

**Ontario Federation of Labour**

**Submission**

**to**

**Tim Armstrong, Advisor**

**Ministry of Training, Colleges &**

**Universities**

**Compulsory Certification Review**

**January 2008**

# **EXECUTIVE SUMMARY**

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## Introduction

The Ontario Federation of Labour (OFL) represents over 700,000 workers. This submission was developed by the OFL Apprenticeship Committee that includes representatives from building trades, teachers and support staff in the elementary, secondary and post-secondary education sectors, retail, commercial and industrial trades people, and a variety of other trade unions working on apprenticeship and training issues within our Federation. We welcome this opportunity to make a contribution to the Review of Compulsory Certification.

This Review must be seen as part of a broader strategy to improve Ontario's economic prospects now and in the future. Such a strategy must include increasing the number of compulsory certified trades and restoring a single act governing trades: *The Trades Qualification and Apprenticeship Act* (TQAA).

Furthermore, the OFL believes that all trades should have a Provincial Advisory Committee governed by the TQAA. These provincial bodies play a crucial role in all aspects of apprenticeship training.

### **Health and Safety**

The Ontario Federation of Labour believes that increasing the number of compulsory trades under the TQAA will improve workplace health and safety, since compulsory certification and mandatory training ensures health and safety awareness is incorporated into authentic apprenticeship training. The apprentice has to be tested and licensed before becoming a certified journey person.

### **Registration of New Apprentices**

The Ontario Federation of Labour also sees investment in authentic apprenticeship training as a crucial component of a jobs strategy that would enhance manufacturing and industrial sector jobs in Ontario and Canada and increase apprenticeship opportunities.

Increasing the number of registered apprentices is only important to the extent that such increases are contributing to the overall goal of increasing and broadening the skill and diversity of Ontario's workforce. Increasing apprenticeship registrations can have precisely the opposite effect if the increases are accomplished by reducing training standards or by re-defining trades to include any on-the-job work program.

The Ontario Federation of Labour believes that, all things being equal, increasing the number of compulsory trades under the TQAA will increase the number of apprenticeship registrations.

The Ontario Federation of Labour recognizes that employer investment in training is low in comparison to other industrialized countries, and has been stagnating. To address

this issue and to level the playing field between those employers that are investing in trades training, a mandatory training levy must be established. All employers would contribute to the levy if they were not already investing in training.

### **Apprenticeship Completion**

The Ontario Federation of Labour strongly believes that increasing the number of compulsory certified trades, all things being equal, will increase the completion rates of apprenticeship programs. If a certificate of qualification is mandatory to work in the industry, then both employers and workers will value the certificate. On the other hand, if a certificate is not required, then there is no incentive to complete.

Unions play a key role in increasing apprenticeship completion rates. Studies have shown that unionized workers are 65 percent more likely than non-unionized workers to complete apprenticeship training. Compulsory trades that are also unionized enjoy completion rates of over 90 percent.

### **Consumer Protection**

A typical apprenticeship takes approximately four years to complete, and only 10 to 20 percent of the program is taught in a classroom setting. Certification is time-based to ensure that an apprentice has had enough time and exposure to qualified journey persons to turn basic skills proficiency into expertise. It is this *expertise* that is recognized through certification. It is this level of expertise that the public assumes exists when contracting with licensed professionals. This public trust is a key reason why the definition of certified journey persons should not be diluted or confused through short-sighted government policy decisions.

Consumers will be protected at three levels. First, increasing the number of compulsory certified trades will, by definition, extend minimal health and safety training standards for apprentices. Second, the overall quality of work undertaken will be improved since only those genuinely qualified and experienced will be performing the work. Third, increasing the number of compulsory trades will, by definition, increase the extent of the monitoring and enforcement of all regulations that protect consumers, such as building codes, and protections against dangerous goods and chemicals.

However, the OFL believes that enforcement mechanisms must be enshrined in legislation to ensure compliance with compulsory certification regulations by both employers and individuals. The fines for violating the TQAA must be increased to significant levels, enforcement mechanisms must have more clout and the penalties must be more strictly enforced.

The Ontario Federation of Labour calls for the restoration of the Apprenticeship Branch within the Ministry of Training, Colleges and Universities as an aspect of enforcement and administration of apprenticeship training in Ontario.

## **Economic Impact**

The Ontario Federation of Labour argues that far from reducing flexibility, apprenticeship-based training in authentic, whole compulsory certified trades will enhance the adaptability of the workforce.

Fire, environmental destruction, accidents, chemical hazards, injuries and even deaths are a few of the enormous hidden costs associated with de-skilling the workforce. Workers with only niche training are more susceptible to the fluctuations of a changing labour market and ultimately, to layoff—another hidden cost that is borne by all.

The OFL believes that the notion of a skills-shortage has been over-hyped to the detriment of effective apprenticeship training policy.

Governments have a responsibility to implement policies that will improve the skills, productivity and prosperity of the workforce and not succumb to impressionistic arguments from employers that high quality training, health and safety standards, and consumer protection negatively impacts the flexibility of the labour market.

The underground economy exists to the extent it is allowed. In other words, the lack of sufficient enforcement mechanisms and penalties for non-compliance has created incentives for employers and workers to engage in under-the-table practices.

With appropriate enforcement significant underground activity would be curtailed. This in turn would benefit workers, consumers and employers, by maintaining a level playing field. More tax revenue would be collected by government as underground economic activity is brought into the real economy.

The Ontario Federation of Labour believes that increasing the number of compulsory trades under the TQAA will also improve data collection regarding apprenticeship registration, completion and labour market outcomes. This will in turn, lead to the implementation and assessment of more effective labour market policy on the part of employers and government, especially in predicting future human resource needs in different sectors of the economy.

## **Miscellaneous Ramifications**

The Ontario Federation of Labour strongly believes that the number of compulsory trades must be increased and a legislative process should be established to do so. But the increase in the number of compulsory trades must be undertaken in the context of a restoration of whole trades under the *Trades Qualification and Apprenticeship Act* (TQAA). For many trades, this will involve the current provincial advisory committee structures. For the record, the OFL believes that all trades should have a Provincial Advisory Committee governed by the TQAA and that these provincial bodies play a crucial role in all aspects of apprenticeship training.

As a result of the previous government policies, provincially imposed curriculum in elementary and secondary schools does not appropriately prepare students for the high levels of math, science, English and problem-solving skills required for a career in the trades.

