



Washington State Department of  
Labor & Industries

# **Registered Apprenticeship: Options for Incentivizing Apprentice Utilization and Policy Option Recommendations Addressing Apprenticeship Issues in Rural Communities**

*2023 Report to the Legislature*

**September 30, 2023**

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# Executive Summary

Engrossed Second Substitute Senate Bill 5600 (E2SSB 5600), passed in 2022, required the Department of Labor & Industries (L&I) to develop a list of options for incentivizing apprenticeship utilization in the private sector, especially in nontraditional industries and with smaller employers that have lower apprenticeship-utilization rates. The legislature also tasked L&I with assessing local apprenticeship program availability in rural communities and the logistical burdens that apprentices in those communities encounter when participating in registered apprenticeship programs, and with developing policy options for alleviating these issues.

This report details the steps the department took in response to this legislation and summarizes findings and recommendations.

As alluded to in the legislation and detailed in this report, challenges to increasing the number of apprenticeships include:

- The burden on rural apprentices
- The costs and logistics of setting up an apprenticeship training program, particularly for small employers, rural areas or non-traditional industries. These areas or groups often do not have the infrastructure, resources, or formal structure to offer apprenticeship programs.

Our recommendations, provided in more detail below, include:

- Monetary incentives for small and rural employers
- Apprentice utilization incentives on small public works projects
- On-the-job training (OJT) program grants
- Grants for establishing small employer group programs
- Related/supplemental instruction (RSI) delivered in a remote learning format to the extent possible
- Mobile and/or regional instructors that can deliver RSI closer to apprentices
- Financial support for apprentices traveling more than 60 minutes to RSI.
- Discounted apprenticeship fees, or a cap on fees, for rural employers/apprentices after apprentices have not completed but have reached the time that an apprentice would generally complete

## Overview

Registered apprenticeship programs enable people to learn trades and occupations through on-the-job training (OJT) and related/supplemental instruction (RSI). Journey-level craft persons or trade professionals generally supervise OJT. Open shop or union-sponsored schools or community and technical colleges offer the technical instruction referred to in Washington State as RSI. Registered apprenticeship programs must have the following elements:

- a minimum of 2,000 hours of OJT; and
- at least 144 hours of RSI per 2,000 hours of OJT per year.

Most registered apprenticeship programs take two to five years to complete, and apprentices earn wages while learning their trade or occupation.

In Washington, there are about 22,000 active apprentices each year, a number that has nearly doubled over the past decade. The Top 5 construction trade apprenticeships are construction electrician, carpenter, laborer, plumber, and ironworker. The Top 5 non-construction trade apprenticeships are medical assistant, firefighter, tree trimmer, machinist (aircraft-oriented), and cosmetologist.

The Washington State Apprenticeship and Training Council (WSATC) regulates apprenticeships for state and federal purposes and develops, administers, and enforces apprenticeship system standards. To be eligible for registration, apprenticeship program standards must conform to the rules established by WSATC.

The WSATC has various subcommittees, including Electrical, Childcare in the Trades, Community & Technical College, Tribal Liaison, Reciprocity, Apprenticeship Preparation, WAC/RCW, and Compliance Review and Retention.

In developing this report, L&I conducted two external stakeholder meetings via Zoom to meet its legislative objective of obtaining ideas and information as directed by E2SSB 5600. Meetings focused on expanding apprenticeship to small employers and addressing rural issues while incorporating apprentice safety and well-being.

Based on these discussions, monetary incentives are a key driver for small employer engagement. The costs associated with employing apprentices coupled with the additional administrative requirements in apprenticeship deter small employers from participating in registered apprenticeship. The incentives recommended in this report would help mitigate the costs involved with managing an apprenticeship, whether an employer joins an existing program as a training agent or is part of a group program

application. Additionally, employers in non-traditional occupations would benefit from these incentives and the additional pathway offered by an OJT program.

The recommendations to address rural apprenticeship issues revolve around RSI travel time and availability to participate in the training. This is the most common barrier the department observed and documented concerning apprentice participation challenges in rural areas of the state. Providing options for RSI to be locally available, when appropriate, would require less travel and less time off the job, which would increase the safety and well-being of apprentices.

