

COWEN INSTITUTE ISSUE BRIEFS

Apprenticeships:

No.5

in New Orleans & Louisiana

by Vincent Rossmeier

Foreword

People learn by doing. This is the idea at the heart of apprenticeship, where lessons in the classroom are reinforced by on-the-job training, resulting in education that transcends the textbook and extends to physical and even cultural learning. Students get paid, and employers get custom-trained talent. And apprenticeship is more than an elegant idea; it is proven in places like Germany, which enjoys one of the highest youth employment rates in the industrialized world. For Louisiana, the opportunity of apprenticeship is particularly exciting: we are in the midst of an industrial boom that is going to produce tens of thousands of well-paying jobs, and if we connect our young people to them, we are both going to fuel the economy, and build the middle class. The following brief lays out the case for expanding apprenticeships in New Orleans and throughout Louisiana, which will benefit both our citizens and our employers, and show the nation a model for workforce training and community wealth creation.

Michael Hecht, *President & CEO, Greater New Orleans, Inc.*

What is an apprenticeship?

An apprenticeship is employment in which a trainee is paid while acquiring on-the-job training, education, and professional skills. Apprenticeships have been relied upon for centuries throughout the world to produce highly skilled workers and are most typical in the skilled technical trades like engineering, carpentry, machinery, manufacturing, and plumbing—occupations that require post-secondary education, training, and certifications, but not necessarily a four-year degree. However, apprenticeships can be created in almost any profession. Apprentices start working on the job from their first day with an employer. Usually, apprentices partner with mentors who oversee and train them. The United States has had a national registered apprenticeship program since 1937 that is regulated by the Department of Labor (DOL). Currently, it includes more than 150,000 participating employers and labor management organizations nationwide.¹ In the United States, registered apprenticeships generally last from one to five years, with an average of four years and require a minimum of 2,000 work hours and a minimum of 144 hours of educational instruction per year.² Registered apprenticeships are administered by program sponsors who can be employers, employer associations, or labor management organizations. Employers can also establish apprenticeships on their own, independent of the DOL program.

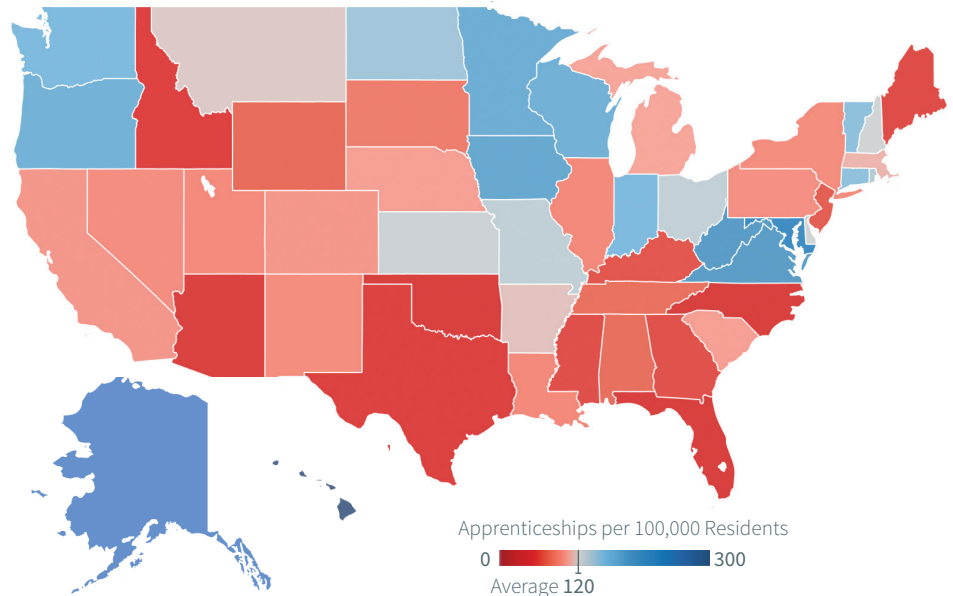
Are apprenticeships effective?

