



**Apprenticeship Reform:
Ontario's future depends on
it**

Executive Summary

Ontario is facing a skilled trades shortage that is costing the province \$24B annually and, paradoxically, is occurring at a time when youth unemployment is hovering around 17 per cent. In response, and for discussion among government, business and other stakeholders, HRPA makes a series of recommendations for reforming Ontario's College of Trades and promoting skilled trades careers among young Ontarians:

- Robust performance metrics and reporting on the economic impact of Ontario's new College of Trades.
- Adjusting the current journeyman-to-apprentice ratio to ensure it's competitive with other provinces.
- Fair, consistent and transparent classification of compulsory trades; and providing a clear rationale when deciding to make a trade compulsory.
- Emulating Germany's dual vocational training system that sees government, business and schools partner to produce apprentices and apprenticeship programs that meet the country's skills needs.
- Government promotion of skilled trades careers among young Ontarians.

HRPA reached out to its membership, the government and the official opposition party to provide input to this paper and its recommendations. The government declined to be interviewed for this paper in anticipation of policy changes that it stated are forthcoming in the future.

Skilled Trades Gap

For many Ontarians, finding a job has become a difficult task, a challenge most have come to accept since the 2008-2009 recession. Long-term unemployment, as a share of total unemployment, increased from 13% in 2008 to 23% in 2013 (Tiessen, K. 2014). In 2012, Ontario's youth unemployment at 16.9% (Geobey, S. 2013) was similar to that of Michigan, a state which has witnessed the almost total collapse of its major employer, the automobile manufacturing sector. And yet, despite plentiful labour, Ontario employers are paradoxically reporting a comparable difficulty in filling skilled trades openings. According to the Ontario Chamber

of Commerce Membership's survey, completed from January to February in 2013, 30% of businesses expressed difficulty in finding workers with the right qualifications (OCC 2013). The Conference Board of Canada's Ontario Employer Skills Survey reports that, in 2013, 41% of employers were seeking workers with trades qualifications (Stuckey, J., & Munro, D. 2013).

This mismatch in the labour market is already costing the province. An annual loss of \$24.3 billion in foregone Gross Domestic Product and \$3.7 billion in provincial tax revenues is estimated by Stuckey, J., & Munro, D. (2013). It is now anticipated that the shortage of skilled tradespeople will grow to 360,000 by 2025.

Thus, in light of a growing shortage of skilled trade workers, it is unwise to cling to any illusion that the labour market will eventually adjust itself. Existing labour market policies have proven inadequate. Without the government's intervention, the province will not only struggle to reduce the unemployment rate, but will also fail to keep pace with global and dynamic economic environments. What follows is, therefore, an attempt to open a creative discussion on the current system while providing solutions to address Ontario's impending skills crisis. After reviewing some common objections to the Ontario College of Trades, and its performance record to date, we make some recommendations, not for a drastic change, but for thoughtful revision and alteration.

Looking to Europe: Learning from the dual vocational training system

Ontario should consider emulating Germany and its innovative dual vocational training system that sees government, business and schools partner to produce apprentices and apprenticeship programs that meet the country's skills needs.

The system covers 348 skilled trades across all economic sectors and sets out formal rules governing mandatory skills for each trade; requirements for the apprentice, the host business and partner vocational school; and specific training/certification for each occupation. The dual system typically sees the apprentice undergo a three-year program featuring three or four days per week of on-the-job training and another one or two days of in-class education at school.

This dual system serves all parties well: it validates and professionalizes each occupation; apprentices get experience and paid training; and businesses can draw from a ready pool of talent, plus get an opportunity to "try out" workers to see how they fit in the organization's culture.