## Incentivizing Small Employers and Rural Apprenticeships

L&I analyzed and discussed small employer utilization incentives and rural apprenticeship issues separately. There is overlap, however, as many small employers are also rural. For clarity and ease of understanding, a separate list was maintained for each of these items with the knowledge that there is overlap.

### The Apprenticeship System

Apprenticeship is a work-based learning model that enables apprentices to learn an occupation in a practical way through a structured, systematic program of on-the-job supervised learning. To be an apprenticeable occupation, the occupation must involve the attainment of manual, mechanical, or technical skills and knowledge that, in accordance with the industry standard for the occupation, would require the completion of at least 2,000 hours of on-the-job learning.

Most apprenticeship programs require a committee responsible for the program's day-to-day operations and operate the program consistent with WSATC requirements. Committees may be single employer (representing an individual employer) or group (representing more than one employer or employer association). Employers wishing to join an existing apprenticeship program will join a group program as a training agent. They cannot join a single employer program. An exception to the committee requirement is a plant program, which is a program sponsored by the owner of a plant or plants at a particular location or locations. An apprentice in a plant program may work only on property owned by the employer.

The costs to join an existing apprenticeship program or establish a new one vary widely based on a number of factors. Existing programs may have monthly and yearly fees per apprentice and employer. The costs to start a new program depend on a number of factors including, but not limited to, the occupation(s), administrative and equipment needs, and the RSI development method.

## Incentivizing Apprentice Utilization for Small Employers in the Private Sector

### Options for Small Employers and Rural Employers

The costs and additional administrative requirements for employers to participate in an apprenticeship program are often a barrier to small employers. Fees and other costs differ among apprenticeship programs and even differ with each employer based on additional administrative staff needed, number of apprentices, etc. The following four sections demonstrate potential options to explore including:

- Monetary incentives for small and rural employers.
- Apprentice utilization incentives on small public works projects.
- On-the-job training (OJT) program grants.
- Grants for establishing small employer group programs.

### Monetary Incentives for Small and Rural Employers

Apprentices learn and practice safety throughout their apprenticeship. Safety training is a required component of RSI. A 2021 [study](#) by L&I's Safety & Health Assessment and Research for Prevention (SHARP) program showed journey-level plumbers who had graduated from an apprenticeship program had a 31% lower workers' compensation claim rate than those who did not complete an apprenticeship.

One option to create a monetary incentive for small or rural employers to participate in apprenticeship would be to consider reduced industrial insurance premiums. Discounted industrial insurance premiums are currently used as a tool to incentivize safety-related actions and to assist workers in returning to work. The Department would need to determine if a discounted premium program could be designed in a way that minimizes system subsidization and is consistent with insurance principals.

A second option to create a monetary incentive for small or rural employers to participate in apprenticeship would be to offer partial wage reimbursement for apprentice wages. This option could also help offset apprenticeship costs. Under this option, reimbursement would be made to the employer after an apprentice has completed the program to promote apprentice utilization and ensure the money is used

with maximum effectiveness. As currently envisioned, this would be a one-time payment to an employer. A simple model of wage reimbursement could be used to establish this program:

- 1 year / 2,000-hour program → \$2,500 reimbursement
- 2 year / 4,000-hour program → \$5,000 reimbursement
- 3 year / 6,000-hour program → \$7,500 reimbursement
- 4 year / 8,000-hour program → \$10,000 reimbursement

A funding source for these reimbursements would be needed.

Another option to create a monetary incentive for small or rural employers to participate in apprenticeship is a Business and Occupation (B&O) tax credit, deduction, or exemption to help offset the expense of participating in or operating a registered apprenticeship program. There are some drawbacks to this options, as B&O tax rate savings scale to meaningful quantities for employers, as the gross income of an individual business increases. Individual small businesses generate relatively low gross income levels, which may not lead to meaningful savings through a B&O tax credit incentive program. The below chart illustrates the interplay among the B&O tax incentive, the size of the business, and the fiscal impact of the incentive on an individual business.