The Ontario Federation of Labour recognizes that the foundation of a highly skilled workforce is Ontario's public elementary and secondary school system. The Ontario Federation of Labour calls for the restoration of funding to elementary and public schools to ensure that shop classes are restored along with the necessary funding for staff, faculty and equipment. The Ontario Federation of Labour calls for a restoration of quality curriculum to the Ontario public school system to ensure that students considering a career in the trades have access to high level math, science, language and problem-solving skills.

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## Introduction

The Ontario Federation of Labour (OFL) welcomes this opportunity to make a contribution to the Review of Compulsory Certification. We expect there will be further deliberation, along with other stakeholders, on the recommendations coming out of this review. Our Federation is more than willing to participate in any future endeavours on the part of the Ministry of Training, Colleges and Universities and to make recommendations directly to the Minister.

As you know, the Ontario Federation of Labour represents over 700,000 workers. This submission was developed by the OFL Apprenticeship Committee, and represents a consensus among OFL affiliates from a broad cross section of labour. The Apprenticeship Committee includes representatives from building trades, such as carpenters as well as machinists, engineers, ironworkers, electricians, sheet metal workers, energy and hydro workers, teachers and college faculty members, support staff in the elementary, secondary and post-secondary education sectors, commercial and industrial trades people, and a variety of other trade unions working on apprenticeship and training issues within our Federation.

Authentic trades training is the bedrock of a training system designed to increase the pool of skilled labour. Recent studies have demonstrated that investing in apprenticeship training provides an average return of 138 percent.<sup>1</sup> Others have concluded an economic benefit of 430 percent.<sup>2</sup> It is estimated that 100,000 skilled workers contribute approximately \$83 million to Ontario's tax revenue base.

This reality makes authentic apprenticeship training a matter of vital economic concern, not only for workers themselves, but for government and employers. Indeed, the well-being of the Canadian economy as a whole rests on the urgent need to implement policies that will create jobs, increase authentic apprenticeship opportunities, enforce high standards, and fund high quality curricula in elementary, secondary and post-secondary schools.

Unfortunately, the evidence shows that such policies are not being implemented.

In just one year—2007—Canada lost over 130,000 manufacturing jobs, double the number lost in 2006.<sup>3</sup> The Toronto Dominion Bank estimates that Toronto, once an economic driver, has lost 100,000 jobs since 2002 and poses a threat to the overall prosperity of Ontario and Canada.<sup>4</sup>

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<sup>1</sup> Canadian Apprenticeship Forum. *Return on Apprenticeship Training Investment for Employers – a Study of 15 Trades*. (June 2006) 4.

<sup>2</sup> Ontario Chamber of Commerce. *Taking Action on Skilled Trades: Establishing the Business Case for Investing in Apprenticeship*. (September 2005) 2.

<sup>3</sup> Canadian Labour Congress Media Release. "Manufacturing job losses more than double in 2007 - Prime Minister needs to show leadership in jobs crisis." January 11, 2008.  
<http://canadianlabour.ca/index.php/release2008/1312>

<sup>4</sup> *Toronto Star*. "Manufacturing job losses, poor growth, high dollar blamed for relative decline in standard of living." July 17, 2007. <http://www.thestar.com/printArticle/236613>



A November 2007 Statistics Canada report on Registered Apprenticeship Training Programs (based on 2005 data) clearly showed that despite increases in the registration rate of apprentices, the completion rate of apprenticeship has been virtually stagnant and, in some cases, has actually declined. According to the Statistics Canada, apprenticeship completion in the category of industrial and related mechanical trades declined from 2,235 completions in 1992, to 1,955 completions in 2005.<sup>5</sup>

Although at present there is some recognition that reports of Canada's boom and presumed labour shortage have been overstated<sup>6</sup>, such perceptions still distract policy makers from the very real context in which apprenticeship training is taking place: the current crisis in manufacturing and industrial production resulting in the loss of well over 250,000 manufacturing and industrial jobs.<sup>7</sup>

If the present trend in Ontario and in other parts of Canada persists, then any meaningful discussion of increasing the number of qualified, certified, skilled industrial trades people will be moot:

Employment instability is a central problem for all stakeholders in the apprenticeship system. Unemployment in the past decade caused a substantial decline in apprenticeship registrations, due to the simple fact that apprentices must have employers to complete their programs.<sup>8</sup>

The Ministry of Training, Colleges and Universities Review of Compulsory Trades provides us all with an opportunity to consider recommendations in this context as part of a broader strategy to improve Ontario's economic prospects now and in the future. Part of an effective strategy must include the restoration of the *Trades Qualification and Apprenticeship Act* (TQAA) and an increase in the number of compulsory certified trades it governs.

### Return to One Act: the *Trades Qualification and Apprenticeship Act*

In the 1990s Ontario's Conservative government created the *Apprenticeship and Certification Act* (ACA) eliminating crucial rules and regulations that protected the rights of apprentices and restricted what could be designated as a trade. This initiative and the subsequent exclusion of the construction sector forced the industrial, auto, service and public sector trades to fall under the new ACA. The ACA effectively deregulated trades training and fragmented whole trades into pieces or components of the trade.

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<sup>5</sup> *The Daily*. Statistics Canada. November 15, 2007.

<http://www.statcan.ca/Daily/English/071115/d071115b.htm>.

<sup>6</sup> *Toronto Star*. "PM fiddles while Ontario burns." January 15, 2008.

<http://www.thestar.com/comment/article/293899>

<sup>7</sup> Weir, Erin. *The Manufacturing Crisis*. Canadian Labour Congress. (August 2007) 1-2.

<http://canadianlabour.ca/updir/TheManufacturingCrisis-Updated-August222007.pdf>

<sup>8</sup> Sharpe, Andrew & Gibson, James. "The apprenticeship system in Canada: Trends and issues." Prepared by the Centre for the Study of Living Standards for the Micro-economic Policy Analysis Branch, Industry Canada, Ottawa. (September 2005) 63.

<http://www.csls.ca/reports/csls2005-04.pdf>

The ACA eliminated the ratio requirement of apprentices to journey persons, removed guaranteed wage rates for apprentices, and replaced employer apprenticeship contracts with “registered training agreements”.

### **Authentic, Whole Trades vs. Occupations**

The *Apprenticeship and Certification Act* (ACA) provides legal recognition and a credential for only partially trained workers and further re-defines these partial skill sets as “trades”. The Ontario Federation of Labour argues that simple proficiency in skill sets must not be confused as expertise in a trade. Yet the ACA does exactly that by defining occupations as trades. For example, instead of an auto mechanic who at one time would fully understand all aspects of automobile mechanics, the ACA has created specialized occupations such as “Transmission Technician”, “Alignment and Brake Technician”; and “Automotive Electronic Accessory Technician” with no guarantee that any of these people will have a broader level of skill and expertise to understand how, when and if these areas interact and affect each other.

