

Congress of the United States  
U.S. House of Representatives  
Committee on Small Business  
2561 Rayburn House Office Building  
Washington, DC 20515-0515

**Memorandum**

To: Members, Committee on Small Business, Subcommittee on Contracting and Workforce  
From: Committee Staff  
Date: March 16, 2018  
Re: Hearing: “Workforce Development: Advancing Apprenticeships for Small Business”

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On Tuesday, March 20, 2018 at 2:00 p.m. the Committee on Small Business Subcommittee on Contracting and Workforce will meet in Room 2360 of the Rayburn House Office Building to explore small business participation in apprenticeship programs.

**I. Small Business Workforce**

According to the National Federation of Independent Business (NFIB) Small Business Economic Trends Survey released in January 2018, small business owners are enjoying historically high levels of optimism.<sup>1</sup> Due to tax and regulatory reform, small businesses are poised to expand, but are stalled by a lack of qualified workers.<sup>2</sup> In a recent study, half of the small business owners reported a lack of qualified applicants for job openings.<sup>3</sup> Difficulty in finding qualified workers is now the most cited the single most important small business struggle.<sup>4</sup> This problem, business hiring needs surpassing the workforce supply, is known as the skills gap. In addition to impeding business expansion, the skills gap negatively impacts product development, company profits, and investment in United States companies.<sup>5</sup>

*A. Small Business Committee Actions*

On February 14, 2018, the Committee held a hearing titled, “Job Creation, Competition, and Small Business’ Role in the United States Economy.” The hearing reviewed small business economic research conducted by Goldman Sachs. The research identified hiring and retaining skilled talent as the most significant barrier to small business growth.<sup>6</sup> Ninety percent of small

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<sup>1</sup> William C. Dunkelberg & Holly Wade, NFIB Small Business Economic Trends, NAT’L. FED’N. OF INDEP. BUS. (Jan. 2018), available at <https://www.nfib.com/assets/SBET-January-2018.pdf>.

<sup>2</sup> *Id.* at 1.

<sup>3</sup> *Id.* at 9.

<sup>4</sup> *Id.* at 1.

<sup>5</sup> THE ADECCO GROUP, WATCH THE SKILLS GAP (Jan. 26, 2018), available at <https://www.adeccousa.com/employers/resources/skills-gap-in-the-american-workforce/>.

<sup>6</sup> Helping Small Businesses Overcome Barriers to Growth: *Hearing Before the H. Comm. on Small Business*, 115<sup>th</sup> Cong. (2018) (testimony of Steven H. Strongin), available at [https://smallbusiness.house.gov/uploadedfiles/2-14-18\\_strongin\\_testimony.pdf](https://smallbusiness.house.gov/uploadedfiles/2-14-18_strongin_testimony.pdf).

business owners surveyed tackled the skills gap by providing employees with on-the-job training.<sup>7</sup> In his testimony, Steven Strongin, Managing Director the of Global information Research Division for Goldman Sachs, Inc., called for greater public-private support, as well as financial incentives, for small business owners to reduce the risks absorbed by entrepreneurs investing in human capital.<sup>8</sup>

On February 26, 2018, the Committee held a field hearing, “Workforce Development: Closing the Skills Gap,” which focused on career and technical education (CTE) as a strategy to address the lack of qualified workers within business and industry. The Carl D. Perkins Career and Technical Education Act of 2006 (Perkins Act) authorizes state grants to enhance CTE programs at both the secondary and postsecondary levels.<sup>9</sup> States are required to ensure programs are non-duplicative and create a path for participants to receive an “industry recognized credential, certificate, or an associate degree.”<sup>10</sup> During the field hearing, the witness panel agreed that CTE initiatives were imperative to help ameliorate the skills gap; however, the overall impact of these programs was dependent on program implementation, resources, and community participation.

### *B. Apprenticeship for Workforce Development*

Apprenticeship, a centuries old practice, is experiencing a resurgence in the United States. The American apprenticeship system was established in 1937 by the National Apprenticeship Act (also known as the Fitzgerald Act).<sup>11</sup> Initially, programs were limited to manufacturing, construction and utilities industries, but now offer training for over 1,000 skilled occupations.<sup>12</sup> At its core, apprenticeship is a workforce development strategy tailored to a specific occupation that combines on-the-job training and related technical instruction.<sup>13</sup> Many employers now request a bachelor’s degree for middle-skills jobs, despite the evidence that higher education does not consistently produce career-ready graduates.<sup>14</sup> The growing price tag for higher education, coupled with lost revenue caused by the skills gap, has increased demand for apprenticeships from both the workforce and industry.

