has recently completed a study detailing the benefits provided to employers as a result of apprenticeships. Here are the statistics:

- 80% Companies who invest in apprentices have reported a significant increase in employee retention
- 77% of employers believe Apprenticeships make them more competitive;
- 76% of those employers who employ apprentices agree they make their workplace more productive.
- 81% of consumers favor using a company which takes on apprentices.
- Employers who take on a 16-18 year old apprentice only pay their salary. The Government will fund their training.
- 92% of employers who employ apprentices believe that Apprenticeships lead to a more motivated and satisfied workforce.

- 83% of employers who employ apprentices rely on their Apprenticeships program to provide the skilled workers that they need for the future.
- One in five employers are hiring more apprentices to help them through the tough economic climate.
- 59% report that training apprentices is more cost-effective than hiring skilled staff, with 59% believing that Apprenticeships lead to lower overall training costs and 53% feeling that they reduce recruitment costs;
- In terms of the return on investment linked to Apprenticeships, 41% say that their apprentices make a valuable contribution to the business during their training period, while a further third (33%) report that apprentices add value within their first few weeks (or even from Day One);
- 57% report a high proportion of their apprentices going on to management positions within the company;
- Over three-quarters of respondents expect apprenticeships to play a bigger part in their recruitment policy in the future.

Data compiled by the National Apprenticeship Service⁵

The statistics provided in the study are mostly based on employer opinions of course, but this is only because it is hard to quantify the overall effects of something as intangible as an apprenticeship. What it does is work to show that the benefits spill over the boundaries of direct economic improvements and can lead to perceived additions in paybacks such as increased company loyalty and staff retention. It is true that this study was done in the UK, but this does not mean that the same benefits could not be enjoyed in the Bluegrass area. In fact, Kentucky should be looking at comparing itself to some of the strongest economies in the world. It would not hurt and would provide Kentucky with the much needed ambition⁶ it has been lacking as of late.

On top of this, another significant plus to an employer is that they get to employ very cheap labor for the long-term. In the UK for example, apprenticeship wage rates start at less than half of the national minimum wage. In Kentucky the same could be applied to a degree. So, as well as being able to develop the loyalty and potential of a long term employee who could provide to the business after the internship, they are hired at a low cost.

⁵ Employer Factsheet: Benefits of Apprenticeships: <http://www.skillstraininguk.com/docs/E-Benefits%20of%20Apprenticeships.pdf>

⁶ 6 Challenges Facing Kentucky <http://rcnky.com/articles/2014/10/20/these-are-6-biggest-challenges-facing-kentucky>

Role of Government

Not only does there need to be an increase in the number of apprenticeships provided in the Bluegrass area, but it needs to be advertised as a great asset to employers by the relevant authorities. Commerce Lexington could influence a great deal, but most importantly it would have to come from the government at a regional and state level. Ultimately, any apprenticeship program would need to be approved and regulated by them. Thankfully, there currently is an apprenticeship scheme being run by state government. They approve apprenticeships for vital industries present in the Bluegrass Region such as construction, manufacturing, telecommunications, IT/networking, health care and the public sector. From the government website⁷, the Division of Employment Standards, Apprenticeship and Mediation is responsible for:



- Registering apprenticeship programs that meet federal and state standards
- Protecting the safety and welfare of apprentices
- Issuing nationally recognized and portable Certificates of Completion to apprentices
- Promoting the development of new programs through marketing and technical assistance
- Assuring that all programs provide high quality training
- Assuring that all programs produce skilled, competent workers

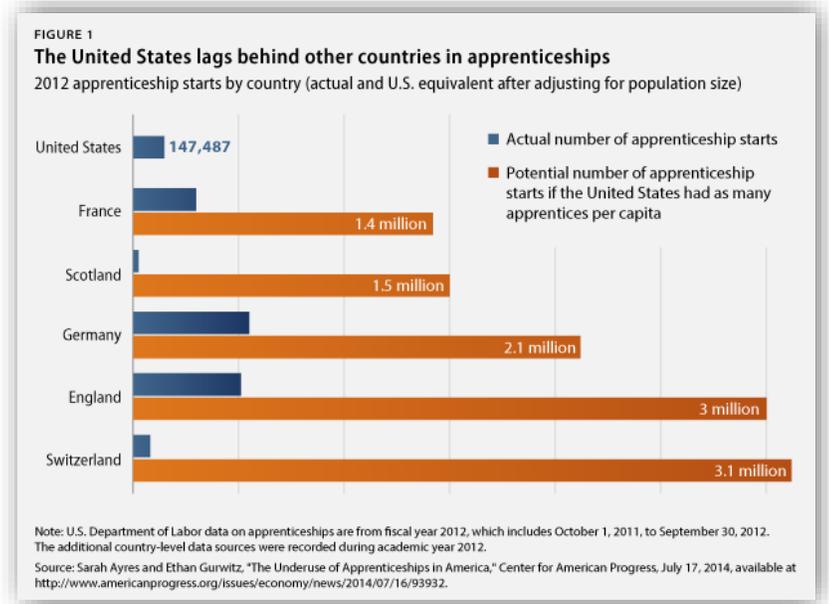
So, the infrastructure is already in place to expand upon and provide further apprenticeships to people in the Bluegrass Region. There just needs to be more emphasis placed on the benefits these apprenticeships provide to the workforce and the economy as a whole.

