

# Increase Apprenticeship Completions in the Skilled Trades

## Issue

Canada requires a talented community of skilled trades workers to drive our economic growth. As older skilled workers retire in increasing numbers over the coming years it is essential that younger skilled workers are trained and ready to replace them.

## Background

Canada needs to increase the number of certified skilled trades workers if it is to avoid shortages in the skilled trades. Older skilled workers, including journeypersons who train apprentices, will start to retire in rising numbers over the coming years as the boomer generation ages and exits the labour market. For the apprenticeship system to replenish itself, more apprentices must become certified and move into journeyperson roles, to begin training the next generation of apprentices.

While the percentage of registered apprentices increased in nearly all age groups between 2008 and 2013<sup>1</sup>, completion rates in apprenticeship programs were only 57.5% between 2011 and 2013 according to Stats Canada's National Apprenticeship Survey interviews conducted over this time period<sup>2</sup>.

The low completion rates are the result of at least two broad realities. "To some extent, this reflects people deciding the path isn't a good fit, something we also see with university and college students," notes Sarah Watts-Rynard, Executive Director, Canadian Apprenticeship Forum.<sup>19</sup> "Apprentices, however, also face the unique requirement to find and maintain employment. When contracts come to an end or the economy turns, apprentice training can quickly be derailed." It is worth noting that in Canada, as many as 77% of apprentices are employed by small firms who may lose their apprentice-employees to other larger firms, once apprentices achieve their certification.<sup>20</sup>

The issue of incomplete apprenticeships warrants attention for a few reasons. For sectors facing potential skilled shortages over the coming decade, the necessity for a higher completion rate and an increased pool of qualified workers is evident. In Alberta, Saskatchewan, and Newfoundland and Labrador, increases in job vacancy rates since 2009 have reflected high labour demand in certain occupations in the skilled trades.<sup>21</sup>

For the individual workers, completion matters to their income and economic outcomes. Statistics Canada researchers found that apprentices who complete their training and obtain certification earn wages that were 25% higher than those who had not completed their apprenticeship programs. These vacancies could expand as rising numbers of older workers retire in the next several years. Skilled labour shortages are a risk to the greenlighting of major projects and to overall economic activity across sectors.<sup>22</sup>

Over the past several years, the federal government has introduced a number of tax and financial measures to support apprentices directly. It also provides a tax credit to employers who hire apprentices in the first two years of an apprenticeship program.

To improve completions, the focus must extend to the later years of apprenticeship training. Among the policy options available to the federal government is the extension of the existing Apprenticeship Job Creation Tax Credit to the later years of apprenticeship training and increasing its value for these years. In the report *Economic Opportunities for Young Apprentices*, the House of Commons Standing Committee on Human Resources recommended the government explore whether to provide a grant to employers when apprentices complete their apprenticeship program.<sup>23</sup>

Whatever the financial incentive, the government will realize higher income tax revenues as increased numbers of certified skilled workers achieve higher taxable incomes and tax revenues offset the introduction of incentives for employers. Another simplified tax option for small business employers would be a payroll break. Any incentive for SMEs to seek innovative solutions for their businesses, including the retention of apprenticeships, would be important given their integral role in training skilled trades workers.

**Recommendation**

That the federal government create a financial incentive for those employers who retain apprentices in their third or fourth year of training, to support the policy goal of increasing the number of certified trades workers. This incentive should be in addition to (and not in lieu of) the existing tax credit for employers for their level 1 and 2 apprentices.