Recommendations

I. THE GOVERNMENT SHOULD REFORM THE COLLEGE

The College was created, through months of consultation, as an institution which governs all trades: a vital cooperative response to a complex problem. And yet, after a year of operation, the College has yet to deliver on an essential feature of its mandate: making labour supply more responsive to labour demand in the trades. While we recognize the need for swift intervention, we find two main reasons for suggesting that the government initially persist with the current system. The first reason is simply pragmatic, namely that it is more efficient for the government to improve upon the present system, rather than recreate a new structure. But secondly, and perhaps more significantly, we believe that the College is the right institution to carry out more universal policies.

A. On-going and rigorous measurement of the College's impact and performance

In 2009, when the Government of Ontario introduced the Ontario College of Trades and Apprenticeship Act, different groups of professionals, insisting on the Act's lack of emphasis on robust research, immediately began to raise concerns (For example see Cardus 2011). The concern was that the Ontario College of Trades would unnecessarily impose additional membership costs and bureaucratic layers on skilled trade workers, introducing barriers to entry into those much-needed trades, and particularly hurting small businesses.

One year after its establishment, the College's operation is now providing reliable and pertinent signals – either dissipating or reinforcing fears, while offering the basis for less speculative research. The economic impact that the College has had since its implementation should be empirically measured – particularly its impact on small businesses. Not only should the cost of the College's operation be assessed, but clear objectives for the College should be set, which could then be used to benchmark performance.

To determine realistic objectives, we recommend that the government collaborate with all stakeholders: not only employers, apprentices and journeypersons, but also taxpayers, employees and unions.

In some sense, the creation of the College was an expression of the notion that, when it came to fixing the apprenticeship system, hasty but timely action was preferable to cautious but sterile hesitation. The College is an ambitious innovation and, as with every innovation, its future failure or success cannot be predicted with complete certainty. Still, by carefully learning from the College's current activity, and reviewing the institution's mandate accordingly, the government can contribute to making the College a successful institution.

B. Adjusting the current journeyperson-to-apprentice ratio

Becoming a skilled trade worker typically requires getting on-the-job training as an apprentice. Thus, in Ontario, future trades workers are groomed under the tutelage of qualified trades workers; in particular, the province pays close attention to the number of certified journeypersons employed in determining how many apprentice can be hired. But, with one of the highest journeyperson-to-apprenticeship ratios compared to other jurisdictions, Ontario is directly restricting access to apprenticeship. One risk is that, each year, young Ontarians will be motivated to seek apprenticeship from less demanding provinces.

In contrast to other provinces, Ontario's current journeyperson-to-apprentice ratio is restrictive, dated, and unjustifiable. While rates vary across provinces and across trades, some skilled trades require up to five journeypersons to train a single apprentice in Ontario (PC Caucus Backgrounder, 2012):

SKILLED TRADES	NL	NS	MB	SK	AB	ON
Bricklayer	1:2	1:1	1:1	1:2	1:2	5:1
Construction Electrician	1:2	1:1	1:1	1:1	1:2	3:1
Carpenter	1:2	1:1	1:1	1:2	1:2	5:1
Plumber	1:2	1:1	1:1	1:2	1:2	3:1
Sheet Metal Worker	1:2	1:1	1:1	1:1	1:2	4:1

While we cannot recommend a specific ratio, we still recommend that the government review the current journeyperson-to-apprentice ratio to get the province in synch with other jurisdictions. Ontario must remain competitive, especially when it comes to attracting young talent. The impact of any journeyperson-to-apprenticeship ratio should be carefully analysed through quantitative and qualitative research.

The accepted rationale for regulating entry into the trades is that journeyperson-to-apprentice ratios ensure safety and service quality. Analyses of existing research conclude that the argument that 'higher ratios ensure greater workplace health and safety' is unsubstantiated. Brydon and Dachis (2013) also suggest that entry restrictions are not the best means by which to regulate quality and safety.

C. Fair and consistent classification.

While some workers may still choose to acquire certification voluntarily, compulsory trades require certification to become eligible to work. To validate their certification, members must pay a yearly fee of up to \$120. Compulsory certification, therefore, inexorably imposes additional financial and bureaucratic costs on the worker. This should deliver a potent argument against undue change from voluntary to compulsory certification.