Further good news is that the Obama administration is fully aware of the benefits of apprenticeships to the U.S. economy. They made \$100 million available in apprenticeship grants in fall 2014, ending in April 2015 to apply. The president has also recommended a funding of \$2 billion extra to double the number

⁷ Government Apprenticeship Role: <http://www.labor.ky.gov/dows/doesam/AppAndTraining/Pages/About-Apprenticeship-and-Training.aspx#TopOfPage>

of apprentices in the United States over the next five years. In Congress, Senators Cory Booker (D-NJ) and Tim Scott (R-SC) have introduced legislation that would implement a recommendation by the Center of American Progress' recommendation of a \$1,000 tax credit for companies that sponsor apprentices.⁸ This is a massive step and shows that even the federal government is recognizing the profits of apprenticeships to the economy.

Currently, the U.S. is lagging far behind its European counterparts in terms of the apprenticeship initiative. These figures on the right show that the U.S. as a whole is heavily underusing apprenticeships. With a population of 314 million at the time in 2012, it provided less than a third the amount of apprenticeships offered in the UK for example, with a population of 63.7 million. To put it into even more perspective, this is despite the UK's industrial sector being in decline compared to the thriving manufacturing of the Bluegrass Region.

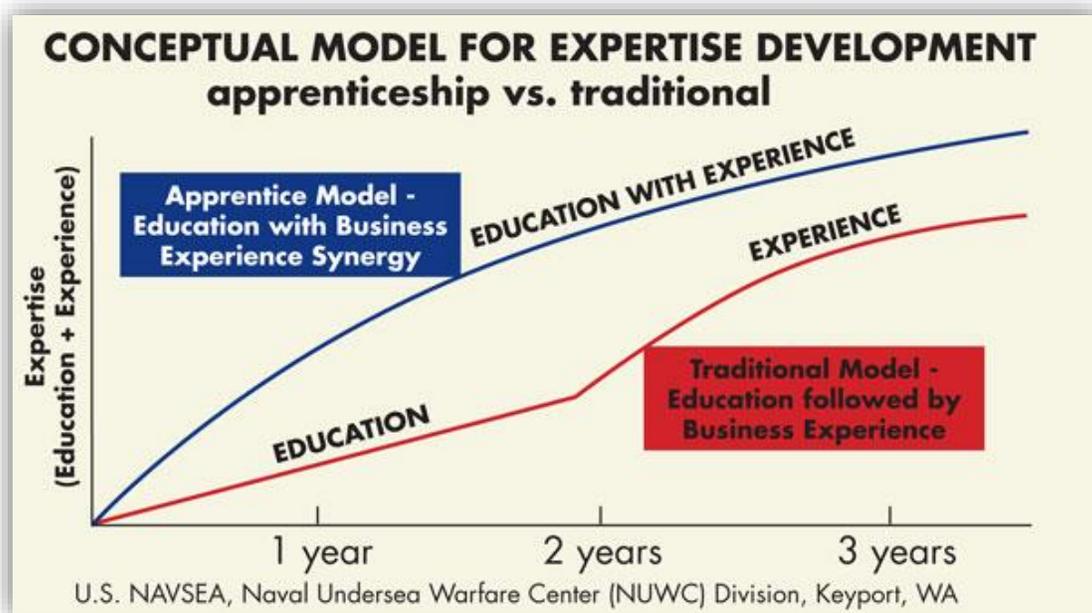


Now is the perfect time for the Bluegrass Region to capitalize on apprenticeships and become one of the first areas in the U.S. to really spearhead this critically valuable initiative.

