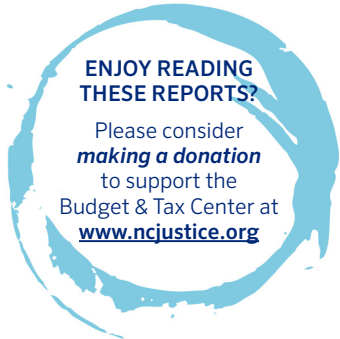




# BTC Reports

BUDGET & TAX CENTER

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## Apprenticeships

*A Promising Strategy for Growing NC's Skilled Workforce*

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### Introduction

Apprenticeship programs show great promise as a long-term strategy for creating quality jobs and growing the incomes of working North Carolinians. Apprenticeship programs are unique from other workforce development strategies in that they combine classroom learning with paid on-the-job training and guarantee job placement upon graduation from the program. According to the U.S. Department of Labor, the average salary for a worker who completes an apprenticeship program is \$50,000.<sup>1</sup> The apprenticeship model also sets the path to higher employment opportunities by encouraging life-long learning through trainings that award additional credentials to participants.<sup>2</sup>

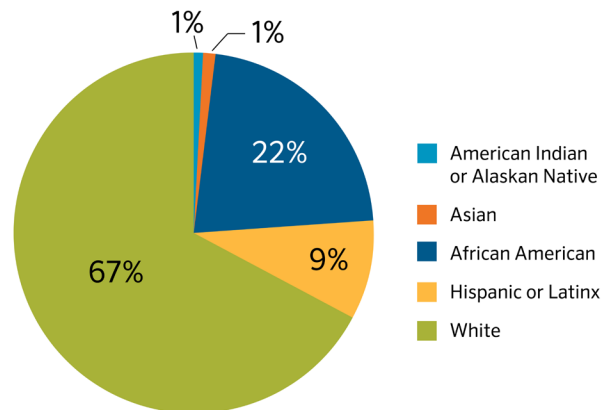
There are significant long-term benefits of apprenticeship programs for workers. A cost-benefit analysis of apprenticeship programs in 10 states—conducted by Mathematica Policy Research—found individuals who participated in an apprenticeship program made \$66,000 more during the nine-year study period than individuals who did not participate (\$114,000 for participants, \$48,000 for non-participants). Another study found the average participant in apprenticeship programs experiences an additional \$300,000 in earnings over the course of their career.<sup>3</sup>

This report highlights the current state of apprenticeships as a workforce development strategy in North Carolina, as well as recommendations for strengthening the program.

### Apprenticeships in North Carolina

**ApprenticeshipNC** (formerly, NCWorks Apprenticeship) is a program within the NC Community College System that will oversee the development and maintenance of Registered Apprenticeship programs throughout North Carolina.<sup>4</sup> The **Apprenticeship Council**, an advisory group of professionals from across the state, provides guidance to the State Board of Community Colleges and helps formulate policy for the statewide Apprenticeship program.<sup>5</sup>

FIGURE 1: Participation in Apprenticeship Programs Mirrors the Population of North Carolina



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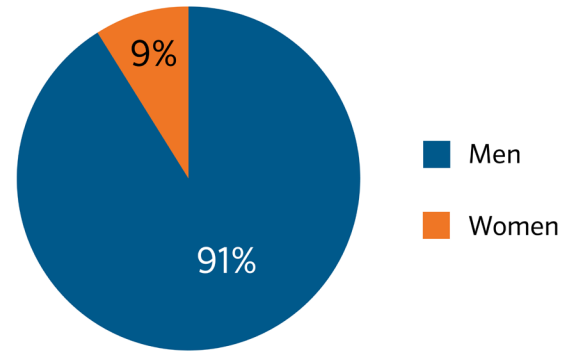
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Individual employers can choose to host apprenticeship programs, and receive approval from the state to do so, but many employers also work together in consortiums to combine resources and recruitment efforts. The **North Carolina Triangle Apprenticeship Program (NC TAP)**, one such consortium based in the Triangle area, has recently expanded to include employers in Vance and Warren counties. By working in consortium, NC TAP employers succeeded in convincing two community colleges to hold courses for apprentices one day a week so that they could focus on training the other four days and not have to commute back and forth from work.<sup>6</sup>