<b>Business Size</b>	<b>Gross Annual Income</b>	<b>B&amp;O Tax Savings</b> <small>(Effective rate of .20% compared to retail rate of .471%)</small>
<b>Small</b>	\$300,000	\$813
<b>Medium</b>	\$5,000,000	\$13,550
<b>Large</b>	\$100,000,000	\$271,000

### Apprentice Utilization Incentives on Small Public Works Projects

A further incentive to encourage the use of apprentices by small and rural employers would be to provide a bonus for using apprentices on small public works projects.

There were 1,283 public works projects that had a Notice of Completion (NOC) filed in Q1 of 2023. Of these, 1,106 were less than \$1 million and not covered under apprentice utilization requirements in RCW 39.04.320. These smaller projects likely have more small employers performing work. Incentivizing apprentice utilization on these projects

would provide another reason for small employers to hire apprentices. In this instance, L&I is recommending only monetary bonuses, not penalties, if a small employer does not meet apprentice utilization requirements. The bonus could be a flat rate or structured based on the number of hours worked with a minimum number of hours needed to qualify.

While this option concerns public works incentives, there would be a direct impact to private sector apprentice use. These employers would also utilize apprentices in their private sector work as they are required to provide reasonably consistent employment.

This option would require the legislation to enact.

### On-the-Job Training (OJT) Program Grants

Creating grant funding for small or rural employers to establish On-the-Job (OJT) programs may also encourage apprenticeship system use.

OJT programs are covered in apprenticeship rule and considered part of the apprenticeship system. These programs are structured in a similar manner as registered apprenticeship programs with program standards and RSI requirements. However, they are not registered apprenticeship programs, as they are shorter in duration and do not meet the minimum requirement of at least 2,000 hours of on-the-job training.

There are several advantages to OJT programs that may not be present in other forms of training and employment outside the apprenticeship system. OJT programs offer a structured system of learning an occupation while being paid. Program completers receive a certificate similar to apprenticeship completers that is a recognizable credential with employers throughout the country. Further, eligible participants can use GI Bill benefits such as tuition support while in the program. These programs can provide a career ladder/career mobility into higher-paying jobs in the applicable field.

Supplying grant funds to assist employers to create OJT programs may bring several occupations around the state into the apprenticeship system. This could also be an avenue for nontraditional occupations that do not meet the minimum 2,000-hour requirement for a registered apprenticeship program to participate in the apprenticeship system. The economic and industry sector-based platforms will play a key role in identifying these potential occupations.

### Grants for Establishing Small Employer Group Programs

An additional incentive to encourage the use of apprentices by small and rural employers would be to provide a grant to establish a multi-employer program that small or rural employer could join rather than incurring the expense of creating their own.



Small employers will generally find more success in apprenticeship when joining an existing program as a training agent or forming an apprenticeship program with multiple employers of the same occupation. WSATC classifies multi-employer programs as group programs. These take more coordination and work while forming the program but pay dividends in terms of shared apprenticeship costs, administrative duties, and RSI responsibilities. Group programs can also benefit apprentices by allowing them to work for a different employer in the group if their primary employer is in a slow-workload period or if their primary employer decides to exit the apprenticeship system for any reason. Group programs also allow for the addition of new employers or training agents.

Group programs tend to have more sustainability for small employers because risk is spread among several employers. Grants aimed at group program startup costs, including personnel, materials, and RSI development would guide potential new program sponsors in this direction.

## Definitions of Small Business

There are several different definitions of “small business” used in various settings. While no specific definition was relied on for purposes of this report, examples such as these may be helpful if action is taken to put these recommendations in place:

RCW 19.85.020 defines a small business as any business entity, including a sole proprietorship, corporation, partnership, or other legal entity, that is owned and operated independently from all other businesses, and that has 50 or fewer employees.