⁸ Center for America Progress, 2014, *The Underuse of Apprenticeships in America*, July 22nd, <https://www.americanprogress.org/issues/economy/news/2014/07/22/93932/the-underuse-of-apprenticeships-in-america/>

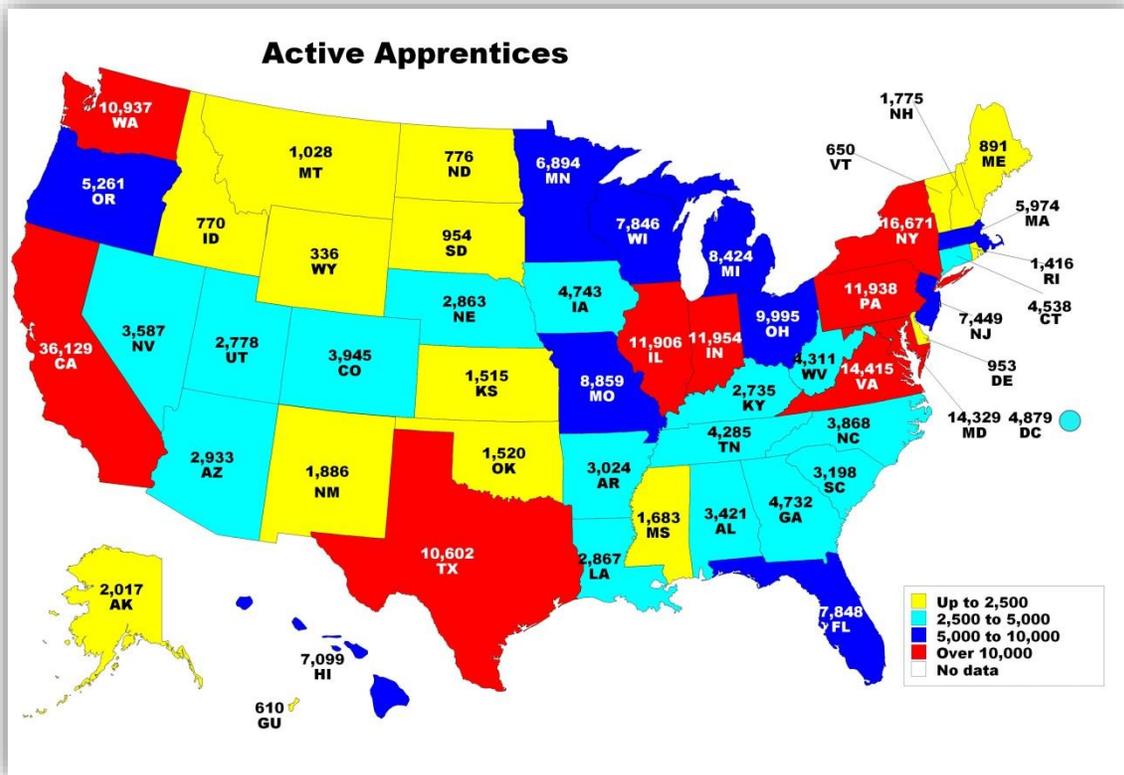
Analysis

Overall, apprenticeships would work to develop a set of highly-skilled workers in the region that would give it an edge over its competitors. Education statistics in the area are impressive, but having those with actual high-skilled qualifications and experience at such a young age are few and far between. It benefits the apprentice by providing an alternative to university which not only pays, but provides the skills needed to contribute to the economy and make you employable. Employers likewise benefit from cheap labor, workforce retention and financial incentives.



Most importantly however, it improves the overall workforce and economy of the region. It reduces unemployment and increases productivity by keeping people busy. It produces a highly skilled workforce capable of competing on a regional and even global level, attracting investment and enhancing reputation. It also improves the overall work ethic of the workforce, which is a big problem not only in the Bluegrass area but in most workforces around the world. By conditioning youngsters at a young age to work professionally and be with a company for the long term, it could produce a set of very bright and determined workers, ready to contribute to the Bluegrass economy. Less workers would need to be brought in from other states and countries, with Kentucky growing its own advanced workforce to suit the needs of current and potential employers.

One double-edged characteristic experienced by most of the advanced European economies is having a lot of well-qualified and high-skilled laborers - too much in fact! The Bluegrass Region should aim as high as Europe does and not look to just improve its workforce; it should be constantly seeking to modernize and make itself competitive, to the point where it gains a positive reputation against its competitors. It could lead to a lot more foreign investment who see Kentucky's workforce as being an actual plus and not just providing labor which is 'good enough' for the job, which should be a given. With apprenticeships being such a niche in the area they could use it for a real competitive advantage.



Observing the diagram above, there is a clear correlation between apprenticeship numbers and states with the highest GDP. California, Texas and New York all have above 10,000 apprenticeships each, with California in particular having over 36,000 and coincidentally the highest GDP in the U.S. 5 of Kentucky's neighboring states alone have above 8,000 each, with Kentucky having the lowest of its neighbors at a low 2,700. To prevent jobs moving to other states or regions in Kentucky, the Bluegrass region needs to be as ambitious as they are in producing a workforce with the high skills required for some industries to locate here.