In addition, the ACA has allowed occupations like call centre “help technicians”, “customer care technicians”, “hot tub installers”, and “special events coordinators”, to be labelled “trades”.

By contrast, the Ontario Federation of Labour sees an authentic, bona fide apprenticeship program as one that teaches the whole trade, not simply portions of it. In the same way that medical doctors must learn and demonstrate a level of expertise and skill in understanding the human body as a whole (and how it interacts with its environment) before further specialization is undertaken, so must skilled journey people understand all aspects of their trade before developing areas of specialization.

To accomplish this, an apprentice learns 80 to 90 percent of the trade on the job, under the mentorship of a certified journey person. A typical apprenticeship takes approximately four years to complete, and only 10 to 20 percent of the program is taught in a classroom setting. Certification is time-based to ensure that an apprentice has had enough time and exposure to qualified journey persons to turn basic skills proficiency into expertise. It is this *expertise* that is recognized through certification. And it is this level of expertise that the public assumes exists when contracting with licensed professionals. This public trust is a key reason why the definition of certified journey persons should not be diluted or confused through short-sighted government policy decisions.

The Ontario Federation of Labour strongly believes that the number of compulsory trades must be increased and a legislative process should be established to do so. But the increase in the number of compulsory trades must be undertaken in the context of a restoration of whole trades under the *Trades Qualification and Apprenticeship Act* (TQAA). For many trades, this will involve the current provincial advisory committee structures. For the record, the OFL believes that all trades should have a Provincial

Advisory Committee governed by the TQAA, and that such bodies are crucial to the development and delivery of authentic apprenticeship training.

#### Increasing Compulsory Certification under the TQAA: Enforcement

When the Ontario government adopts legislation and regulations governing Apprenticeship in Ontario, consistent monitoring is essential; enforcement with meaningful consequences must be the practice. If consequences for violations are trivial, or if staffing and financial resources devoted to enforcement are inadequate, then any health and safety standards, trades qualification criteria or consumer protections will be meaningless.

Compulsory certified trades already require a measure of enforcement, although the OFL believes that more must be done in this area. Improving existing enforcement mechanisms and extending their reach by increasing the number of compulsory trades will produce a secondary effect of improving the enforcement of a myriad of other policies and regulations, from building codes, to safety standards to consumer protection.

As such, the OFL believes that enforcement mechanisms must be enshrined in legislation to ensure compliance with compulsory certification regulations by both employers and individuals. The fines for violating the TQAA must be increased to significant levels, enforcement mechanisms must have more clout and the penalties must be more strictly enforced.

#### Clearly Designated Apprenticeship Branch within MTCU is Required

Significant enforcement under the TQAA falls to the Ministry of Training, Colleges and Universities and until recently, this work was undertaken by the staff of a clearly defined Apprenticeship Branch. This past year, the responsibilities for apprenticeship have been split between two separate branches within the Ministry (development and delivery) under the terms of the 2007 re-organization. At the time, the OFL expressed concern that the wide range of responsibilities associated with apprenticeship training had been dispersed throughout the Ministry with no clearly designated department charged with developing, monitoring and enforcing apprenticeship standards and regulations.

Under the TQAA, a Provincial Director of Apprenticeship and staff are designated responsible for administering and enforcing many aspects of the Act, such as the issuing of licenses to provincial advisory committees and local apprenticeship committees that operate trade schools (provided such schools offer approved and regulated curricula and instruction). The Act also provides for, and governs, the issuing of Certificates of Apprenticeship showing an apprentice has successfully completed all in-school and on-the-job requirements and Certificates of Qualification showing the apprentice has passed the government exam where applicable. Apprenticeship contracts between employers and apprentices are also registered under the Act and there are general provisions setting out minimum standards such as:

- age and education requirements;
- apprentice rates of pay;
- ratios of journey persons to apprentices; and
- training and instruction requirements.

Regulations are also established for each individual construction trade listed in the TQAA. These regulations define the trade and its status as compulsory, voluntary, or exempted. To have meaning, all these standards must be monitored and enforced by people clearly assigned to do so as their primary responsibility, within an Apprenticeship Branch of the Ministry. Scattering these diverse responsibilities will ensure that nobody is responsible while current and potential apprentices will be left with no clear avenues of support.

### Improved Data Collection and Policy Making

Apprenticeship Branch staff have been charged with the responsibility of monitoring certifications in compulsory certified trades, ensuring that the regulations are followed correctly and that apprentices have proper contracts of apprenticeship in place. A crucial aspect of these duties includes their role in collecting data on retention and completion rates of apprentices in the compulsory trades. This role should be enhanced and improved since data collection and monitoring is crucial to the development, implementation and assessment of effective labour market strategies.

A 2007 paper prepared by COMPAS Research for *Human Resources and Skills Development Canada* notes the dearth of data accurately linking apprenticeship training programs to subsequent labour market outcomes.<sup>9</sup>

A critical consequence of increasing the number of compulsory certified trades will be the corresponding improvement in data collection and monitoring, especially in the areas of apprenticeship registration and completion rates. Enhanced data collection will also improve the evaluation and emergence of new trades. Improvements in these areas will allow human resource departments of both employers and government to more accurately assess future labour market needs and will help to ensure that the workforce is replaced and revitalized in a cost-effective and efficient manner.

### Improved Health and Safety and Consumer Protection

Whether they work on a construction site or work with hairdressing chemicals or meat cutting blades, apprentices are sent to jobs where safety needs to be a priority. One of the many strengths of the traditional apprenticeship system lies in the role of the journey person in teaching the apprentice how to do the job safely. Health and safety is one of many reasons that established ratios of journey persons to apprentices are so essential. While some may suggest that ratios are barriers to employers' ability to hire

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<sup>9</sup> COMPAS Inc., Public Opinion and Customer Research. "What are the Desirable Characteristics of a Well-Functioning Apprenticeship System? Literature Review of Apprenticeship in Canada." (July 30, 2007) 37-38.

apprentices, the OFL argues that ratios ensure apprentices are not used as cheap labour, and have enough access to a journey person who ensures that safety on the job is a priority for the apprentice.