As of May 1, 2017, **there were 5,256 apprentices enrolled in 308 active Registered Apprenticeship programs across the state.** There are a total of 577 available Registered Apprenticeship programs across the state that have been approved by ApprenticeshipNC, but which do not currently have any apprentices enrolled.<sup>7</sup>

Federal funding through the **Workforce Innovation and Opportunity Act (WIOA)** can also be utilized to help fund apprenticeship training. From April 2014 to March 2015, 3,325 adults in the state received workforce training, while only 473 received apprenticeship training through WIOA, out of a total 107,864 individuals leaving workforce development programs in the state. Of those enrolled

**FIGURE 2: Apprenticeship Programs, have not, however effectively engaged women.**



in active apprenticeship programs, 9% (491) were women, 37% (1,970) were minorities, and 28% (1,496) were veterans.<sup>8</sup>

### **Apprenticeships in Action: Superior Tooling, NC Triangle Apprenticeship Program**

Superior Tooling, one of the partners in the NC TAP consortium, has been successful in growing its apprenticeship program by expanding recruitment efforts. Over the last school year, company leaders visited approximately 40 high schools in various counties, and have doubled the number of apprentices who enrolled in their program over the last two years. The company offers a four year paid apprenticeship, during which apprentices gain specialized skills in manufacturing and engineering and complete an Associate's

degree in Manufacturing and Engineering at a local community college. The company covers the cost of college books and materials for apprentices, as well as training costs, salary, and benefits.

Over four years, Superior Tooling invests approximately \$120,000 per apprentice.<sup>11</sup> College tuition costs are waived by the state according to a new policy introduced last year that allows graduating high school students enrolled in a Registered Apprenticeship program to take college courses free of cost.<sup>12</sup>

Enrollment also varied by race: as of May 2017, 1.4% of apprentices were American Indian or Alaskan Native, 1% were Asian, 21% were African American, 8% were Hispanic or Latinx, and 62.5% were White.<sup>9</sup> The program's demographic data mirrors the state's population by race and ethnicity, but ApprenticeshipNC can still work towards ensuring more students and adults of color have access to quality apprenticeship across the state. By increasing the participation rates of historically excluded groups of workers, ApprenticeshipNC can generate higher economic returns for everyone.<sup>10</sup> The data also points to the program's shortcoming in the enrollment of female apprentices, a reflection of historical barriers that limit women from accessing opportunities and industries that are traditionally male-dominated. There is a need for a concerted effort to ensure equitable access to apprenticeship.

## Current Policy Approach

Despite the benefits, **our state lawmakers underutilize apprenticeship programs as a way to grow wages.** Last year, North Carolina policymakers allocated \$500,000 in state General Fund dollars for expanding apprenticeship opportunities in the state, increasing the net appropriation for the program to \$1.4 million for the 2016- 2017 fiscal year. Despite this increase, net appropriations for apprenticeships are \$74,446 less than they were three years ago in the 2013-2014 FY budget.

**North Carolina also falls behind other states when it comes to public funding for apprenticeships.** Iowa, for example, saw promising results in expansion after policymakers tripled public funding for apprenticeships, allocating a total of \$3 million dollars in 2014. This increase in public funding was used to expand apprenticeship opportunities by way of competitive grants offered to employers. By 2015, 67 employers had applied to receive grants.<sup>13</sup>

## Policy Options

In order to increase the number of apprenticeship slots available to workers, there are three primary policy options available to encourage employers to offer these slots.

