

GETTING TO FIVE MILLION APPRENTICES

Federal Options for Expanding Work-Based Learning

APRIL 2017

On November 10th, 2016, National Skills Coalition (NSC) published *Skills for Good Jobs: An Agenda for the Next President*, a comprehensive playbook for how the incoming Trump Administration could work with Congress to put millions of Americans on a pathway toward a skilled, good-paying job. These proposals had been developed with hundreds of stakeholders living and working outside the Beltway: business leaders, labor leaders, community organizations, community colleges, and local workforce development experts.

Among the plan's most ambitious goals was its call for the U.S. to aggressively move toward developing one working apprentice for every four college students — the equivalent of five million new apprentices (up from the current 500,000).

NSC is encouraged that President Trump has signaled his support for a similar goal of reaching five million apprentices over the next five years. The following five policy recommendations drawn from *Skills for Good Jobs* could be implemented by the Trump Administration with the support of Congress to pursue this apprenticeship goal.¹ These proposals will expand apprenticeship for students and workers, and create new options for a variety of work-based learning (WBL) strategies, including on-the-job training, incumbent work training, and paid internships.

- 1. Create a national network of regional industry intermediaries** to assist companies—including small- and medium-sized employers within the same regional industry—develop shared plans for hiring and training new workers through apprenticeship and WBL;
- 2. Re-tool federal tax credits to businesses and provide additional subsidies to targeted employers** to better leverage private investment in long-term apprentice and WBL training, as well as to assist smaller companies and non-profit employers in orienting new apprentices;
- 3. Update the concept of pre-apprenticeship through an employment-friendly “work-based learning support fund”** to prepare targeted students and workers for apprenticeship opportunities, and provide them and their employers additional assistance to help them stay on the job and complete their training;
- 4. Assist both in-school youth (through an improved Perkins Act) and out-of-school youth (through a better-implemented Workforce Innovation and Opportunity Act) with connections to the workforce** to make it possible for young people to become apprentices whether they're in high school, graduated, or dropped out;
- 5. Extend Pell grants to working apprentices whose coursework currently does not qualify for federal college aid** to make it easier for people who are working full-time to afford coursework at community colleges that will help them complete their training without undue financial burden.



National Skills Coalition has called for the U.S. to aggressively move toward developing one working apprentice for every four college students.

¹ National Skills Coalition, *Skills for Good Jobs: An Agenda for the Next President* (2016) <https://www.google.com/url?q=http://www.nationalskillscoalition.org/resources/publications/file/Skills-for-Good-Jobs-Agenda.pdf>. Note that the following draw primarily from chapters 1, 2, and 3.



This mismatch between supply and demand limits economic growth because businesses across a range of industries cannot find the skilled workforce they need to take advantage of emerging economic opportunities.



Work-based learning: an underutilized workforce solution

Fifty-three percent of U.S. jobs are middle skill, meaning that they require some form of postsecondary education and training beyond high school, but not a four year degree. Yet, only 43 percent of U.S. workers are trained at this level.² This mismatch between supply and demand limits economic growth because businesses across a range of industries — including health care, manufacturing, and information technology — cannot find the skilled workforce they need to take advantage of emerging economic opportunities. This gap is also a missed opportunity for millions of low-wage workers who could fill these better-paying positions with the right training.

Work-based learning strategies like registered apprenticeship are one key strategy for meeting the needs of both business and workers. These programs are often heralded

as the gold standard in blending classroom learning with worksite training to provide workers with the skills employers need. NSC defines WBL as training which takes place within the context of a wage-earning, long-term employment relationship between a business and a worker, in which the learning worker has the opportunity to develop measurable skills through instruction both at the work site and, where appropriate, off site at a school or other training program. This measurable skills gain should lead, over time, to higher wages and potentially an industry recognized credential.