The need for people to have a Certificate of Qualification is crucial for maintaining the health and safety, not only of workers, but also of consumers. When a license is required to do a trade, this means that standards are set for the trade.

Compulsory certification and mandatory training ensures health and safety awareness is incorporated into authentic apprenticeship training. The apprentice has to be tested and licensed before becoming a certified journey person. This maximizes the safety of services being contracted and minimizes risk for the consumer and general public.

Because the *Trades Qualification and Apprenticeship Act* was split into two separate Acts, there has been an overall de-skilling of those working in the trades. As noted earlier, under the ACA, the qualification standards were reduced to that of basic proficiency with simple skill sets, in isolation from other skills and aspects of the trade and with little regard for how such skill sets interact. The system ushered in by the ACA is creating generations of workers who lack an understanding of their complete trade.

And while the ACA provides certificates to only partially trained individuals, the public remains largely unaware that the standards represented by the certificate have been drastically diluted.

Among the largest advantages in restoring whole trades into the *Trades Qualification and Apprenticeship Act* and increasing the number of compulsory certified trades is the added protection for the consumer.

Several trades including general carpentry are voluntary. This means anyone can say that they are a carpenter. Today, there are numerous television programs devoted to exposing the risks, disasters, injuries and even deaths experienced by consumers who did not know they hired unqualified workers.

By ensuring that consumers can trust the expertise of skilled trades persons, many of the worst problems faced by consumers could be eliminated.

Consumers will be protected at three levels. First, increasing the number of compulsory certified trades will, by definition, extend minimal health and safety training standards for apprentices. Second, the overall quality of work undertaken will be improved since only those genuinely qualified and experienced will be performing the work. Third, increasing the number of compulsory trades will, by definition, increase the extent of the monitoring and enforcement of all regulations that protect consumers, such as building codes, and protections against dangerous goods and chemicals.

## Increasing Registration Rates of New Apprentices

The Ontario Federation of Labour recognizes that employer investment in training is low relative to other OECD countries and has been stagnant for a number of years.<sup>10</sup> According to a 2006 report on employer investment in workplace learning in Canada:

Canada slipped from 12<sup>th</sup> place in 2002 to 20<sup>th</sup> in 2004 in terms of the priority employers place on employee training.

As a percentage of their overall payroll, Canadian firms' spending has been virtually stagnant at 1.57 percent in 2001 and 1.55 percent in 2003, compared to 1.9 percent and 2.34 percent in the US in those same years. Thus, US firms spend about 50 percent more of their payroll on training (2003) than Canadian firms.<sup>11</sup>

In this context, those *employers who are investing* in apprenticeship training *are subsidizing employers who are not*. According to the Chamber's report, in a skilled trades survey, retention of apprentices was identified by employers as one of the top three barriers to their investing in apprenticeship training. Those who do invest in apprenticeship training face a double financial burden: the actual financial investment in training plus the additional financial burden in paying apprentices above scale in order to retain them. When an employer loses an apprentice to poaching, the costs are enormous.<sup>12</sup>

But the reality is that there is a strong return on investment for both employers and society for investing in apprenticeship training. A June 2006 paper released by the Canadian Apprenticeship Forum examined 15 trade areas, and demonstrated that for every dollar invested in apprenticeship training, there is an average 138 percent return (excluding tax credits) for the employer. A 2005 Ontario Chamber of Commerce report suggests that there is a 430 percent return on investment in apprenticeship.<sup>13</sup>

So although it makes economic sense to invest in training, clearly efforts to date to improve the record of Canadian employers in this regard have been ineffective. That is why the Ontario Federation of Labour strongly supports the establishment of a training levy to which all employers would contribute if they were not already investing in training.

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<sup>10</sup> Goldenberg, Mark. "Employer investment in workplace learning in Canada." Canadian Policy Research Networks. (September 2006) 12.

[http://www.cprn.org/documents/45354\\_en.pdf](http://www.cprn.org/documents/45354_en.pdf)

<sup>11</sup> Ibid.

<sup>12</sup> Ontario Chamber of Commerce. "Taking Action on Skilled Trades: Establishing the Business Case for Investing in Apprenticeship." (September 2005) 17.

<sup>13</sup> Ibid. 9.

## Training Levy

The Ontario Federation of Labour is not alone in identifying employer investment in training as the central issue. The 2005 paper issued for Industry Canada concludes that the market for apprentices is constrained primarily by employer demand—their willingness to invest in training.<sup>14</sup>

Any serious discussion about increasing apprenticeship registration rates must resolve the key dilemma: even though it pays to invest in training, employers are not investing adequately. And those investing properly are both subsidizing those who refuse and paying a premium to retain their workers. A training levy applied to those employers not already investing resolves the dilemma. Such a levy would level the playing field between employers, reduce the additional expenses currently being borne by employers who are hiring apprentices and generate enormous returns.

The Ontario Federation of Labour suggests that the training levy be equal to one percent (1%) of payroll. Employers who hire apprentices or pay into a union or union-employer administered training trust fund would be exempted based on current contributions and the amount generated by one percent of payroll. All sectors must be covered and the administration of the fund would involve employers, unions and the provincial government.

A major portion of the fund would be allocated to apprenticeship and must be used only for the training of apprentices in a whole trade. Such a fund must also promote fair and equitable access to the trades for all equity seeking groups.

The remainder of the fund would be available for life-long learning and workplace training for other workers as well as apprentices (for example, the costs to cover wages and training for workers being upgraded in their skills, literacy training or training for a new occupation for laid-off workers facing restructuring or downsizing of their workplaces).

The training levy would eliminate the financial barriers faced by workers and would ensure all employers shouldered a fair portion of training costs. Free access to training would eliminate barriers faced by women, aboriginals, immigrant workers, visible minorities, people with disabilities, youth, older workers, and social assistance recipients and allow them to fully participate in the labour market.

By increasing the overall investment in training, there would be improvements in the quality of training provided, in addition to the obvious benefits of levelling the playing field between employers and reducing the opportunity costs associated with the spectre of poaching. And although the Ontario government has been reticent to consider this proposal, there is evidence that some employers—particularly those who are investing

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<sup>14</sup> Sharpe, Andrew & Gibson, James. “The apprenticeship system in Canada: Trends and issues.” Prepared by the Centre for the Study of Living Standards for the Micro-economic Policy Analysis Branch, Industry Canada, Ottawa. (September 2005) 4.

in apprenticeship and who are experiencing the double-burden of investment and retention—are in favour of mandatory training funds.

