



Labour Market Matters

Special points of interest:

- Government subsidies to employers found to have relatively little impact on decisions to hire apprentices.
- Apprenticeship registration is found to be growing at faster rate than university registration, yet rate of apprenticeship completion has fallen at the same time.

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John Meredith (University of British Columbia)

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Will employer subsidies solve the labour supply crisis in the skilled trades?

Apprenticeship in Canada is often portrayed as a system in crisis: with the steady retirement of baby boomers, and persistently low numbers of young people becoming certified in the skilled trades, it has been feared that the apprenticeship system will be unable to keep up with the labour market’s growing demand.

Governments have responded with a variety of incentives, including cash grants and tax rebates, to encourage workers and employers to engage in apprenticeship. The case for employer incentives rests on the supposition that apprenticeship is a costly and risky affair: an apprentice does not become fully productive for several years, and the employer’s investment of training effort may be lost if the trainee quits or is hired away by a competitor. Without some external incentive, the argument goes, employers would be reluctant to train the apprentices who are essential to the future labour supply.

But just how much does apprenticeship contribute to the labour supply in the skilled trades? How much training do employers provide? And why are some employers willing to participate, even without additional incentives?

John Meredith (University of British Columbia) takes up these questions in a new CLSRN study: “Crucial Contributors? Re-examining Labour Market Impact and Workplace Training Intensity in Canadian Trades Apprenticeship” ([CLSRN Working Paper no. 64](#)).

Using 2006 census data, Meredith finds that apprenticeship comple-

tion may be less crucial to the labour supply than has been thought. In 74 “skilled trades” occupations, on average just over one-third (37%) of workers hold a trade certificate as their highest level of education. Keeping in mind that about one-third of trade certificates are granted to individuals who write a qualifying exam without serving an apprenticeship, the portion trained through apprenticeship drops to about 25% of the trades labour force. But the census also reveals that trades occupations differ greatly in their rates of certification. In trades such as gas fitting, electrical work, plumbing, and the millwright trade, over 50% of workers hold trade certification, and few are employed who lack it. However, in others including carpentry, bricklaying, concrete finishing and painting, certified workers are in a minority and are outnumbered by the uncertified.

To examine these differences and to learn more about employers’ training practices and decisions, Meredith interviewed 33 employers of skilled trades workers. Systematic analysis made it possible to classify the interviewees as “high” or “low” investors in workplace training and to look for other commonalities and differences among them. The interviews reveal stark variations in the employers’ training practices. Some invest intensively in training and clearly aim to produce highly skilled journeymen and long-term employees. Others provide little or no training at all and use apprenticeship strictly as a low-wage strategy, regularly laying off senior apprentices and replacing them with lower-paid, junior ones.

By revealing a wide spectrum of training practices, the employer interviews suggest that apprentice-



Fully-apprenticed individuals are found to make up only 25% of the trades labour force.
Image: [Suat Eman](#)

ship does not function in only one way in the labour market, but instead can pay off for employers using very different strategies. On further analysis, these variations seem to reflect differences of business environment, with training-intense employers tending to operate in regulated markets and to compete on quality, and others more likely to compete on price. Whatever their strategies, however, the participating employers had clearly found ways of overcoming the costs and risks that have been assumed to make apprenticeship unattractive. Indeed, regardless of their training practices, the employers were nearly unanimous in viewing the current government incentives as “a nice bonus,” but certainly not as a factor in their decision to hire apprentices.

Meredith concludes that current government policies seem to have overestimated the labour-supply contribution of apprenticeship, and underestimated the diversity of employers’ ways of engaging with it. The findings suggest that the future skill supply will not be secured by indiscriminate subsidies, but rather by a better understanding of how and why employers choose to train.



Christine Laporte
(Statistics Canada)

“Individuals registered in apprenticeship programs have increased by around 120 percent between 1995 and 2007...Despite the large increase in apprenticeship registration the proportion of registered apprentices completing their programs has actually fallen”

Why Labour Shortages in the Skilled Trades Persist in Canada

Despite that great demand for skilled labour people in the Canadian economy, the numbers of individuals completing apprenticeships in Canada still lags behind the numbers of young people choosing other labour market options. Entry and completion of apprenticeship programs are often hampered by negative attitudes, lack of information, unwelcoming workplaces, the costs of apprenticeships to employees, employers and unions. Additionally, lack of new entrants into apprenticeship programs also have to do with the perceived lack of job stability, lower incomes, and the lower status of blue collar occupations relative to the other options open to Canadian youth.

In a new CLSRN study entitled **“The Persistence Behaviour of Registered Apprentices: Who Continues, Quits or Completes Programs?”** (CLSRN Working Paper no. 62), Christine Laporte (Statistics Canada) and Richard Mueller (University of Lethbridge) examine the 2007 National Apprenticeship Survey (NAS) to investigate the persistence behaviour of individuals enrolled in apprenticeship programs. Behaviours examined include: continuing, discontinuing (or quitting), and completing programs. The NAS contains detailed demographic data as well as other data regarding the respondents’ backgrounds and apprenticeship characteristics.

The number of Canadians registered in apprenticeship programs has actually grown

considerably over the past decade. Individuals registered in apprenticeship programs have increased by around 120 percent between 1995 and 2007. Much of this growth has come as a result of increased female involvement in the major trades. As a comparison, enrollments in undergraduate programs in Canada only increased by 36 percent from the 1997/98 to the 2007/08 academic years. The recent surge in apprenticeship registration has put their numbers at almost 84 percent of the number of full-time college students in roughly the same time-frame. Despite the large increase in apprenticeship registrations the proportion of registered apprentices completing their programs has actually fallen – implying that the number of completers has not kept pace with the growth in registrations. This has implications for the perceived shortage of workers in the skilled trades. Indeed, the results indicate the problem lies not with lack of interest in apprenticing in a skilled trade, but rather, in the completion of apprenticeship programs.

The study found that certain factors are positively linked to an increased likelihood that an individual will complete an apprenticeship program: being married, having fewer children, being non-Aboriginal and not a visible minority, not being disabled, and having a higher level of education before the beginning of the program. Factors that are negatively linked to the probability that an individual will complete an apprenticeship program include:

increased time in the program (beyond the normal program length) and the number of employers.

High rates of discontinuers in apprenticeship programs have strong implications for the Canadian Labour Market. Indeed, previous studies have shown that 12 months following the termination of a program (graduation or drop-out), drop outs make 77 percent of the hourly wage of journeymen whereas graduates earn 81 percent. Drop-outs are also less likely to be employed in the trade which they apprenticed (52 percent vs. 96 percent) and have worked fewer months in the past 12-month period (8.5 vs. 11.5).¹ Apprentices who completed their programs had an 88 percent employment rates (compared to 82 percent of those who discontinued their programs) and they were also more likely to hold permanent jobs (80 percent vs. 76 percent). Furthermore, median wages for completers were \$27 per hour in 2007 compared to \$20 per hour for individuals who discontinuers. Together, these results suggest that the penalty to withdrawing from an apprenticeship program may be substantial when both wage and non-wage factors are considered.²

¹Akyeampong, E.B. 1991. “Apprentices: Graduate and Drop-out Labour Market Performances,” *Perspectives on Labour and Income* 3(1). Catalogue No. 75-001E-XPE. Ottawa: Statistics Canada.

²Ménard, M., F. Menezes, C.K.Y. Chan, and M. Walker. 2008. *National Apprenticeship Survey: Canada Overview Report, 2007*. Statistics Canada Catalogue No. 81-598-X, No. 001. Ottawa: Minister of Industry.



Richard Mueller
(University of Lethbridge)

Endnotes

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