Historically, WBL for adults under this definition has focused on registered apprenticeship, which sets out specific time requirements for on-the-job and classroom instruction leading to a journey level certificate. In recent years, however, the definition of WBL has been expanded to include a range of other activities for both youth and adult workers, including incumbent worker training, internships and externships, and other strategies. These models, in which an employer provides wages and training on the

² NSC analysis of Bureau of Labor Statistics Occupational Employment Statistics by State, May 2012

Congress should take additional steps to support businesses in their development or expansion of work-based learning strategies and to diversify the pipeline of workers able to fill these programs.

may require pre- and post-employment supports to take full advantage of these strategies. Our current education policy also makes it difficult for students to participate in robust WBL programs and for any worker in these programs to pay for required classroom training at a career or technical college.

Congress has taken steps to encourage WBL in recent years: WIOA called for improving linkages between the traditional workforce system and registered apprenticeship programs, expanded opportunities for incumbent worker training to help upskill lower-wage workers, and required local areas to spend at least 20 percent of youth funds to support work experience, like WBL. Congress also appropriated \$90 million in FY 2016 to support the expansion of apprenticeship models across the country.

Congress should take additional steps to support businesses in their development or expansion of WBL strategies and to diversify the pipeline of workers able to fill these programs:

Create intermediary capacity to deliver new work-based learning options across multiple firms in an industry

One key challenge for businesses seeking to expand WBL is a lack of capacity and expertise, particularly in sectors where WBL has not traditionally been used as a training strategy. Businesses may lack the resources to develop and implement training strategies internally, and they may lack familiarity with external stakeholders like community colleges, community based organizations, and others who can support WBL strategies. For small- and medium-sized businesses, the problem can be even more acute, as they may not have the quantity of job openings at any given time to support ongoing internal training capacity or create customized external training at a community college.

Industry or sector partnerships are a best practice for addressing these challenges. They bring together multiple employers in a targeted industry to aggregate skills demands across firms and identify training and employment strategies

that meet those shared needs. Sector partnerships can serve as an intermediary for multiple businesses seeking to expand WBL opportunities by navigating the registration process for registered apprenticeship, facilitating curriculum design for related technical instruction, providing support services, and even serving as the employer of record where appropriate.

Congress has codified this concept under WIOA, making sector partnerships a required activity for states and local boards. However, WIOA does not provide any dedicated resources to support these critical partnerships, and overall funding for WIOA has declined by 43 percent since 2001. Congress should establish a new dedicated funding stream to support state and local partnerships with industry, including both planning and implementation grants, and take steps to encourage partnerships to develop WBL strategies where such models are appropriate for partner businesses. Alternatively, the Trump Administration could authorize its Department of Labor to use a substantial portion of the H-1B visa fees which the federal government collects annually from U.S. employers to fund a national network of industry-led sector partnerships and intermediaries that would provide assistance to some of those same employers to help them recruit and train local residents for skilled jobs, including through the creation of new industry-wide apprenticeship strategies. Congress should also consider requiring that future investments in apprenticeship be linked to new or existing sector partnership efforts to ensure effective leveraging of resources.

Provide employer hiring subsidies and tax credits

U.S. businesses invest an estimated \$590 billion each year in workforce training and education, but in many cases still struggle to address critical middle skill gaps.⁷ This is in part because the current federal tax system provides limited

⁷ Anthony P. Carnevale, Jeff Strohl, Artem Gulish, *College is Just the Beginning: Employers' Role in the \$1.1 Trillion Postsecondary Education and Training System* (2015) <https://cew.georgetown.edu/wp-content/.../02/Trillion-Dollar-Training-System-.pdf>



We should expand tax credits to reward employers who provide meaningful training opportunities for career pathways that lead to a family supporting job with increased wages and credential attainment.

incentives for training investments targeting entry-level workers, particularly workers with barriers to employment. Instead, the majority of these company investments in employee skills are targeted at high-wage workers, many of whom already have four year degrees.⁸ While some states have implemented tax credits to support the development of apprenticeship programs, these benefits are generally far below the actual costs for developing and implementing WBL strategies.⁹ In order to more effectively leverage private sector investments in skills, Congress should provide tax credits to target long-term costs of running a WBL program.