There is also evidence that employers support across the board training standards through increases in the number of compulsory trades and restoring authentic trades. For example, it was reported at a 2004 Canadian Apprenticeship Forum that 90 percent of mechanical contractors supported compulsory certification and apprenticeship.<sup>15</sup> And in a 1997 survey undertaken by the BC Construction Association revealed that over 70 percent of contractors support “full scope trade training” as opposed to “task training” or skill sets.<sup>16</sup>

### **Compulsory Trades do not have difficulty recruiting potential apprentices**

It should be noted that the Industry Canada report by Sharpe and Gibson recognizes that the supply of potential apprentices outstrips the availability of authentic apprenticeships.<sup>17</sup> Certainly, within the compulsory trades sector, there is no shortage of potential apprentices, precisely because the resulting certification is a requirement for both workers and employers who wish to conduct business in the sector. Increasing the number of compulsory certified trades will increase the interest in apprenticeship training for those new compulsory trades. The challenge for the government will be to ensure that employers invest in the necessary training, and to improve the completion rates for those who enrol.

### **Wrong ways to increase registration rates**

Increasing the number of registered apprentices is only important to the extent that such increases are contributing to the overall goal of increasing and broadening the skill and diversity of Ontario’s workforce. Increasing apprenticeship registrations can have precisely the opposite effect if the increases are accomplished by reducing training standards or by re-defining trades to include any on-the-job work program.

Indeed, Canada has experienced a significant increase in the number of new apprenticeship registrations. Unfortunately, many of these increases can be attributed to the number of occupations that have recently been designated as “trades”, even though they comprise only a fragment of the skills required for an authentic trade. The Statistics Canada report on apprenticeship registration rates cited at the beginning of this paper, shows a 238 percent increase in the trades category “other”, as compared to a 39.9 percent increase in the trades category “industrial and related mechanical trades.” It should be noted that the report shows the completion rate of each category to be 36.3 and -12.5 percent respectively.<sup>18</sup>

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<sup>15</sup> British Columbia Federation of Labour. “Solving BC’s Looming Skills Shortage.” Discussion Paper. (November 22, 2004) 7. [http://www.bcfed.com/files/1320-04rep\\_looming\\_skills\\_shortage.pdf](http://www.bcfed.com/files/1320-04rep_looming_skills_shortage.pdf)

<sup>16</sup> Ibid.

<sup>17</sup> Sharpe, Andrew & Gibson, James. “The apprenticeship system in Canada: Trends and issues.” Prepared by the Centre for the Study of Living Standards for the Micro-economic Policy Analysis Branch, Industry Canada, Ottawa. (September 2005) 76.

<sup>18</sup> *The Daily*. Statistics Canada. November 15, 2007. <http://www.statcan.ca/Daily/English/071115/d071115b.htm>.



Ontario's *Apprenticeship and Certification Act* has allowed occupations like call centre "help technicians", "customer care technicians", "hot tub installers", and "special events coordinators", to be labelled "trades". Furthermore, Ontario's increase in new apprenticeship registrations has been accomplished largely by registering high school students, with little regard to their employment prospects or completion rates.

Australia has experimented with the kind of model that has defined a trade so loosely that it encompasses paid work practicums of less than a single year. On paper, it looks good since both the number of apprenticeship registrants—and completions—appear to have increased. But broken down by sector it becomes clear that "trades and related workers" only increased registration by an average of 2.3 percent, while the category "clerical, sales and service workers" increased from 8.2 thousand registrations to 124.4 thousand registrations between 1995 and 2004.<sup>19</sup> Between the US, the UK, Ireland, France, Canada, and Germany, Australia now claims to have the second highest proportion of its labour force enrolled in apprenticeship programs.<sup>20</sup> While this may be true on paper, as a method of increasing the number of genuinely qualified journey persons in authentic trades who are well-situated to meet the needs of a fluctuating labour market, it falls far short.

In British Columbia, the government's 2003 experiment in de-regulating apprenticeship training was an unmitigated disaster, from which the workforce is still reeling.<sup>21</sup> In 2006 the BC and Yukon Building Trades Council stated the following:

Today apprentices can be mere "trainees" with no contract obligation to an employer (job). Further, the ITA [Industry Training Authority that eliminated organized labour from the development and delivery of apprenticeship training] has broken programs into pieces so that more certifications and completions can be added to the statistics. ... ITA statistics show an increase of 4% completions [over the previous year] in the provincial certificates category, from 2,378 to 2,474. What the ITA omits is that even with the addition of the new "trainee" designation, this is a 40% drop from the year 2000, when 4,014 provincial certificates were issued.<sup>22</sup>

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<sup>19</sup> Sharpe, Andrew & Gibson, James. "The apprenticeship system in Canada: Trends and issues." Prepared by the Centre for the Study of Living Standards for the Micro-economic Policy Analysis Branch, Industry Canada, Ottawa. (September 2005) 31-36.

<sup>20</sup> Ibid.

<sup>21</sup> British Columbia and Yukon Territory Building and Construction Trades Council. "Submission on Training Tax Credit." October 2006. In this paper, it is noted that in 1998 and 1999, approximately 3,000 Red Seal certificates were issued annually, with a workforce of approximately 100,000 or 3/100. In 2004, less than 2,000 Red Seal certificates were issued, yet the workforce had increased to approximately 150,000: a ratio of 1.3/100.

<http://www.bcbuildingtrades.org/pdf/Submissions/06-10-03%20Training%20Tax.doc>

<sup>22</sup> British Columbia and Yukon Territory Building and Construction Trades Council Media Release. "Trades Training: The Numbers Don't Add Up." February 20, 2006.