Yes. Registered apprenticeships are one of the most productive and cost-effective methods to train a workforce, benefiting both employers and the apprentices themselves. Crucially, **they train workers for careers that actually exist**, producing a more highly skilled workforce. Employers can develop a workforce customized to their specific needs, while improving productivity, hiring, and recruiting, and lowering turnover costs. (See page 4 for the benefits of apprenticeships.)

What are apprenticeships in Louisiana like?

Louisiana currently has 47 active registered apprenticeship programs.³ They are primarily in construction, manufacturing, and the service industries. While state-to-state comparisons are difficult to make due to differing laws, tax incentives, and employers, nationally, in 2014, Louisiana had 81 apprenticeships for every 100,000 Louisianans, which was 33rd most in the nation.⁴ Comparatively, states with similar total populations offered far more apprenticeships than Louisiana: Maryland, Iowa, Minnesota, Wisconsin, and Oregon, all had more than double the number of apprenticeships per 100,000 residents than Louisiana (see map). Hawaii, with less a third the population, had 3,000 more active apprenticeships last year than Louisiana.

Number of Apprenticeships by State, 2014



Source: U.S. Census Bureau data and U.S. Department of Labor data.

Note: Though the color legend range ends at 300, Hawaii is an outlier and easily has the highest ratio of apprenticeships with a ratio of 487 apprenticeships for every 100,000 people.

And what about in New Orleans?

Currently, **there are 16 active registered apprenticeship programs in the New Orleans region**, six of which are in the city.⁵ The trades represented in these apprenticeships include carpentry, electrical, plumbing, welding, iron working, barbering, and culinary training. New Orleans has the largest number of employers and apprentices who are participating in registered apprenticeship programs of any city in Louisiana. There are non-union programs such as Associated Builders and Contractors in St. Rose,

“Registered apprenticeships produce the best and most consistent results of any other training program out there. They’re not sexy. They’re rigorous. But apprenticeships rely on this rigor to deliver careers that last a lifetime.”

Henry Heier,

Executive Director, Mechanical Contractors Association of Louisiana, Inc. &

Trustee on the Board of Trustees of the New Orleans Pipe Trades Apprenticeship Training Program

union-affiliated programs such as the New Orleans Pipetrades Joint Apprenticeship Training Committee in Metairie, and a culinary apprenticeship program sponsored by Delgado Community College that places their apprentices in well-known restaurants such as Commander's Palace and Emeril's.

If they are effective, why aren't apprenticeships more common here and across the U.S.?

The lack of apprenticeships in Louisiana is part of a larger national phenomenon. **Even states with the most robust U.S. apprenticeship programs pale in comparison to the programs available in European countries.** In 2014, there were a total of 410,375 active registered apprenticeships in the United States, the most since 2009. However, only 44,417 participants completed apprenticeship programs during the year, which is lower than the 51,000 who completed programs in 2008. Additionally, **the total number of active programs nationally has dropped from 24,285 in 2008 to 19,260 in 2014.**⁶ Other nations rely on apprenticeships far more extensively to train their workforces: a recent study by the Center for American Progress found that per capita, France, Scotland, Germany, England, and Switzerland all have at least 10 times the number of active apprenticeships as there are in the U.S.⁷

There are multiple reasons for the relative lack of apprenticeships in the U.S.

- **Public perception:** Vocational training is often considered to be less prestigious than professions that require a college degree. Many employers are also wary that apprenticeships must require union involvement, but this is a misconception.
- **Lack of information:** The U.S. is caught in a vicious cycle – there are so few apprenticeships that many young people, workers, and businesses are unaware of the opportunity, which keeps demand for apprenticeships from growing.
- **Other funding priorities:** For the past several decades, federal and state spending has been geared towards bolstering higher education opportunities. The total federal support for apprenticeships nationally was \$28 million in 2012. That is minuscule compared to the \$2 billion in support for the community college system.⁸ Apprenticeships have received more attention recently, though: in July 2014, President Obama announced \$100 million in competitive grants for apprenticeships.⁹ But U.S. federal spending still trails that of many European countries. Britain, with around one-fifth of the population, spends \$1.7 billion annually on apprenticeships.¹⁰
- **Minimal employer incentives:** As of 2014, 16 states offered subsidies to encourage apprenticeships. However, many of those subsidies are very modest.¹¹ Additionally, the subsidies are not always utilized, well-advertised, or permanent. Formerly, Louisiana offered a tax credit to employers of \$1 per hour for every apprenticeship hour worked, up to \$1,000 annually per apprentice. However, that tax credit expired in 2015, and though legislation was introduced to extend the incentive during the past year's legislative session, it did not make it out of committee.¹²
- **Lack of focus on youth and women:** In other nations, apprenticeships are a natural pathway to a career for youth. For instance, at least 70 percent of young people enter professions via apprenticeships in Switzerland. In the U.S., only 20 percent of apprenticeships were held by workers under 25, with the average age closer to 30. Additionally, in 2012, women held only six percent of the active apprenticeships positions.¹³

