

Funding Apprenticeship Training

I will be outlining labour's views on some of the key funding issues for a revitalized and modern apprenticeship system. Let me begin by saying that the funding issues are shaped by the systems structure where roughly 80 percent of learning hours over three or four years is spent in the workplace and 20 percent in the classroom of a community college or technical institute to acquire the essential theoretical knowledge.

I am going to deal primarily with the funding issues related to the eighty percent. I am not suggesting that if all of the dollars were added up that eighty percent of the cost of producing a skilled trades person comes from the investment made by the worker and the employer.

We cannot lose sight of the tax dollars that gets all of through the public education system before we can even think about what we want to do when we grow up. Nor should we dismiss that absolutely vital role of government in supporting the network of community colleges and technical institutes throughout the country. And nobody attending this conference is unaware of the equally important role of government in making sure that apprenticeship and trades legislation is enforced.

We are well aware of the hundreds of millions of dollars needed to replace capital equipment at the colleges and technical institutes. Everybody here is also understands the important funding role played by the federal government in fostering interprovincial co-operation on developing and maintaining national training and trades standards.

Every Canadian regards their own personal mobility and recognition of their skills and credentials as a fundamental citizenship right. The role of the federal government in getting all of the stakeholders to together to advise on strategies to remove the barriers to apprenticeship and to promote the trades is necessary. Now let me get to some of the key issues that we must address if we want to young workers to invest in training and the trade-offs required to have employers to invest in apprenticeship training by hiring apprentices. And it can be done. In Germany, Austria, Switzerland, Denmark, the Netherlands and France now have a third to two thirds of their young people coming out of high school opting for apprenticeship. In Germany its two thirds.

Without getting into some of the recent costs such as fees, tools etc. which in theory and practice should not be borne by the apprentice, I want to deal with the largest part of an worker's investment — the lower wage paid to an apprentice.

The reason for the lower wage is fairly well understood. If an employer is to invest in training they will offer a wage less than the worker's net contribution to the company's bottom line. As the economics text book would tell us, a wage that is less than the workers net contribution would not be enough for most people to live on. In other words the market system left to its own devises cannot work out the compromises needed to give worker's living wage while training on the one hand and on the other guarantee both the employer and the worker a fair return on their investment in training. In every country

with apprenticeship for training the skilled trades this dilemma of two conflicting objectives is resolved by a combination of collective bargaining and legislation regulating both apprenticeship training and the minimum training and qualifications to work in certain occupations.

Without apprenticeship and trades legislation, no worker in a free and democratic society would voluntarily invest in apprenticeship training. The worker like the employer (even a not for profit employer) needs a guarantee that they will recover their loss of earnings during the training period and that will get a return on that investment. To give the employer enough time to provide the training and gain from the rising productivity of the worker during training and keeping the qualified worker whose net contribution will exceed the wage paid, the apprenticeship has a lot of hours usually spread over many years.

The longer period also gives the worker enough time to master all facets of the trade. It also allows the worker enough time to gain the essential theoretical knowledge - both general and technical - in a classroom away from the workplace. Without the longer and deeper experience and the broader theoretical knowledge workers are trapped. They cannot move from one employer to another. This kind of company specific training of course hurts the worker. But it also hurts all employers and the sets back the productivity of the whole economy.

Unions rail against company specific or designer trades and the watering down of standards and enforcement because they undermine all of the reasons for any worker to risk their investment in training that leaves them with a passport to nowhere. Without buying into the so frequently heard arguments about economic competitiveness, surely it makes sense to opt for a high skill, high standards, high productivity strategy. But some provinces believe that deregulation of apprenticeship training and the trades or the equivalent cutting the people and resources need to enforce the legislation will magically produce the skilled trades that we need. Why would any young person invest in an apprenticeship system that offers no guarantee that they can complete the course, get hired and get the higher pay.