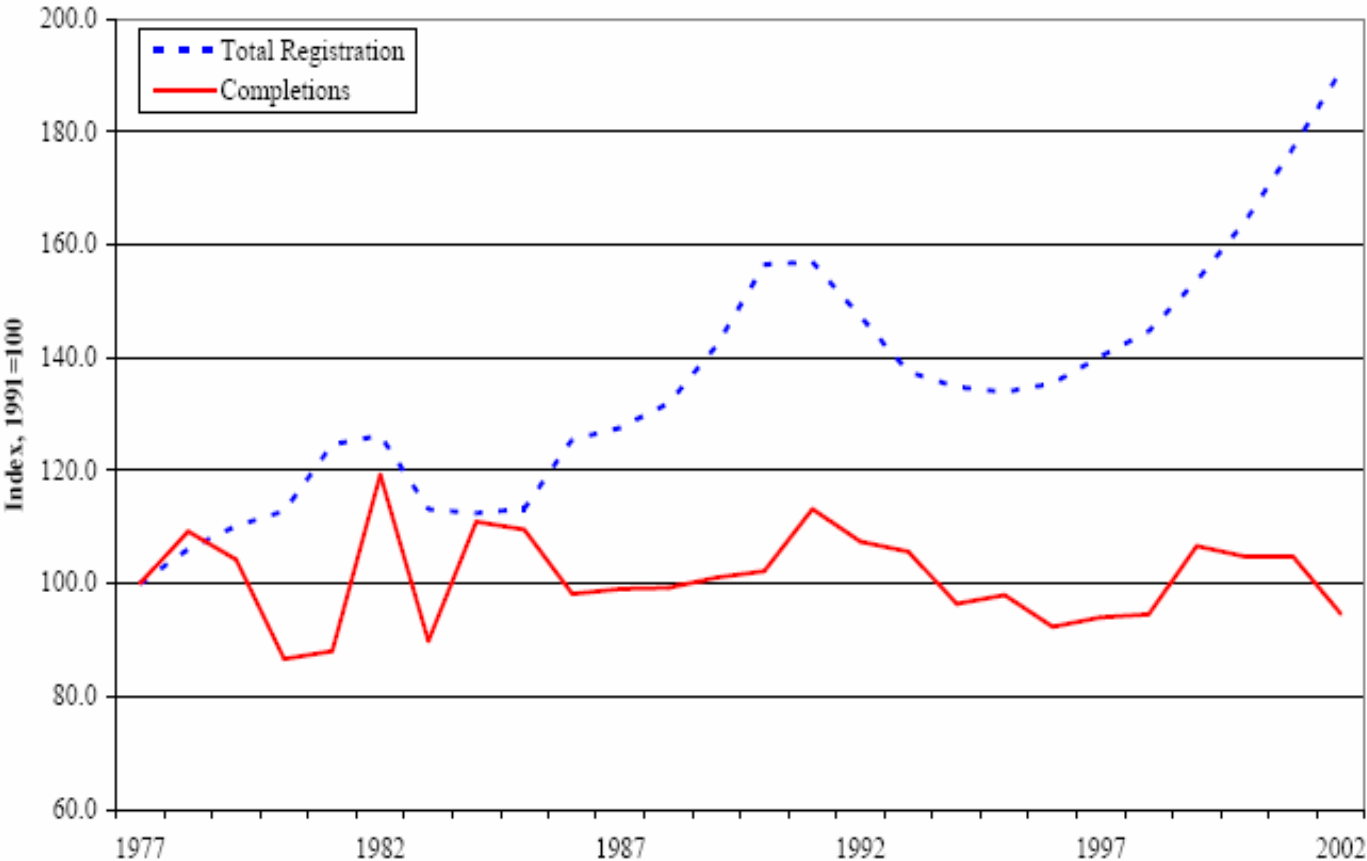
<http://www.bcbuildingtrades.org/pages/pressreleases.asp?Action=Print&ID=63>

The fact is, with all the current weakness in attitudes toward and awareness of the trades, demand for authentic apprenticeship training continues to out-strip the supply in Ontario and Canada. Crucially, apprenticeship training can only exist if employers create apprenticeship jobs, and currently, Ontario employers are simply not investing adequately in training. Worse still, Ontario's current crisis in manufacturing is having a negative effect on apprenticeship registration and this situation will continue if nothing is done by provincial and federal governments to address it.

### Improving Apprenticeship Completion Rates

The laudable goal of increasing the registration numbers of apprentices must not be considered in isolation. Indeed, the completion rates of authentic apprenticeship training are perhaps more important than simple increases in the numbers of people who embark on the program.

**Chart 1: Total Registration Index (1977=100), Canada, 1977-2002 <sup>23</sup>**



<sup>23</sup> Statistics Canada. Cited in Sharpe, Andrew & Gibson, James. "The apprenticeship system in Canada: Trends and issues." Prepared by the Centre for the Study of Living Standards for the Micro-economic Policy Analysis Branch, Industry Canada, Ottawa. (September 2005) 44.

A comparison of registration rates and completion rates is instructive (see chart above). Since 1977, registration rates and completion rates have tended to correlate directly—that is, the completion rate increased as the number of registrations increased. The chart also shows the gap between registrations and completions has been growing since the mid-1980s. But only in 1998 (the same year the Ontario government diluted apprenticeship training through the creation of the *Apprenticeship and Certification Act*) did the overall relationship invert: as registrations *increased*, completion rates have *decreased*. This phenomenon should be a cause for great concern.

As evidenced by the November 2007 Statistics Canada Report, low and declining completion rates persist, especially in the industrial sectors. In fact, in 2002, only four provinces could claim a completion rate of greater than 50 percent.<sup>24</sup> Clearly, policy makers must act to increase the number of apprentices who complete their apprenticeship.

The Ontario Federation of Labour strongly believes that increasing the number of compulsory certified trades, all things being equal, will increase the completion rates of apprenticeship programs.

In a 2004 paper titled: *Solving BC's Looming Skills Shortage*, the BC Federation of Labour notes that at the time of writing, Alberta had the second highest rate of compulsory certified trades in Canada and produced the highest proportion (relative to its population) of certified journey persons for Canada as a whole. The paper notes that Manitoba moved to increase the number of compulsory trades as a step toward improving apprenticeship completion rates.<sup>25</sup>

It should also be noted that unions play a key role in increasing apprenticeship completion rates. Studies have shown that unionized workers are 65 percent more likely than non-unionized workers to complete apprenticeship training.<sup>26</sup> Through collective bargaining, unions can secure improvements in working conditions and workplace health and safety. Unions can often offset temporary layoffs for apprentices. And because some unions are involved directly in apprenticeship training, they can work directly with apprentices to ensure that training is undertaken in compliance of all legal provisions.<sup>27</sup> Compulsory trades that are also unionized enjoy completion rates of over 90 percent.

In their report, Sharpe and Gibson suggest that apprenticeship completion rates correlate positively to the value of the certificate.<sup>28</sup> If a certificate of qualification is

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<sup>24</sup> Ibid. 52.

<sup>25</sup> British Columbia Federation of Labour Discussion Paper. "Solving BC's Looming Skills Shortage." (November 22, 2004) 10. <http://bcfed.ca/files/masterdocument-apprenticeship-2004.pdf>

<sup>26</sup> Raykov, Milosh & Livingstone, David W. *Canadian Apprenticeship and Effect of Union Membership Status: Trend Analysis 1991-2002*. Centre for the Study of Education and Work. OISE/UT.