## **II. Registered Apprenticeship (RA) System**

In 2017, the Department of Labor (DOL) reported 533,607 active Registered Apprentices, a 42 percent increase from 2013.<sup>15</sup> There are 22,488 active RA programs, up from 19,431 in

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<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 7, 8.

<sup>9</sup> Pub. L. No. 109-270, 120 Stat. 686 (2006) (codified at 20 U.S.C. §2302).

<sup>10</sup> *Id.*

<sup>11</sup> BENJAMIN COLLINS, CONG. RESEARCH SERV., R44174, APPRENTICESHIP IN THE UNITED STATES: FREQUENTLY ASKED QUESTIONS 1 (2016).

<sup>12</sup> EMPLOYMENT AND TRAINING ADMINISTRATION, U.S. DEPT. OF LABOR, A QUICK START TOOLKIT (2018), available at [https://doleta.gov/oa/employers/apprenticeship\\_toolkit.pdf](https://doleta.gov/oa/employers/apprenticeship_toolkit.pdf).

<sup>13</sup> *Id.* at 3.

<sup>14</sup> JOSEPH B. FILLER & MATTHEW SIGELMAN, ROOM TO GROW: IDENTIFYING NEW FRONTIERS FOR APPRENTICESHIPS (2017), available at <https://www.hbs.edu/managing-the-future-of-work/Documents/room-to-grow.pdf>.

<sup>15</sup> U.S. DEPT. OF LABOR, EMPLOYMENT AND TRAINING ADMINISTRATION, DATA AND STATISTICS (2018), available at [https://doleta.gov/OA/data\\_statistics.cfm](https://doleta.gov/OA/data_statistics.cfm).

2013, but still below the program highs (above 25,000) reached between 2008-2011.<sup>16</sup> There are more than 1,000 occupations offered; industries with the most active apprenticeships are: construction, (175,195); military (89,301); public administration (23,004); manufacturing (17,559); and transportation (15,895).<sup>17</sup>

DOL's Office of Apprenticeship calculates national totals based on individual records within the Registered Apprenticeship Partners Information Data System and aggregate state reports.<sup>18</sup> These data only include federal and state RA programs. The estimated number of informal, or "unregistered," programs varies considerably because there is no systematic way of measuring or tracking programs operating outside the RA system.<sup>19</sup> DOL program data includes the employer identification number of the entity employing the apprentice, but there is no metric to identify the characteristics of the employing business.

#### *A. Role of the States*

Private businesses may host informal apprenticeships, but they must register with the DOL or State Apprenticeship Agency to begin an RA program. In 25 states, as well as Puerto Rico and the United States Virgin Islands, programs register through DOL's Office of Apprenticeship.<sup>20</sup> In the other 25 states, as well as Guam and District of Columbia, the State Apprenticeship Agency registers and oversees programs that meet the federal standards.<sup>21</sup>

In addition to federal funding, some states incentivize RA participation by offering tuition support and tax credits. The map on page 7 of this memo depicts the diversity of RA systems across the states.

#### *B. Federal Resources*

Dedicated federal support for RA programs, traditionally funded through DOL Office of Apprenticeship appropriations, has increased in recent years through DOL awarded grants. In 2015, \$175 million was awarded through American Apprenticeship Grants.<sup>22</sup> The Consolidated Appropriations Act of 2016 provided \$90 million for DOL to expand apprenticeships.<sup>23</sup> A total of \$95 million was spent through:

- \$10.4 million in grants to 51 states and territories, including DC, through State Accelerator Grants to develop new apprenticeship programs;
- \$50.5 million in grants to 37 states looking to grow and diversify their preexisting apprenticeship systems through the State Expansion Grant;

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<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> *Supra* note 15.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Supra* note 11.

<sup>23</sup> *Id.* at 4.