### 1. North Carolina could fund a portion of the cost incurred by employers for placing apprentices directly and reduce the costs by expanding training funded through Apprenticeship NC.

Traditional funding models for apprenticeship programs place the primary financial cost on employers who are responsible for covering the cost of training, supervision, and salaries for apprentices. Due to the high costs of these programs, employers can only provide a limited number of apprenticeship opportunities that do not meet the demand among job seekers. A recent policy change related to college tuition cost is already helping some employers expand apprenticeship opportunities for young adults. As of last year, graduating high school students who remain enrolled in a Registered Apprenticeship program do not have to pay tuition for community college courses. While the policy benefits high school students, it does not address the financial burden that adult apprentices and their employers face when it comes to college instruction. Expanding this effort to ensure that adult apprentices are at least funded to receive skills training at their community college would be an incremental step in the right direction towards publicly funded apprenticeships.

### 2. North Carolina could expand employer recruitment efforts to areas that have traditionally seen little to no apprenticeship openings and otherwise market apprenticeships to employers and workers.

While marketing and recruitment has

## A Story of Success from Our Southern Neighbor: Apprenticeship Carolina

South Carolina's state apprenticeship program, Apprenticeship Carolina, was founded at a time when apprenticeships across the country were in decline. Today, it stands as a national model for apprenticeship.

Started in 2007 with only 777 trainees, Apprenticeship Carolina has grown remarkably over the past decade—as of July 2017, the program hosts 876 apprenticeship programs with 6,457 active apprentices.<sup>14</sup> Housed within the South Carolina Technical College System, the program operates in all 46 of the state's counties, offering apprenticeship consultants to employers to guide them through the registration and development process, and concluding in recognition by the national Registered Apprenticeship System, free of cost. Public investment in the program has enabled Apprenticeship Carolina to attract employers and expand job opportunities in the healthcare, technology, and manufacturing industries.<sup>15</sup> In 2016, the state program's efforts were rewarded with a \$900,000 grant from the U.S. Department of Labor, Employment and Training to be used to expand and diversify apprenticeship opportunities across the state.<sup>16</sup>

not yet been proven to increase the number of recipients, it has shown promise in ensuring the diversity of applicant pools and occupational pathways. Given the data on the demographics of North Carolina’s current apprentices, a key component of this effort should be focused on bringing women into the program and into non-traditional industries. By building relationships with employers in these areas, state leaders can ensure workers in all regions of the state have an equal opportunity to engage in apprenticeship programs.

**3. The role of ApprenticeshipNC could be expanded to include creating partnerships among industry leaders to discuss competency standards for different apprenticeship positions, identify occupations in industries for which new apprenticeship positions could be created, and discuss how existing apprenticeships can be improved.** This strategy is successfully being implemented in Minnesota, where 400 industry and education stakeholders continually convene in council meetings to discuss the state’s registered apprenticeships.<sup>17</sup> It is critical that these efforts target industries and occupations that place a high priority on outreach to low-wage workers in order to increase earnings for more North Carolinians, particularly those who would otherwise not have access to training and a career pathway.

## Policy Recommendations

While there are several routes our policymakers can take to improve our state apprenticeship program, the **most direct way for North Carolina to increase the use of apprenticeships—and in turn create quality jobs and grow wages—is to increase public funding for apprenticeship initiatives across the state.** These funds can subsidize an appropriate portion of the cost to employers as well as the operations of apprenticeship placement, trainings, and evaluation through ApprenticeshipNC. Employers depend on ApprenticeshipNC to develop programs that train workers; connect them to instruction providers; provide consultations on recruiting, screening, and testing of potential apprentices; register their programs with the U.S. Department of Labor; and continually monitor and audit their apprenticeship programs. A much needed investment in the work of ApprenticeshipNC can yield many more quality jobs across the state, as well as provide opportunities for mobility and prosperity for individuals, and their communities.<sup>18</sup>

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