Pointing at the College's self-funding structure, Dijkema, B., & Van Pelt, M. (2011) suggest that there might be an inherent bias towards broadening membership by designating more trades as compulsory. To limit the risk of abuse, a Review Panel is assigned with the role of classifying trades. We recommend that every effort be made to ensure fairness and transparency during this process. The rationale behind every decision to extend the range of compulsory trades should be clearly outlined and monitored for consistency.

II. THE GOVERNMENT SHOULD ENCOURAGE YOUNG ONTARIANS TO PURSUE A CAREER IN THE SKILLED TRADES

If a young Ontarian could predict her future prospects, would s/he deliberately choose a skilled trade, or would s/he only pursue such a career by default, after exhausting every other alternative? Looking at high schools, students actively select against careers in the skilled trades. Addressing the skilled trades shortage will thus, to some extent, depend on understanding what draws young Ontarians to skilled trades careers, or deters them; or deciphering which of many elements are weighted more heavily, given that early

career decisions are often based on a complex array of motives.

Promoting skilled trades to young Ontarians is part of the College's mandate. The government and the College should work collaboratively and purposefully. As such, we recommend the promotion of skilled trades through the following strategy.

A. Raising awareness of future prospects.

Skills are now a better predictor of employment and wage growth than either level of education or occupation. (Acemoglu, 2011) Boothby and Drewes (2012) have also shown that male workers in the trades are earning a higher income than their peers who only hold a high-school degree. There is minimal, if any, awareness among youth of the breadth of choices available, and of the opportunities for length and span of career, earning potential, and variability of experience. By making similar information accessible to high school students, the government can promote the pursuit of work in the trades. We recommend that the Ministry of Training, Colleges and Universities develop an educational campaign targeted at high school students and using the TDSB as a pilot, that brings attention to the careers and opportunities that exist for apprentices and master journeypersons.

B. Changing perception towards jobs in the trades.

Again, it may very well be that skilled trades jobs are simply not appealing to young Ontarians. Perceptions and preconceptions towards trade jobs are difficult to alter. Providing a fresh perspective can help and the government should partner with school boards to raise awareness of the career and income possibilities that exist for those in the skilled trades.

C. Increase the flexibility of paths to skilled trade jobs.

The government currently facilitates the transition to skilled work by offering early opportunities for apprenticeships. The Ontario Youth Apprenticeship Program (OYAP) is a school-to-work transition program that allows full-time students in Grades 11 and 12 to earn cooperative education credits through work placements in the skilled trades. With respect to post-secondary education paths, universities have traditionally offered undergraduate and graduate degrees and other professional programs, while apprenticeships are offered by colleges. Paths to skilled trade jobs should be as flexible as possible, so that entering a path to skilled trade jobs is not restricted by earlier decisions.

D. Improve completion rate.

Studies have shown that the completion rate among Ontario apprentices is only 50%. Even among those who are able and willing to enter apprenticeships, not all persist. The government should identify what is causing Ontario to experience such a low completion rate.

Such a low completion rate also indicates an opportunity to increase the return on current investment, and the government should pay close attention to completion rates before undertaking future policies. [New apprenticeship strategies which could improve completion rates are included in the Ontario Construction Secretariat (2013).]

Conclusion

Looking at Ontario's workforce and considering the range of the province's natural resources and infrastructure, Ontario possesses the necessary resources to emerge as an economic leader of the 21st century, and to continue to drive the Canadian economy.

The province labour market is, nevertheless, facing a tough challenge. To restore Ontario's economic vitality, the government must invigorate the trades. While Ontario has undertaken a degree of apprenticeship and skilled trades reform through the creation of the College of Trades, this approach to reducing the shortage in the labour market has yet to prove that it can deliver. So far, the College has not delivered on the goals which led to its creation. The recommendations that we have outlined will help to restore both the College's strategic appeal, and its effectiveness over the longer term.

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