<sup>27</sup> Ibid. 11-12.

<sup>28</sup> Sharpe, Andrew & Gibson, James. "The apprenticeship system in Canada: Trends and issues." Prepared by the Centre for the Study of Living Standards for the Micro-economic Policy Analysis Branch, Industry Canada, Ottawa. (September 2005) 52.

mandatory to work in the industry, then both employers and workers will value the certificate. On the other hand, if a certificate is not required, then there is no incentive to complete for either employers or workers. Moreover, the absence of a wage premium for apprenticeship completion is associated with non-completion.<sup>29</sup>

It is not surprising then, that in research cited by Sharpe and Gibson, of the 25 trades with the largest apprenticeship programmes, the twelve trades with the lowest completion rates are voluntary. By contrast, of the twelve trades with the highest completion rates, six are compulsory and one is a restricted skill set.<sup>30</sup>

Clearly, increasing the number of compulsory trades will improve the completion rates of apprenticeship training.

## Economic Impact

### **Whole, Authentic Trades: An Economic Necessity**

Some employers have argued that mandating authentic apprenticeship training in whole trades has created a less adaptable workforce. They argue that high training and qualification standards reduce employers' flexibility, and force employment of overqualified workers for existing jobs.

But in Ontario and elsewhere, the flexibility to lower wages, ignore health and safety standards, reduce journey person supervision, use temporary workers until they are no longer needed, and discard workers with certain skill sets in favour of other workers with different skill sets on an as-needed basis has created turmoil.

The Ontario Federation of Labour argues that far from reducing flexibility, apprenticeship-based training in authentic, whole compulsory certified trades will enhance the adaptability of the workforce. This is precisely because a properly trained workforce is best positioned to respond to a changing environment, as explained by the British Columbia Federation of Labour:

Workers without a core base in essential skills such as mathematics, technology and computer science as well as the combined experience of journeyperson training and on-the-job learning, will not be able to keep up to the rapid changes happening in the workplace. While employers will discard those "designer" workers like an old pair of jeans, the workforce, the community and the economy will inherit the remnants.

"Designer" workforces, poorly paid, are thrust into conditions with inadequate training, increasing the risk of workplace accidents and poor quality in the final product. The price is passed on to the community and the consumer with either

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<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

costly repairs or substantial increased risks of health, safety and environmental concerns such as fires, and pollution.<sup>31</sup>

Fire, environmental destruction, accidents, chemical hazards, injuries and even deaths are merely a few of the enormous hidden costs associated with de-skilling the workforce. Workers with only niche training are more susceptible to the fluctuations of a changing labour market and ultimately, to layoff—another hidden cost that is borne by all.

Employers may argue that they do not want to pay the earnings premium for “unnecessary” qualifications, but coordinated effort to reduce earnings among skilled workers will have a devastating effect on prosperity in the province and in Canada. As noted earlier, it is estimated that a loss of 100,000 skilled jobs reduces tax revenue by approximately \$82 million per year or between \$1.2 and \$1.3 billion over a 15 year period.<sup>32</sup> Just last year, economists with the TD Bank warned policy makers that Toronto’s economic viability was at risk as wages fall behind the rest of Canada.<sup>33</sup> Clearly, for government, adequately paid employees are a crucial source of tax revenue while at the same time such earnings stimulate other areas of the economy.

Ultimately employers and government must recognize that paying decent wages is a permanent part of doing business in Canada. As noted by Sharpe and Gibson paper cited elsewhere: “... the factor price of labour will exist as a constraint to expanding businesses ... just as with any other factor of production.”<sup>34</sup>

### **Myth of the Skills Shortage: Don’t let the Hype Fool You**

The government’s haste to reduce training standards stems from concern about the so-called skills shortage. But it is the position of the OFL that this notion has been over-hyped to the detriment of apprenticeship training policy in general.

In some areas of the country, such as Alberta, where the economy is expanding, employers are finding it difficult to retain workers when wages do not keep up with the rising costs of housing and fuel. But there is also growing concern that employers and government are conspiring to reduce wages, rather than follow the market dictates and pay higher wages during periods of economic growth.<sup>35</sup>

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<sup>31</sup> British Columbia Federation of Labour Discussion Paper. “Solving BC’s Looming Skills Shortage.” (November 22, 2004) 12. <http://bcfed.ca/files/masterdocument-apprenticeship-2004.pdf>

<sup>32</sup> Ontario Chamber of Commerce. September 2005. p 2.

<sup>33</sup> *Toronto Star* <http://www.thestar.com/printArticle/236613> July 17, 2007

<sup>34</sup> Sharpe, Andrew & Gibson, James. “The apprenticeship system in Canada: Trends and issues.” Prepared by the Centre for the Study of Living Standards for the Micro-economic Policy Analysis Branch, Industry Canada, Ottawa. (September 2005) 80.

<sup>35</sup> Albert Federation of Labour. *Beyond Chicken Little: Understanding the need for Measured Reforms to Alberta’s System for Skills Training*. (April 2006) 5-8. <http://www.afl.org/upload/chicken%20little.pdf>.

... a growing number of employers, especially in the restaurant and hospitality sector, are having a hard time finding people willing to work for the wages that they're used to paying. But [AFL President Gil McGowan] argued that "government shouldn't be in the business of helping employers keep wages down."<sup>36</sup>

In addition, the federal government under Stephen Harper has expedited employers' access to the Temporary Foreign Worker Program three times since being elected. Instead of investing in training or paying adequate wages, employers are increasingly exploiting the labour of temporary, foreign workers who can be discarded or sent away once their use value has expired.<sup>37</sup>

Governments, however, should be cautious in their response to employer perceptions. In their paper for Industry Canada, Sharpe and Gibson highlight the paradox expressed by employers when reporting on so-called "skills shortages":

Employers, ... prefer to hire fully-trained employees, as training in-house entails both significant costs and risks, evident in the literature on apprenticeships. If employers have the expectation that government funded education will produce fully trained employees, it is logical that they will report skills shortages when no firms invest in training.<sup>38</sup>

Furthermore:

...one difficulty with employer surveys is that "employees are never sufficiently qualified" according to their bosses. It is not surprising, then, that we obtain positive responses when we question the latter about shortages of skilled labour. Moreover, since employers take little or no account of the reactions of their competitors or of the impact of their decisions on the markets, they tend to overestimate their needs during periods of sales growth."<sup>39</sup>

A Canadian Federation of Independent Business survey noted that a high percentage of employers surveyed were concerned about skill shortages in 1989, 1993 and again in 2000, despite the fact that 1993 marked an unemployment rate nearly double the present, and all three years presented remarkably different labour market scenarios.<sup>40</sup>

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<sup>36</sup> Alberta Federation of Labour Media Release. "Union leader challenges Monte: Government shouldn't be in the business of helping keep wages down, says AFL." September 27, 2007.