RCW 39.26.010 expands on the definition to mean an in-state business, including a sole proprietorship, corporation, partnership, or other legal entity, that:

- (a) Certifies, under penalty of perjury, that it is owned and operated independently from all other businesses and has either:
  - (i) Fifty or fewer employees; or*
  - (ii) A gross revenue of less than seven million dollars annually as reported on its federal income tax return or its return filed with the department of revenue over the previous three consecutive years; or**
- (b) Is certified with the office of women and minority business enterprises under chapter [39.19](#) RCW.*

# Recommendations for Rural Apprenticeship Issues

The below recommendations address the common burdens of apprentices and employers in rural areas. The options outlined for incentivizing apprenticeship for small employers would also apply to rural employers.

The following four sections demonstrate potential options to explore, including

- Related/Supplemental Instruction (RSI) delivered in a remote learning format to the extent possible.
- Mobile and/or regional instructors that can deliver RSI closer to apprentices.
- Financial support for apprentices traveling to RSI more than 60 minutes.
- Discounted apprenticeship fees, or a cap on fees, for rural employers/apprentices after apprentices have not completed, but have reached the time that an apprentice would generally complete.

## Related/supplemental instruction (RSI) delivered in a remote learning format to the extent possible

Most apprenticeship programs have portions of Related/Supplemental Instruction (RSI) that must be delivered in person due to the nature of the training and equipment needed. Apprentices and instructors use “hands-on training” to properly learn, be safe, and actively engage with immediate practice in the new skill. Safety should never take a back seat to convenience. However, there are RSI portions that may be suitable for remote instruction and delivery. These portions of RSI could be delivered through an online course, live remote instruction, or self-study. Each apprenticeship program would need to evaluate the RSI to develop remote options for rural apprentices when applicable. Additional barriers previously identified for apprentices may include lack of hardware, software, or reliable bandwidth. Additional grants for remote RSI learning, equipment, supplies, and wraparound services may be needed to implement this option.

## Mobile and/or regional instructors that can deliver RSI closer to apprentices

Similar to the remote-learning option, there will be some portions of the RSI in which apprentices will need to travel to the primary training facility. Mobile or regional instructors could be used as an adjunct to, or in place of, remote delivery options. Where feasible, apprenticeship programs could develop mobile RSI labs with equipment needed to deliver in-person instruction to apprentices in rural areas. Additional grant funds may be needed to purchase the equipment needed to start up mobile RSI labs.

## Financial support for apprentices traveling to RSI more than 60 minutes. This can be structured based on the actual distance or time an apprentice must travel

Apprentices who live in rural areas must often travel great distances or use alternate modes of transportation (e.g., ferries) to get to their respective RSI. Assistance for apprentices with longer travel times could be in the form of:

- Per diem
- Lodging, if RSI is multiple days
- Transportation allowance (fuel, parking, etc.)

Each apprenticeship program's method of instruction for delivering RSI is unique and could be customized based on the general guideline principles.

## Discounted apprenticeship fees, or a cap on fees, for rural employers after apprentices have completed the apprenticeship

While fee structures vary by apprenticeship program, there are generally monthly and/or annual fees that employers pay as a member of an apprenticeship program. These fees may include employer fees as well as fees per apprentice.

Depending on the occupation and available work for an apprentice, the timeline for completion may be extended for rural apprentices. For example, an apprentice in King County will generally complete a 6,000-hour apprenticeship in approximately three years. However, it may take an apprentice in a rural area roughly four years to complete due to a lesser work demand in their area. The employers must still pay apprenticeship fees during this extra year while the apprentice is enrolled in the program. Discounted fees, or a cap on fees, for the additional time an apprentice stays in the program would help eliminate some of the extra cost for rural employers if their apprentice(s) takes longer to complete due to economic factors outside of their control.

## Definition of Rural

For this report, the definition of rural from the [Office of Financial Management](#) was [generally relied on](#), which notes that the definition used in several statutes in Washington State is as follows:

*“Counties with a population density less than 100 persons per square mile or counties smaller than 225 square miles. This definition represents 30 counties in Washington and nearly all of the peninsula and eastern Washington.”*

## Conclusion

Apprenticeship program operations in Washington have wide variables, and rural areas often face additional challenges. Based on the issues and challenges L&I has heard for small employers, rural apprentices, and non-traditional occupations, these recommendations could help lower barriers and provide incentives needed to bring them into the apprenticeship environment.