Why are apprenticeships important to the New Orleans region specifically?

Multiple reports have indicated that regionally, New Orleans will likely experience a “jobs boom” over the next ten years. Many of those jobs will be in trade industries that are ideal for registered apprenticeship programs.¹⁴ However, the region does not currently have the workforce to assume those jobs. According to the Greater New Orleans Data Center, New Orleans is facing a skills gap with its workforce and many adults lack literacy skills.¹⁵

Additionally, while the state and region fared relatively well during the recession, unemployment is still high. At 6.0 percent, Louisiana's unemployment rate is higher than the national rate of 5.1 percent, and the seventh highest in the nation.¹⁶ The rate in the New Orleans metro area is 6.1 percent.¹⁷ In New Orleans in particular, where an estimated 52 percent of African American males are not working and the child poverty rate of 39 percent has actually increased since Hurricane Katrina, linking all residents, especially young people, to employment opportunities is vital to the region's long-term economic stability.¹⁸

Apprenticeships in Action



Doyle High School, in Livingston, Louisiana, recently launched a pre-apprenticeship program geared at increasing the professional skills of students. The program is a partnership with Baton Rouge Sheet Metal JATC. Students take classes in sheet metal work, and also receive advanced placement in the sheet metal apprenticeship program upon graduation from high school. During the first year of the program, students earn \$12 to \$13 an hour, and upon graduation, make an average of \$27 per hour in the sheet metal industry. The goal of the program is to link students to viable career opportunities in high-growth, living-wage careers.

Are all apprenticeships run through unions?

No. While many unions administer registered apprenticeship programs through joint apprenticeship training committees, in which multiple employers partner on programs, **programs do not have to be union-affiliated.** In Louisiana, of the 47 total programs, 28 (60 percent) are union-based, while 19 (40 percent) are not.¹⁹ For some employers, unionization could be a disincentive to creating apprenticeships due to increased costs and longer contract negotiations.

How can apprenticeships help opportunity youth in particular?

According to Cowen Institute research, **New Orleans has the third highest rate of opportunity youth among the 50 largest metro areas nationwide:** nearly one in five young people between the ages of 16 and 24 are disconnected from education and employment. **This costs taxpayers an estimated \$360 million annually.**²⁰ Apprenticeships offer a direct way to reconnect those young people to high-demand jobs. Registered apprenticeships allow young people to connect to career opportunities by gaining work experience and furthering their education without taking on the high levels of student debt that often occur with college and university enrollment. Additionally, apprenticeships offer all students, regardless of how well they performed academically in high school, to access valuable employment opportunities: studies have found that only 20 percent of students with a C average or below receive a credential of any kind within six years of leaving high school.²¹ Counteracting this trend is crucial to lowering the region's opportunity youth population. Through apprenticeships, opportunity youth can acquire professional skills, hands-on training, and industry certification.

Q&A *with* Sterling Dolese

Director of Workforce Development
Center of Advanced Manufacturing at Delgado Community College



In his current role at Delgado Community College, Sterling Dolese aligns the school's workforce training with the needs of local employers. He has 41 years of experience in advanced manufacturing and formerly led Louisiana's largest apprenticeship program at Avondale Shipyard under Northrop Grumman and Huntington Ingalls Industries. On average, that program had 1,200 enrolled apprentices on a daily basis.