- \$20.4 million in contracts to 10 industry intermediary organizations to develop industry-specific programs, and 4 national equity partner organizations to develop regional “opportunity partnerships;” and
- \$175 million in grant funds to public-private partnerships through the American Apprenticeship Initiative.<sup>24</sup>

Federal funds to support RA are also available through:

- Department of Education: Federal Student Aid Funds, Title IV Student Aid including Pell Grants and Federal Work Study;
- Department of Labor: Federal Workforce Development Funds, including Workforce Investment Act and Workforce Innovation and Opportunity Act; and
- Department of Veterans Affairs: GI Bill® and Veterans Affairs Educational Assistance.<sup>25</sup>

### III. RA Programs

There is no “one size fits all” model for RA programs; each program is tailored to meet the needs of the community and capabilities of training providers. RA programs vary considerably but all share five basic components:

- Business involvement, employers recruit, train, mentor, and pay apprentices;
- Structured On-the-Job Training, based on national industry standards and customized by the employer;
- Related technical instruction (RTI), to address technical and academic competencies required for the occupation. RTI can be provided by community colleges, technical or apprenticeship training schools, and the business itself;
- Rewards for Skills Gains where apprentices earn while they learn, and are rewarded with pay increases as they meet training benchmarks;<sup>26</sup> and
- Nationally-recognized credential, every apprentice receives a portable credential upon graduation and some choose to earn college credits towards a degree. Once they have earned their credentials, apprentices often have a higher starting wage than their peers and less education related debt.<sup>27</sup>

RA programs that meet these structural requirements can then be customized by their design, model, and instruction style.<sup>28</sup>

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<sup>24</sup> NEW APPRENTICESHIP INVESTMENTS COMING SOON!, U.S. DEPT. OF LABOR (2016), *available at* <https://www.dol.gov/featured/apprenticeship/grants>.

<sup>25</sup> EMPLOYMENT AND TRAINING ADMINISTRATION, U.S. DEPT. OF LABOR, THE FEDERAL RESOURCES PLAYBOOK FOR REGISTERED APPRENTICESHIP (2015), *available at* <https://www.doleta.gov/oa/federalresources/playbook.pdf>.

<sup>26</sup> APPRENTICESHIPUSA TOOLKIT FREQUENTLY ASKED QUESTIONS, U.S. DEPT. OF LABOR, *available at* <https://www.dol.gov/apprenticeship/toolkit/toolkitfaq.htm>.

<sup>27</sup> Nicholas Wyman, *Why Investing in Apprenticeship Makes Good Dollars and Sense*, FORBES (2016), *available at* <https://www.forbes.com/sites/nicholaswyman/2016/11/01/why-investing-in-apprenticeship-makes-good-dollars-and-sense/#2b406c705de0>.

<sup>28</sup> *Id.* at 9.

### A. Program Participants

Some RA programs are managed by single entities such as labor unions, industry associations, and large corporations. To meet the needs of diverse stakeholders, RA programs are often run by public-private partnerships. Ideally, partners collaborate through the process; together they assess community needs, design and pitch the program for certification, and run the program according to federal regulations.<sup>30</sup>

### B. Small Business Participation?

Small businesses employ nearly half of the non-farm private workforce, which makes them a keystone provider of training and development.<sup>31</sup> However, there is no data available to measure small business participation in the RA system, and there is very little research on how apprenticeship programs affect businesses that sponsor apprentices.



Small businesses are unlikely to have the internal capacity and resources to be the sole administrator of an RA program.<sup>32</sup> Employers are also unlikely to sign up for the additional regulations and oversight from the Department of Labor the RA system requires. The RA system is designed to provide multilayered support through local partners, but small businesses may not be aware of these resources.<sup>33</sup>

According to DOL, businesses that host RA programs enjoy a variety of benefits: highly skilled employees, increased employee retention, and increased productivity.<sup>34</sup> To demonstrate benefits for businesses, the Department of Commerce (DOC) released a return-on-investment calculator based on findings from the 2016 report, “The Benefits and Costs of Apprenticeships: A Business Perspective.”<sup>35</sup> In addition to the planning tool, the DOC also provides a roadmap for employers to conduct a cost-benefit analysis of their apprenticeship program.<sup>36</sup>

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<sup>29</sup> *Id.* at 6.