The cost to the worker that cannot even complete their apprenticeship or have it stretched over double the years normally required is simply too costly. Some provinces have taken the low road strategy and have cut budgets for resources and the needed government people needed to enforce the standards and labour regulations. Some have taken the low road strategy to drive down wages. Regardless of the reasons or motives they make it unlikely that workers will choose this route to their occupation. This is not the path followed by Germany, France and the other countries that have seen the number young people choosing apprenticeship grow. When they modernized their apprenticeship systems they have taken the high road. Most industrialized countries that have taken this high road to training have a training levy coupled with an exemption or rebate for employers that train.

Germany unlike most advanced industrial countries does not have a training levy. But a couple of years ago they threatened to impose one when the number of young people seeking apprenticeship places exceeded the number being hired. Employer spending on training in Germany however averages 4 percent of payroll. Quebec is the only province in Canada that has a training tax . A training levy on employers is an essential if there is to be any employer investment in training. We need the to level the playing between employers that train and those who simply poach trained workers from those who do. But in Canada we a training levy at the national level. It is the only way to have national training and occupational standards and move the Red Seal to something more than a standard that depends on inter provincial cooperation. If we had federal training levy, we would have a powerful instrument to make provinces that view deregulation of training as a path to a cheap labour strategy and plan on poaching skilled trades from other provinces. Canada has the lowest level of employer investment in training of most OECD countries. Even if we were to implement all of the good lessons from other countries they will not work without a training tax on all employers.

The countries that have turned their apprenticeship systems around have made other reforms. They reformed their education systems so that young people choosing the apprenticeship can move more easily between college, university and apprenticeship. Apprenticeship is not chosen by students finishing high school because they could not get into a college or university. These countries in their education reforms did not only give greater status and recognition to the apprenticeship credential in their post secondary diploma and degree programs. Some have introduced in-service experience as a requirement for academic programs. Germany pays particular attention to enforcing the qualification requirements to work in occupations that require apprenticeship training. They don't for example allow young people under 18 to work in apprenticeship occupations and they have put more resources and information into matching apprenticeship candidates and employers.

Clearly these countries that have modernized their system didn't take the low road of deregulation, lower training and education standards. They did quite the opposite. Apprenticeship and post secondary education have been brought closer together. Enforcement of who can work in occupations requiring apprenticeship training. And the apprentice is likely to complete their by moving more easily between full time student programs and apprenticeship. What is also important to point out where apprenticeship has been adapted to the modern skill requirements of this century, it helps to have an authentic partnership of government, employers and trade unions. In recent years that partnership has been strengthened.

So what should we do in Canada?

If we want for young people to choose apprenticeship and if workers and employers are to invest in the apprentice we need legislation and enforcement to guarantee the investment. We wouldn't think of having a banking system where there were no rules to protect the savings and loans of investors.

Why are we so nonchalant about the worker's investment in apprenticeship training?

Provinces must put money into enforcement of the apprenticeship agreement made with the worker that they will get the exposure to all facets of the trade. We should have employment and labour standards to ensure that only qualified people fill trades that are designated as requiring apprenticeship training. The federal government must continue to provide EI for the classroom portion of apprenticeship training. And governments — both provincial and federal — must stop devising loan, fee and tax schemes that are clearly designed to shift employer or government costs of training onto apprentice workers.

Thank you for the opportunity to outline the logic behind many of the very specific measures that labour is recommending to bring our apprenticeship system into this century.

My brothers and sisters at this conference can give you the specifics. Some of you may have seen them they are in a CLC position on apprenticeship that was tabled with CAF a couple of years ago.

Like the countries of Europe that have reformed their system for the 21st century there are no short cuts. The rate of return on an apprenticeship skills strategy is huge for the whole economy workers, employers and government. For governments and employers who are tempted by an unregulated under funded apprenticeship and trades system, think about it. There won't be many workers willing to invest. The costs of an alternative skills development system are even more costly without the quality guarantees. There is nothing that beats the return of a skilled work force.