For example, the federal Work Opportunity Tax Credit (WOTC) provides \$1 billion in tax incentives for businesses to hire low-skilled workers; however it is generally claimed by businesses offering low-wage jobs with limited advancement opportunities. It provides no benefits for businesses that make investments in training and upskilling those workers. While it is important to ensure that businesses

still have incentives to hire disadvantaged populations, we should expand tax credits to reward employers who provide meaningful training opportunities for career pathways that lead to a family supporting job with increased wages and credential attainment. Specifically, Congress should amend and expand WOTC to include workers in WBL programs as a targeted population and provide tax credits both for hiring workers into these programs and for costs associated with long term training for working learners.

Tax credits will not provide much relief for certain types of business, however, including smaller companies that often cannot make good use of tax incentives, as well as non-profit employers (e.g., hospitals, educational institutions, community groups) who do not have corporate tax liabilities. In order to more efficiently address start-up costs for WBL programming for these types of employers, Congress should also support subsidies to businesses as they expand WBL strategies. Direct subsidies will help employers with no or low tax liability, while also ensuring that small and medium-sized businesses — who often lack the resources to invest in developing training programs — are able to take advantage of

8 College is Just the Beginning, p. 5 (2015)

9 National Skills Coalition, WBL State Scan (forthcoming)

In order to ensure that the broadest possible range of workers and jobseekers can benefit from work-based learning opportunities, **Congress should establish a Work-Based Learning Support Fund** specifically to provide out-of-school youth and adults with limited work experience.



these critical workforce development strategies.

Congress should allocate funding annually to support subsidies to sponsors of registered apprenticeship programs to support expanding or creating these programs. Funds could be distributed through the workforce development system to local boards working with WBL partners.

Expand pre- and post-employment services for working learners

Work-based learning takes place within an employment relationship in which a learning worker needs to bring value to the hiring company. Many lower-skill or inexperienced hires may need pre-employment training and other services (such as pre-apprenticeship programs) to reach the necessary level of proficiency before starting at the worksite and may also need supports during the first few months of employment while they learn new skills and increase productivity. In order to ensure that the broadest possible range of workers and jobseekers can benefit from WBL opportunities, Congress should establish a Work-Based Learning Support Fund to provide out-of-school youth (and adults with limited work experience) with support as

they transition to employer-sponsored apprenticeship or WBL opportunities. This fund should be supported with Congressional appropriations of at least \$100 million a year, housed at the Department of Labor or Department of Health and Human Services. Resources from programs that work with low-income individuals to transition into work, including those available under Temporary Assistance for Needy Families and the Supplemental Nutrition Assistance Program's Employment and Training efforts could be leveraged in partnership with a WBL Support Fund for qualifying individuals.

The WBL Support Fund would provide pre-employment training grants to community-based organizations, labor-management partnerships or industry-based intermediaries to support traditional pre-apprenticeship services to aspiring apprentices for up to four months. Once a working learner is placed in a WBL or apprenticeship program, the fund would support ongoing case management and support services to the WBL participant — continuing many of the services the worker received during the pre-employment stage. The fund recipient would also provide continued

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training in conjunction with the employer and could serve as an apprentice's employer of record, providing publically-subsidized wages and benefits for up to six months before transitioning the new apprentice to the employer's payroll. After the worker completes the six month transition to full employment, the employer would formally hire the worker at the legally required wage with full employee benefits while the fund continued to support the WBL participant with retention supports and continued mentoring for up to eighteen months after hiring.