<sup>30</sup> *Supra* note 10.

<sup>31</sup> *Id.* at 6.

<sup>32</sup> MAKING WORK-BASED LEARNING WORK FOR BUSINESSES, BUSINESS LEADERS UNITED (2016), available at <https://www.businessleadersunited.org/publications/file/Making-Work-Based-Learning-Work-for-Businesses.pdf>.

<sup>33</sup> *Id.*

<sup>34</sup> *Supra* note 30.

<sup>35</sup> ECONOMICS AND STATISTICS ADMINISTRATION, U.S. DEPT. OF COMM., THE BENEFITS AND COSTS OF APPRENTICESHIPS: A BUSINESS PERSPECTIVE (2016), available at <http://www.esa.doc.gov/reports/benefits-and-costs-of-apprenticeships-business-perspective/>.

<sup>36</sup> *Id.*

#### IV. RA Expansion Efforts

Efforts to expand apprenticeships in the United States are taking place from Main Street to the White House. Business and industry leaders have been advocating for reforms to facilitate industry-driven, competency-based programs, and methods to reduce the risks of investment for employers. For employers to benefit from RA, the program should yield savings and secure a skilled and loyal workforce.<sup>37</sup>

On February 15, 2017, President Trump issued Executive Order (EO) 13801, “Expanding Apprenticeships in America.” The EO called for federal agencies to promote apprenticeships, review existing workforce development programs, and better integrate industry needs.<sup>38</sup> Specific directives included: establishment of the Task Force on Apprenticeship Expansion led by DOL Secretary Alexander Acosta; cross-agency promotion and expanded opportunities for target populations and occupations; and official recognition for industry-recognized programs verified by third parties.<sup>39</sup>

The Task Force on Apprenticeship Expansion membership includes representatives from public and private stakeholders: unions; community organizations; industry associations; large corporations; and workforce training advocate John Ratzenberger.<sup>40</sup> Task force leadership includes Department of Labor Secretary Alexander Acosta, Department of Education Secretary Betsy DeVos, and Department of Commerce Secretary Wilbur Ross.<sup>41</sup>

#### V. Conclusion

The skills gap is a well-documented problem that has attracted a wide variety of policy solutions from industry, labor, and education groups. There is no shortage of data to measure the impact of the skills gap on small businesses and demonstrate the importance of small businesses as employers and trainers of the American workforce. At this hearing, Members will learn how apprenticeship systems are working at the community level.