Q *Why did you start the program at Avondale Shipyard?*

A We were doing all incumbent worker training and we still were not able to find the workforce we needed to fill our job vacancies, so the Training and Human Resources Departments jointly suggested we start a registered apprenticeship program and partner with Delgado Community College to do the training ourselves.

Q *What benefits do employers receive from apprenticeships?*

A With apprenticeships, employers are training their future employees to their specific needs, rather than having to retrain workers who have been trained elsewhere. Employers also get highly motivated students and end up developing their future leaders, and therefore better supervisors in the long-run. Apprentices also get trained in all aspects of craft rotations, so industry ends up with a more skilled workforce.

Q *Why do you think apprentices are effective?*

A From the company's standpoint, every apprentice ends up getting trained in the same way and can perform the jobs through the same processes. From the student standpoint, apprentices are given the best chance for completing the courses and the best training possible. It sets them up for successful careers.

Q *Why do you think apprenticeships are not more common in Louisiana?*

A Two reasons: the upfront costs and employers think apprenticeships must be part of a union. And while it does take money to set up apprenticeship programs and to provide the supervision and training, in the long-run, it's worth it. And as for unions, apprenticeships do not have to be union-based and as an employer, you do not have to be part of union to have an apprenticeship program.

Benefits of Apprenticeships

How can apprenticeships benefit employees, employers, & society?

Workers



Credentials

Graduates earn an occupation-specific apprenticeship completion credential that is akin to a two- or four-year degree and is transferable throughout their industry. In Louisiana, certificates are issued by the Louisiana Workforce Commission on behalf of the U.S. Department of Labor.

Income

Graduates of registered apprenticeships earn an average starting salary of \$50,000, which is greater than the average initial earnings of college graduates and make \$300,000 more over their careers than their non-credentialed peers.²² Apprentices also increase their earnings over the course of their apprenticeships.

Career Advancement

Graduates typically experience swifter and more significant career advancement.²³

Employers



Lower Recruitment & Training Costs

Apprenticeship programs attract motivated applicants and aid in recruiting employees. Investing in the future of employees can strengthen their loyalty to the employer, while equipping employees with new skills. Providing incremental raises to apprentices increases productivity and decreases turnover. Registered apprentices are members of an employer's workforce from day one, so they are trained to company expectations – not those of another company.²⁴

Customized Training

Employers have the ability to customize training of apprenticeships to their particular needs. Employers like the results: a survey of 900 U.S. employers found that 87 percent would strongly recommend registered apprenticeship programs.²⁵

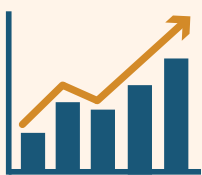
Improved Retention

Turnover is a tremendous cost and headache for business. Nationally, 87 percent of apprentices were still employed nine months after completing their registered apprenticeship program.²⁶

Return on Investment

A Canadian study found that for every \$1 spent on apprenticeship programs, employers receive a benefit of \$1.47.²⁷

Workforce Development



Create a Worker Pipeline

Employers create an overall higher skilled workforce. Even if the apprentice does not stay with the particular employer, it improves the skills of the professionals in the industry as a whole.

Social Benefits

A recent study of apprenticeships found that the net social benefits of each apprenticeship amounted to \$49,000 over the workers' career.²⁸

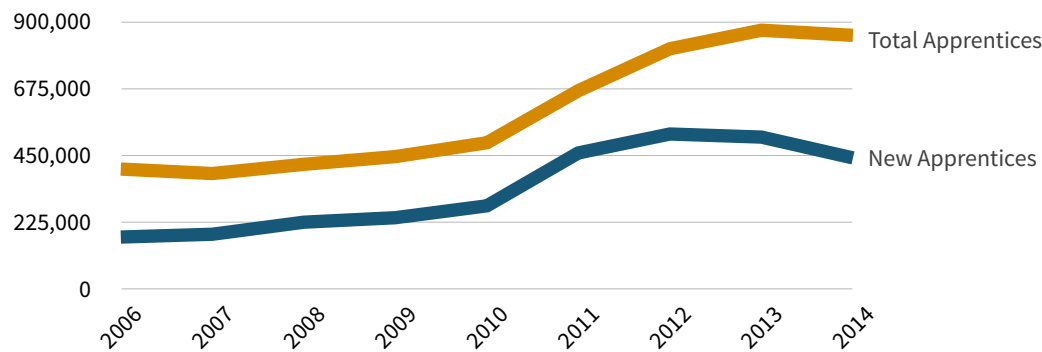
Cost Effectiveness

A study of Washington state's apprenticeship program found that each apprenticeship cost an average of \$5,500. Graduates of the apprenticeship program raised their earnings by an average \$78,000 within three years of leaving the program. Other studies have estimated the social benefits gained from apprenticeships outweigh the social and government costs by ratios of 20:1 to 30:1.²⁹

So what can be done?