Potential Problems

There are however a few problems and technicalities that need to be overcome, as well as relationships being built in order to produce a good quality apprenticeship program in the region. Here are a few that should be considered and will have to be resolved in order to lay the infrastructure down for it to work:

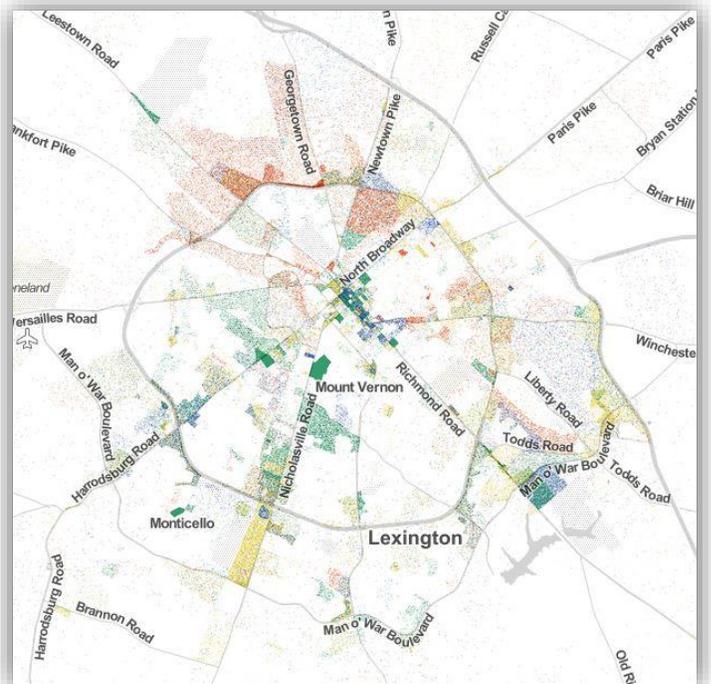
1. **Coordination with government:** As mentioned before, thankfully there is already an established apprenticeship infrastructure provided by the Kentucky government, so it need only be expanded on. Having said that, the state government does need to regulate and enforce any apprenticeship programs. Funding would be needed from them and perhaps the federal government to facilitate an expansion. There will be many technicalities and it could take time, but with the push for apprenticeships in the Obama administration and hopefully a continued push with future administrations, it will help immensely. The whole of the U.S., not just Kentucky and the Bluegrass Region should recognize the benefits of apprenticeships.
2. **Coordination with universities:** Relationships will have to be built with local universities in order to provide the facilities for the weekly theoretical teaching provided to apprentices. Lexington benefits from a great university, the University of Kentucky, who has the facilities to potentially provide this. Some funding may be required which will need to be facilitated by government. It could however be a great chance for UK to integrate and build relationships with local business to produce a workforce suited to the demands of the local region. It would be a great asset to have for economic development, but again there will be technicalities to overcome.
3. **Promoting apprenticeships and changing perceptions:** Unfortunately, there is not a culture of apprenticeships in the U.S. Many people/companies may view it negatively or may have never even heard of it. They are missing out while countries like Great Britain and Germany are enjoying its benefits. Perceptions need to be changed to facilitate a demand in apprenticeships for businesses. They need to be encouraged to want them; otherwise the full benefits of the program will not be felt by the economy. Currently, despite the existence of a formal registered apprenticeship system in the United States, the training model is not widely used or understood by American workers or businesses.⁹ However, with the help of the government and other authorities like Commerce Lexington, apprenticeships could be advertised as an asset to employers.

⁹ Centre for American Progress, 2013, *A Policy to Expand Apprenticeships in the US*, December 2nd:
<https://www.americanprogress.org/issues/labor/report/2013/12/02/79991/training-for-success-a-policy-to-expand-apprenticeships-in-the-united-states/>

Concluding Summary

The case for expanding an apprenticeship program in the Bluegrass Region has been outlined in this report. It is not meant to be a fully detailed and comprehensive plan with all the solutions, it is just a brief explanation of what apprenticeships are, why they would be useful to the area and any potential steps that would need to be taken in order to facilitate its development. In other words, it could be seen as just an advertisement to get the concept of apprenticeships out in the open and promote its usefulness to business and local authorities.

The expansion of apprenticeships would of course be a long-term project with the effects of it not being felt for a few years, but that is what economic development is about; planning for the future in order to facilitate growth and prosperity to the region and its people. If there is a problem like a skills gap in the region which is preventing a maximization of attracting investment, the necessary steps should be taken to prevent this problem from growing. Apprenticeships could contribute immensely to this, and could give the Bluegrass Region a massive advantage over its competition. It is a niche in Kentucky and the United States that should be exploited!



Considering as many options as possible to achieve a competitive, global economy will not hurt and certainly at the very least, apprenticeships provide some proven benefits. Economies should be constantly looking for new and innovative ways to improve and expanding greatly on the current apprenticeship scheme in Kentucky will most certainly contribute to the Bluegrass Region's prosperity.