Expand opportunities for in-school and out-of-school youth participation in work-based learning

Youth face significant employment barriers in today's economy. Individuals between the ages of twenty and twenty-four have an unemployment rate of nearly double the national average, and the rate for individuals between the ages of sixteen and nineteen is more than triple the national average.¹⁰ There are 5.5 million youth in the United States who are neither in school nor working.¹¹ Each year more than one million students drop out of high school, more than 200,000 enter the criminal justice system,¹² more than 200,000 become teen mothers,¹³ and more than 26,000 age out of the foster system¹⁴ — all strong predictors of a youth's future disconnection from school and work.¹⁵

Access to WBL can serve as an important tool for

reconnecting youth to the workforce and can provide pathways to further education and employment opportunities. Congress should take steps to address the unique needs of young adults by increasing federal investments in WBL training for younger workers.

Under WIOA, local areas must now spend 75 percent of funds on out-of-school youth and are required to spend 20 percent of funds on work experience, as which apprenticeship and other WBL programs qualify. While this targeting of funds is crucial to incentivizing local areas to invest in high quality WBL programs, the funding levels themselves are still inadequate to meet the vast need of out-of-school youth. In addition to strategies under WIOA, Congress must increase resources to support out-of-school youth's attainment of WBL activities. Congress should provide dedicated funding to increase local areas' capacity to provide subsidized first jobs for youth and additional funding for competitive grants to improve student retention and attachment to career pathways. A significant investment is necessary to make a meaningful shift in the ways our country serves out-of-school and at-risk youth.

In addition to funding support for out-of-school youth, Congress should prioritize access to WBL under the Carl Perkins Career and Technical Education Act. Currently, the majority of states do not require students in a CTE program to participate in WBL and among those states with the requirement, the definition of what qualifies usually does not align with the employment based definition NSC uses. This means students can complete a CTE program without ever engaging in on-the-job learning employers expect. As Congress prepares to reauthorize the Perkins Act, policy-makers should strengthen alignment between Perkins-funded programs and employer skill needs by requiring and providing dedicated funding for CTE programs to incorporate WBL strategies.

10 <https://www.bls.gov/news.release/pdf/empisit.pdf>

11 Kristen Lewis and Sarah Burd-Sharps, Measure of America, Narrowing In on Place and Race Youth Disconnection in America's Cities <http://ssrc-static.s3.amazonaws.com/wp-content/uploads/2015/06/MOA-Zeroing-In-Final.pdf> (2016).

12 <http://static.nicic.gov/Library/025555.pdf>

13 <http://www.cdc.gov/teenpregnancy/>

14 <http://www.aecf.org/m/resourcedoc/JCYOI-AgingOutofFosterCarein-America-Handout-2013.pdf>

15 Clive R. Belfield, Henry M. Levin and Rachel Rosen, The Economic Value of Opportunity Youth http://www.serve.gov/new-images/council/pdf/econ_value_opportunity_youth.pdf (2012).

Congress should amend Pell eligibility to cover short-term credentials to include any related instruction offered as part of a registered apprenticeship program.



Increase support for workers' off-site training at colleges or training programs

Federal investments in postsecondary student aid — including Pell Grants — favor full-time, traditional students over the skills of current workers like registered apprentices. Because apprentices and other learning workers earn wages and have classroom responsibilities, they may have too high of an income to qualify for federal supports, but still be unable to meet the costs of tuition to pay for classroom education necessary progress to higher wages. Some states, including Florida, Delaware, and California offer tuition support for registered apprentices, meaning employer resources are freed up to expand WBL opportunities to more workers. There is no federal corollary to these state programs.

Current federal policy may further limit Pell grant eligibility for related instruction because of “seat-time” requirements.

This limitation may stifle innovation and prevent participation in apprenticeship and other WBL models by community and technical colleges, small- and medium-sized employers and low-income workers. Congress should amend Pell eligibility to cover short-term credentials to include any related instruction offered as part of a registered apprenticeship program.

In cases in which a WBL program's related instruction is offered through a local community or technical college, it may lead to academic credit that workers can count towards an associate's degree or other postsecondary credential. The Departments of Labor and Education should continue partnership to provide technical assistance through the Registered Apprenticeship College Consortium to support the expansion of these college and industry apprenticeship models.

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