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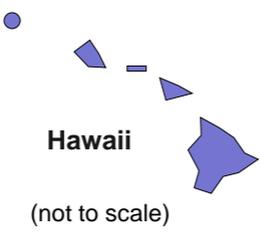
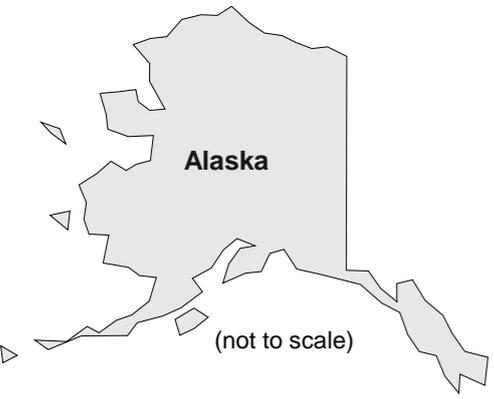
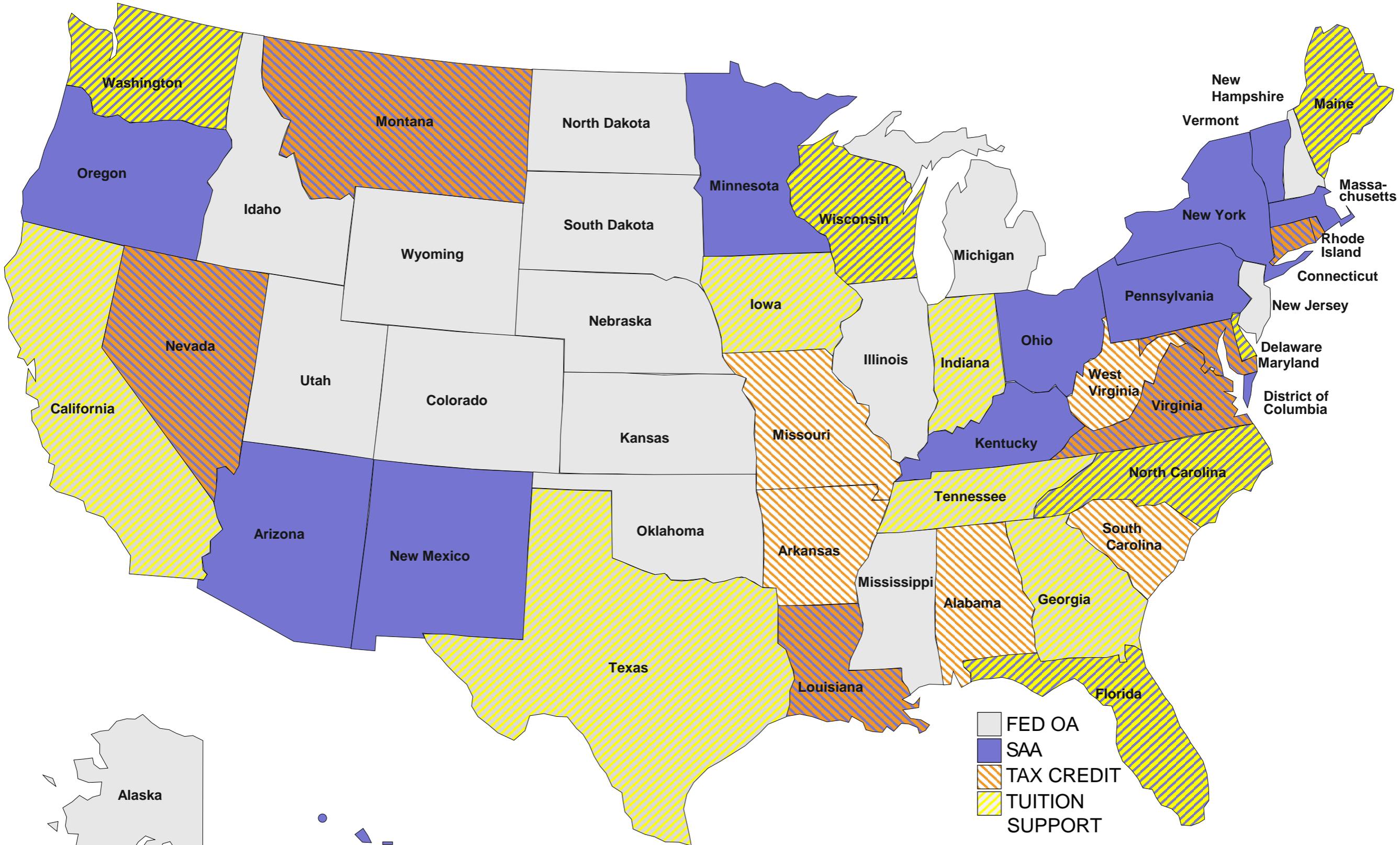
<sup>37</sup> JOSEPH B. FILLER & MATTHEW SIGELMAN, ROOM TO GROW: IDENTIFYING NEW FRONTIERS FOR APPRENTICESHIPS (2017), available at <https://www.hbs.edu/managing-the-future-of-work/Documents/room-to-grow.pdf>.

<sup>38</sup> BENJAMIN COLLINS, CONG. RESEARCH SERV., IN10732, EXECUTIVE ORDER TO EXPAND APPRENTICESHIPS 1 (2017), available at <http://www.crs.gov/Reports/IN10732?source=search&guid=e0dac57acab44da99873501cdea32689&index=0>.

<sup>39</sup> *Id.* at 2.

<sup>40</sup> U.S. SECRETARY OF LABOR ACOSTA ANNOUNCES MEMBERSHIP OF TASK FORCE ON APPRENTICESHIP EXPANSION, U.S. DEPT. OF LABOR (2017), available at <https://www.dol.gov/newsroom/releases/osec/osec20171016>.

<sup>41</sup> *Id.*



United States Department of Labor, Employment and Training Administration