<http://www.afl.org/news/default.cfm?newsId=462>

<sup>37</sup> Flecker, Karl. "Building The World's Most Flexible Workforce: The Harper government's 'double-doubling' of the Foreign Worker Program" *Briarpatch*. October 31, 2007.

[http://canadianlabour.ca/index.php/antiracism\\_publicati/Building\\_The\\_Worlds](http://canadianlabour.ca/index.php/antiracism_publicati/Building_The_Worlds)

<sup>38</sup> Sharpe, Andrew & Gibson, James. "The apprenticeship system in Canada: Trends and issues." Prepared by the Centre for the Study of Living Standards for the Micro-economic Policy Analysis Branch, Industry Canada, Ottawa. (September 2005) 80.

<sup>39</sup> *Ibid.* 81

<sup>40</sup> *Ibid.*

Gibson and Sharpe argue that only if wage rates for skilled labour were significantly above the effective wage demand could a skills shortage negatively impact productivity. But even in Alberta, where the economy is arguably stronger than Ontario's, average wage increases have *not* surpassed even the general rate of inflation.<sup>41</sup>

Governments have a responsibility to implement policies that will improve the skills, productivity and prosperity of the workforce and not succumb to impressionistic arguments from employers that high quality training, health and safety standards, and consumer protection negatively impacts the flexibility of the labour market.

## **The Underground Economy**

Some employers and government representatives have argued that regulations constrain labour market flow and suggest that increasing the number of compulsory trades, improving training standards and implementing other regulatory measures will drive more economic activity underground.

The reality, however, is that the underground economy exists to the extent it is allowed. In other words, the lack of sufficient enforcement mechanisms and penalties for non-compliance has created incentives for employers and workers to engage in under-the-table practices. By failing to invest in meaningful enforcement, those who follow high standards and comply with regulation are the ones penalized.

With appropriate enforcement significant underground activity would be curtailed. This in turn would benefit workers, consumers and employers, by maintaining a level playing field. Ultimately, more tax revenue would be collected by government as underground economic activity is brought into the real economy.<sup>42</sup>

## Elementary and Secondary Schools: the Foundation of the Skilled Trades

Much has been said and written elsewhere about the need for improved awareness of apprenticeship training and careers in the skilled trades, especially in schools. Yet there has been remarkably little comment on the fact that during the 1990s virtually all shop classes (where, until that time, students were introduced to the skilled trades) were eliminated from Ontario schools. The Mike Harris government slashed one billion dollars in funding from elementary and secondary schools, the consequences of which are with us today. The funding formula that was imposed provided no leeway to maintain the curriculum, space, equipment and teachers needed for trades' classes. As a result, not only were teachers and support staff lost but so too were other crucial programs.

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<sup>41</sup> Alberta Federation of Labour Media Release. "New Data Shows Workers Not Getting Ahead in the Boom: Wages Are Stagnant in Alberta." September 28, 2007. <http://www.afl.org/news/default.cfm?newsId=463>

<sup>42</sup> Ontario Ministry of Labour Backgrounder. "The Underground Economy in Construction." March 6, 2006. <http://www.labour.gov.on.ca/english/news/pdf/2006/06-31b.pdf>



Today, there is virtually no public awareness whatsoever of the impact the loss of trades in schools has had on the quality of children's education and workforce development. For example, a significant and often repeated barrier to apprenticeship training was cited in the July 2007 COMPAS literature review on Apprenticeship:

Concern on the part of employers that perspective [sic] apprentices do not have ... essential skills that are required ... The lack of basic education, math and language skills can be a particular barrier ... <sup>43</sup>

Furthermore, conceptions of streaming have further distorted students' access to trades training. Provincially imposed curriculum does not appropriately prepare students for the high levels of math, science, English and problem-solving skills required for a career in the trades. The Ontario Federation of Labour believes the government must act immediately to fully restore the shop classes that were lost from Ontario schools, and provide adequate funding for equipment and staff.

Programs like the Ontario Youth Apprenticeship Program (OYAP) aim to have students reduce their school time to go onto job sites in the hope of gaining credits for an apprenticeship. But without the intervention of unions like the Carpenters Local 27, too often kids in these programs receive neither adequate supervision nor genuine learning opportunities. While unions like the Carpenters Local 27 have been able to bargain effective changes to the way the OYAP program works by incorporating union sensitive curriculum and rules that benefit the apprentice, the best use of time and money are fully-funded and adequately-staffed shop classes in the schools, combined with high level math and sciences as part of a quality curriculum.

## Conclusion

Increasing the number of compulsory certified trades must be seen as part of a broader strategy to increase the number of good jobs available in Ontario, and to increase the skills and productivity of Ontario's workforce. In short, this discussion should be seen as one of many urgent steps that are required to ensure that Ontario is equipped for current and future labour market developments.

The OFL believes the healthy development of a skilled workforce has already been compromised by the failure of the policies implemented by the previous government. The starting point of any discussion on apprenticeship must be the urgent need to restore authentic apprenticeship training in the whole trades and return to one piece of legislation: the *Trades Qualification and Apprenticeship Act*.

The OFL believes that by restoring authentic apprenticeship training in whole trades, increasing the number of compulsory certified trades through the TQAA and improving enforcement mechanisms will have positive effects on the economy by:

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<sup>43</sup> COMPAS Inc., Public Opinion and Customer Research. "What are the Desirable Characteristics of a Well-Functioning Apprenticeship System? Literature Review of Apprenticeship in Canada." (July 30, 2007) 20.



- increasing the value of certification among employers, apprentices and the general public;
- maintaining high training standards and wages associated with trade certification;
- limiting the scope of the underground economy;
- increasing the tax revenue base by reducing activity in the underground economy and increasing legitimate economic activity;
- maintaining the wage premiums associated with proper certification;
- expanding apprenticeship opportunities;
- improving the quality of work undertaken; and
- enforcing high quality standards in the area of consumer and environmental protection.

Respectfully submitted,

**ONTARIO FEDERATION OF LABOUR**

IH/PF/ml/cope343