This is an addressable challenge. The number of apprenticeships in Louisiana can increase quickly with the right public and private support. As an example, through extensive governmental backing, tax incentives, and direct funding, Britain grew from having 150,000 apprenticeships in 2007 to 850,000 by 2012.³⁰

Growth in United Kingdom Apprenticeships, 2005-2014

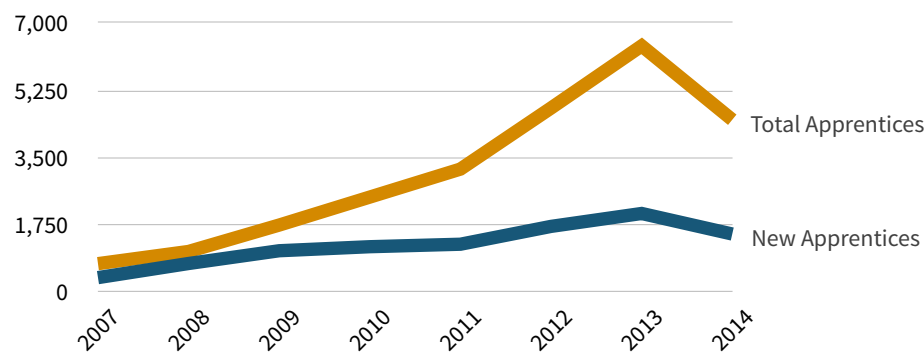


Source: House of Commons data.



Similarly, South Carolina has rapidly augmented its apprenticeship programs over the past decade. Despite an annual budget of less than \$1 million, Apprenticeship Carolina, a program created by the state legislature in conjunction with business leaders, has increased the number of apprenticeships statewide from 731 in 2007 to 4,485 in 2014. South Carolina achieved this success by using a public-private partnership that aligned employers and state government.³¹

Growth in South Carolina Apprenticeships, 2007-2014



Source: U.S. Department of Labor data.



And what lessons can be applied in New Orleans to increase apprenticeships?

- **Provide financial incentives:** The statewide tax incentive that lapsed this past year was modest and similar to that offered by states with far more apprenticeships: South Carolina, for instance, offers \$1,000 to employers per apprentice per year. But for tax incentives to be effective, they have to be used, and this requires active advertising and marketing by the state directly to employers. Wisconsin, another state with a strong apprenticeship system, offers organizations grants to administer youth apprenticeships.³²
- **Link apprenticeships with high schools:** Austria, Germany, and Switzerland all connect apprenticeships to high school instruction so that young people have the chance to explore vocational opportunities before graduating. The Louisiana Department of Education's Jump Start initiative should help to bolster the career and technical education offered in high schools and could eventually serve as a platform to expand apprenticeships statewide.
- **Bolster integration with community and technical colleges:** The vocational training offered by the state's career and technical system should be directly aligned with the state's efforts to increase apprenticeships—an effort that is already underway.
- **Get information to the public:** State officials should follow South Carolina's example and actively engage youth, as well as businesses, to encourage the growth of apprenticeships.

Endnotes

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4. Cowen Institute calculations based on U.S. Department of Labor data; Olinsky, Ben, and Sarah Ayres, "Training for Success: A Policy to Expand Apprenticeships in the United States," Center for American Progress, November 2013. All data in this brief on U.S. apprenticeships is based on registered apprenticeships through the U.S. Department of Labor. Many non-registered apprenticeships exist, but no centralized data source exists to track them. The number of unregistered apprenticeships could exceed the number of registered ones, but as they are not tracked, there is no way to know this with certainty.
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